CASE 6792: FLORIDA EXPLORATION COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
EDDY COUNTY, NEW MEXICO

CASE NO.

6792

APPLICATION,

TRANSCRIPTS,

SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 January 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico.

CASE 6792

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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I N D E X

E X H I B I T S

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MR. NUTTER: We'll call next Case Number 6792.

MR. PADILLA: Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico.

MR. HUNKER: George Hunker, Hunker, Fedric, P. A., Roswell, New Mexico.

I have two witnesses and I'd like for them both to be sworn at this time.

Representing Florida Exploration Company.

MR. NUTTER: I'll call for other appearances in this case.

MR. KELLAHIN: I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of John B. Castle, and I have one witness.

MR. NUTTER: Will all the witnesses stand and be sworn, please.

(Witnesses sworn.)

MR. NUTTER: Please proceed, Mr. Hunker.

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JAMES W. ROGERS

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Rogers, for the record, will you identify yourself by giving your name, address, and present occupation?

A. My name is James W. Rogers. My business address is Florida Exploration Company, Suite 900, Vaughn Building, Midland, Texas, 79701.

I am the Division Land Manager for Florida Exploration Company, responsible for, among other areas, southeastern New Mexico.

Q. In administering the responsibilities that you have in this company, explain briefly to the Examiner what you do with regard to land matters and the drilling of test wells.

A. Basically, my area of responsibility is the acquiring, maintaining, exploring, and exploiting of properties in search of oil and gas hydrocarbons.

Q. In that process do you prepare AFE's in connection with the -- or supervise the preparation of AFE's in the drilling of test wells?

A. Yes, sir, that is correct. That is one of my responsibilities.

Q. Are you familiar with the application that has been filed by Florida in connection with this matter?

A. Yes, sir, I am.

Q. What does the applicant seek in connection with this case?

A. The applicant seeks a 324.25-acre proration unit for the drilling of a 12,250 feet Wolfcamp test well with the option to drill the well at our option, the applicant's option, to the Morrow formation at an estimated depth of 14,500 feet.

The lands involved are on the New Mexico-Texas state line and are partial sections.

Q. Will you describe for the Examiner the lands that you propose to include in the non-standard gas well spacing unit?

A. Yes, sir. All of these lands are located in Township 26 South, Range 30 East, and comprise the following parts of the sections: Section 33, Lots 1, which contains 24.80 acres; Lot 2, 24.78 acres; and the north half of the northeast quarter of said Section 33.

In Section 4 the lands we would propose to include therein are Lot 2, which contains 24.98 acres;

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Lot 3, 24.87 acres; Lot 4, 24.82 acres; and the northwest northeast quarter and north half northwest quarter, in all containing 324.25 acres, more or less.

Q. Did you prepare or have prepared an exhibit depicting this particular spacing unit?

A. Yes, sir, we have.

Q. Is it Exhibit Number One, which you have before you?

A. Yes, sir, that is correct.

Q. And explain to the Examiner, if you will, what that depiction shows.

A. Yes, sir. This is basically a land plat. The yellow coloring denotes acreage upon which Florida Exploration owns or has the right to earn the full working interest.

The red depicts lands on which Florida Exploration owns a partial working interest.

Also, the plat depicts the outline of the Ross Draw Federal Unit, which is outlined in red thereon. It also shows the location of producing wells that have been color coded to denote production from three zones, namely, the Delaware Sand in purple; the Bone Springs formation in brown; and the Wolfcamp formation in the orange color.

Also depicted in green are two 320-acre spacing patterns that have been formed for the drilling of

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the No. 7 Well in the northwest quarter southeast quarter of Section 26 on a 320-acre designation and the No. 8 Well, located in the northeast quarter Section 27 on a 320-acre designation comprising the north half.

MR NUTTER: Has that well been drilled yet?

A. It is presently completing, sir.

MR NUTTER: And what formation is it in, the Wolfcamp?

A. It will be completed in the Wolfcamp formation, yes, sir.

MR NUTTER: And how about this one over here in Section 26? I presume it has been completed.

A. Yes, sir, it was drilled to the Morrow, plugged back to the Wolfcamp formation, and completed as a Wolfcamp producer shut in waiting on a pipeline.

Q. The well in Section 26 is referred to as the Ross Draw No. 7, is that correct?

A. Yes, sir, that's correct.

Q. And the well in the north half of Section 27, how do you refer to it?

A. It is the No. 8 Ross Draw Federal.

The plat also depicts the requested proration unit -- non-standard proration unit that we would propose for the drilling of a test well at a location 760

from the north line and 1980 from the west line Section 34, Township 26 South, Range 30 East.

Q. Why didn't you select a 660-foot location, Mr. Rogers?

A. Sir, we did not select a 660-foot location because there is a present shallow producing well producing out of the shallow Delaware at the 660 location, and we would propose to go 100 foot south of that well to drill our Wolfcamp test well with the option to drill it on to the Morrow.

MR. NUTTER: Is that shallow well the No. 2?

A. Yes, sir, that is correct.

MR. NUTTER: And what will your proposed well be called?

A. Our proposed well would be called the No. 9 Ross Draw Federal.

MR. NUTTER: Thank you.

Q. Mr. Rogers, why did you select this particular non-standard gas well unit?

A. As previously stated, sir, we are dealing with a Federal unit, the Ross Draw Federal Unit, and as depicted on the plat, you can see that along the south line of the Ross Draw Federal Unit we have what we believe to be two locations comprising 324 plus or minus acres that

will equally divide the south part of the unit into two proration patterns.

As background, Florida Exploration Company is earning its interest in the lands depicted on the plat under a farmout agreement with J. C. Williamson and others. The agreement provides for, among other things, earning the acreage dedicated to a proration unit on a produce to earn basis and is limited to the depth that we drill the well plus 200 feet. For that reason we believe that we are justified in asking for two non-standard proration units to utilize the land that is available to us to earn by farmout and the drilling of the wells and will be in the interest of conservation and will grant us the opportunity to use the land available to us without drilling excessive wells to earn that land.

Q. I notice that the tract in Section 34 upon which your proposed location is made that that is a Kerr McGee tract. Have you made arrangements with Kerr McGee to drill this particular acreage?

A. Yes, sir, that is correct. We have an arrangement with Kerr McGee out of Oklahoma City to drill the test well thereon and earn that interest.

Q. Under your trade with Williamson, et al, and with Kerr McGee, what are the time limitations that you had imposed upon you?

A. The next well must be commenced on the Kerr McGee tract by March 26th., 1980.

Q. Is the location that you have made a standard location?

A. Yes, sir, I believe it is a standard location, being 760 from the north and 1980 from the west line of Section 34, Township 26 South, Range 30 East.

Q. And to review, what you're seeking then is a non-standard gas well spacing unit, is that correct, or proration unit?

A. Yes, sir, that's correct.

Q. Mr. Rogers, turning to your other responsibilities, I would like to refer you to two other exhibits that you have prepared and ask you if you prepared an AFE and a supplemental AFE for the drilling of the No. 7 Ross Draw Unit Well?

A. Yes, sir, we did prepare an AFE and a supplemental AFE for the drilling of the No. 7 Ross Draw Unit Well.

Q. Are -- is that referred to as Exhibit Number Two?

A. Yes, sir.

Q. In connection with the AFE on the No. 7 Well, your Exhibit Number Two, what does this show your estimated cost for the drilling of that test well to have been?

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A. Our first AFE was for the drilling of a 14,500 foot Morrow test well located 1980 from the south and east line of Section 26, Township 26 South, Range 30 East. It called for an expenditure of $1,131,650 to drill such a well and complete it as a producer.

Q. And what happened?

A. We overspent that amount and we supplemented that AFE in the amount of $806,000 additional to accomplish what we wanted to accomplish.

Q. What was the total AFE for that well?

A. The total AFE was $1,937,650.

Q. And what was the total cost of the well?

A. To date we have spent $1,996,793.

Q. And that well was plugged back and completed in the Wolfcamp formation, is that correct?

A. Yes, sir, that is correct.

Q. In connection with your No. 8 Well, did you prepare an AFE on that well and a supplemental AFE?

A. Yes, sir, we did prepare such an AFE and supplement and that is Exhibit Three.

Q. What was your estimated expenditure for the No. 8 Well originally?

A. The No. 8 Well was originally scheduled to a depth of 9200 feet to test a Lower Delaware-Bone Springs series, and after reaching the total depth of 9200 feet and

running electric logs it was our decision at that point in time to go ahead and elect to drill that well deeper to the Wolfcamp formation at an estimated depth of 12,300 feet.

So with that in mind, our original AFE for the 9200-foot test well was $653,500 for a completed well in the Lower Delaware-Bone Springs series. That AFE was supplemented in the amount of $355,700 to drill the well on to a depth of 12,300 feet to test the Wolfcamp formation.

And those two added together amount to $1,019,200.

Q. And what was the cost, actual cost, to date for that well?

A. To date, sir, we have spent $1,133,387 and the equiping costs of the well are not included in that amount, and those equiping costs for a gas well are estimated to be $45,000.

Q. For the record, what is the present status of that particular well?

A. The No. 8 Ross Draw Federal is presently completing as an indicated Wolfcamp gas producer and is presently testing for the purpose of a four-point test for calculated absolute open flow.

Q. What does that test reveal at this time?

A. I believe at the last report I had on it the well was making on an 11/64ths choke on a one hour

flow test it flowed 6,612,000, plus 9.65 barrels of condensate, and the flow tubing pressure of 7112 pounds.

Q. At the present time, Mr. Rogers, Florida Exploration Company is seeking the approval only of the westernmost unit shown on your Exhibit One, is that correct?

A. Yes, sir, that is correct, sir.

Q. Do you have anything else to add to your testimony at this time?

A. The only other thing is, I would like to add, we are only seeking the west unit now, but I think it's quite obvious that if the well is successful, this will give us another proration unit if allowed to stand as we have requested, comprising the eastern part of our Ross Draw Federal Unit, and would utilize all the land that is available to Florida Exploration for the spacing of the wells.

MR. HUNKER: At this time, Mr. Examiner, we'd like to offer in evidence Exhibits Numbers One, Two, and Three, and we'd like to pass the witness at this time.

MR. NUTTER: Florida Exhibits One through Three will be admitted in evidence.

Are there questions of the witness?

MR. KELLAHIN: Yes Mr. Nutter.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Rogers, as I understand your testimony, the proposed non-standard proration unit that you've outlined that crosses the section line and includes portions of Section 33 and 34 would consist of 324.25 acres?

A. Yes, sir, that is correct.

Q. And what would be the acreage then within the unit to be dedicated to the next well? I mean that acreage in Section 35 and the balance of that acreage in 34?

A. All right, sir. We would propose the next unit to be all of the partial Section 35 and the northeast northeast quarter and Lot 1 of Section 34.

Q. And how many acres would that constitute?

A. That amounts to about 324.58 acres.

Q. I don't have the lot numbers on my plat here, Mr. Rogers. Am I correct in assuming that the second proration unit would include all the acreage in what is outlined in Section 35?

A. Yes, sir, that --

Q. And then that lot over there that has a designation of ARCO?

A. Yes, sir, that is correct. ARCO is committed to the Ross Draw Federal Unit.

Q. The spacing on the Wolfcamp wells is

160 acres, is it not, Mr. Rogers?

A. To my knowledge the spacing on the Wolfcamp wells are not 160 acres, and we would not propose to want them on 160 acres, for economic reasons.

Q. The No. 7 Well in the south half of 26 is a Wolfcamp producer.

A. Yes, sir, that is correct.

Q. And the south half of that section is designated to that well?

A. Yes, sir, that is correct.

Q. What pool are you in, Mr. Rogers? Is the Wolfcamp designated by pool or are you under statewide spacing for the Wolfcamp in this area?

A. To my knowledge we are not under any pool rules, field rules.

Q. So it's your understanding, Mr. Rogers, that if the proposed well in this non-standard proration unit results in only a Wolfcamp producer it will be your intent to dedicate the entire non-standard proration unit to that particular well?

A. Yes, sir, that is correct.

Q. How many acres would be included in a proration unit that consisted just of the Section 34?

A. Well, I don't have those numbers added up, but we could add it them up here. It would consist of

four lots.

Q. It would approximately be 260 acres, I take it, is that right?

A. I think that's -- that's about right. There are about 260 acres, yes, sir.

Q. And if Section 35 is designated as a non-standard proration unit, that also would consist of about 260 acres, wouldn't it?

A. That's approximately the number that would be, I believe.

Q. And if we look over to the section 33, half of which is within your Ross Draw Unit and the other half is outside, if that entire section is designated a non-standard proration unit, that unit would also consist of about [illegible] acres, would it not?

A. That's correct.

Q. Okay. Now neither the Wolfcamp nor the Morrow formations in this particular area are prorated in any way, are they?

A. To my knowledge they are not prorated.

Q. So that a non-standard proration unit with less than 320 acres would not be penalized, would it?

A. That I do not know and would not want to say whether it would or not because of my not having knowledge of that.

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Q. You've indicated that you are going to drill the proposed well to a depth sufficient to test the Morrow formation.

A. We are going to drill the well to a depth sufficient to test the Wolfcamp formation at an estimated depth of 12,250 feet, with the option to drill that well on to the Morrow formation at an estimated depth of 14,500 feet, but that would be at our option and based upon geologic and other considerations reached at the Wolfcamp level in the well.

Q. Tell me again, Mr. Rogers, what considerations you concern yourself with in determining whether to go on to the Wolfcamp formation -- I'm sorry, the Morrow formation.

A. Of course geology has an important part in it. The economics of the deal play an important part, and there's also an engineering aspect, as you drill these wells, and what you may encounter in Wolfcamp that would prohibit you from electing to drill the well on to the Morrow formation.

Q. You've talked about some of the economic considerations in your testimony, Mr. Rogers.

A. Yes, sir.

Q. Your economic information, as I understand it, from Wells 8 and 7, were not very favorable for

drilling to the Morrow formation, were they?

A. The economic considerations?

Q. Yes, sir.

A. I do not understand your question.

MR. HUNKER: Mr. Examiner, this requires him to speculate on whether or not it's favorable or not. I don't know whether he's qualified to testify as to whether it's favorable or not.

He might ask a question, is it economic, or --

MR KELLAHIN: I think the question is proper. Mr. Rogers has testified at some length as to what the considerations he believes are necessary for determining whether the subject well is drilled to the lower depth. One of those factors was an economic consideration and I want to test the extent of that knowledge and perhaps I can ask the question in a different way.

Q. We've seen your economics on the Well No. 8.

A. Uh-huh.

Q. And that was dry in the Morrow. We've seen your economics in the Well No. 7, and you've drilled that to the Morrow and it was also nonproductive in the Morrow, that's not true, is it?

A. That is true, yes. The No. 7 was non-

productive in the Morrow formation, that is correct.

The No. 8 Well was only drilled to the Wolfcamp formation.

Q. Okay. Tell me again how -- what factors you're going to use to determine whether you're going to complete this well at the Wolfcamp level or continue on to the Morrow depth in this well.

A. Well, I'll just state again what I've already stated to you. It's going to be based upon geologic considerations. It's going to be based upon an engineering consideration as to what we may have in the way of high pressure in the Wolfcamp, and there will be some economic consideration as to whether we should elect to continue the well -- continue the drilling of the well on to the Morrow formation.

Q. If the entire Section 34 is dedicated as a non-standard proration unit, which is not what you're seeking, but that's what I'm proposing to you, if that is what is proposed, Mr. Rogers, you don't have any difficulty with ARCO joining that unit, would you?

A. I have not contacted ARCO with regard to such a matter and therefore I could not speak to the issue. If that were the case, we would attempt to work out an arrangement with ARCO whereby we could do that.

Q. What's the unitized formation for the

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Ross Draw Federal Unit?

A. To my knowledge the Ross Draw Federal Unit is unitized as to all formations.

Q. And ARCO's acreage within the unit is dedicated to the unit.

A. Yes, sir, that is correct.

Q. And who's the operator of the unit?

A. The operator of the unit of record is J. C. Williamson. The operator under a designation of operator for the No. 7 and the No. 8 Wells is Florida Exploration Company.

Q. And you have that same sort of arrangement for the next well, the subject well?

A. We do not have it in hand at this time but we will obtain the proper governmental authority, a designation of operator, for that well.

Q. All right. The east half of Section 33 is a Federal lease, is it not?

A. Yes, sir, that is correct.

Q. And that is the same Federal lease that encompasses Section 22 up here above Section 27?

A. Yes, sir, I believe that's correct.

Q. Is there production on that Federal lease that holds that lease at this point?

A. To my knowledge, sir, there is no actual

production. The lease is being held by the Federal Unit, which is past its primary term and being held by continuous development as provided in the unit agreement, which further provides for the drilling of additional wells with a cessation of no more than ninety days between wells, to hold the present Federal Unit in force and effect.

Q. The acreage in Section 34 to be dedicated to the proposed non-standard proration unit is a different Federal lease, isn't it?

A. It is a different Federal lease from the lease that you previously described, yes.

Q. Okay, how is that lease being held?

A. That lease is also being held by the Federal Unit and by actual production if the No. 2 Well is producing, and to my knowledge, of which I have no knowledge, of the No. 2 production because we're not involved with it.

Q. The Delaware Well in -- this No. 2 Well in Section 34 --

A. Yes.

Q. -- to the best of your knowledge that currently holds that Federal lease?

A. The lease is either being held by the unit or it is being held by production from the No. 2 Well, of which I have no knowledge.

Q. If the No. 2 Well, the Delaware Well,

is not holding the lease by production, and we fall back upon the unit provisions, and we are in the same problem with that Federal lease as you have with the Federal lease in the east half of Section 33.

A. I do not follow your line of questioning as to the problem, sir.

Q. The fact that you have to continuously drill in order not to lose the Federal lease.

A. Right. As you are aware, Federal units do have a provision that upon break-up of the unit, you have two additional years to -- to develop.

Q. Isn't the principal reason, Mr. Rogers, for creating this non-standard proration unit the desire to hold two Federal leases with the drilling of one well?

A. No, sir, I do not believe that that is the purpose. I believe that the two Federal leases, by virtue of the fact of them being in the Ross Draw Federal Unit, can be drilled and operated as one basic unit of property, and that holding of the two leases is immaterial.

Q. Do I understand you to say that you don't need the proposed well in order to hold any leases within the unit?

A. If you understand that, sir, you understand something that I don't mean to infer. We are drilling and earning our way, as I previously stated, in this deal.

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Q. Let me ask you again, Mr. Rogers, do you needthis proposed well to hold either of these Federal leases?

A. Yes, we need it to hold the unit together.

Q. Okay. Would a unit well at any other location hold these Federal leases?

A. Within the confines of the unit outline, yes, sir, it would.

Q. You would drill the proposed well at its proposed location regardless of the configuration of a non-standard proration unit, would you not?

A. The proposed well is in what we consider to be a good location from a geologic standpoint. Your question appears to me to be rather broad as to what proration unit you may be alluding to.

Q. All right, let me be specific, Mr. Rogers. If the south half -- if Section 34 is the non-standard proration unit, the location for the proposed well would remain the same, would it not?

A. Yes, I believe the location would hold up from a geologic standpoint.

Q. And that would still be a standard location.

A. Yes, sir, it would be a standard location.

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Q. Now is that a standard location under the proposed non-standard proration unit as you've outlined on your Exhibit Number One?

A. I think the location of the well would be, yes, sir.

Q. What's the distance from the proposed well to the east boundary of the proration unit? Do you know what that distance is?

A. No, sir, I have not calculated it. Just from eyeball, it would appear to be approximately the same distance as it is from the west line of the section.

Q. If your proposed non-standard proration unit is approved, Mr. Rogers, and if a Morrow well is to be drilled in the west half of Section 33, how would you form a proration unit for a well drilled in the west half of Section 33?

A. Sir, I cannot answer that question because I only have a right to earn a 40-acre interest in Section 33, being the northwest quarter of the northwest quarter, and I believe the record owner of the balance of the west half of Section 33 is Mr. John Castle, and I have no arrangement with Mr. Castle and therefore I could not speak to that issue.

Q. Well, as an experienced landman, Mr. Rogers, approval of your proposed non-standard proration

unit will lead to further non-standard proration units that will have, as of necessity, to cross section lines.

Sir?

A. Do you want me to answer that?

Q. Yes, sir, it was a question.

A. I interpreted that as a statement, sir. Did you ask it in the form of a question?

Q. Yes, sir.

If this proposed non-standard proration unit is approved, how many other non-standard proration units are going to be thereby created, each of which crosses section lines?

A. Sir, I would believe my experience would tell me that this would be largely based upon geologic and engineering considerations and not land considerations.

Q. Well, it's at least going to lead to the creation of another non-standard proration unit that crosses section lines in Section 35 and 34. You've already told me you're going to do that one.

A. Yes, sir, that is correct.

Q. All right.

A. That would be our plans, yes, sir.

Q. And how would you propose as an experienced landman, to create a 320-acre Morrow proration unit for the balance of the acreage in Section 33?

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MR. NUTTER: I think, Mr. Kellahin, he's already answered that. He said he only had 40 acres in that area and it would depend on how much Castle would.

Q. If Mr. Castle would dedicate Section 32 to a non-standard proration unit for a Morrow test, there would not be acreage for which the west half -- I'm sorry, the east half of Section 33 could be dedicated for a Morrow test, is that not true?

A. I'm not with you. Would you say that again, please?

Q. Yes, sir. If Mr. Castle creates a non-standard proration unit for a Morrow test in Section 32, and that acreage is dedicated to that proration unit --

MR. NUTTER: And only that acreage.

Q. And only that acreage, then we have the west half of Section 33, of which you have a 40-acre tract, how can that acreage be dedicated to a Morrow proration unit?

A. Now you're talking very hypothetical here, and I can only answer hypothetically. We would just have to look at the -- all the factors involved and determine what would be appropriate proration unit based upon geology, reservoir engineering, and the land consideration. The question as you asked it would infer that you could not do anything with that west half of 33, but I don't believe

that would be actually what would happen.

Q. All right. Tell me, in your opinion, what you believe would actually happen.

A. As I have previously stated, I think you're going to have to look at some other considerations, and you're going to have to determine what your best location would be over there, and so forth, and I do not wish to testify as to geology because I'm not trained to testify to that.

MR. KELLAHIN: I have nothing further. Thank you.

REDIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Rogers, maybe we can help Mr. Tom Kellahin out.

In connection with the well that you're going to drill in Section 34, if your non-standard gas well spacing unit is approved, you would earn from Estoril and Williamson, et al, the rights down to the depth that you drilled, plus 200 feet, is that correct?

A. That is correct, sir.

Q. Would this include the Morrow formation?

A. If we drilled the Morrow, it would. If we did not drill the Morrow, it would not.

Q. In other words, if you stopped at the Wolfcamp you would not have earned the Morrow formation, is that correct?

A. Yes, sir, that is correct. There is a provision in our arrangement with the Williamson group, though, that we have, if we earn shallow, that we have a designated time that we can drill deeper and earn those rights at a later date. We will only earn rights ultimately to 200 feet below the depth that we drill.

Q. For the time being --

A. For the time being.

Q. -- all you would earn would be the Wolfcamp rights if this spacing unit is approved, is that correct?

A. Yes, sir, that is correct.

Q. And assume that you never earn the Morrow rights under the east half of Section 33, then Mr. Castle, in order to form a spacing unit for a Morrow well, would have to make his deal with J. C. Williamson, et al, is that correct?

A. Yes,sir, that's correct.

Q. Was the Penroc Well referred to on your Exhibit One as Well No. 5, drilled to a depth sufficient to test the Morrow formation? Or do you know?

A. It was drilled to a depth sufficient to

test the Morrow formation.

Q. Did difficulties occur in connection with that well?

A. I understand that there were mechanical difficulties, yes, sir.

Q. Were there indications that it might have produced in the Morrow formation?

A. That, I am not sure of, sir.

Q. Well, what has given you, or your company, the encouragement to think about another Morrow test in this area?

A. Of course, you evaluate these areas as you go along and every additional well that is drilled gives you more information, and we recognize that the Morrow formation in southeastern New Mexico is in spots a prolific gas producing formation, and therefore, we are cognizant of that fact and would afford ourselves the opportunity to drill Morrow wells in acreage upon which we have, if we were presented the opportunity from a geologic standpoint of that particular property being favorable.

MR. HUNKER: I have no further questions, Mr. Kellahin -- Mr. Nutter.

MR. NUTTER: The witness may be excused. Let's take a fifteen minute recess.

(Thereupon a recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Hunker, did you have another witness now?

MR. HUNKER: Yes, I have. Mr. Alcorn has been sworn and before going into that, I would like the Examiner to take administrative notice of the fact that Rule 104 of the Division's rules that provides for 320-acre statewide spacing for Wolfcamp and below.

And I'd like to also call attention to the -- of the Examiner to the fact that its records will reflect many unit agreements which have been approved by the Division, which show that lands not within participating areas at the end of the specified unit term, will be eliminated from the unit agreement.

If the lands are in a participating area they are not eliminated.

JOHN SCOTT ALCORN

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Alcorn, will you please give us your

full name, address, and occupation?

A. My name is John Scott Alcorn, known as Scotty Alcorn. I work for Florida Exploration Company, headquarters in Midland, Texas, and I am a Senior Geologist for the company.

Q. How long have you been with Florida Exploration?

A. Since August of 1979.

Q. And you were with who before that time?

A. I was with BTA Oil Producers in Midland, Texas.

Q. And how long were you with them?

A. About seven and a half years.

Q. Did you have extensive geological experience in southeastern New Mexico during that time?

A. Yes, sir.

Q. Have you testified before the Division or the Commission previously?

A. Yes, sir.

Q. And have your qualifications as a geologist been found to be acceptable?

A. They have.

MR. HUNKER: We offer this witness as an expert geologist.

MR. NUTTER: Mr. Alcorn is qualified.

Q. Mr. Alcorn, are you familiar with the application that's been filed on behalf of Florida in connection with this matter?

A. Yes, sir, I am.

Q. Why, in your opinion, was the non-standard gas well location made at 760 feet from the north line and 1980 feet from the west line of Section 34, Township 26 South, Range 30 East?

MR. NUTTER: Mr. Hunker, correction. You said why was the non-standard gas location formed. You mean the non-standard gas proration unit.

It's a standard location.

Q. Yes. Non-standard gas well spacing unit made at this particular location, Mr. Alcorn?

A. Could I refer to a Wolfcamp pay structure map that coincides in sequence with the land map that was entered?

Q. Is this your Exhibit Number Four?

A. Yes, sir, it is.

Q. Was it and the Exhibit Five, which you will talk about later on, prepared by you or under your supervision?

A. Yes, sir, that is correct.

Q. Looking at your Exhibit Number Four, will you tell the Examiner what that exhibit depicts?

A. In conjunction with the acreage that Mr. -- and the Ross Draw Unit configuration that Mr. Rogers described, this map is mapped on the Wolfcamp pay structure and superimposed a clean carbonate thickness in dashed lines of the area, of the Ross Draw area.

I will note that it's on -- in this area the dip seems to be a standard rate of dip of approximately 100 feet per mile to the east/southeast. There seems to be no configuration of structure anomaly in the area to date under the Ross Draw acreage.

It is noticed that through examination of electric logs, which will be described in Exhibit Five, that a line of carbonate thickness of 20 feet goes in a northerly direction through Section 27, through and bisects Section 34, or there the proposed acreage in question. That is a 20-foot thickness line that is -- was measured from the well that is known as the Penroc No. 5 Ross Draw.

At the present time we feel as though, from the information available, that well did not appear to be productive in the Wolfcamp zone of production in the Ross Draw. We feel as though this line indicates a possible western economic limit at the present time. We would like to stay in a standard location east of this line of dissection. We feel as though this --

MR. KELLAHIN: Excuse me, Mr. Alcorn,

which line are you looking at?

A. We're looking at the line that's the dashed line.

MR. KELLAHIN: The number twenty line?

A. The number twenty line.

We feel as though at the present time from the knowledge available, that is our most opportune location, geologically speaking.

Does that answer your question, Mr. Hunker?

Q. That answers my question.

This map shows the proposed location, is that correct?

A. Yes, sir, it is proposed approximately 100 feet south of the well known as Ross Draw No. 2, which is producing from a shallower depth not in question.

Q. The other markings on the unit are the same markings as appeared on Mr. Rogers' Exhibit Number One, is that correct?

A. That is correct. I had my draftsman copy the information from his map, on the -- of the land-holders.

Q. Turning now to Exhibit Number Five.

A. Yes, sir.

Q. Will you explain this exhibit and tell

the Examiner what it depicts?

A. Exhibit Number Five is a Wolfcamp cross section A-A' from the insert map. The insert map is from a commercial map company called GeoMap. It is mapped by them on the Devonian-Fusselman pay, which is not in question here. It's simply for reference.

A-A' in the inset connects wells known as the Penroc or Baxter Ross Draw No. 5, to the Florida Ross Draw No. 8, to the Ross Draw No. 7, and concludes in Loving County, New Mexico, at the Texaco Damsite Unit No. 1.

Q. You mean the Texas, don't you?

A. Loving County, Texas, I'm sorry.

Q. Loving County, Texas.

A. Pardon me. Eddy County, New Mexico, into Loving County, Texas.

The wells -- the electric logs that are hung in this cross section show the continuity of the area. You will notice in the Ross Draw Well No. 5 that the gross thickness in the lavendar color is 20 feet.

In the Florida Exploration the gross thickness of what we conclude to be clean sand, you'll notice in the 8 that some of their stringers of dirty or shaley material, but the gross stringers in that are 24 feet, as noted on Exhibit Four.

The Florida Exploration Well No. 7, we

considered 35 feet as being clean dolomit carbonate.

The Texaco Damsite in Texas carries 55 feet of clean carbonate.

The notation on the right, which is either -- the porosity side of each log, is colored in orange to depict porosity as we understand it.

In each well we have attempted to note on the cross section the perforations adjacent to each producing zone, which is the Wolfcamp 1 Zone, as we refer to it in our company office.

On the Florida Exploration Ross Draw No. 8 there is an isolated zone at 12,065 depth, that is not -- does not appear to be very prolific through the area. We did perforate it in our Ross Draw No. 8.

We feel as though that the Wolfcamp 1 Zone, which is the productive zone in the Ross Draw Field, appears to be thinner by history of the Ross Draw 5 to the west. We want to stay on structure -- I mean not on structure, but on stratigraphic strike with the Ross Draw No. 8. We feel as though that's the opportune location in this area to allow us to keep the continuity of 320-acre spacing in the Ross Draw area.

Q. In your judgment, then, the No. 9 Ross Draw Well would fall on a cross section some place between the Ross Draw No. 5 and the Ross Draw No. 8, is that correct?

A. Yes, sir, that is correct. It would be, as you notice, it is in a stratigraphic section that would be approximately 150 feet high to the Ross Draw No. 7, which encountered water in the Morrow. That is why at this location we feel as though there is a possibility that Morrow could be considered producing zone.

The reason that we are keeping with an -- we used the term option to go to the Morrow in our request of drilling this well, is the Wolfcamp in the area has had a history of a high pressure zone, which we feel as though if this comes in at this depth, that it would behoove us, engineeringwise, to attempt to complete in the Wolfcamp.

If we found that the Wolfcamp was such as indicated by the Ross Draw No. 5, we would possibly have an economically uncommercial -- noncommercial well, and we would have to try and consider the possibility of going to the Morrow. We certainly would.

That is, with all things being considered, it is a combination area of Morrow consideration in conjunction with our primary purpose of going to the Wolfcamp.

Q. For the record, would you like to describe the nature of the Wolfcamp pay?

A. For the record, the Wolfcamp pay in the area of southeast New Mexico and from the history that we've gathered in going across into Texas, we find that the Wolf-

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camp pay, when drilled, is a very high pressure zone. It is known to carry in excess of 8000 pounds bottom hole pressure. It becomes very touchy to drill this well -- to drill a well through the Wolfcamp. You have to get the type of mud that would -- to hold the pressure down, you would have to get the type of mud that would possibly seal the Wolfcamp formation. So that is why we would like to reserve judgment on drilling deeper until after we go through the Wolfcamp.

We've found in this area that the Wolfcamp has had a record of rather spotty production. It's had a -- I might note that in the well to the east, the Phantom Draw Unit No. 1, drilled by Texas Pacific in Section 20 of 20 South, 31 East, it's colored orange in Exhibit Five, this well has produced --

Q. Exhibit Four, you mean.

A. I mean in Exhibit Four, I apologize. This well to date has produced 1.5 billion cubic feet of gas on a daily production rate at the present time of approximately 320,000. This -- in the area we feel as though 1.5 billion is the history of the area and is why that we feel that justifiably 320-acre spacing is necessary for the economical commercial production of Wolfcamp gas at the present time.

If you attempt to get any sort of a more congested development, it would become economically

unfeasible for all parties in the area, I feel. This is based on the history of the Wolfcamp in the locale of Eddy County.

Now, I'd like to say that possibly there are wells that have been known to produce much more, but this is the general term of the area.

MR. NUTTER: How about that Texaco Dam-site Well in Section 9 in Texas? What is its cum production?

A. Yes, sir, the cum production at the present time is 1 billion cubic feet of gas, and it's on about 500,000 cubic feet production at the present time. We feel as though it will be approximately the same as the Texas Pacific Well that was referred to earlier, 1-1/2 Bcf well.

We are hoping to be in a sweet spot. You always have to be an eternal optimist when you drill, and hope you get better than everybody else, but that is what we have to put the bottom line. The engineers say, all right, you're going to work with 1.5 Bcf well, can you make it better than that. Well, we like to feel as though we can dream in a better deal geologically.

Q. And by reason of your analysis of these logs and of the depiction that you've shown on Exhibit Number Four --

A. Yes, sir.

Q. -- you have made a conclusion, I presume, Mr. Alcorn, as to the location of the well, is that correct?

A. Yes, sir, I have.

Q. And what is that conclusion?

A. The conclusion that a standard location of 760 from the north line and 1980 from the west line of Section 34 is the optimum location in the Ross Draw Unit for the Well No. 9 to be drilled.

Q. In your opinion will the approval of the non-standard gas well unit be in the interest of conservation and the prevention of waste?

A. Yes, sir, I believe very definitely it would be.

Q. In your opinion will correlative rights be impaired?

A. I don't think any -- no, sir, it will not.

Q. Will the approval of the application afford the applicant the opportunity to produce its just and equitable share of the gas and condensate in the pool?

A. Yes, sir, I believe that in the essence of continuity on 320-acre spacing that we're caught in an area where the sections do not carry 320 acres themselves, so in an attempt to keep all spacing and all proration units at 320 acres, it is found that this is, in our opinion, fair

and just way to produce oil -- I mean produce gas from Sections 34 and 35 that we are in the Ross Draw Unit. We feel as though it is -- it is the optimum spacing.

Q. Will the approval of the application prevent economic loss caused by the drilling of unnecessary wells?

A. The approval is -- did you throw a double negative at me in there?

Q. I may have.

A. I believe that the proration unit as described here are the optimum that will prohibit economic waste of development.

Q. Will the approval of the application avoid the augmentation of risk arising from drilling excessive numer of wells?

A. Yes, sir.

MR. HUNKER: I'd like to offer at this time Exhibits Numbers Four and Five.

MR. NUTTER: Applicant's Exhibits Four and Five will be admitted.

MR. HUNKER: And to pass the witness at this time.

MR. NUTTER: Any questions?

MR. KELLAHIN: Yes, sir.

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CROSS EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Alcorn, are you familiar with the spacing requirements on Texas side of this pool?

A. No, sir, I am not at the present time. I'm not.

Q. You don't know if the well spacing in Texas is 320's, 160's, or whatever?

A. As I understand it, the Wolfcamp in the Damsite Unit has -- has not been established at the present time. As I understand it, the precedent of the state line fields usually are followed of which state sets up the spacing opportunities, I believe it sets the precedent on state line fields.

Q. Ycu're familiar with the Florida No. 8 Well in the north half of 27?

A. Yes, sir.

Q. That well is awaiting a pipeline connection, I believe?

A. That well is in the -- is awaiting for an absolute open flow calculation. It is in the process of four-point tests.

The No. 7 is awaiting a pipeline connection.

Q. What, if any, production tests do you have on the No. 8 Well?

A. I have the four-point tests at the present time. The first four-point on a 6/64ths inch choke, one hour, flowing tubing pressure 7461; gas 2.26 million; barrels of condensate .7.

On the next one hour test, 8/64ths inch choke, one hour, 7380 is flowing tubing pressure; gas 3.95 million; condensate 2.76 per hour.

Q. That's 3.95 million Mcf?

A. 3.95 million cubic feet.

Do you want the rest of them?

Q. Yes, sir, if you please.

A. Third point, 10/64ths choke, one hour, tubing pressure 7259; gas 5.44 million; condensate 4.14 barrels in one hour.

And the last point, 11/64ths, one hour, flowing tubing pressure 7112; gas 6.61 million; condensate 9.65 barrels in one hour.

Q. Based upon these tests, Mr. Alcorn, have you made any calculations or reached any conclusions concerning whether that well will pay out?

A. Yes, sir, we anticipate that the well will pay out. Our engineering department feels as though we -- that the well will pay out is why he -- the department

recommended drilling the No. 9.

Q. There are 320 acres dedicated to the No. 8 Well?

A. Yes, sir.

Q. You've reached the conclusion that, in response to Mr. Hunker's question, that in your opinion it was necessary to develop this area on 320 acres.

A. Yes, sir.

Q. What specific information do you have that supports this conclusion that one well will drain 320?

A. It is from the -- the Oil Conservation Commission, isn't that -- what is that rule? What number is that statewide rule for -- 104, Rule 104 in the statewide New Mexico, has stated that Wolfcamp or below should be on 320-acre spacing.

Q. Apart from the rule, Mr. Alcorn, have you made any specific studies or calculations to determine the actual acreage to be drained by any of these wells?

A. I feel as though from the history of the area that we conclude that approximately it takes 320 acres to make a well commercially productive.

I'm referring to the wells that were entered into testimony as the Texaco -- or Texas Pacific Phantom Draw in New Mexico and the Texaco Damsite Unit Well in Texas.

Q. Your structure map, as I understood it, had superimposed upon it your -- these Isopach lines?

A. Yes, sir.

Q. Those were the dashed lines?

A. Yes, sir, those are thickness lines of the Wolfcamp zone as depicted on the cross section in lavendar.

Q. And in reference to that exhibit, you identify the 20-foot line as being the economic limit for the Wolfcamp in this area.

A. As -- from the history of the area, we feel as though the -- this is the economic limit as far as the Ross Draw No. 5 found it. It found to be lacking in porosity on the -- as noted on the cross section.

It could possibly open up. We hope it does, but it is, as we interpret it now, we feel as though we would like to stay east of that line.

Q. And that's why you've chosen the proposed location of the No. 9 Well to be east of that line?

A. Yes, sir, we feel as though that as the knowledge that is available to us, we'd like to take advantage of it, and we came up to -- came to that conclusion.

Q. You wouldn't recommend the drilling of a Morrow test west of that 20-foot contour line?

A. A Morrow test --

Q. I'm sorry, a Wolfcamp test.

A. I would not until we find the information available from the No. 9. It behooves us to take advantage of all information available in the area and we would like to systematically drill our property from the information that we derive from previous wells. We would not like to drill over there until we find out some other information that is concrete.

Q. It would appear from your exhibit and your testimony, Mr. Alcorn, that approximately half of the proposed proration unit to be dedicated to this well, that acreage lying west of the Isopach 20-foot line is uneconomic.

A. It is from the -- from the interests of the area, it is at a time where we would not want to drill the well. We feel as though that it could open up out there, but right now as the actual location for the well, we would not like to drill on the other side.

Q. If the non-standard proration unit consists solely of Section 34 --

A. Yes, sir.

Q. -- would that change your proposed location?

A. No, sir.

Q. That would remain the same?

A. Yes, sir.

Q. From the information you have before you,

Mr. Alcorn, where would you propose drilling a well for the non-standard proration unit that would exist in Section 35 in the balance of that east portion of Section 34? Where would you locate that well?

A. I would locate it in a -- on a standard location in Section 35. That would be approximately 660 or 760 from the north and 1980 from the west. That would more or less coincide with the spacing that would be established prior to a well drilled in 35.

Q. So if the proration unit for the well to be drilled in Section 35 consists solely of Section 35, then you would still have a standard location within that proration unit for your proposed second well.

A. If drilling on less than 320 acres would be considered standard.

Q. That is what I'm saying, approval of a non-standard proration unit of less than 320 acres, the proration unit for which would consist of only Section 35.

A. Yes, sir, but may I interject in the questioning here that it would certainly -- if we would be penalized because of lack of acreage it would be very definitely to our disadvantage. We feel as though 320-acre spacing, as proposed at the present time, would be in direct continuity with the wells that we're going to drill in Section 26 and 27. We have in the area, we have ARCO that would

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be definitely involved on various spacing problems.

Q. This pool is not -- the Wolfcamp formation here is not a prorated gas pool at this point, is it?

A. No, sir. We're going under statewide and it would be up to us as the operator of the area to recommend, and I would highly recommend 320-acre spacing for the area.

Q. But if it's less than 320 acres, there is no acreage penalty proposed on any of the production in the Wolfcamp, is there?

A. I don't know how the ruling will come out. We certainly would not want to be penalized in any way for drilling a less than 320-acre tract.

Q. Let's assume that the proration unit is solely Section 34 for the subject 9 Well.

A. All right.

Q. And so long as there is no penalty on your ability to produce that, you would have no objection if the standard -- the non-standard proration unit was limited to that configuration.

A. I was just informed that we are earning none of the farmout in the east part of Section 33, and we are attempting to -- it would penalize us because we could not include enough acreage, and in the theory of our farmout we're trying to carry this in good faith with our farm-in --

with our farm-in agreements.

We feel as though 320 acres is a very logical production development in the area. We have the acreage. We know the configuration will be different than normal because we have encountered the state line. We have to go along there. Now, the -- it was mentioned previously that 320-acre configuration would go clear across the -- the state line area. We feel as though this would be unique to just the Ross Draw Field for economic and prolific development of the area on 320 acres.

We don't feel as though we want to over develop or under develop. We want to get our just production on the 320-acre spacing, as defined in the statewide rules. We are not attempting to circumvent any type of -- of standard location whatsoever. We're attempting to keep in the -- in the theory and the area of 320-acre locations. We didn't anticipate getting into any acreage or argumentative play in here, other than just to develop on a prolific and economic manner.

Q. May I conclude from your testimony, Mr. Alcorn, that the principal reason Florida Exploration seeks the proposed non-standard proration unit is to hold the Estoril leased acreage in the east half of Section 33, despite the fact that that acreage in your opinion is uneconomic?

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A. Yes, sir, we are attempting to make a -- at the present time. Now, I cannot say whether it will be economical or not, because of future drilling. I cannot enter into testimony any hearsay that is the oilfield talk that the H. L. Brown Well in Texas is an indicated well. But at the present time it is just hearsay on my part because it is by word of mouth, but it could be that that would open it out to the west in that area, but at the present time, with a March deadline, the information available is all that I can recommend to my company.

MR. KELLAHIN: Thank you. No further questions.

REDIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Alcorn, just one other question.

A. Yes, sir.

Q. Can you predict at this time whether or not this pool will or will not be prorated at some future date?

A. No, sir, I cannot predict other than we would like to recommend it as such on a 320-acre proration, but I cannot predict the -- the outcome.

Q. Let me explain. In prorated gas pools, an allowable is fixed by the Oil Conservation Division.

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A. Yes, sir.

Q. And you heard the testimony this morning --

A. Yes, sir.

Q. -- about the amount of production that is allowed to those various pools.

A. Yes, sir.

Q. At the present time this particular pool is not in a prorated gas pool, is that correct?

A. Yes, sir, that is correct.

Q. Can you presently predict whether it will or will not be in a prorated gas pool at some future date?

A. No, sir. I cannot. I thought you meant prorated units, excuse me.

Q. Yes.

A. I was going under the term of prorated unit as to prorated production. I cannot predict that whatsoever.

Q. What pipeline serves the well down in Texas, the Texaco well described as the Damsite Well? Do you know?

A. I am not familiar, no, sir, I am not. The only --

Q. What pipeline company do you hope to make a contract with with respect to your No. 7 and your No. 8 Wells?

A. El Paso Natural Gas.

Q. And is that the only pipeline in the area at this time?

A. That's the only pipeline that would be available to us at the present time. As I understand it, it's over at the Texas Pacific Phantom Draw Well in the township to the east.

MR. HUNKER: I have no further questions, Mr. Examiner.

MR. NUTTER: Are there any questions of Mr. Alcorn?

MR. KELLAHIN: Yes, in response to Mr. Hunker's question about El Paso pipeline.

RECROSS EXAMINATION

BY MR. KELLAHIN:

Q. Where is the El Paso pipeline at this point?

A. At this point, as I understand it, it is a mile east of our Ross Draw Well No. 7. We're negotiating and that's -- on the ground I have not been there. That was from our engineering department's report at our last meeting.

Q. And you said that's the only available pipeline in the area?

A. Yes, sir.

MR. KELLAHIN: No further questions.

MR. NUTTER: If there are no further questions, the witness may be excused.

MR. HUNKER: No further witnesses and no further comments.

MR. NUTTER: Mr. Kellahin, will you call your witness, please?

JOHN CASTLE

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. John Castle, self employed.

Q. What's your educational background, Mr. Castle?

A. Geologist.

Q. Have you previously testified as a geologist before the Oil Conservation Division of New Mexico?

A. Yes, I have.

Q. And have those qualifications been ac-

cepted and made a matter of record?

A. Yes.

Q. You're currently working for yourself, are you?

A. Yes.

Q. And what, if any, oil and gas producers have you worked for in the past?

A. Worked for Dell High Taylor Oil Corporation in Midland for approximately four years. Prior to that Phillips Petroleum Company for about five years.

Q. You own acreage in the area which is the subject matter of this application?

A. Yes.

MR. KELLAHIN: We tender Mr. Castle as an expert geologist.

MR. NUTTER: Mr. Castle is qualified.

Q. Mr. Castle, I show you what has been marked and introduced as Applicant Exhibit Number One, and ask you to locate for us, if you will, that acreage that you own.

A. That acreage is the east half of the northwest quarter and Lot Number 4 of Section 33, Township 26 South, Range 30 East, Eddy County, New Mexico. Also, all of Section 32 in the same township.

Q. Is that the extent of your acreage

ownership in the immediate area?

A. Approximately a mile and a half or two miles to the west I own another -- another tract of acreage, which is approximately 300 acres.

Q. You're appearing in opposition to the applicant's request for the creation of a non-standard proration unit, are you not, Mr. Castle?

A. Yes.

Q. Would you describe for us the reasons for your objection to that proposal?

A. By using their proration unit covering the west part of Section 34 and the east half of Section 33, it would leave me with approximately 89 acres in the west half of Section 33, which I could do nothing with.

And adding to that, if they would keep the proration units in the section, in Section 35, Section 34, and then in the 33, I would be happy to join Florida Exploration in the drilling of the well in that section.

Q. What section are you talking about?

A. Section 33, keeping the proration units in the section.

Should they not want to drill a well in Section 33, or anything west of the number 20 line you've been talking about, I would be most happy to take their position and drill it myself.

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Q. If a proration unit is composed consisting entirely and solely of acreage in Section 33, how many acres is that?

A. That's approximately 260 acres.

Q. And if a non-standard proration unit is created consisting solely of the acreage in Section 34, how many acres would that be?

A. Approximately 260 acres.

Q. What is the acreage included in Section 32?

A. Well, that's --

Q. If the acreage in Section 32 is formed into a non-standard proration unit, how many acres?

A. That's approximately 260 acres.

Q. And lastly, in Section 35, if that acreage is dedicated to a non-standard gas proration unit, how many acres?

A. Approximately 260 acres, also. All of those half sections are approximately 260 acres in that area.

Q. Are you aware of what the spacing is on the Texas side of the state line?

A. No, I'm not, but I can see, if it is 160 acres and we drill three wells along the New Mexico side of the field instead of four, the State of New Mexico would be getting cheated a little.

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Q. Have you made a study of or examined any of the data on any of the Wolfcamp wells in this particular area?

A. I've seen the exhibits of Mr. Alcorn and other information, some of the information that Penroc had, and I've also seen a log on the H. L. Brown Well, covering the Wolfcamp section.

Q. Are you familiar with the Texaco Well down in Section 9 in Texas?

A. I've seen the log on that.

Q. And how about the Florida No. 7 Well in Section 26?

A. Yes, I've seen that log.

Q. And the Florida No. 8 Well in Section 27?

A. I've also seen that one, right.

Q. Based upon your study of this particular area and your knowledge and information as a geologist, Mr. Castle, do you have an opinion as to whether or not it would be most effective and efficient to develop the -- each of the proposed non-standard proration units, being Sections 32, 33, 34, and 35?

A. Would you ask that again, please?

Q. Yes, sir. Based upon your knowledge as a petroleum geologist and your study of this particular

area, do you have an opinion as to whether or not the Wolfcamp formation along the New Mexico side of the Texas border can be developed on less than 320-acre spacing?

A. Well, the information we have, I think it should be developed on 160-acre units. We really don't have enough information right now since none of the Wolfcamp wells on the New Mexico side in this immediate area has produced yet.

MR. KELLAHIN: I believe I have no more questions of Mr. Castle.

MR. NUTTER: Any further questions?

MR. HUNKER: Yes, I have a question or two.

MR. NUTTER: Mr. Hunker.

CROSS EXAMINATION

BY MR. HUNKER:

Q. Mr. Castle, do you have interests in any Wolfcamp wells in the State of New Mexico?

A. I can't think of any now.

Q. Do you have any in the area of north Texas that adjoins the Ross Draw area?

A. No.

Q. Do you disagree with the New Mexico statewide rule to the effect that Wolfcamp should be spaced

on a 320-acre basis?

A. I misunderstood the rule. I thought it was 160 acres for Wolfcamp and above; 320 acres for below the Wolfcamp for a gas well.

Q. I am advised that the rule has changed. You are originally correct, but the rule was changed in 1975.

A. Yeah, I wasn't familiar that it was changed.

Q. Do you disagree with the change?

A. Yes, in certain instances where we don't have enough information.

Q. Is there pending before the Railroad Commission of Texas at the present time a case or cases involving the well spacing to be provided in this particular area of Texas?

A. I don't know.

Q. Have you ever been involved in a Federal exploratory unit in New Mexico, Mr. Castle?

A. In what way do you mean?

Q. Have you ever had a working interest in such a unit?

A. Yes.

Q. Are you familiar with the terms and provisions of those unit agreements?

A. No.

Q. Are you familiar with the operating agreements that are entered into by the working interest owners with regard to the drilling of the exploratory tests?

A. I don't remember it. I probably was at the time I got into the unit.

Q. Should you want to participate or be allowed to participate at some future date with your acreage in Section 3 so as to involve a spacing unit consisting of Section 33, do you realize that a considerable amount of paper work and renegotiation would have to take place in order to permit you to participate with the interest owners of the unit?

A. Every well I've participated in on Federal acreage recently I consider it takes in a lot of paper work.

Q. It involves a considerable amount of negotiation and --

A. Yes,it does.

Q. -- and governmental approval?

A. Yes, sir.

MR. HUNKER: I have no further questions.

MR. NUTTER: Are there any other questions of Mr. Castle? He may be excused.

Does anyone else have anything they wish

to offer in Case Number 6792?

Call for summations, please. Mr. Hunker, you're entitled to go last.

MR. KELLAHIN: Mr Nutter, it's our opinion that the application ought to be denied.

The Oil Conservation has traditionally denied requests to form proration units across section lines. The Rule 104-D specifically provides that the proration unit involved shall be included within one governmental section.

The applicant has failed to demonstrate any compelling reasons for departure from that tradition and accordingly, the request by the applicant ought to be denied.

The continuation of a non-standard proration unit in the manner proposed by Florida leads to a proliferation of non-standard proration units across section lines throughout the entire township on the New Mexico side of the Wolfcamp production on the Texas/New Mexico border. We believe the applicant has failed to demonstrate sufficient data either through engineering calculations or further testimony to demonstrate that one well can effectively and efficiently drain 320 acres in this particular area, and that without that information, that the rule ought to be adhered to precluding formation of proration units across section lines, and to do so in this case jeopardizes Mr.

Castle's correlative rights and compels upon him an unnecessary burden to thereby go ahead and form further non-standard proration units across section lines.

Therefore, we request that the application be denied.

MR. NUTTER: Thank you. Mr. Hunker?

MR. HUNKER: We have a situation here that calls for careful attention by the Oil Conservation Division, in that we have an approved Federal Unit, and at the bottom of this Federal Unit along the state line there are two tracts that contain approximately 320 acres of land.

The unit itself is quite complicated. The unit operating agreement is quite complicated. The rules and regulations of the Oil Conservation Division specify that Wolfcamp production may be developed on 320-acre spacing pattern, and we have shown the logic to crossing the section line between Section 33 and 34, and we feel that it is perfectly logical to select a location which we think will be productive of gas from the Wolfcamp formation at the location that we have selected, and to dedicate to that Wolfcamp well the amount of acreage which the Conservation Division has indicated should be dedicated.

We can't predict whether another pipeline will come into this particular area or not. I can envision the fact that one might if the production is found

to be rather prolific, in which case the pipelines will be competing for the gas and there might very well be a time when the pool would be prorated and production would be allocated.

And the compelling reason for the approval of this unit is to allow this particular operator to have his fair share of the gas that is under this -- underlies this particular land.

Mr. Kellahin would have you think that it's -- it's impossible to have these unorthodox spacing units along -- along the state line, but this is not -- not the case at all. It's entirely conceivable to me that Mr. Castle can take his acreage in the west part of Section 33 and combine it with acreage in Section 32 and do precisely what we have done, or seek to do, and establish a well spacing unit for that tract.

Sooner or later the Wolfcamp production is going to poop out and not be there and when that happens we won't have the problem of coming to the commission for non-standard gas well units. Until that happens, I think that the Commission needs to establish a precedent at this point -- particular point in time for 320-acres recognized as a correct and adequate Wolfcamp spacing unit and approve the application of this particular applicant.

We don't feel that Florida should be

penalized because of Mr. Castle's acreage position. Mr. Castle, it's noted from the map, that the lease that he obtained was issued on March the 1st, 1979, which indicates to me that he has come into the picture long after Florida gas came in and -- and then in our judgment, we don't think Florida should be penalized because of -- of the acreage position that he has taken.

I conclude my remarks with that, and request that an order be entered approving Florida's application for a non-standard gas unit.

MR. NUTTER: Thank you.

Does anyone else have anything they wish to offer in Case 6792?

We'll take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand 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.

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. 6792 heard by me on 1/16 19 80.

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 January 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico. CASE 6792

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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I N D E X

E X H I B I T S

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MR. [illegible]: [illegible] next Case Number 6792.

MR. [illegible]: Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico.

MR. HUNKER: George Hunker, Hunker, Fedric, P. A., Roswell, New Mexico.

I have two witnesses and I'd like for them both to be sworn at this time.

Representing Florida Exploration Company.

MR. NUTTER: I'll call for other appearances in this case.

MR. KELLAHIN: I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of John B. Castle, and I have one witness.

MR. NUTTER: Will all the witnesses stand and be sworn, please.

(Witnesses sworn.)

MR. NUTTER: Please proceed, Mr. Hunker.

JAMES W. ROGERS

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Rogers, for the record, will you identify yourself by giving your name, address, and present occupation?

A. My name is James W. Rogers. My business address is Florida Exploration Company, Suite 900, Vaughn Building, Midland, Texas, 79701.

I am the Division Land Manager for Florida Exploration Company, responsible for, among other areas, southeastern New Mexico.

Q. In administering the responsibilities that you have in this company, explain briefly to the Examiner what you do with regard to land matters and the drilling of test wells.

A. Basically, my area of responsibility is the acquiring, maintaining, exploring, and exploiting of properties in search of oil and gas hydrocarbons.

Q. In that process do you prepare AFE's in connection with the -- or supervise the preparation of AFE's in the drilling of test wells?

A. Yes, sir, that is correct. That is one of my responsibilities.

Q. Are you familiar with the application that has been filed by Florida in connection with this matter?

A. Yes, sir, I am.

Q. What does the applicant seek in connection with this case?

A. The applicant seeks a 324.25-acre proration unit for the drilling of a 12,250 feet Wolfcamp test well with the option to drill the well at our option, the applicant's option, to the Morrow formation at an estimated depth of 14,500 feet.

The lands involved are on the New Mexico-Texas state line and are partial sections.

Q. Will you describe for the Examiner the lands that you propose to include in the non-standard gas well spacing unit?

A. Yes, sir. All of these lands are located in Township 26 South, Range 38 East, and comprise the following parts of the sections: Section 33, Lots 1, which contains 24.80 acres; Lot 2, 24.79 acres; and the north half of the northeast quarter of said Section 33.

In Section 4 the lands we would propose to include therein are Lot 2, which contains 24.98 acres;

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Lot 3, 24.87 acres; [illegible] the northwest northeast quarter and west half northeast quarter, in all containing 324.25 acres, more or less.

Q. Did you prepare or have prepared an exhibit depicting this particular spacing unit?

A. Yes, sir, we have.

Q. Is it Exhibit Number One, which you have before you?

A. Yes, sir, that is correct.

Q. And explain to the Examiner, if you will, what that depiction shows.

A. Yes, sir. This is basically a land plat. The yellow coloring denotes acreage upon which Florida Exploration owns or has the right to earn the full working interest.

The red depicts lands on which Florida Exploration owns a partial working interest.

Also, the plat depicts the outline of the Ross Draw Federal Unit, which is outlined in red thereon. It also shows the location of producing wells that have been color coded to denote production from three zones, namely, the Delaware Sand in purple; the Bone Springs formation in brown; and the Wolfcamp formation in the orange color.

Also depicted in green are two 320-acre spacing patterns that have been formed for the drilling of

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the No. 7 Well in the northeast quarter southeast quarter of Section 26 on a 320-acre designation and the No. 8 Well, located in the northeast quarter Section 27 on a 320-acre designation comprising the north half.

MR. NUTTER: Has that well been drilled yet?

A. It is presently completing, sir.

MR. NUTTER: And what formation is it in, the Wolfcamp?

A. It will be completed in the Wolfcamp formation, yes, sir.

MR. NUTTER: And how about this one over here in Section 26? I presume it has been completed.

A. Yes, sir, it was drilled to the Morrow, plugged back to the Wolfcamp formation, and completed as a Wolfcamp producer shut in waiting on a pipeline.

Q. The well in Section 26 is referred to as the Ross Draw No. 7, is that correct?

A. Yes, sir, that's correct.

Q. And the well in the north half of Section 27, how do you refer to it?

A. It is the No. 8 Ross Draw Federal.

The plat also depicts the requested proration unit -- non-standard proration unit that we would propose for the drilling of a test well at a location 760

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from the north line and [illegible] line Section 34, Township 26 South, Range [illegible].

Q. Why did you select a 660-foot location, Mr. Rogers?

A. Sir, we did not select a 660-foot location because there is a present shallow producing well producing out of the shallow Delaware at the 660 location, and we would propose to go 100 feet south of that well to drill our Wolfcamp test well with the option to drill it on to the Morrow.

MR. NUTTER: Is that shallow well the No. 2?

A. Yes, sir, that is correct.

MR. NUTTER: And what will your proposed well be called?

A. Our proposed well would be called the No. 9 Ross Draw Federal.

MR. NUTTER: Thank you.

Q. Mr. Rogers, why did you select this particular non-standard gas well unit?

A. As previously stated, sir, we are dealing with a Federal unit, the Ross Draw Federal Unit, and as depicted on the plat, you can see that along the south line of the Ross Draw Federal Unit we have what we believe to be two locations comprising 324 plus or minus acres that

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will equally divide the south part of the unit into two proration patterns.

As background, Florida Exploration Company is earning its interest in the lands depicted on the plat under a farmout agreement with J. C. Williamson and others. The agreement provides for, among other things, earning the acreage dedicated to a proration unit on a produce to earn basis and is limited to the depth that we drill the well plus 200 feet. For that reason we believe that we are justified in asking for two non-standard proration units to utilize the land that is available to us to earn by farmout and the drilling of the wells and will be in the interest of conservation and will grant us the opportunity to use the land available to us without drilling excessive wells to earn that land.

Q. I notice that the tract in Section 34 upon which your proposed location is made that that is a Kerr McGee tract. Have you made arrangements with Kerr McGee to drill this particular acreage?

A. Yes, sir, that is correct. We have an arrangement with Kerr McGee out of Oklahoma City to drill the test well thereon and earn that interest.

Q. Under your trade with Williamson, et al, and with Kerr McGee, what are the time limitations that you had imposed upon you?

A. The next well must be commenced on the Kerr McGee tract by March 26th, 1980.

Q. Is the location that you have made a standard location?

A. Yes, sir, I believe it is a standard location, being 760 from the north and 1980 from the west line of Section 34, Township 26 South, Range 30 East.

Q. And to review, what you're seeking then is a non-standard gas well spacing unit, is that correct, or proration unit?

A. Yes, sir, that's correct.

Q. Mr. Rogers, turning to your other responsibilities, I would like to refer you to two other exhibits that you have prepared and ask you if you prepared an AFE and a supplemental AFE for the drilling of the No. 7 Ross Draw Unit Well?

A. Yes, sir, we did prepare an AFE and a supplemental AFE for the drilling of the No. 7 Ross Draw Unit Well.

Q. Are -- is that referred to as Exhibit Number Two?

A. Yes, sir.

Q. In connection with the AFE on the No. 7 Well, your Exhibit Number Two, what does this show your estimated cost for the drilling of that test well to have been?

A. Our first AFE was for the drilling of a 14,500 foot Morrow test well located 1980 from the south and east line of Section 26, Township 26 South, Range 30 East. It called for an expenditure of $1,131,650 to drill such a well and complete it as a producer.

Q. And what happened?

A. We overspent that amount and we supplemented that AFE in the amount of $806,000 additional to accomplish what we wanted to accomplish.

Q. What was the total AFE for that well?

A. The total AFE was $1,937,650.

Q. And what was the total cost of the well?

A. To date we have spent $1,996,793.

Q. And that well was plugged back and completed in the Wolfcamp formation, is that correct?

A. Yes, sir, that is correct.

Q. In connection with your No. 8 Well, did you prepare an AFE on that well and a supplemental AFE?

A. Yes, sir, we did prepare such an AFE and supplement and that is Exhibit Three.

Q. What was your estimated expenditure for the No. 8 Well originally?

A. The No. 8 Well was originally scheduled to a depth of 9200 feet to test a Lower Delaware-Bone Springs series, and after reaching the total depth of 9200 feet and

running electric logs it was our decision at that point in time to go ahead and elect to drill that well deeper to the Wolfcamp formation at an estimated depth of 12,300 feet.

So with that in mind, our original AFE for the 9200-foot test well was $653,500 for a completed well in the Lower Delaware-Bone Springs series. That AFE was supplemented in the amount of $355,700 to drill the well on to a depth of 12,300 feet to test the Wolfcamp formation.

And those two added together amount to $1,019,200.

Q And what was the cost, actual cost, to date for that well?

A To date, sir, we have spent $1,133,387 and the equiping costs of the well are not included in that amount, and those equiping costs for a gas well are estimated to be $45,000.

Q For the record, what is the present status of that particular well?

A The No. 8 Ross Draw Federal is presently completing as an indicated Wolfcamp gas producer and is presently testing for the purpose of a four-point test for calculated absolute open flow.

Q What does that test reveal at this time?

A I believe at the last report I had on it the well was making on an 11/64ths choke on a one hour

flow test it flowed 6,612,000, plus 9.65 barrels of condensate, and the flow tubing pressure of 7112 pounds.

Q. At the present time, Mr. Rogers, Florida Exploration Company is seeking the approval only of the westernmost unit shown on your Exhibit One, is that correct?

A. Yes, sir, that is correct, sir.

Q. Do you have anything else to add to your testimony at this time?

A. The only other thing is, I would like to add, we are only seeking the west unit now, but I think it's quite obvious that if the well is successful, this will give us another proration unit if allowed to stand as we have requested, comprising the eastern part of our Ross Draw Federal Unit, and would utilize all the land that is available to Florida Exploration for the spacing of the wells.

MR. HUNKER: At this time, Mr. Examiner, we'd like to offer in evidence Exhibits Numbers One, Two, and Three, and we'd like to pass the witness at this time.

MR. NUTTER: Florida Exhibits One through Three will be admitted in evidence.

Are there questions of the witness?

MR. KELLAHIN: Yes Mr. Nutter.

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CROSS EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Rogers, as I understand your testimony, the proposed non-standard proration unit that you've outlined that crosses the section line and includes portions of Section 33 and 34 would consist of 324.25 acres?

A. Yes, sir, that is correct.

Q. And what would be the acreage then within the unit to be dedicated to the next well? I mean that acreage in Section 35 and the balance of that acreage in 34?

A. All right, sir. We would propose the next unit to be all of the partial Section 35 and the northeast northeast quarter and Lot 1 of Section 34.

Q. And how many acres would that constitute?

A. That amounts to about 324.58 acres.

Q. I don't have the lot numbers on my plat here, Mr. Rogers. Am I correct in assuming that the second proration unit would include all the acreage in what is outlined in Section 35?

A. Yes, sir, that --

Q. And then that lot over there that has a designation of ARCO?

A. Yes, sir, that is correct. ARCO is committed to the Ross Draw Federal Unit.

Q. The spacing on the Wolfcamp wells is

160 acres, is it not, Mr. Rogers?

A. To my knowledge the spacing on the Wolfcamp wells are not 160 acres, and we would not propose to want them on 160 acres, for economic reasons.

Q. The No. 7 Well in the south half of 26 is a Wolfcamp producer.

A. Yes, sir, that is correct.

Q. And the south half of that section is designated to that well?

A. Yes, sir, that is correct.

Q. What pool are you in, Mr. Rogers? Is the Wolfcamp designated by pool or are you under statewide spacing for the Wolfcamp in this area?

A. To my knowledge we are not under any pool rules, field rules.

Q. So it's your understanding, Mr. Rogers, that if the proposed well in this non-standard proration unit results in only a Wolfcamp producer it will be your intent to dedicate the entire non-standard proration unit to that particular well?

A. Yes, sir, that is correct.

Q. How many acres would be included in a proration unit that consisted just of the Section 34?

A. Well, I don't have those numbers added up, but we could add it them up here. It would consist of

four lots.

Q. It would approximately be 260 acres, I take it, is that right?

A. I think that's -- that's about right. There are about 260 acres, yes, sir.

Q. And if Section 35 is designated as a non-standard proration unit, that also would consist of about 260 acres, wouldn't it?

A. That's approximately the number that would be, I believe.

Q. And if we look over to the section 33, half of which is within your Ross Draw Unit and the other half is outside, if that entire section is designated a non-standard proration unit, that unit would also consist of about 260 acres, would it not?

A. That's correct.

Q. Okay. Now neither the Wolfcamp nor the Morrow formations in this particular area are prorated in any way, are they?

A. To my knowledge they are not prorated.

Q. So that a non-standard proration unit with less than 320 acres would not be penalized, would it?

A. That I do not know and would not want to say whether it would or not because of my not having knowledge of that.

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Q You've indicated that you are going to drill the proposed well to a depth sufficient to test the Morrow formation.

A We are going to drill the well to a depth sufficient to test the Wolfcamp formation at an estimated depth of 12,250 feet, with the option to drill that well on to the Morrow formation at an estimated depth of 14,500 feet, but that would be at our option and based upon geologic and other considerations reached at the Wolfcamp level in the well.

Q Tell me again, Mr. Rogers, what considerations you concern yourself with in determining whether to go on to the Wolfcamp formation -- I'm sorry, the Morrow formation.

A Of course geology has an important part in it. The economics of the deal play an important part, and there's also an engineering aspect, as you drill these wells, and what you may encounter in Wolfcamp that would prohibit you from electing to drill the well on to the Morrow formation.

Q You've talked about some of the economic considerations in your testimony, Mr. Rogers.

A Yes, sir.

Q Your economic information, as I understand it, from Wells 8 and 7, were not very favorable for

drilling to the Morrow formation, were they?

A The economic considerations?

Q Yes, sir.

A I do not understand your question.

MR. HUNKER: Mr. Examiner, this requires him to speculate on whether or not it's favorable or not. I don't know whether he's qualified to testify as to whether it's favorable or not.

He might ask a question, is it economic, or --

MR. KELLAHIN: I think the question is proper. Mr. Rogers has testified at some length as to what the considerations he believes are necessary for determining whether the subject well is drilled to the lower depth. One of those factors was an economic consideration and I want to test the extent of that knowledge and perhaps I can ask the question in a different way.

Q We've seen your economics on the Well No. 6.

A Uh-huh.

Q And that was dry in the Morrow. We've seen your economics in the Well No. 7, and you've drilled that to the Morrow and it was also nonproductive in the Morrow, that's not true, is it?

A That is true, yes. The No. 7 was non-

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productive in the Morrow formation, that is correct.

The No. 3 Well was only drilled to the Wolfcamp formation.

Q. Okay. Tell me again how -- what factors you're going to use to determine whether you're going to complete this well at the Wolfcamp level or continue on to the Morrow depth in this well.

A. Well, I'll just state again what I've already stated to you. It's going to be based upon geologic considerations. It's going to be based upon an engineering consideration as to what we may have in the way of high pressure in the Wolfcamp, and there will be some economic consideration as to whether we should elect to continue the well -- continue the drilling of the well on to the Morrow formation.

Q. If the entire Section 34 is dedicated as a non-standard proration unit, which is not what you're seeking, but that's what I'm proposing to you, if that is what is proposed, Mr Rogers, you don't have any difficulty with ARCO joining that unit, would you?

A. I have not contacted ARCO with regard to such a matter and therefore I could not speak to the issue. If that were the case, we would attempt to work out an arrangement with ARCO whereby we could do that.

Q. What's the unitized formation for the

Ross Draw Federal Unit?

A. To my knowledge the Ross Draw Federal Unit is unitized as to all formations.

Q. And ARCO's acreage within the unit is dedicated to the unit.

A. Yes, sir, that is correct.

Q. And who's the operator of the unit?

A. The operator of the unit of record is J. C. Williamson. The operator under a designation of operator for the No. 7 and the No. 8 Wells is Florida Exploration Company.

Q. And you have that same sort of arrangement for the next well, the subject well?

A. We do not have it in hand at this time but we will obtain the proper governmental authority, a designation of operator, for that well.

Q. All right. The east half of Section 33 is a Federal lease, is it not?

A. Yes, sir, that is correct.

Q. And that is the same Federal lease that encompasses Section 22 up here above Section 27?

A. Yes, sir, I believe that's correct.

Q. Is there production on that Federal lease that holds that lease at this point?

A. To my knowledge, sir, there is no actual

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production. The lease is being held by the Federal Unit, which is past its primary term and being held by continuous development as provided in the unit agreement, which further provides for the drilling of additional wells with a cessation of no more than ninety days between wells, to hold the present Federal Unit in force and effect.

Q. The acreage in Section 34 to be dedicated to the proposed non-standard proration unit is a different Federal lease, isn't it?

A. It is a different Federal lease from the lease that you previously described, yes.

Q. Okay, how is that lease being held?

A. That lease is also being held by the Federal Unit and by actual production if the No. 2 Well is producing, and to my knowledge, of which I have no knowledge, of the No. 2 production because we're not involved with it.

Q. The Delaware Well in -- this No. 2 Well in Section 34 --

A. Yes.

Q. -- to the best of your knowledge that currently holds that Federal lease?

A. The lease is either being held by the unit or it is being held by production from the No. 2 Well, of which I have no knowledge.

Q. If the No. 2 Well, the Delaware Well,

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is not holding the lease by production, and we fall back upon the unit provisions, and we are in the same problem with that Federal lease as you have with the Federal lease in the east half of Section 33.

A. I do not follow your line of questioning as to the problem, sir.

Q. The fact that you have to continuously drill in order not to lose the Federal lease.

A. Right. As you are aware, Federal units do have a provision that upon break-up of the unit, you have two additional years to -- to develop.

Q. Isn't the principal reason, Mr. Rogers, for creating this non-standard proration unit the desire to hold two Federal leases with the drilling of one well?

A. No, sir, I do not believe that that is the purpose. I believe that the two Federal leases, by virtue of the fact of them being in the Ross Draw Federal Unit, can be drilled and operated as one basic unit of property, and that holding of the two leases is immaterial.

Q. Do I understand you to say that you don't need the proposed well in order to hold any leases within the unit?

A. If you understand that, sir, you understand something that I don't mean to infer. We are drilling and earning our way, as I previously stated, in this deal.

Q Let me ask you again, Mr. Rogers, do you needthis proposed well to hold either of these Federal leases?

A Yes, we need it to hold the unit together.

Q Okay. Would a unit well at any other location hold these Federal leases?

A Within the confines of the unit outline, yes, sir, it would.

Q You would drill the proposed well at its proposed location regardless of the configuration of a non-standard proration unit, would you not?

A The proposed well is in what we consider to be a good location from a geologic standpoint. Your question appears to me to be rather broad as to what proration unit you may be alluding to.

Q All right, let me be specific, Mr. Rogers. If the south half -- if Section 34 is the non-standard proration unit, the location for the proposed well would remain the same, would it not?

A Yes, I believe the location would hold up from a geologic standpoint.

Q And that would still be a standard location.

A Yes, sir, it would be a standard location.

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Q. Now is that a standard location under the proposed non-standard proration unit as you've outlined on your Exhibit Number One?

A. I think the location of the well would be, yes, sir.

Q. What's the distance from the proposed well to the east boundary of the proration unit? Do you know what that distance is?

A. No, sir, I have not calculated it. Just from eyeball, it would appear to be approximately the same distance as it is from the west line of the section.

Q. If your proposed non-standard proration unit is approved, Mr. Rogers, and if a Morrow well is to be drilled in the west half of Section 33, how would you form a proration unit for a well drilled in the west half of Section 33?

A. Sir, I cannot answer that question because I only have a right to earn a 40-acre interest in Section 33, being the northwest quarter of the northwest quarter, and I believe the record owner of the balance of the west half of Section 33 is Mr. John Castle, and I have no arrangement with Mr. Castle and therefore I could not speak to that issue.

Q. Well, as an experienced landman, Mr. Rogers, approval of your proposed non-standard proration

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unit will lead to further non-standard proration units that will have, as of necessity, to cross section lines.

Sir?

A. Do you want me to answer that?

Q. Yes, sir, it was a question.

A. I interpreted that as a statement, sir. Did you ask it in the form of a question?

Q. Yes, sir.

If this proposed non-standard proration unit is approved, how many other non-standard proration units are going to be thereby created, each of which crosses section lines?

A. Sir, I would believe my experience would tell me that this would be largely based upon geologic and engineering considerations and not land considerations.

Q. Well, it's at least going to lead to the creation of anothermon-standard proration unit that crosses section lines in Section 35 and 34. You've already told me you're going to do that one.

A. Yes, sir, that is correct.

Q. All right.

A. That would be our plans, yes, sir.

Q. And how would you propose as an experienced landman, to create a 320-acre Morrow proration unit for the balance of the acreage in Section 33?

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MR. NUTTER: I think, Mr. Kellahin, he's already answered that. He said he only had 40 acres in that area and it would depend on how much Castle would.

Q If Mr. Castle would dedicate Section 32 to a non-standard proration unit for a Morrow test, there would not be acreage for which the west half -- I'm sorry, the east half of Section 33 could be dedicated for a Morrow test, is that not true?

A I'm not with you. Would you say that again, please?

Q Yes, sir. If Mr. Castle creates a non-standard proration unit for a Morrow test in Section 32, and that acreage is dedicated to that proration unit --

MR. NUTTER: And only that acreage.

Q And only that acreage, then we have the west half of Section 33, of which you have a 40-acre tract, how can that acreage be dedicated to a Morrow proration unit?

A Now you're talking very hypothetical here, and I can only answer hypothetically. We would just have to look at the -- all the factors involved and determine what would be appropriate proration unit based upon geology, reservoir engineering, and the land consideration. The question as you asked it would infer that you could not do anything with that west half of 33, but I don't believe

that would be actually what would happen.

Q. All right. Tell me, in your opinion, what you believe would actually happen.

A. As I have previously stated, I think you're going to have to look at some other considerations, and you're going to have to determine what your best location would be over there, and so forth, and I do not wish to testify as to geology because I'm not trained to testify to that.

MR. KELLAHIN: I have nothing further. Thank you.

REDIRECT EXAMINATION

BY MR. HUTHER:

Q. Mr. Rogers, maybe we can help Mr. Tom Kellahin out.

In connection with the well that you're going to drill in Section 34, if your non-standard gas well spacing unit is approved, you would earn from Estoril and Williamson, et al, the rights down to the depth that you drilled, plus 200 feet, is that correct?

A. That is correct, sir.

Q. Would this include the Morrow formation?

A. If we drilled the Morrow, it would. If we did not drill the Morrow, it would not.

Q. In other words, if you stopped at the Wolfcamp you would not have earned the Morrow formation, is that correct?

A. Yes, sir, that is correct. There is a provision in our arrangement with the Williamson group, though, that we have, if we earn shallow, that we have a designated time that we can drill deeper and earn those rights at a later date. We will only earn rights ultimately to 200 feet below the depth that we drill.

Q. For the time being --

A. For the time being.

Q. -- all you would earn would be the Wolfcamp rights if this spacing unit is approved, is that correct?

A. Yes, sir, that is correct.

Q. And assume that you never earn the Morrow rights under the east half of Section 33, then Mr. Castle, in order to form a spacing unit for a Morrow well, would have to make his deal with J. C. Williamson, et al, is that correct?

A. Yes,sir, that's correct.

Q. Was the Penroc Well referred to on your Exhibit One as Well No. 5, drilled to a depth sufficient to test the Morrow formation? Or do you know?

A. It was drilled to a depth sufficient to

test the Morrow formation.

Q. Did difficulties occur in connection with that well?

A. I understand that there were mechanical difficulties, yes, sir.

Q. Were there indications that it might have produced in the Morrow formation?

A. That, I am not sure of, sir.

Q. Well, what has given you, or your company, the encouragement to think about another Morrow test in this area?

A. Of course, you evaluate these areas as you go along and every additional well that is drilled gives you more information, and we recognize that the Morrow formation in southeastern New Mexico is in spots a prolific gas producing formation, and therefore, we are cognizant of that fact and would afford ourselves the opportunity to drill Morrow wells in acreage upon which we have, if we were presented the opportunity from a geologic standpoint of that particular property being favorable.

MR. HUNKER: I have no further questions, Mr. Kellahin -- Mr. Nutter.

MR. NUTTER: The witness may be excused.

Let's take a fifteen minute recess.

(Thereupon a recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Hunker, did you have another witness now?

MR. HUNKER: Yes, I have. Mr. Alcorn has been sworn and before going into that, I would like the Examiner to take administrative notice of the fact that Rule 104 of the Division's rules that provides for 320-acre statewide spacing for Wolfcamp and below.

And I'd like to also call attention to the -- of the Examiner to the fact that its records will reflect many unit agreements which have been approved by the Division, which show that lands not within participating areas at the end of the specified unit term, will be eliminated from the unit agreement.

If the lands are in a participating area they are not eliminated.

JOHN SCOTT ALCORN

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Alcorn, will you please give us your

full name, address, and occupation?

A. My name is John Scott Alcorn, known as Scotty Alcorn. I work for Florida Exploration Company, headquarters in Midland, Texas, and I am a Senior Geologist for the company.

Q. How long have you been with Florida Exploration?

A. Since August of 1979.

Q. And you were with who before that time?

A. I was with BTA Oil Producers in Midland, Texas.

Q. And how long were you with them?

A. About seven and a half years.

Q. Did you have extensive geological experience in southeastern New Mexico during that time?

A. Yes, sir.

Q. Have you testified before the Division or the Commission previously?

A. Yes, sir.

Q. And have your qualifications as a geologist been found to be acceptable?

A. They have.

MR. HUNKER: We offer this witness as an expert geologist.

MR. NUTTER: Mr. Alcorn is qualified.

Q. Mr. Alcorn, are you familiar with the application that's been filed on behalf of Florida in connection with this matter?

A. Yes, sir, I am.

Q. Why, in your opinion, was the non-standard gas well location made at 760 feet from the north line and 1980 feet from the west line of Section 34, Township 26 South, Range 30 East?

MR. NUTTER: Mr. Hunker, correction. You said why was the non-standard gas location formed. You mean the non-standard gas proration unit.

It's a standard location.

Q. Yes. Non-standard gas well spacing unit made at this particular location, Mr. Alcorn?

A. Could I refer to a Wolfcamp pay structure map that coincides in essence with the land map that was entered?

Q. Is this your Exhibit Number Four?

A. Yes, sir, it is.

Q. Was it and the Exhibit Five, which you will talk about later on, prepared by you or under your supervision?

A. Yes, sir, that is correct.

Q. Looking at your Exhibit Number Four, will you tell the Examiner what that exhibit depicts?

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In conjunction with the acreage that Mr. -- and the Ross Draw Unit configuration that Mr. Rogers described, this map is mapped on the Wolfcamp pay structure and superimposed a clean carbonate thickness in dashed lines of the area, of the Ross Draw area.

I will note that it's on -- in this area the dip seems to be a standard rate of dip of approximately 100 feet per mile to the east/southeast. There seems to be no configuration of structure anomaly in the area to date under the Ross Draw acreage.

It is noticed that through examination of electric logs, which will be described in Exhibit Five, that a line of carbonate thickness of 20 feet goes in a northerly direction through Section 27, through and bisects Section 34, or there the proposed acreage in question. That is a 20-foot thickness line that is -- was measured from the well that is known as the Penroc No. 5 Ross Draw.

At the present time we feel as though, from the information available, that well did not appear to be productive in the Wolfcamp zone of production in the Ross Draw. We feel as though this line indicates a possible western economic limit at the present time. We would like to stay in a standard location east of this line of dissection. We feel as though this --

MR. KELLAHIN: Excuse me, Mr. Alcorn,

which line are you looking at?

A. We're looking at the line that's the dashed line.

MR. HINKLE: The number twenty line?

A. The number twenty line.

We feel as though at the present time from the knowledge available, that is our most opportune location, geologically speaking.

Does that answer your question, Mr. Hunker?

Q. That answers my question.

This map shows the proposed location, is that correct?

A. Yes, sir, it is proposed approximately 100 feet south of the well known as Ross Draw No. 2, which is producing from a shallower depth not in question.

Q. The other markings on the unit are the same markings as appeared on Mr. Rogers' Exhibit Number One, is that correct?

A. That is correct. I had my draftsman copy the information from his map, on the -- of the land-holders.

Q. Turning now to Exhibit Number Five.

A. Yes, sir.

Q. Will you explain this exhibit and tell

the Examiner what it depicts?

A. Exhibit Number Five is a Wolfcamp cross section A-A' from the insert map. The insert map is from a commercial map company called Geomap. It is mapped by them on the Devonian-Fusselman pay, which is not in question here. It's simply for reference.

A-A' in the inset connects wells known as the Penroc or Baxter Ross Draw No. 5, to the Florida Ross Draw No. 8, to the Ross Draw No. 7, and concludes in Loving County, New Mexico, at the Texaco Damsite Unit No. 1.

Q. You mean the Texas, don't you?

A. Loving County, Texas, I'm sorry.

Q. Loving County, Texas.

A. Pardon me. Eddy County, New Mexico, into Loving County, Texas.

The wells -- the electric logs that are hung in this cross section show the continuity of the area. You will notice in the Ross Draw Well No. 5 that the gross thickness in the lavendar color is 20 feet.

In the Florida Exploration the gross thickness of what we conclude to be clean sand, you'll notice in the 8 that some of their stringers of dirty or shaley material, but the gross stringers in that are 24 feet, as noted on Exhibit Four.

The Florida Exploration Well No. 7, we

considered 35 feet as being clean dolomit carbonate.

The Texaco Damsite in Texas carries 55 feet of clean carbonate.

The notation on the right, which is either--the porosity side of each log, is colored in orange to depict porosity as we understand it.

In each well we have attempted to note on the cross section the perforations adjacent to each producing zone, which is the Wolfcamp 1 Zone, as we refer to it in our company office.

On the Florida Exploration Ross Draw No. 8 there is an isolated zone at 12,065 depth, that is not -- does not appear to be very prolific through the area. We did perforate it in our Ross Draw No. 8.

We feel as though that the Wolfcamp 1 Zone, which is the productive zone in the Ross Draw Field, appears to be thinner by history of the Ross Draw 5 to the west. We want to stay on structure -- I mean not on structure, but on stratigraphic strike with the Ross Draw No. 8. We feel as though that's the opportune location in this area to allow us to keep the continuity of 320-acre spacing in the Ross Draw area.

Q. In your judgment, then, the No. 9 Ross Draw Well would fall on a cross section some place between the Ross Draw No. 5 and the Ross Draw No. 8, is that correct?

A. Yes, sir, that is correct. It would be, as you notice, it is in a stratigraphic section that would be approximately 150 feet high to the Ross Draw No. 7, which encountered water in the Morrow. That is why at this location we feel as though there is a possibility that Morrow could be considered producing zone.

The reason that we are keeping with an -- we used the term option to go to the Morrow in our request of drilling this well, is the Wolfcamp in the area has had a history of a high pressure zone, which we feel as though if this comes in at this depth, that it would behoove us, engineeringwise, to attempt to complete in the Wolfcamp.

If we found that the Wolfcamp was such as indicated by the Ross Draw No. 5, we would possibly have an economically uncommercial -- noncommercial well, and we would have to try and consider the possibility of going to the Morrow. We certainly would.

That is, with all things being considered, it is a combination area of Morrow consideration in conjunction with our primary purpose of going to the Wolfcamp.

Q. For the record, would you like to describe the nature of the Wolfcamp pay?

A. For the record, the Wolfcamp pay in the area of southeast New Mexico and from the history that we've gathered in going across into Texas, we find that the Wolf-

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camp pay, when drilled, is a very high pressure zone. It is known to carry in excess of 3000 pounds bottom hole pressure. It becomes very touchy to drill this well -- to drill a well through the Wolfcamp. You have to get the type of mud that would -- to hold the pressure down, you would have to get the type of mud that would possibly seal the Wolfcamp formation. So that is why we would like to reserve judgment on drilling deeper until after we go through the Wolfcamp.

We've found in this area that the Wolfcamp has had a record of rather spotty production. It's had a -- I might note that in the well to the east, the Phantom Draw Unit No. 1, drilled by Texas Pacific in Section 20 of 20 South, 31 East, it's colored orange in Exhibit Five, this well has produced --

Q. Exhibit Four, you mean.

A. I mean in Exhibit Four, I apologize. This well to date has produced 1.5 billion cubic feet of gas on a daily production rate at the present time of approximately 320,000. This -- in the area we feel as though 1.5 billion is the history of the area and is why that we feel that justifiably 320-acre spacing is necessary for the economical commercial production of Wolfcamp gas at the present time.

If you attempt to get any sort of a more congested development, it would become economically

infeasible for all parties in the area, I feel. This is based on the history of the Wolfcamp in the locale of Eddy County.

Now, I'd like to say that possibly there are wells that have been known to produce much more, but this is the general term of the area.

MR. NUTTER: How about that Texaco Damsite Well in Section 9 in Texas? What is its cum production?

A. Yes, sir, the cum production at the present time is 1 billion cubic feet of gas, and it's on about 500,000 cubic feet production at the present time. We feel as though it will be approximately the same as the Texas Pacific Well that was referred to earlier, 1-1/2 Bcf well.

We are hoping to be in a sweet spot. You always have to be an eternal optimist when you drill, and hope you get better than everybody else, but that is what we have to put the bottom line. The engineers say, all right, you're going to work with 1.5 Bcf well, can you make it better than that. Well, we like to feel as though we can dream in a better deal geologically.

Q. And by reason of your analysis of these logs and of the depiction that you've shown on Exhibit Number Four --

A. Yes, sir.

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Q. ... you have made a conclusion, I presume, Mr. Alcorn, as to the location of the well, is that correct?

A. Yes, sir, I have.

Q. And what is that conclusion?

A. The conclusion that a standard location of 760 from the north line and 1980 from the west line of Section 34 is the optimum location in the Ross Draw Unit for the Well No. 9 to be drilled.

Q. In your opinion will the approval of the non-standard gas well unit be in the interest of conservation and the prevention of waste?

A. Yes, sir, I believe very definitely it would be.

Q. In your opinion will correlative rights be impaired?

A. I don't think any -- no, sir, it will not.

Q. Will the approval of the application afford the applicant the opportunity to produce its just and equitable share of the gas and condensate in the pool?

A. Yes, sir, I believe that in the essence of continuity on 320-acre spacing that we're caught in an area where the sections do not carry 320 acres themselves, so in an attempt to keep all spacing and all proration units at 320 acres, it is found that this is, in our opinion, fair

and just way to produce oil -- I mean produce gas from Sections 34 and 35 that we are in the Ross Draw Unit. We feel as though it is -- it is the optimum spacing.

Q. Will the approval of the application prevent economic loss caused by the drilling of unnecessary wells?

A. The approval is -- did you throw a double negative at me in there?

Q. I may have.

A. I believe that the proration unit as described here are the optimum that will prohibit economic waste of development.

Q. Will the approval of the application avoid the augmentation of risk arising from drilling excessive numer of wells?

A. Yes, sir.

MR. HUNKER: I'd like to offer at this time Exhibits Numbers Four and Five.

MR. NUTTER: Applicant's Exhibits Four and Five will be admitted.

MR. HUNKER: And to pass the witness at this time.

MR. NUTTER: Any questions?

MR. KELLAHIN: Yes, sir.

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CROSS EXAMINATION

BY MR. WILLIAMS:

Q. Mr. Bloom, are you familiar with the spacing requirements on Texas side of this pool?

A. No, sir, I am not at the present time. I'm not.

Q. You don't know if the well spacing in Texas is 320's, 160's, or whatever?

A. As I understand it, the Wolfcamp in the Damsite Unit has -- has not been established at the present time. As I understand it, the precedent of the state line fields usually are followed of which state sets up the spacing opportunities, I believe it sets the precedent on state line fields.

Q. You're familiar with the Florida No. 8 Well in the north half of 27?

A. Yes, sir.

Q. That well is awaiting a pipeline connection, I believe?

A. That well is in the -- is awaiting for an absolute open flow calculation. It is in the process of four-point tests.

The No. 7 is awaiting a pipeline connection.

Q That, if any, production tests do you have on the No. 2 Well?

A I have the four-point tests at the present time. The first four-point on a 6/64ths inch choke, one hour, flowing tubing pressure 7461; gas 2.26 million; barrels of condensate .7.

On the next one hour test, 9/64ths inch choke, one hour, 7380 is flowing tubing pressure; gas 3.95 million; condensate 2.76 per hour.

Q That's 3.95 million Mcf?

A 3.95 million cubic feet.

Do you want the rest of them?

Q Yes, sir, if you please.

A Third point, 10/64ths choke, one hour, tubing pressure 7259; gas 5.44 million; condensate 4.14 barrels in one hour.

And the last point, 11/64ths, one hour, flowing tubing pressure 7112; gas 6.61 million; condensate 9.65 barrels in one hour.

Q Based upon these tests, Mr. Alcorn, have you made any calculations or reached any conclusions concerning whether that well will pay out?

A Yes, sir, we anticipate that the well will pay out. Our engineering department feels as though we -- that the well will pay out is why he -- the department

recommended drilling the No. 9.

A Those are 320 acres dedicated to the No. 9 Well?

Q Yes, sir.

Q You've reached the conclusion that, in response to Mr. Hunker's question, that in your opinion it was necessary to develop this area on 320 acres.

A Yes, sir.

Q What specific information do you have that supports this conclusion that one well will drain 320?

A It is from the -- the Oil Conservation Commission, isn't that -- what is that rule? What number is that statewide rule for -- 104, Rule 104 in the statewide New Mexico, has stated that Wolfcamp or below should be on 320-acre spacing.

Q Apart from the rule, Mr. Alcorn, have you made any specific studies or calculations to determine the actual acreage to be drained by any of these wells?

A I feel as though from the history of the area that we conclude that approximately it takes 320 acres to make a well commercially productive.

I'm referring to the wells that were entered into testimony as the Texaco -- or Texas Pacific Phantom Draw in New Mexico and the Texaco Damsite Unit Well in Texas.

Q Your structure map, as I understood it, had superimposed upon it your -- these Isopach lines?

A Yes, sir.

Q Those were the dashed lines?

A Yes, sir, those are thickness lines of the Wolfcamp zone as depicted on the cross section in lavender.

Q And in reference to that exhibit, you identify the 20-foot line as being the economic limit for the Wolfcamp in this area.

A As -- from the history of the area, we feel as though the -- this is the economic limit as far as the Ross Draw No. 5 found it. It found to be lacking in porosity on the -- as noted on the cross section.

It could possibly open up. We hope it does, but it is, as we interpret it now, we feel as though we would like to stay east of that line.

Q And that's why you've chosen the proposed location of the No. 9 Well to be east of that line?

A Yes, sir, we feel as though that as the knowledge that is available to us, we'd like to take advantage of it, and we came up to -- came to that conclusion.

Q You wouldn't recommend the drilling of a Morrow test west of that 20-foot contour line?

A A Morrow test --

Q I'm sorry, a Wolfcamp test.

A. I would not until we find the information available from the No. 9. It behooves us to take advantage of all information available in the area and we would like to systematically drill our property from the information that we derive from previous wells. We would not like to drill over there until we find out some other information that is concrete.

Q. It would appear from your exhibit and your testimony, Mr. Alcorn, that approximately half of the proposed proration unit to be dedicated to this well, that acreage lying west of the Isopach 20-foot line is uneconomic.

A. It is from the -- from the interests of the area, it is at a time where we would not want to drill the well. We feel as though that it could open up out there, but right now as the actual location for the well, we would not like to drill on the other side.

Q. If the non-standard proration unit consists solely of Section 34 --

A. Yes, sir.

Q. -- would that change your proposed location?

A. No, sir.

Q. That would remain the same?

A. Yes, sir.

Q. From the information you have before you,

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Mr. Alcorn, where would you propose drilling a well for the non-standard proration unit that would exist in Section 35 in the balance of that east portion of Section 34? Where would you locate that well?

A. I would locate it in a -- on a standard location in Section 35. That would be approximately 660 or 760 from the north and 1980 from the west. That would more or less coincide with the spacing that would be established prior to a well drilled in 35.

Q. So if the proration unit for the well to be drilled in Section 35 consists solely of Section 35, then you would still have a standard location within that proration unit for your proposed second well.

A. If drilling on less than 320 acres would be considered standard.

Q. That is what I'm saying, approval of a non-standard proration unit of less than 320 acres, the proration unit for which would consist of only Section 35.

A. Yes, sir, but may I interject in the questioning here that it would certainly -- if we would be penalized because of lack of acreage it would be very definitely to our disadvantage. We feel as though 320-acre spacing, as proposed at the present time, would be in direct continuity with the wells that we're going to drill in Section 26 and 27. We have in the area, we have ARCO that would

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be definitely involved on various spacing problems.

Q. This pool is not -- the Wolfcamp formation here is not a prorated gas pool at this point, is it?

A. No, sir. We're going under statewide and it would be up to us as the operator of the area to recommend, and I would highly recommend 320-acre spacing for the area.

Q. But if it's less than 320 acres, there is no acreage penalty proposed on any of the production in the Wolfcamp, is there?

A. I don't know how the ruling will come out. We certainly would not want to be penalized in any way for drilling a less than 320-acre tract.

Q. Let's assume that the proration unit is solely Section 34 for the subject 9 Well.

A. All right.

Q. And so long as there is no penalty on your ability to produce that, you would have no objection if the standard -- the non-standard proration unit was limited to that configuration.

A. I was just informed that we are earning none of the farmout in the east part of Section 33, and we are attempting to -- it would penalize us because we could not include enough acreage, and in the theory of our farmout, we're trying to carry this in good faith with our farm-in --

with our farm-in agreements.

We feel as though 320 acres is a very logical production development in the area. We have the acreage. We know the configuration will be different than normal because we have encountered the state line. We have to go along there. Now, the -- it was mentioned previously that 320-acre configuration would go clear across the -- the state line area. We feel as though this would be unique to just the Ross Draw Field for economic and prolific development of the area on 320 acres.

We don't feel as though we want to over develop or under develop. We want to get our just production on the 320-acre spacing, as defined in the statewide rules. We are not attempting to circumvent any type of -- of standard location whatsoever. We're attempting to keep in the -- in the theory and the area of 320-acre locations. We didn't anticipate getting into any acreage or argumentative play in here, other than just to develop on a prolific and economic manner.

Q May I conclude from your testimony, Mr. Alcorn, that the principal reason Florida Exploration seeks the proposed non-standard proration unit is to hold the Estoril leased acreage in the east half of Section 33, despite the fact that that acreage in your opinion is uneconomic?

A. Yes, sir, we are attempting to make a -- at the present time. Now, I cannot say whether it will be economical or not, because of future drilling. I cannot enter into testimony any hearsay that is the oilfield talk that the H. L. Brown Well in Texas is an indicated well. But at the present time it is just hearsay on my part because it is by word of mouth, but it could be that that would open it out to the west in that area, but at the present time, with a March deadline, the information available is all that I can recommend to my company.

MR. KELLAHIN: Thank you. No further questions.

REDIRECT EXAMINATION

BY MR. HUNKER:

Q. Mr. Alcorn, just one other question.

A. Yes, sir.

Q. Can you predict at this time whether or not this pool will or will not be prorated at some future date?

A. No, sir, I cannot predict other than we would like to recommend it as such on a 320-acre proration, but I cannot predict the -- the outcome.

Q. Let me explain. In prorated gas pools, an allowable is fixed by the Oil Conservation Division.

A. Yes, sir.

Q. And you heard the testimony this morning --

A. Yes, sir.

Q. -- about the amount of production that is allowed to those various pools.

A. Yes, sir.

Q. At the present time this particular pool is not in a prorated gas pool, is that correct?

A. Yes, sir, that is correct.

Q. Can you presently predict whether it will or will not be in a prorated gas pool at some future date?

A. No, sir. I cannot. I thought you meant prorated units, excuse me.

Q. Yes.

A. I was going under the term of prorated unit as to prorated production. I cannot predict that whatsoever.

Q. What pipeline serves the well down in Texas, the Texaco well described as the Damsite Well? Do you know?

A. I am not familiar, no, sir, I am not. The only --

Q. What pipeline company do you hope to make a contract with with respect to your No. 7 and your No. 8 Wells?

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A El Paso Natural Gas.

Q And is that the only pipeline in the area at this time?

A That's the only pipeline that would be available to us at the present time. As I understand it, it's over at the Texas Pacific Phantom Draw Well in the township to the east.

MR. HUNKER: I have no further questions, Mr. Examiner.

MR. NUTTER: Are there any questions of Mr. Alcorn?

MR. KELLAHIN: Yes in response to Mr. Hunker's question about El Paso pipeline.

RECROSS EXAMINATION

BY MR. KELLAHIN:

Q Where is the El Paso pipeline at this point?

A At this point, as I understand it, it is a mile east of our Ross Draw Well No. 7. We're negotiating and that's -- on the ground I have not been there. That was from our engineering department's report at our last meeting.

Q And you said that's the only available pipeline in the area?

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A Yes, sir.

MR. KELLAHIN: No further questions.

MR. NUTTER: If there are no further questions, the witness may be excused.

MR. HUNKER: No further witnesses and no further comments.

MR. NUTTER: Mr. Kellahin, will you call your witness, please?

JOHN CASTLE

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A John Castle, self employed.

Q What's your educational background, Mr. Castle?

A Geologist.

Q Have you previously testified as a geologist before the Oil Conservation Division of New Mexico?

A Yes, I have.

Q And have those qualifications been ac-

cepted and made a matter of record?

A. Yes.

Q. You're currently working for yourself, are you?

A. Yes.

Q. And what, if any, oil and gas producers have you worked for in the past?

A. Worked for Dell High Taylor Oil Corporation in Midland for approximately four years. Prior to that Phillips Petroleum Company for about five years.

Q. You own acreage in the area which is the subject matter of this application?

A. Yes.

MR. KELLAHIN: We tender Mr. Castle as an expert geologist.

MR. NUTTER: Mr. Castle is qualified.

Q. Mr. Castle, I show you what has been marked and introduced as Applicant Exhibit Number One, and ask you to locate for us, if you will, that acreage that you own.

A. That acreage is the east half of the northwest quarter and Lot Number 4 of Section 33, Township 26 South, Range 30 East, Eddy County, New Mexico. Also, all of Section 32 in the same township.

Q. Is that the extent of your acreage

ownership in the immediate area?

A. Approximately a mile and a half or two miles to the west I own another -- another tract of acreage, which is approximately 300 acres.

Q. You're appearing in opposition to the applicant's request for the creation of a non-standard proration unit, are you not, Mr. Castle?

A. Yes.

Q. Would you describe for us the reasons for your objection to that proposal?

A. By using their proration unit covering the west part of Section 34 and the east half of Section 33, it would leave me with approximately 89 acres in the west half of Section 33, which I could do nothing with.

And adding to that, if they would keep the proration units in the section, in Section 35, Section 34, and then in the 33, I would be happy to join Florida Exploration in the drilling of the well in that section.

Q. What section are you talking about?

A. Section 33, keeping the proration units in the section.

Should they not want to drill a well in Section 33, or anything west of the number 20 line you've been talking about, I would be most happy to take their position and drill it myself.

Q. If a proration unit is composed consisting entirely and solely of acreage in Section 33, how many acres is that?

A. That's approximately 260 acres.

Q. And if a non-standard proration unit is created consisting solely of the acreage in Section 34, how many acres would that be?

A. Approximately 260 acres.

Q. What is the acreage included in Section 32?

A. Well, that's --

Q. If the acreage in Section 32 is formed into a non-standard proration unit, how many acres?

A. That's approximately 260 acres.

Q. And lastly, in Section 35, if that acreage is dedicated to a non-standard gas proration unit, how many acres?

A. Approximately 260 acres, also. All of those half sections are approximately 260 acres in that area.

Q. Are you aware of what the spacing is on the Texas side of the state line?

A. No, I'm not, but I can see, if it is 160 acres and we drill three wells along the New Mexico side of the field instead of four, the State of New Mexico would be getting cheated a little.

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Q Have you made a study of or examined any of the data on any of the Wolfcamp wells in this particular area?

A I've seen the exhibits of Mr. Alcorn and other information, some of the information that Penroc had, and I've also seen a log on the H. L. Brown Well, covering the Wolfcamp section.

Q Are you familiar with the Texaco Well down in Section 9 in Texas?

A I've seen the log on that.

Q And how about the Florida No. 7 Well in Section 26?

A Yes, I've seen that log.

Q And the Florida No. 8 Well in Section 27?

A I've also seen that one, right.

Q Based upon your study of this particular area and your knowledge and information as a geologist, Mr. Castle, do you have an opinion as to whether or not it would be most effective and efficient to develop the -- each of the proposed non-standard proration units, being Sections 32, 33, 34, and 35?

A Would you ask that again, please?

Q Yes, sir. Based upon your knowledge as a petroleum geologist and your study of this particular

area, do you have an opinion as to whether or not the Wolfcamp formation along the New Mexico side of the Texas border can be developed on less than 320-acre spacing?

A. Well, the information we have, I think it should be developed on 160-acre units. We really don't have enough information right now since none of the Wolfcamp wells on the New Mexico side in this immediate area has produced yet.

MR. KELLAHIN: I believe I have no more questions of Mr. Castle.

MR. NUTTER: Any further questions?

MR. HUNKER: Yes, I have a question or two.

MR. NUTTER: Mr. Hunker.

CROSS EXAMINATION

BY MR. HUNKER:

Q. Mr. Castle, do you have interests in any Wolfcamp wells in the State of New Mexico?

A. I can't think of any now.

Q. Do you have any in the area of north Texas that adjoins the Ross Draw area?

A. No.

Q. Do you disagree with the New Mexico statewide rule to the effect that Wolfcamp should be spaced

on a 320-acre basis?

A. I misunderstood the rule. I thought it was 160 acres for Wolfcamp and above; 320 acres for below the Wolfcamp for a gas well.

Q. I am advised that the rule has changed. You are originally correct, but the rule was changed in 1975.

A. Yeah, I wasn't familiar that it was changed.

Q. Do you disagree with the change?

A. Yes, in certain instances where we don't have enough information.

Q. Is there pending before the Railroad Commission of Texas at the present time a case or cases involving the well spacing to be provided in this particular area of Texas?

A. I don't know.

Q. Have you ever been involved in a Federal exploratory unit in New Mexico, Mr. Castle?

A. In what way do you mean?

Q. Have you ever had a working interest in such a unit?

A. Yes.

Q. Are you familiar with the terms and provisions of those unit agreements?

A. No.

Q. Are you familiar with the operating agreements that are entered into by the working interest owners with regard to the drilling of the exploratory tests?

A. I don't remember it. I probably was at the time I got into the unit.

Q. Should you want to participate or be allowed to participate at some future date with your acreage in Section 3 so as to involve a spacing unit consisting of Section 33, do you realize that a considerable amount of paper work and renegotiation would have to take place in order to permit you to participate with the interest owners of the unit?

A. Every well I've participated in on Federal acreage recently I consider it takes in a lot of paper work.

Q. It involves a considerable amount of negotiation and --

A. Yes, it does.

Q. -- and governmental approval?

A. Yes, sir.

MR. HUNKER: I have no further questions.

MR. NUTTER: Are there any other questions of Mr. Castle? He may be excused.

Does anyone else have anything they wish

to offer in Case Number 6702?

Call for summations, please. Mr. Hunker, you're entitled to go last.

MR. KELLAHIN: Mr Nutter, it's our opinion that the application ought to be denied.

The Oil Conservation has traditionally denied requests to form proration units across section lines. The Rule 104-D specifically provides that the proration unit involved shall be included within one governmental section.

The applicant has failed to demonstrate any compelling reasons for departure from that tradition and accordingly, the request by the applicant ought to be denied.

The continuation of a non-standard proration unit in the manner proposed by Florida leads to a proliferation of non-standard proration units across section lines throughout the entire township on the New Mexico side of the Wolfcamp production on the Texas/New Mexico border. We believe the applicant has failed to demonstrate sufficient data either through engineering calculations or further testimony to demonstrate that one well can effectively and efficiently drain 320 acres in this particular area, and that without that information, that the rule ought to be adhered to precluding formation of proration units across section lines, and to do so in this case jeopardizes Mr.

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Castle's correlative rights and compels upon him an unnecessary burden to thereby go ahead and form further non-standard proration units across section lines.

Therefore, we request that the application be denied.

MR NUTTER: Thank you. Mr. Hunker?

MR. HUNKER: We have a situation here that calls for careful attention by the Oil Conservation Division, in that we have an approved Federal Unit, and at the bottom of this Federal Unit along the state line there are two tracts that contain approximately 320 acres of land.

The unit itself is quite complicated. The unit operating agreement is quite complicated. The rules and regulations of the Oil Conservation Division specify that Wolfcamp production may be developed on 320-acre spacing pattern, and we have shown the logic to crossing the section line between Section 33 and 34, and we feel that it is perfectly logical to select a location which we think will be productive of gas from the Wolfcamp formation at the location that we have selected, and to dedicate to that Wolfcamp well the amount of acreage which the Conservation Division has indicated should be dedicated.

We can't predict whether another pipeline will come into this particular area or not. I can envision the fact that one might if the production is found

to be rather prolific, in which case the pipelines will be competing for the gas and there might very well be a time when the pool would be prorated and production would be allocated.

And the compelling reason for the approval of this unit is to allow this particular operator to have his fair share of the gas that is under this -- underlies this particular land.

Mr. Kellahin would have you think that it's -- it's impossible to have these unorthodox spacing units along -- along the state line, but this is not -- not the case at all. It's entirely conceivable to me that Mr. Castle can take his acreage in the west part of Section 33 and combine it with acreage in Section 32 and do precisely what we have done, or seek to do, and establish a well spacing unit for that tract.

Sooner or later the Wolfcamp production is going to poop out and not be there and when that happens we won't have the problem of coming to the commission for non-standard gas well units. Until that happens, I think that the Commission needs to establish a precedent at this point -- particular point in time for 320-acres recognized as a correct and adequate Wolfcamp spacing unit and approve the application of this particular applicant.

We don't feel that Florida should be

penalized because of Mr. Castle's acreage position. Mr. Castle, it's noted from the map, that the lease that he obtained was issued on March the 1st, 1979, which indicates to me that he has come into the picture long after Florida gas came in and -- and then in our judgment, we don't think Florida should be penalized because of -- of the acreage position that he has taken.

I conclude my remarks with that, and request that an order be entered approving Florida's application for a non-standard gas unit.

MR. NUTTER: Thank you.

Does anyone else have anything they wish to offer in Case 6792?

We'll take the case under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand 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.

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. 6792 heard by me on 1/16, 1980.

, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

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

February 21, 1980

Re: CASE NO. 6792
ORDER NO. R-6270

Mr. George H. Hunker, Jr.
Hunker-Fedric
Attorneys at Law
Post Office Box 1837
Roswell, New Mexico 88201

Applicant:

Florida Exploration Company

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 OCD x
Artesia OCD x
Aztec OCD

Other Thomas Kellahin

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. 6792
Order No. R-6270

APPLICATION OF FLORIDA EXPLORATION COMPANY FOR A NON-STANDARD GAS PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 16, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of February, 1980, 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, Florida Exploration Company, seeks approval of a 324.25-acre non-standard gas proration unit comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, to be dedicated to a well to be drilled to the Wolfcamp formation and possibly to the Pennsylvanian formation at a standard location thereon.

(3) That due to the New Mexico-Texas state line traversing Township 26 South, Range 30 East, directly through Sections 31 through 36, said sections are not of standard size and contain only approximately 260 acres each.

(4) That a standard size unit for a gas well in the Wolfcamp and Pennsylvanian formations in the subject area is 320 acres.

(5) That the applicant is the operator of the Ross Draw Unit Area, which comprises, among other lands, the E/2 of Section 33 and all of Sections 34 and 35, Township 26 South, Range 30 East, NMPM, containing ten 40-acre tracts and 10 lots along the state line of approximately 25 acres each.

(6) That the 324.25-acre unit proposed by the applicant in this case comprises five 40-acre tracts and 5 lots along the state line of approximately 25 acres each, and such a combination of tracts and lots more closely approximates a standard size unit than any other combination of tracts or lots practicably possible in this area.

(7) That the proposed dedication will leave the applicant with 5 other 40-acre tracts and 5 other lots of approximately 25 acres each along the New-Mexico-Texas state line and within the boundary of the Ross Draw Unit Area to form a similar non-standard spacing and proration unit to be dedicated to a future well yet to be drilled, if such well appears feasible.

(8) That the entire non-standard proration unit as proposed may reasonably be presumed productive of gas from the Wolfcamp or Pennsylvanian formations, or both, and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(9) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Ross Draw area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 324.25-acre non-standard gas proration unit in the Ross Draw area comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to a well to be drilled by the applicant, Florida Exploration Company, to the Wolfcamp formation and possibly to the Pennsylvanian formation at a standard location thereon.

(2) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

SEAL

fd/

OPERATOR	DIVISION	AFE NO
Florida Gas Exploration Company	Midland Division	

PROSPECT NO	Lease #	Well #		PROPOSED WELL DEPTH
	0,1	0,1	XX Wildcat ☐ Development ☐ Recomplete ☐ Repair Proposed	14,500'

WELL NAME
No 1 #1-26 Ross Draw Unit — Ross Draw Prospect

LOCATION
1980' FS&EL Section 26, T-26-S, R-30-E

CO/PARISH	STATE	FIELD
Eddy	N.Mex.	Wildcat

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	XXXXXXXXXXXX Rig Move	01	20,000		20,000
	PERMITS AND SURVEYING	19	350		350
	CASING TOOLS, CREWS AND TONGS	50	6,500	2,500	9,000
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING 75 DAYS @ $ 4800/DAYS	52	360,000		360,000
	COMPLETION RIG 15 DAYS @ $ 1200/DAYS	53		18,000	18,000
	BITS	54	35,000		35,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56	10,000	3,000	13,000
	CEMENT AND SERVICES	57	17,500	6,500	24,000
	DRILLING MUD AND CHEMICALS	58	50,000	1,000	51,000
	ELECTRICAL LOGGING & SURVEYS	59	18,000	4,000	22,000
	STIMULATIONS	60		40,000	40,000
	PERFORATIONS	61		5,000	5,000
	TESTING	62	6,000		6,000
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	7,000		7,000
	RENTAL TOOLS AND EQUIPMENT	67	20,000	10,500	30,500
	ENGINEERING AND SUPERVISION	68	10,000	5,000	15,000
	XXXX AND WATER	69	18,500	2,000	20,500
	CEMENTING — PLUG AND ABANDON	71	6,000		6,000
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86	3,000	5,000	8,000
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	29,000	5,000	34,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		616,850	107,500	724,350

	ITEM DESCRIPTION (QTY. / SIZE)	SUB A/C	ACCOUNT 724	ACCOUNT 725	TOTAL
TANGIBLE	DRIVE PIPE CASING FT. INCHES	01			
	SURFACE CASING 350 FT. 13-3/8 INCHES	02	5,800		5,800
	CASING HEADS	03	10,000	6,000	16,000
	PRODUCTION CASING 2,700 FT. 5-1/2 INCHES	04		25,000	25,000
	PRODUCTION TUBING 14,500 FT. 2-7/8 INCHES	05		74,000	74,000
	CHRISTMAS TREE	07		10,000	10,000
	PACKER AND PRODUCTION TUBING ACCESSORIES	08		3,000	3,000
	INTERMEDIATE CASING 3,500 FT. 9-5/8 INCHES	09	43,000		43,000
	DRILLING LINER 12,000 FT. 7-5/8 INCHES	10	165,000		165,000
	MISCELLANIOUS AND CONTINGENCIES	29	10,000	6,000	16,000
	TOTAL TANGIBLE COST		233,800	124,000	357,800
	TOTAL COST THRU CHRISTMAS TREE		850,650	231,500	1,082,150

W.I. OWNER	% OWNERSHIP
Midland III	.

cost to date 1,996,193 [illegible]

PRODUCTION EQUIPMENT	Sub a/c	ACCOUNT 730	
STORAGE TANK	11	10,000	
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS	15		
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18	2,000	
FIELD PIPELINES	19	5,000	
LEASING BUILDING & DWELLING	20		
FACILITY INSTALLATION	30	3,000	
MISCELLANEOUS/CONTINGENCIES	90	4,500	
Gas Pak		25,000	
TOTAL PRODUCTION EQUIPMENT		49,500	1,131,650

[illegible handwritten approval note]

PARTNER	DATE	FLA. GAS VICE PRESIDENT - EXPLORATION	DATE
		[signature]	11/2/7[illegible]

FGE Co	DRY HOLE	PRODUCER	PREPARED BY	DATE	GEOLOGICAL	DATE
INTEREST	%	%			[signature]	10/20/7[illegible]
COST	$	$		DATE	ENGINEERING [signature]	DATE 10-21-7[illegible]

AUTHORIZATION FOR EXPENDITURE

OPERATOR	DIVISION	AFE NO
Florida Gas Exploration	Midland	0,1,3,2,0,1

PROSPECT NO	Lease #	Well #				PROPOSED WELL DEPTH	
0,0,4,0	0,1	0,1	☒ WILDCAT	☐ DEVELOPMENT	☐ EXPLORATORY	14,500'	SUPPLEMENT
			☐ RECOMPLETE	☐ REPAIR PROPOSED			

WELL NAME: Ross Draw #7

LOCATION: 1,980' FSL and 1,980' FEL Section 26, T-26-S, R-30-E

CO/PARISH	STATE	FIELD
Eddy	NM	

	ITEM DESCRIPTION			SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	COMPANY LABOR			01			
	PERMITS AND SURVEYING			19	3,500		3,500
	CASING TOOLS, CREWS AND TONGS			50	9,500		9,500
	CONTRACT DRILLING	FT. @ $	/FT.	51			
	CONTRACT DRILLING	DAYS @ $	/DAYS	52	242,000		242,000
	COMPLETION RIG	DAYS @ $	/DAYS	53			
	BITS			54	24,500		24,500
	ROAD, DIRT WORK, PIT AND RESTORATION			56	36,500		36,500
	CEMENT AND SERVICES			57	32,000	15,000	47,000
	DRILLING MUD AND CHEMICALS			58	183,000		183,000
	ELECTRICAL LOGGING & SURVEYS			59	17,000		17,000
	STIMULATIONS			60			
	PERFORATIONS			61			
	TESTING			62	4,000		4,000
	CORE ANALYSIS AND CORING			63			
	MUD LOGGER			64	22,500		22,500
	RENTAL TOOLS AND EQUIPMENT			67	87,500		87,500
	ENGINEERING AND SUPERVISION			68			
	FUEL AND WATER			69	74,000		74,000
	CEMENTING – PLUG AND ABANDON			71			
	MARINE COST			85			
	TRUCKING & RAIL FREIGHT			86	55,000		55,000
	GEOLOGICAL SERVICES			89			
	MISCELLANEOUS AND CONTINGENCIES			90			
	OVERHEAD			91			
	TOTAL INTANGIBLE COST				791,000	15,000	806,000

		QTY.	SIZE		ACCOUNT 724	ACCOUNT 725	
TANGIBLE	DRIVE PIPE CASING	FT.	INCHES	01			
	SURFACE CASING	FT.	INCHES	02			
	CASING HEADS			03			
	PRODUCTION CASING	FT.	INCHES	04			
	PRODUCTION TUBING	FT.	INCHES	05			
	CHRISTMAS TREE			07			
	PACKER AND PRODUCTION TUBING ACCESSORIES			08			
	INTERMEDIATE CASING	FT.	INCHES	09			
	DRILLING LINER	FT.	INCHES	10			
	MISCELLANIOUS AND CONTINGENCIES			29			
	TOTAL TANGIBLE COST						

TOTAL COST THRU CHRISTMAS TREE			806,000

WI OWNER	% OWNERSHIP
Midland III	100 00
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PRODUCTION EQUIPMENT	Sub A/C	ACCOUNT 730	
STORAGE TANK	11		
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS	15		
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18		
FIELD PIPELINES	19		
LEASING BUILDING & DWELLING	20		
FACILITY INSTALLATION	30		
MISCELLANEOUS/CONTINGENCIES	90		
TOTAL PRODUCTION EQUIPMENT			806,000

RECEIVED
AUG 24 1979
FLORIDA GAS EXPLORATION COMPANY

PARTNER	DATE	F.G.E.Co. VICE PRESIDENT	DATE
		Tom K. Williams	8/13/79

FGE Co	DRY HOLE	PRODUCER	PREPARED BY	DATE	GEOLOGICAL	DATE
INTEREST	%	%			Allen E. Brown	8/16/79
COST	$	$	LAND	DATE	ENGINEERING	DATE

Florida Exploration Company | Midland

PROJECT NO	Lease #	Well #				PROPOSED WELL DEPTH
0040	02	01	☒ WILDCAT ☐ DEVELOPMENT ☐ EXPLORATORY ☐ RECOMPLETE ☐ REPAIR PROPOSED			9,200'

WELL NAME

No. 8 Ross Draw (Ross Draw-Delaware)

LOCATION

1,650' FNL and 1,650' FEL

Section 27, T-26-S, R-30-E

Lower Dalc Spring Test
Prone Spring
actually drilled to WC
Finally @ 12,200 w/ suppl. for 355 700 total @ 10,14200

PARISH	STATE	FIELD
Eddy	N.M.	Wildcat

INTANGIBLE	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
	COMPANY LABOR Rig move	01	35,000		35,000
	PERMITS AND SURVEYING	19	500		500
	CASING TOOLS, CREWS AND TONGS	50	2,500	5,000	7,500
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING 38 DAYS @ $ 4500 DAYS	52	171,000		171,000
	COMPLETION RIG 10 DAYS @ $ 1100 DAYS	53		11,000	11,000
	BITS	54	20,000		20,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56	25,000	5,000	30,000
	CEMENT AND SERVICES	57	16,000	8,000	24,000
	DRILLING MUD AND CHEMICALS	58	30,000	1,500	31,500
	ELECTRICAL LOGGING & SURVEYS	59	15,000	4,000	19,000
	STIMULATIONS	60			
	PERFORATIONS	61		2,500	2,500
	TESTING	62	7,000		7,000
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	7,500		7,500
	RENTAL TOOLS AND EQUIPMENT	67	10,000	5,000	15,000
	ENGINEERING AND SUPERVISION	68	12,000	3,000	15,000
	FUEL AND WATER	69	25,000	2,000	27,000
	CEMENTING – PLUG AND ABANDON	71	5,000		5,000
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86	5,000	5,000	10,000
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	18,000	3,000	21,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		404,500	55,000	459,500

TANGIBLE		QTY.	SIZE		ACCOUNT 724	ACCOUNT 725	
	DRIVE PIPE CASING	FT.	INCHES	01			
	SURFACE CASING	330 FT.	13-3/8 INCHES	02	6,000		6,000
	CASING HEADS			03	3,500	2,500	6,000
	PRODUCTION CASING	9,200 FT.	5½ INCHES	04		58,000	58,000
	PRODUCTION TUBING	9,200 FT.	2-3/8 INCHES	05		28,500	28,500
	CHRISTMAS TREE			07		5,000	5,000
	PACKER AND PRODUCTION TUBING ACCESSORIES			08		4,000	4,000
	INTERMEDIATE CASING	3,600 FT.	9-5/8 INCHES	09	47,000		47,000
	DRILLING LINER	FT.	INCHES	10			
	MISCELLANIOUS AND CONTINGENCIES			29	2,500	5,000	7,500
	TOTAL TANGIBLE COST				59,000	103,000	162,000
	TOTAL COST THRU CHRISTMAS TREE				463,500	158,000	621,500

WI OWNER	% OWNERSHIP
Midland III	100.000
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PRODUCTION EQUIPMENT	Sub A/C	ACCOUNT 730
STORAGE TANK	11	10,000
WALKWAYS AND STAIRWAYS	13	
CHEMICAL LUBRICATORS	14	
SEPARATORS Gas Pak	15	15,000
DEHYDRATORS	16	
TREATING EQUIPMENT	17	
METERS & REGULATING EQUIP.	18	1,000
FIELD PIPELINES	19	1,000
LEASING BUILDING & DWELLING	20	
FACILITY INSTALLATION	30	3,000
MISCELLANEOUS/CONTINGENCIES	90	2,000
TOTAL PRODUCTION EQUIPMENT		32,000

MARINER	DATE	F.G.E.Co. VICE PRESIDENT	DATE
			8/31/79

FGE Co	DRY HOLE	PRODUCER	PREPARED BY	DATE	GEOLOGICAL	DATE
INTEREST	%	%				8/30/79
COST	$	$	LAND	DATE	ENGINEERING	DATE
				8/31/79		

OPERATOR	DIVISION	AFE NO.
FLORIDA EXPLORATION COMPANY	Midland III	

PROSPECT NO	Lease #	Well #		PROPOSED WELL DEPTH
0040	020	01	☐ WILDCAT ☒ DEVELOPMENT ☐ EXPLORATORY ☐ RECOMPLETE ☐ REPAIR PROPOSED	12,300'

WELL NAME
No. 8 Ross Draw (Ross Draw Prospect)

LOCATION
1650' FNL and 1650' FEL

Section 27, T-26-S, R-30-E

CO/PARISH	STATE	FIELD
Eddy	NM	Ross Draw (Wolfcamp)

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	COMPANY LABOR	01			
	PERMITS AND SURVEYING	19			
	CASING TOOLS, CREWS AND TONGS	50			
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING DAYS @ $ /DAYS	52	102,000		102,000
	COMPLETION RIG DAYS @ $ /DAYS	53			
	BITS	54	6,000		6,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56			
	CEMENT AND SERVICES	57	10,000		10,000
	DRILLING MUD AND CHEMICALS	58	15,000		15,000
	ELECTRICAL LOGGING & SURVEYS	59	15,000	1,000	16,000
	STIMULATIONS	60			
	PERFORATIONS	61		1,000	1,000
	TESTING	62			
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	8,000		8,000
	RENTAL TOOLS AND EQUIPMENT	67	15,000		15,000
	ENGINEERING AND SUPERVISION	68	9,000		9,000
	FUEL AND WATER	69	20,000		20,000
	PLUG AND ABANDON COSTS	71			
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86			
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	5,000		5,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		205,000	2,000	207,000

	ITEM DESCRIPTION (QTY. / SIZE)	SUB A/C	ACCOUNT 724	ACCOUNT 725	TOTAL
TANGIBLE	DRIVE PIPE CASING FT. INCHES	01			
	SURFACE CASING FT. INCHES	02			
	CASING HEADS	03		2,000	2,000
	PRODUCTION ~~CASING~~ Liner 1200 FT. 4½ INCHES	04		16,000	16,000
	PRODUCTION TUBING 11,800 FT. 2-3/8 INCHES	05		63,500	63,500
	CHRISTMAS TREE	07		20,200	20,200
	PACKER AND PRODUCTION TUBING ACCESSORIES	08		5,000	5,000
	INTERMEDIATE CASING 11,800 FT. 7 INCHES	09	42,000		42,000
	DRILLING LINER FT. INCHES	10			
	MISCELLANIOUS AND CONTINGENCIES	29			
	TOTAL TANGIBLE COST		42,000	106,700	148,700
	TOTAL COST THRU CHRISTMAS TREE		247,000	108,700	355,700

W.I. OWNER	% OWNERSHIP	PRODUCTION EQUIPMENT	Sub a/c	ACCOUNT 730	
Midland III	100.0000	STORAGE TANK	11		
		WALKWAYS AND STAIRWAYS	13		
		CHEMICAL LUBRICATORS	14		
		SEPARATORS	15		
		DEHYDRATORS	16		
		TREATING EQUIPMENT	17		
		METERS & REGULATING EQUIP.	18		
		FIELD PIPELINES	19		
		LEASING BUILDING & DWELLING	20		
		PUMPING UNIT, MOTOR	21		
		FACILITY INSTALLATION	30		
		MISCELLANEOUS/CONTINGENCIES	90		
		TOTAL PRODUCTION EQUIPMENT			355,700

PARTNER	DATE	F.G.E.Co. VICE PRESIDENT	DATE
		[illegible signature]	11/13/79

FGE Co	DRY HOLE	PRODUCER	PREPARED BY	DATE	GEOLOGICAL	DATE
INTEREST	%	%			[illegible signature]	11/12/79
COST	$	$	LAND [illegible signature]	DATE 11/12/79	ENGINEERING [illegible signature]	DATE 11-13-79

Florida Gas Exploration Company | Midland Division

PROSPECT NO	Lease #	Well #		PROPOSED WELL DEPTH
	0,1	0,1	XX Wildcat ☐ Development ☐ Recomplete ☐ Repair Proposed	14,500'

WELL NAME
No 1 #1-26 Ross Draw Unit — Ross Draw Prospect

LOCATION
1980' FS&EL Section 26, T-26-S, R-30-E

CO/PARISH	STATE	FIELD
Eddy	N.Mex.	Wildcat

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	Rig Move	01	20,000		20,000
	PERMITS AND SURVEYING	19	350		350
	CASING TOOLS, CREWS AND TONGS	50	6,500	2,500	9,000
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING 75 DAYS @ $ 4800 DAYS	52	360,000		360,000
	COMPLETION RIG 15 DAYS @ $ 1200 DAYS	53		18,000	18,000
	BITS	54	35,000		35,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56	10,000	3,000	13,000
	CEMENT AND SERVICES	57	17,500	6,500	24,000
	DRILLING MUD AND CHEMICALS	58	50,000	1,000	51,000
	ELECTRICAL LOGGING & SURVEYS	59	18,000	4,000	22,000
	STIMULATIONS	60		40,000	40,000
	PERFORATIONS	61		5,000	5,000
	TESTING	62	6,000		6,000
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	7,000		7,000
	RENTAL TOOLS AND EQUIPMENT	67	20,000	10,500	30,500
	ENGINEERING AND SUPERVISION	68	10,000	5,000	15,000
	FUEL AND WATER	69	18,500	2,000	20,500
	CEMENTING – PLUG AND ABANDON	71	6,000		6,000
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86	3,000	5,000	8,000
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	29,000	5,000	34,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		616,850	107,500	724,350

	ITEM (QTY. / SIZE)	SUB A/C	ACCOUNT 724	ACCOUNT 725	TOTAL
TANGIBLE	DRIVE PIPE CASING FT. INCHES	01			
	SURFACE CASING 350 FT. 13-3/8 INCHES	02	5,800		5,800
	CASING HEADS	03	10,000	6,000	16,000
	PRODUCTION CASING 2,700 FT. 5-1/2 INCHES	04		25,000	25,000
	PRODUCTION TUBING 14,500 FT. 2-7/8 INCHES	05		74,000	74,000
	CHRISTMAS TREE	07		10,000	10,000
	PACKER AND PRODUCTION TUBING ACCESSORIES	08		3,000	3,000
	INTERMEDIATE CASING 3,500 FT. 9-5/8 INCHES	09	43,000		43,000
	DRILLING LINER 12,000 FT. 7-5/8 INCHES	10	165,000		165,000
	MISCELLANIOUS AND CONTINGENCIES	29	10,000	6,000	16,000
	TOTAL TANGIBLE COST		233,800	124,000	357,800
	TOTAL COST THRU CHRISTMAS TREE		850,650	231,500	1,082,150

W.I. OWNER	% OWNERSHIP
Midland III	.

PRODUCTION EQUIPMENT	Sub A/c	ACCOUNT 730	
STORAGE TANK	11	10,000	
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS	15		
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18	2,000	
FIELD PIPELINES	19	5,000	
LEASING BUILDING & DWELLING	20		
FACILITY INSTALLATION	30	3,000	
MISCELLANEOUS/CONTINGENCIES	90	4,500	
Gas Pak		25,000	
TOTAL PRODUCTION EQUIPMENT		49,500	1,131,650

PARTNER	DATE	FLA. GAS VICE PRESIDENT - EXPLORATION	DATE
		[signature]	11/2/78

FGE Co	DRY HOLE	PRODUCER	PREPARED BY	DATE	GEOLOGICAL	DATE
INTEREST	%	%			[signature]	10/20/78
COST	$	$	LAND [signature]	DATE	ENGINEERING [signature]	DATE 10-20-78

Florida Gas Exploration | DIVISION: Midland | AFE NO: 0,1,3,2,0,1

PROSPECT NO: 0,0,4,0 | LEASE #: 0,1 | WELL #: 0,1 | ☒ WILDCAT ☐ DEVELOPMENT ☐ EXPLORATORY ☐ RECOMPLETE ☐ REPAIR PROPOSED | PROPOSED WELL DEPTH: 14,500' | SUPPLEMENT

WELL NAME: Ross Draw #7

LOCATION: 1,980' FSL and 1,980' FEL Section 26, T-26-S, R-30-E

COUNTY/PARISH	STATE	FIELD
Eddy	NM	

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	COMPANY LABOR	01			
	PERMITS AND SURVEYING	19	3,500		3,500
	CASING TOOLS, CREWS AND TONGS	50	9,500		9,500
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING DAYS @ $ /DAYS	52	242,000		242,000
	COMPLETION RIG DAYS @ $ /DAYS	53			
	BITS	54	24,500		24,500
	ROAD, DIRT WORK, PIT AND RESTORATION	56	36,500		36,500
	CEMENT AND SERVICES	57	32,000	15,000	47,000
	DRILLING MUD AND CHEMICALS	58	183,000		183,000
	ELECTRICAL LOGGING & SURVEYS	59	17,000		17,000
	STIMULATIONS	60			
	PERFORATIONS	61			
	TESTING	62	4,000		4,000
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	22,500		22,500
	RENTAL TOOLS AND EQUIPMENT	67	87,500		87,500
	ENGINEERING AND SUPERVISION	68			
	FUEL AND WATER	69	74,000		74,000
	CEMENTING – PLUG AND ABANDON	71			
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86	55,000		55,000
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90			
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		791,000	15,000	806,000

TANGIBLE	QTY.	SIZE		ACCOUNT 724	ACCOUNT 725	
DRIVE PIPE CASING	FT.	INCHES	01			
SURFACE CASING	FT.	INCHES	02			
CASING HEADS			03			
PRODUCTION CASING	FT.	INCHES	04			
PRODUCTION TUBING	FT.	INCHES	05			
CHRISTMAS TREE			07			
PACKER AND PRODUCTION TUBING ACCESSORIES			08			
INTERMEDIATE CASING	FT.	INCHES	09			
DRILLING LINER	FT.	INCHES	10			
MISCELLANIOUS AND CONTINGENCIES			29			
TOTAL TANGIBLE COST						

TOTAL COST THRU CHRISTMAS TREE: 806,000

WI	OWNER	% OWNERSHIP
	Midland III	100.00

PRODUCTION EQUIPMENT	Sub A/C	ACCOUNT 730	
STORAGE TANK	11		
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS	15		
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18		
FIELD PIPELINES	19		
LEASING BUILDING & DWELLING	20		
FACILITY INSTALLATION	30		
MISCELLANEOUS/CONTINGENCIES	90		
TOTAL PRODUCTION EQUIPMENT			806,000

RECEIVED
AUG 24 1979
FLORIDA GAS EXPLORATION COMPANY

PARTNER | DATE | F.G.E.Co VICE PRESIDENT Jack K. Williams | DATE 8/13/79

FGE Co	DRY HOLE	PRODUCER
INTEREST	%	%
COST	$	$

PREPARED BY | DATE | GEOLOGICAL | DATE

LAND | DATE 8-1-79 | ENGINEERING | DATE

Florida Exploration Company | Midland

PROSPECT NO	Lease #	Well #				PROPOSED WELL DEPTH
0,0,4,0	0,2	0,1	☒ WILDCAT ☐ DEVELOPMENT ☐ EXPLORATORY ☐ RECOMPLETE ☐ REPAIR PROPOSED			9,200'

WELL NAME

No. 8 Ross Draw (Ross Draw-Delaware)

LOCATION

1,650' FNL and 1,650' FEL

Section 27, T-26-S, R-30-E

COUNTY/PARISH	STATE	FIELD
Eddy	N.M.	Wildcat

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	COMPANY LABOR Rig move	01	35,000		35,000
	PERMITS AND SURVEYING	18	500		500
	CASING TOOLS, CREWS AND TONGS	50	2,500	5,000	7,500
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING 38 DAYS @ $ 4500 DAYS	52	171,000		171,000
	COMPLETION RIG 10 DAYS @ $ 1100 DAYS	53		11,000	11,000
	BITS	54	20,000		20,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56	25,000	5,000	30,000
	CEMENT AND SERVICES	57	16,000	8,000	24,000
	DRILLING MUD AND CHEMICALS	58	30,000	1,500	31,500
	ELECTRICAL LOGGING & SURVEYS	59	15,000	4,000	19,000
	STIMULATIONS	60			
	PERFORATIONS	61		2,500	2,500
	TESTING	62	7,000		7,000
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	7,500		7,500
	RENTAL TOOLS AND EQUIPMENT	67	10,000	5,000	15,000
	ENGINEERING AND SUPERVISION	68	12,000	3,000	15,000
	FUEL AND WATER	69	25,000	2,000	27,000
	CEMENTING – PLUG AND ABANDON	71	5,000		5,000
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86	5,000	5,000	10,000
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	18,000	3,000	21,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		404,500	55,000	459,500

	QTY.	SIZE		ACCOUNT 724	ACCOUNT 725	
	DRIVE PIPE CASING FT.	INCHES	01			
	SURFACE CASING 330 FT.	13-3/8 INCHES	02	6,000		6,000
	CASING HEADS		03	3,500	2,500	6,000
	PRODUCTION CASING 9,200 FT.	5½ INCHES	04		58,000	58,000
	PRODUCTION TUBING 9,200 FT.	2-3/8 INCHES	05		28,500	28,500
	CHRISTMAS TREE		07		5,000	5,000
	PACKER AND PRODUCTION TUBING ACCESSORIES		08		4,000	4,000
	INTERMEDIATE CASING 3,600 FT.	9-5/8 INCHES	09	47,000		47,000
	DRILLING LINER FT.	INCHES	10			
	MISCELLANIOUS AND CONTINGENCIES		29	2,500	5,000	7,500
TANGIBLE	TOTAL TANGIBLE COST			59,000	103,000	162,000
	TOTAL COST THRU CHRISTMAS TREE			463,500	158,000	621,500

WI OWNER	% OWNERSHIP
Midland III	100.000
	%
	%
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	%
	%

PRODUCTION EQUIPMENT	Sub A/C	ACCOUNT 730	
STORAGE TANK	11	10,000	
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS Gas Pak	15	15,000	
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18	1,000	
FIELD PIPELINES	19	1,000	
LEASING BUILDING & DWELLING	20		
FACILITY INSTALLATION	30	3,000	
MISCELLANEOUS/CONTINGENCIES	90	2,000	
TOTAL PRODUCTION EQUIPMENT		32,000	653,500

ORINER	DATE	F.G.E.Co. VICE PRESIDENT	DATE
		Geo. K. Williams	8/30/79

FGE Co	DRY HOLE	PRODUCER
NTEREST	%	%
OST	$	$

PREPARED BY	DATE

GEOLOGICAL	DATE
Allen E Brown	8/30/79

LAND	DATE
[signature]	8/31/79

ENGINEERING	DATE
[signature]	

OPERATOR: FLORIDA EXPLORATION COMPANY | DIVISION: Midland III | API NO.

PROSPECT NO: 0,0,4,0 | LEASE: 0,2 | WELL: 0,1 | ☐ WILDCAT ☒ DEVELOPMENT ☐ EXPLORATORY ☐ RECOMPLETE ☐ REPAIR PROPOSED | PROPOSED WELL DEPTH: 12,100'

WELL NAME: No. 8 Ross Draw (Ross Draw Prospect)

LOCATION: 1650' FNL and 1650' FEL

Section 27, T-26-S, R-30-E

COMPARISH: Eddy | STATE: NM | FIELD: Ross Draw (Wolfcamp)

	ITEM DESCRIPTION	SUB A/C	DRILLING COST ACCOUNT 720	COMPLETION COST ACCOUNT 721	TOTAL
INTANGIBLE	COMPANY LABOR	01			
	PERMITS AND SURVEYING	19			
	CASING TOOLS, CREWS AND TONGS	50			
	CONTRACT DRILLING FT. @ $ /FT.	51			
	CONTRACT DRILLING DAYS @ $ /DAYS	52	102,000		102,000
	COMPLETION RIG DAYS @ $ /DAYS	53			
	BITS	54	6,000		6,000
	ROAD, DIRT WORK, PIT AND RESTORATION	56			
	CEMENT AND SERVICES	57	10,000		10,000
	DRILLING MUD AND CHEMICALS	58	15,000		15,000
	ELECTRICAL LOGGING & SURVEYS	59	15,000	1,000	16,000
	STIMULATIONS	60			
	PERFORATIONS	61		1,000	1,000
	TESTING	62			
	CORE ANALYSIS AND CORING	63			
	MUD LOGGER	64	8,000		8,000
	RENTAL TOOLS AND EQUIPMENT	67	15,000		15,000
	ENGINEERING AND SUPERVISION	68	9,000		9,000
	FUEL AND WATER	69	20,000		20,000
	PLUG AND ABANDON COSTS	71			
	MARINE COST	85			
	TRUCKING & RAIL FREIGHT	86			
	GEOLOGICAL SERVICES	89			
	MISCELLANEOUS AND CONTINGENCIES	90	5,000		5,000
	OVERHEAD	91			
	TOTAL INTANGIBLE COST		205,000	2,000	207,000

		QTY.	SIZE		ACCOUNT 724	ACCOUNT 725	
TANGIBLE	DRIVE PIPE CASING	FT.	INCHES	01			
	SURFACE CASING	FT.	INCHES	02			
	CASING HEADS			03		2,000	2,000
	PRODUCTION ~~CASING~~ Liner	1200 FT.	4½ INCHES	04		16,000	16,000
	PRODUCTION TUBING	11,800 FT.	2-3/8 INCHES	05		63,500	63,500
	CHRISTMAS TREE			07		20,200	20,200
	PACKER AND PRODUCTION TUBING ACCESSORIES			08		5,000	5,000
	INTERMEDIATE CASING	11,800 FT.	7 INCHES	09	42,000		42,000
	DRILLING LINER	FT.	INCHES	10			
	MISCELLANIOUS AND CONTINGENCIES			29			
	TOTAL TANGIBLE COST				42,000	106,700	148,700
	TOTAL COST THRU CHRISTMAS TREE				247,000	108,700	355,700

T.I. OWNER	% OWNERSHIP
Midland III	100.0000
	%
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	%
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	%
	%
	%
	%
	%
	%

PRODUCTION EQUIPMENT	SubA/C	ACCOUNT 730	
STORAGE TANK	11		
WALKWAYS AND STAIRWAYS	13		
CHEMICAL LUBRICATORS	14		
SEPARATORS	15		
DEHYDRATORS	16		
TREATING EQUIPMENT	17		
METERS & REGULATING EQUIP.	18		
FIELD PIPELINES	19		
LEASING BUILDING & DWELLING	20		
PUMPING UNIT, MOTOR	21		
FACILITY INSTALLATION	30		
MISCELLANEOUS/CONTINGENCIES	90		
TOTAL PRODUCTION EQUIPMENT			355,700

EXAMINER | DATE | F.G.E.Co. VICE PRESIDENT Simon K. McWilliams | DATE 11/13/79

Joint Co	DRY HOLE	PRODUCER
INTEREST	%	%
COST	$	$

PREPARED BY | DATE

LAND [signature] DATE 11/12/79

GEOLOGICAL [signature] DATE 11/12/79

ENGINEERING [signature] DATE 11-12-79

LAW OFFICES OF
HUNKER-FEDRIC, P. A.
SUITE 210, HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.
DON M. FEDRIC

TELEPHONE 622-2700
AREA CODE 505

December 20, 1979

Mr. Joe D. Ramey, Secretary-Director
New Mexico Oil Conservation Division
New Mexico Department of Energy
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 6792

Re: Non-Standard Unit
T-26-S, R-30-E
Eddy County, New Mexico

Dear Mr. Ramey:

We hand you herewith the original and two copies of Florida Exploration Company's Application for a Non-Standard Gas Well Unit, Eddy County, New Mexico, which said application is self-explanatory. We would like very much for you to put this on the docket of examiner cases to be heard on January 16, 1980.

Your assistance in this regard is appreciated. With all good wishes for a Happy Christmastime and a Splendid New Year.

Sincerely yours,

HUNKER-FEDRIC, P.A.

George H. Hunker, Jr.

GHH:dd
Enc.

xc: Florida Exploration Company
Suite 900 Vaughn Bldg.
Midland, Texas 79701
Attn: James W. Rogers,
Division Land Manager

NEW MEXICO DEPARTMENT OF ENERGY

OIL CONSERVATION DIVISION

APPLICATION FOR APPROVAL OF
NON-STANDARD GAS WELL UNIT,
ROSS DRAW AREA,
EDDY COUNTY, NEW MEXICO

Case 6792

Florida Exploration Company, Suite 900 Vaughn Building, Midland, Texas 79701, hereby makes application for Division approval of a Non-Standard Gas Well Unit, and in support thereof, shows:

1. That Applicant is the Designated Agent for the development and operation of the Ross Draw Unit, a Federally approved producing unit which includes within its exterior boundaries the NE¼ of partial Section 33, all of partial Section 34, and all of partial Section 35 and other lands in Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, which said sections are all irregular in that they are situated on the north side of the New Mexico-Texas state line.

2. That Applicant desires to drill a test well for gas and associated liquid hydrocarbons to the Wolfcamp formation to an estimated depth of 12,250 feet (with an option to drill said test well at Applicant's option to the Morrow formation at an estimated depth of 14,500 feet) at a legal (orthodox) location approximately 760 feet from the North line and 1,980 feet from the West line of Section 34, Township 26 South, Range 30 East. That Applicant proposes to form a Non-Standard Gas Unit crossing a section line, consisting of and to which will be dedicated the following described tract:

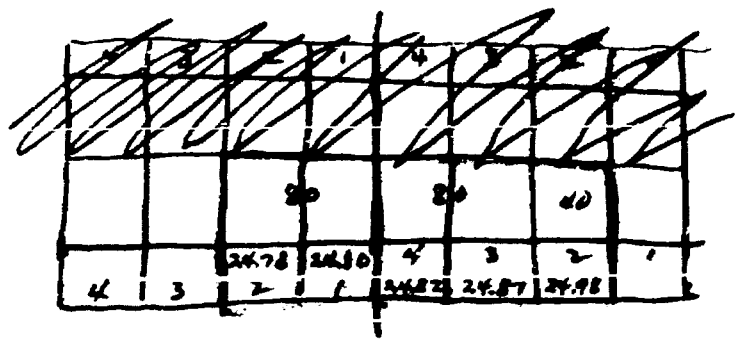
Township 26 South, Range 30 East, N.M.P.M.

Section 33: Lots 1 (24.80 acres), 2 (24.78 acres), N½NE¼ 80

Section 34: Lots 2 (24.98 acres), 3 (24.87 acres), 4 (24.82 acres), NW¼NE¼, N½NW¼; 40 80

containing 324.25 acres, more or less.

40
40
80
80
24.98
24.87
24.82
24.80
24.78
324.25



3. That the approval of a Non-Standard Gas Well Unit will be in the interest of conservation, the prevention of waste, and will not adversely affect correlative rights. This Application is made pursuant to the provisions of N.M.O.C.D. Rule 104 D II.

Applicant requests a hearing before an examiner at an early date, and prays that its Application for Non-Standard Gas Well Unit above described be approved.

Respectfully submitted,

HUNKER-FEDRIC, P.A.

By _____
George H. Hunker, Jr.
Attorneys for Applicant,
Florida Exploration Company
P.O. Box 1837
Roswell, New Mexico 88201
(505) 622-2700

NEW MEXICO DEPARTMENT OF ENERGY

OIL CONSERVATION DIVISION

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NEW MEXICO DEPARTMENT OF ENERGY

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Respectfully submitted,

HUNKER-FEDRIC, P.A.

By _____
George H. Hunker, Jr.
Attorneys for Applicant,
Florida Exploration Company
P.O. Box 1837
Roswell, New Mexico 88201
(505) 622-2700

Dockets Nos. 3-80 and 4-80 are tentatively set for January 30 and February 13, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 16, 1980

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, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for February, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6787: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the approval of 12 non-standard proration units ranging in size from 261.51 acres to 334.24 acres for 320-acre spaced pools, and 19 non-standard proration units ranging in size from 162.65 acres to 207.57 acres for 160-acre spaced pools, all of the aforesaid units being in and resulting from the irregular size and shape of Sections 1 thru 7 and 18, 19, 30, and 31, along the North and West sides of Township 28 North, Range 3 West, Rio Arriba County.

CASE 6788: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 35 located in Unit F of Section 15, Township 24 South, Range 37 East, to produce gas from the Fowler-Upper Paddock Pool and oil from the Fowler-Drinkard Pool thru parallel strings of tubing.

CASE 6789: Application of Knox Industries, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the well location requirements of the Scharb-Bone Springs Pool as promulgated by Order No. R-2589 to permit its New Mexico State Well No. 2 to be drilled in Unit H of Section 1, Township 19 South, Range 34 East, the E/2 NE/4 of said Section 1 to be dedicated to the well.

CASE 6790: Application of Merrion & Bayless for gas well commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to temporarily commingle certain of its Pictured Cliffs gas wells in Sections 1, 2, 3, 9, 10, and 11, Township 26 North, Range 13 West, in a common gathering system and meter the entire lease output through the purchaser's sales meter located in Unit M of said Section 7.

CASE 6784: (Continued from January 3, 1980, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit and an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 640-acre non-standard gas proration unit comprising the W/2 of Section 18 and the W/2 of Section 19, Township 32 North, Range 14 West, Barker Creek-Paradox Pool, to be dedicated to its Ute Well No. 7 at an unorthodox location 1685 feet from the South line and 3335 feet from the East line of said Section 19.

In the alternative, applicant seeks an order force pooling all of said Section 19 to form a standard 640-acre unit.

CASE 6791: Application of Holly Energy, Inc. 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 30 Well No. 1, a Morrow test to be drilled 660 feet from the North line and 840 feet from the East line of Section 30, Township 17 South, Range 28 East, the N/2 of said Section 30 to be dedicated to the well.

CASE 6792: Application of Florida Exploration Company for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 324.25-acre non-standard gas proration unit comprising Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, Ross Draw Area, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6793: Application of Meadco Properties, Ltd. for an exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing-cementing rules of Order No. R-111-A to permit a proposed well in Unit E of Section 4, Township 21 South, Range 29 East, to be completed by setting surface casing at 550 feet and production casing at total depth and cementing both casing strings to the surface.

CASE 6794: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tocito Gallup and Dakota production in the wellbore of its Breech "D" Well No. 140 located in Unit A of Section 11, Township 26 North, Range 6 West.

Florida Exploration Company

324.25 ac non std gas proration unit

Eddy Co

T 26 S R 30 E

Sec 33: Lots 1 & 2 N/2 NE/4
34: Lots 2 3 & 4 and NW/4 NE/4
and N/2 NW/4

Rose Draw Area

Geo Hunker 622 2700 Rec'd
3 DM 12/20/79

written to follow

DRAFT

dr/

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. 6792

Order No. R-6270

APPLICATION OF FLORIDA EXPLORATION COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 16, 19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this ______ day of January, 19 80, 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, Florida Exploration Company seeks approval of a 324.25-acre non-standard gas proration unit comprising ~~the~~ Lots 1 and 2 and N/2 NE/4 of Section 33/ and Lots, 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, to be dedicated to a well to be drilled to the Wolfcamp formation ~~and possibly to the Pennsylvanian formation~~ at a standard location thereon ~~of said Section~~.

(3) That due to the New Mexico-Texas state line traversing ~~directly~~ Township 26 South, Range 30 East directly through Sections 31 through 36, said sections are not of standard size and contain only approximately 260 acres each.

80
340
350
390
65
325

(4) That a standard size unit for a gas well in the Wolfcamp and Pennsylvanian formations in the subject area is 320 acres.

(5) That the applicant is the operator of the Rosa Draw Unit Area, which comprises, among other lands, the E/2 of Section 33 and all of Sections 34 and 35, Township 26 South, Range 30 East, NMPM, containing ten 40-acre tracts and 10 lots along the state line of approximately 25 acres each.

(6) That the ~~proposed~~ 324.25 acre unit proposed by the applicant in this case comprises five 40-acre tracts and 5 lots along the state line of approximately 25 acres each, and such a combination of tracts and lots more closely approximates a standard size unit than any other ~~practical~~ combination of ~~lots~~ tracts or lots ~~possible~~ practicably possible in this area.

(7) That the proposed dedication will leave the applicant with 5 other 40-acre tracts and 5 other lots of approximately 25 acres each along the New Mexico-Texas state line and within the boundary of the Rosa Draw Unit Area to form a similar pattern of units for spacing and proration purposes to be dedicated to a future well yet to be drilled, if such well appears feasible.

(8) That the entire non-standard proration unit as proposed may reasonably be presumed productive of gas from the Wolfcamp or Pennsylvanian ~~Rosa Draw Area~~ formations, or both ~~XXXXXXXXX~~ Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(9) That approval of the subject application will afford the applicant the opportunity to produce ~~his~~ its just and equitable share of the gas in the Ross Draw area, ~~Gas Pool~~, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 324.25 -acre non-standard gas proration unit in the Ross Draw area ~~Gas Pool~~ comprising ~~the~~ Lots 1 and 2 and N/2 NE/4 of Section 33 and Lots 2, 3, and 4 and NW/4 NE/4 and N/2 NW/4 of Section 34, all in Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to ~~the~~ by the applicant, Florida Exploration Company, a well to be drilled at ~~a~~ to the Wolfcamp formation and possibly to the Pennsylvanian formation at a standard location thereon. ~~The following described well is located in Unit of said Section~~.

(2) 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.