CASE 6897: MCCLELLAN OIL CORPORATION FOR TWO COMPULSORY POOLINGS, CHAVES COUNTY, NEW MEXICO

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Case No. 6897 Application Transcripts Small Exhibits ETC

BRUCE KING GOVERNOR LARRY KEHOE BECRETARY

#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

June 13, 1980

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 1505) 827-2434

Mr. Thomas Kellahin Kellahin & Kellahin Attorneys at Law Post Office Box 1769 Santa Fe; New Mexico

Re: CASE NO.

Applicant:

ORDER NO. R-6367

McClellan Oil Corporation

6897

Dear Sir:

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

Pours very truly, JOE D. RAMEY Director ..

#### JDR/fd

Copy of order also sent to:

Hobbs OCD x Artesia OCD X Aztec OCD

Other

## McClellan Oil Corporation

June 18, 1980

CERTIFIED MAIL RETURN RECEIPT REQUESTED

The Blanco Company Post Office Box 1150 Roswell, New Mexico 88201

> Re: S<sup>1</sup>/<sub>2</sub> Sec. 30-T6S-R26E Chaves County, New Mexico CASE No. 6897 Order No. R-6367

Gentlemen:

Pursuant to the captioned Order, enclosed is an AFE for the well to be drilled on the captioned acreage. This well must be commenced prior to August 15, 1980.

If it is your decision to participate in the drilling of this test well, we would appreciate your executing and returning one copy of this AFE to our office at your earliest convenience, but in any event prior to August 15, 1980.

Very truly yours, ₩Ë Jack I. McClellan President

State of New Mexico Energy and Minerals Department 011 Conservation Division Post Office Box 2088 Santa Fe, New Mexico 87501 w/attached AFE

ECEIVED JUN 1 9 1980 OIL CONSURVATION DIVISION

SANTA FE

Bank Building — Drawer 730 — 505/622 - 3200 — Roswell, New Mexico 88201

## McClellan Oil Corporation Suite 1000 Security Bank Building

Suite 1000 Security Bank Building Box 848

Roswell, New Mexico 88201

### Authority For Expenditure

То:	Lease: Johnson No. Fee
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective Depth FormationAbo	County: <u>Chaves</u>
Date: May 20, 1980AFE No. 1	State: <u>New Mexico</u>
Anticipated Commoncement Date August 1, 1980	Location: 1980' FSL & 660' FWL Well No. 1
Type Well: <u>Gas</u> Spacing 160	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

#### INTANGIBLES

#### TANGIBLES

•						
Amount				Amount		
Item	Dry Hole	Producer	Item	Dry Hole	Producer	
Surveying	\$ 500	\$ 500	Casing (Size, Amt., Price)	S	\$	
Build Location & Roads	7.000	7.000	Surf.			
Drilling_4300ft.@\$_17.00	73,000		Interm. 8-5/8"-1300-\$9.45	12,300	12,300	
Day Work 2 days @ \$ 3500	3,500		Prod. 412-4300-\$4.32		18,600	
Completion 10 days @ \$ 650		6,500	Tubing (Size, Amt., Price)			
Muds & Chemicals	10,000		2-3/8"-4300'-\$2.75		11,900	
Electric logging	13,000	13,000	Rods (Size, Amt., Price)	-		
Drill Stem Tests No:						
Acid 1500 Gals		3,000	Down Hole Pump			
Fracturing 17, 500Gals_20,000_lbs.	j	15,000	Type:Size:			
Perforating & Logging		3,500	Float & Other Equipment			
Coring ft			Surface			
Gool. & Geophy. Expense			Intermediate	350	350	
Well Supervision		· ·	Production		500	
Administrative Overhead	3,000	3,000	Pumping Unit			
Engr. & Geol. Services	2,500	3,500	Engine	_ <u></u>		
Cement Services			Elec. Motor & Panel			
Surfacesxsx			Flowlines & Connections	350	1,000	
Interm350sx	3,500		Storage Tanks, Stairs, Wiks	_		
		2 500	Size			



## McClellan Oil Corporation Suite 1000 Security Bank Building

Suite 1000 Security Bank Building Box 848

Roswell, New Mexico 88201

#### Authority For Expenditure

То:	Lease:No. <u>Fee</u> _No. <u>Fee</u>
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective Depth 4300 Formation Abo	County: <u>Chaves</u>
Date: <u>May 20, 19</u> 80AFE No. 1	State: <u>New Mexico</u>
Anticipated Commencement Date August 1, 1980	Location: 1980' FSL & 660' FWL Well No. 1
Type Well: <u>Gas</u> Spacing 160	Section <u>30</u> Township <u>6-S</u> Range <u>26-F</u>

#### INTANGIBLES

### TANGIBLES

	Amo	unt		Amo	ount
Item	Dry Hole	Producer	liem	Dry Hole	Producer
Surveying	\$ 500	s 500	Casing (Size, Amt., Price)	\$	\$
Build Location & Roads	7.000		Surf	1	
Drilling 4300 ft. @ \$ 17.00	73,000	Z3.000	Interm 8-5/8"-1300-\$9.45	12,300	12,300
Day Work 2 days @\$ 3500	3,500		Prod. 43-4300-\$4.32		18,600
Completion 10 days @ \$ 650		6,500	Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000	10,000	2-3/8"-4300'-\$2.75		11,900
Electric logging	13,000	13,000	Rods (Size, Amt., Price)		
Drill Stem Tests No:					
Acid 1500 Gats		3,000	Down Hole Pump		
Fracturing 17,500Gals_20,000_lbs		15,000	Type:Size:		
Perforating & Logging	L	3,500	Float & Other Equipment		
Coring ft	<u> </u>		Surface		
Geol. & Geophy, Expense			Intermediate	350	350
Well Supervision			Production		500
Administrative Overhead	3,000	3,000	Pumping Unit		
Engr. & Geol. Services	2,500	• -			
Cement Services			Elec. Motor & Panel		
Surfacesx			Flowlines & Connections	350	1,000
Interm. 350 sx	3,500	3.500	Storage Tanks, Stairs, Wiks		
Prod. 300 sx			No Size	- t	
Plugging-Clean-up	5,000		Separator: Size:		2,500
Surface Darnage	1,000	( · · ·	Heater Treater: Size:		
Contract Labor	L 500		Wellhead Equipment		6,000
Trucking	D 300		Valves & Fittings		2,000
Equipment Rental			Packers In contingencies		
	63 B.000				
Forthermonetal USIN 1 1			Electrical Systems		
Legal Fees	NION		Injection Equipment	1	
Contingencies	4.000	9,000	Lease Acquisition		
Legal Fees	E			-	
Taxes %	6,750	10,250			·
SUBTOTAL INTANGIBLES			SUB TOTAL TANGIBLES	s 13,000	s 55,000
	<u>Contracting</u>			Amo	NINT
TOTAL ESTIMATED DRY HOLE COST	s 154,700		Division of Interest %	Dry Hole	Producer
	······································				1
TOTAL ESTIMATED COST OF PRODUC					
			The Blanco Company 1/12	12,891.67	20,616.6
Gas or Flowing	\$ 247,40	0			 
Pumping	S S				
	•				
Approved by		Date 6/18/	NU TO THE REAL PROPERTY OF THE		
Operator					
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Accepted by BY:		Date			
Non-Operator				]	
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# McClellan Oil Corporation

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June 18, 1980

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Roswell, New Mexico 88201

Mr. James T. Jennings Post Office Box 1180

Re: S<sup>1</sup>/<sub>2</sub> Sec. 30-T6S-R26E Chaves County, New Mexico CASE No. 6897 Order No. R-6367

Dear Mr. Jennings:

Pursuant to the captioned Order, enclosed is an AFE for the well to be drilled on the captioned acreage. This well must be commenced prior to August 15, 1980.

If it is your decision to participate in the drilling of this test well, we would appreciate your executing and returning one copy of this AFE to our office at your earliest convenience, but in any event prior to August 15, 1980.

kry truly yours, Mē Jack L. McClellan President

Energy and Minerals Department 33 VINV 3NOO 7'O Oil Conservation Division NOISING NOILYNY 3NOO 7'O Post Office Box 2088 cc: State of New Mexico DBGL 6 I NNC Santa Fe, New Mexico 87501 GEAIED w/attached AFE

Suite 1000 Security Bank Building - Drawer 730 - 505/622 - 3200 - Roswell, New Mexico 88201

McClellan Oil Corporation Suite 1000 Security Bank Building Box 848 Roswell, New Mexico 88201

JME

#### Authority For Expenditure ¢

То:	Lease: Johnson No. Fee
Purpose:New_Well	Field: <u>Wildcat</u>
Objective DepthFormationÅbo	County: Chaves
Date: <u>May 20, 1980</u> AFE No. 1	State: <u>New Mexico</u>
Anticipated Commencement Date August 1, 1980	Location: 1980' FSL & 660' FWL Well No. 1
Type Well: <u>Gas</u> Spacing 160	Section 30 Township 6-S Range 26-E

#### INTANGIBLES

#### TANGIBLES

	Amo	unt		Am	ount
liem	Dry Hole	Producer	ltern	Dry Hole	Producer
Surveying	s 500	\$ 500	Casing (Size, Amt., Price)	\$	\$
Build Location & Roads	7,000	7.000	Surf		
Drilling 4300 ft. @ \$ 17.00			Interm 8-5/8"-1300-\$9.45	12,300	12,300
Day Work days @ \$ 3500	3.500		Prod. 415-4300-\$4.32		18,600
Completion 10 days @\$ 650			Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000	10,000	2-3/8"-4300'-\$2.75		11,900
Electric logging	13,000	13,000	Rods (Size, Amt., Price)		
Drill Stem Tests No:					
Acid 1500 Gals		3,000	Down Hole Pump		
Fracturing 17,500Gals 20,000 los.		15,000	Type:Size:		
Perforating & Logging			Float & Other Equipment		
Coring ft			Surface		
Geol. & Geophy. Expense			Intermediate	350	350
Well Supervision			Production		500
Administrative Overhead	3,000	3.000	Pumping Unit		
Engr. & Geol. Services	2,500	· ·			
Cement Services			Elec. Motor & Panel		
Surfacesx	1		Flowlines & Connections	0.50	1,000
Interm. 350 sx	3,500	3,500	Storage Tanks, Stairs, Wiks		
Prodsx			No Size		
Plugging—Clean-up	5.000	-	Separator: Size:		2,500
Surface Damage	1.600		Heater Treater: Size:		
Contract labor fish	2800	·· / · · ·	Wellhead Equipment		6,000
Trucking	/ \$ 500	1,500	19		2,000
Equipment Rental	12	7,000	Packers In contingencies		
Water	1.9 8 000	10.000			
Environmental Impact	1~		Electrical Systems	**	
Legal Fees	S 4 000		Injection Equipment		
Contingencies	\$ 4.000	9,000	Lease Acquisition		
	1				
Taxes%	6,750	10,250	<u>}</u>	-	
SUBTOTAL INTANGIBLES	\$141,700	js192,400	SUB TOTAL TANGIBLES	\$ 13,000	s 55,000
		-		Amo	ount
TOTAL ESTIMATED DRY HOLE COST	154,700		Division of Interest %	Dry Hole	Producer
TOTAL ESTIMATED COST OF PRODUC	ING WELL				
			James T. Jennings 1/12	12,891.67	20,616.67
Gas or Flowing	\$ 247,40	0			
Pumping	\$				l
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Accepted by		Date	-		
Non-Operator			<b> </b>		l
James T. Jennings	•		TOTAL	1	
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	-		OF NEW MEXICO MINERALS DEPARTMENT							
	2		RVATION DIVISION							
	3	Santa I	E, NEW MEXICO							
	4	21	21 May 1980							
	5	EXAMI	EXAMINER HEARING							
	6									
	7	IN THE MATTER OF:	}							
	8	Application of McC								
	9	poration for two co poolings, Chaves Co								
¢	10	Mexico.	<b>}</b>							
<b>77 D, C.S</b> (193-B Merico 87501 455-7409	11									
SALLY W. BOYD, C.S.R Rt. 1 Box 193-B Sunta Fe, New Mexico 87501 Phone (505) 455-7409	12	BEFORE: Richard L. Stamets								
Y W. Rt. 1 hone (3										
SALLY Senta 1 Physics	13	TRANSCRIPT OF HEARING								
	14									
	15	APPEARANCES								
	16									
	17	For the Oil Conservation	Ernest L. Padilla, Esq.							
	18	Division:	Legal Counsel to the Divis State Land Office Bldg.	ion						
	19		Santa Fe, New Mexico 87501							
	20									
	21	For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & KELLAHIN							
•	22		500 Don Gaspar Santa Fe, New Mexico 87501							
	23		,							
	24									
	25									

No.



Direct	Examination	by	Mr.	Kellahin	3
Cross	Examination	Ъу	й <b>г.</b>	Stamets	ì4

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	Page 3
1	MR. STAMETS: We'll call next Case 6897.
2	MR. PADILLA: Application of McClellan
3	Oil Corporation for two compulsory poolings, Chaves County,
4	New Mexico.
5	MR. KELLAHIN: Tom Kellahin of Santa Fe,
6	appearing on behalf of the applicant and I have one witness.
7	
8	(Witness sworn.)
9	
10	JACK McCLELLAN
11	being called as a witness and having been duly sworn upon his
12	oath, testified as follows, to-wit:
13	
14	DIRECT EXAMINATION
15	BY MR. KELLAHIN:
16	Q Would you please state your name and oc-
17	cupation?
18	A. My name is Jack L. McClellan, owner of
19	McClellan Oil Corporation and petroleum geologist.
20	Q Mr. McClellan, have you testified as a
21	geologist before the New Mexico Oil Conservation Division
22	on previous occasions?
23	A Yes, I have.
24	Q And have your qualifications as an expert
25	witness been accepted and made a matter of record?

SALLY W. BOYD, C.S.R. Rt. I Box 193-B Santa Fe, New Mexico 87501

Yes, they have. 1 A. MR. KELLAHIN: We tender Mr. McClellan as 2 an expert geologist. 3 MR. STAMETS: The witness is considered qualified. 5 Mr. McClellan, would you turn first of all Q. 6 to what we've marked as page five or Exhibit Five of the 7 packet of exhibits and look at the plat and orient the Exa-8 miner to the location of the acreage for which you seek a 9 compulsory pooling order? 10 The acreage consists of the south half of 11 A. Section 30, Township 6 South, Range 26 East, Chaves County, 12 13 New Mexico. What is the interval, vertical interval, 14 Q. involved in the forced pooling application? 15 1200 feet below the surface to an appro-16 Α. ximate depth of 45 - 4600 feet, the base of the Abo. 17 MR. KELLAHIN: If the Examiner please, 18 the application was filed in the alternative. It sought 19 permission to drill the well in the south half and to com-20 pulsory pool that acreage. The spacing in that areage is 21 160 acres. Mr. McClellan believes that there is potential, 22 that, although despite the risk involved in the well, if he 23 encounters a substantial Abo producer there would be a desire 24 on his part to dedicate 320 acres to the well. 25

BOYD, C.S.

BALLY

In the alternative we have sought approval of 160-acre spacing, which is consistent with statewide spacing, and that if the first well on the proration unit is only able to drain 160 acres, then we would like this order to have also pooled the other half of the south half of 30, which would have been the southeast quarter of the southwest quarter for the second well.

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SALLY W. BOYD, C.S.R.

That explains our position. We want the ability to control the south half for either the drilling of two wells or for the dedication of the entire south half to the one well.

MR. STAMETS: How long a period of time after completion of the first well do you feel would be -would be appropriate to either begin the second well or gain approval of 320-acre spacing?

A. Well, at the present time there is a pipeline being -- going to be laid approximately as shown on Exhibit Five.

I would think that it would entail some production for a period of six months or so before we could really ascertain the potential of the production from the Abo zone in that well.

MR. STAMETS: How soon do you anticipate completion of this pipeline in the area?

Probably another four -- four months.

MR. STAMETS: So there'd be no opportunity to produce either of the wells.

No.

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MR. STAMETS: No matter how many you drilled in there for a few months.

Right.

MR. STAMETS: So at the maximum, a period of twelve months from the date of the hearing should be sufficient time to allow you to either drill the second well or to get the 320-acre spacing approved?

> Yes, I think a year should be sufficient. MR. STAMETS: The flexibility is there to

allow us to grant twelve months for completion of these wells, and of course during that period of time you can come in and get your 320 spacing, which should go ahead and take care of any problems you might have relative to production.

Uh-huh,

MR. KELLAHIN: As an additional comment, Mr. Examiner, the only parties that have not agreed to participate in the well in the entire south half of this section are Mr. James Jennings and Blanco Company, both of which received copies of the original application, which did indicate the application in the alternative, so that they understand that their entire interest in the south half of this section is subject to order of the Commission.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (305) 455-7409 1

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MR. STAMETS: One other question along 2 these lines. You intend to begin the first well immediately? 3 A. Yes. Our lease, the lease that we have leased, has a term of -- as shown on Exhibit Six, all expire, the earliest expiring one would be August the 22nd, so our intention is to commence the well prior to that August 22nd. MR. STAMETS: And the commencement of the 3 first well is sufficient to hold all of your interest in the 9 south half of the section? 10 Yes, sir. A. 11 MR. STAMETS: Okay. Ail right, we'll --12 I believe we can -- I believe we can proceed to do what you 13 want, even though it may not exactly say what you want. 14 MR. KELLAHIN: All right, sir. 15 Would you refer, Mr. McClellan, to Exhibit <u>0</u>. 16 Number One and identify that for us? 17 Exhibit Number One is the letter that was A 18 written to the Blanco Company and an exact letter was written 19 to the James T. Jennings, asking that they either make a 20 lease to me at the -- under the same conditions that we'd 21 leased the other mineral owners in this lease, or that they 22 join in the drilling of a test well. 23 Exhibit Number Two is a copy of the letter Q. 24 to Mr. Jennings? 25 Yes, it is. A.

W. BOYD, C.S. Rt. 1 Box 193-B Fe, New Merico 87301

Q. All right, and enclosed with that letter 2 did you provide Mr. Jennings and Blanco Company a proposed 3 AFE? Yes, I did. A. 5 What is indicated by Exhibit Number Three? 0. 6 Exhibit Three was an oil and gas lease A 7 furnished to them initially, asking that they lease under 8 the same conditions that we were leasing at that time the 9 other owners. 10 This is a sample of the lease executed Q. 11 by all the other interests, working interest owners in the 12 south half of the section? 13 Yes, it is. A. 14 Except for Mr. Jennings and the Blanco Q. 15 Company? 16 Yes. A. 17 Would you identify for us Exhibit Number Q. 18 Four? 19 Exhibit Number Four was an AFE presented Ά. 20 to Mr. Jennings and Blanco Company, and I requested that 21 they join in the drilling of the test well, as to their 22 interest. 23 You proposed that McClellan Oil Corpor-Q. 24 ation will be designated the operator of the force pooled 25 acreage?

SALLY W. BOYD, C.S.

Yes. Α. And what was your original estimate of 2 Q, costs involved in drilling this well, as indicated on Exhibit 3 Four? The cost of a dry hole was \$137,000; of Α. 5 a completed flowing gas well, \$230,000. 6 Have those estimates been supplemented to Q. 7 a current price as of this week or so? 8 Yes, they have. 9 A. All right, let's go to that exhibit now, 10 Q. if you don't mind, Mr. McClellan. I believe it's Exhibit 11 Number Seven. 12 Exhibit Number Seven was prepared May the 13 A. 20th reflecting basically a change in the drilling costs in 14 that area, indicating that the price had risen on the 15 drilling, that a dry hole would at the present time cost 16 \$154,700; completed flowing gas well, \$247,400. 17 Okay. The second AFE, Exhibit Number 18 Q. Seven, shows an increased potential cost of some \$17,400, 19 and that cost is represented in what items, cost of actual 20 21 drilling? The footage contract for drilling the 22 Α. well is the principal increase. 23 Okay. In your opinion does Exhibit Num-24 Q. ber Seven represent a reasonable and accurate estimate of 26

SALLY W. BOYD, C.S.R

the costs involved in drilling an Abo test in this area? Yes, it does. A.

All right, sir, would you go to Exhibit Q. Number Five, which is the plat, and do you have an opinion with regards to the risk involved in drilling this Abo test?

Yes. I have examined logs depicted --A. most of the logs depicted on the line drawn from A to A'. I had examined all of those and it's evident that these Abo sands within the Abo formation are not continuous. They are very difficult to determine which ones you'll encounter, or if you'll encounter any of them.

Examination particularly of the Yates Red Rock over in Section 28, 16, 5, which resulted in a dry hole, which did not have any of the sands present. There have been no Abo wells drilled east of our proposed location within many miles.

This exhibit identifies all the Abo wells 0. in the area?

To my knowledge, that have been reported. Okay. Describe for us the type of well D. involved in this Yates well in Section 36.

It was a well that was completed out of one zone from 3815 to 25. It had one sand present, and I believe the absolute open flow potentialed 1,200,000.

Q.

How does that potential compare to a

SALLY W. BOYD, C.S

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Sec. Calibration

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SALLY W. BOYD, C.S.R

A. Well, it is a typical Abo well, but the wells to the north had, for instance, the McClellan "MB" in Section 31 has about 62 feet of pay; about 6 zones of sands development. So with respect to those, it's -- it's much lesser productivity-wise than the wells to the north.

Q. All right. Do you have an opinion of the percentage risk involved in drilling the proposed well?

A. Well, that's a difficult question, and it would be an opinion. I think if you had, oh, probably one chance in four, that it would be productive, commercially productive.

Q The Commission provides by statute that the statutory maximum to be allowed to an operator for a risk factor to be charged against the non-consenting working interests, a risk factor of 200 percent, which would be the cost -- their proportionate share of the cost plus 200 percent. That is the statutory maximum,

In terms of the statutory maximum, Mr. McClellan, where would you place the risk involved in drilling this well?

A. At the maximum, 200 percent.

Q. Would you identify Exhibit Number Six for us and describe that -- what that is?

Exhibit Six is a breakdown of the -- all

the mineral owners within this lease, indicating that I have all of them under lease, showing the date of the lease, date of expiration, and the royalty retained, with the exception of the Blanco Company and James T. Jennings.

5 My total lease under this south half of
6 Section 30 is 84.08 percent.

Also it depicts the name and address of the two non-consenting parties, James T. Jennings, the Blanco Company, and also the one formation that we anticipate, which would be the Abo, anticipate that would produce.

Q. Is this ownership the same for the south half of Section 30? Does it vary from the southeast to the southwest quarter?

A. No, it's all continuous under the south half of 30.

Q. Do you have a recommendation to the Examiner with regards to the overhead charges to be assessed against the non-consenting parties?

A. Our standard charges in the area, we're now operating other wells in the Abo formation, the drilling rate is \$1500. The monthly producing well rate is \$220.

Q. Could you identify a particular well in the area to which those charges are being assessed?

A. Yes. We're producing the McClellan No. 1 Tolmac in the Section 36 of 9 South, 25 East; the No. 1 "JJ"

SALLY W. BOYD, C.S.F Ru. 1 Rox 193-B Sania Pe, New Mexico 87501 Phone (303) 455-7409 1

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12 Federal, Section 31, 9 South, 26 East. 1 What are the approximate dates of those 2 **Q.** agreements pursuant to which those overhead charges are 3 being assessed? 4 Approximately four months. 5 A. In your opinion, then, the \$1500 and the 0. \$220 commercial charges are reasonable and consistent with 7 those charges for Abo wells in the area? 8 Yes. 9 A. Would you identify for us Exhibit Number 10 Q. 11 Eight? MR. KELLAHIN: If the Examiner please, 12 Exhibit Number Eight simply is the certified return receipts 13 indicating that Mr. Jennings and Blanco Corporation have 14 receipted for the application and the notices involved in 15 16 this hearing. Mr. McClellan, were Exhibits One through 17 **Q.** Seven prepared by you or compiled under your direction and 18 19 supervision? Yes, they were. 20 Α. And in your opinion will approval of this 21 0. application be in the best interests of conservation, the 22 prevention of waste, and the protection of correlative rights? 23 24 Yes. Α. MR. KELLAHIN: That concludes my examin-25

SALLY W. BOYD, C.S.

	Paga14
1	ation and I move the introduction of Exhibits One through
2	Eight.
3	MR. STAMETS: These exhibits will be ad-
4	mitted.
6	
6	CROSS EXAMINATION
7	BY MR. STAMETS:
8	Q Mr. McClellan, at a depth from 1200 feet
9	to 4500 feet, is that all the Abo formation or other forma-
10	tions above the Abo which are included in that?
11	A Other formations. The 1200 feet, basi-
12	cally, the San Andres, which is produced
13	Q. Is that the top of the San Andres?
14	A. No, that's down in the San Andres.
15	That, see, from the surface to 1200 feet is leased to an-
16	other party.
17	Q I see. So this would include then some
18	of the San Andres and some of the Yeso.
19	A. Yes, the basal basal part of the San
20	Andres.
21	And it's your intent to include all of
22	the Abo formation.
23	A It is my intent to include the Abo.
24	MR. STAMETS: Any other questions of
25	the witness? He may be excused.
i	

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mertico 87301 Phone (303) 455-7469

Anything further in this case? The case will be taken under advisement. MP. PADILLA: Mr. Examiner, I have a letter that I would like to read into the record as a statement from Mr. Jennings, if I may.

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SALLY W. BOYD, C.S.R

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MR. STAMETS: Could you just give us the sense of the statement and we'll have the reporter put the entire letter in the record?

MR. FADILLA: Well, basically it's an objection to the forced pooling. Mr. Jennings, as has been testified is one of the non-consenting interest owners in this case.

MR. STAMETS: Okay, thank you,

(In accordance with direction of the Examiner the letter of Mr. James T. Jennings is attached hereto with the original transcript of the hearing.)

(Hearing concluded.)

16 1 CERTIFICATE 2 I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that 3 the foregoing Transcript of Hearing before the Oil Conserva-4 tion Division was reported by me; that the said transcript 5 is a full, true, and correct record of the hearing, prepared 6 7 by me to the best of my ability. 8 Sally W. Boyd C.S.R. 9 10 SALLY W. BOYD, C.S.R 1 Box 193-B New Mexico 87501 (505) 455-7409 11 12 ä e, 13 Santa 1 I do hereby certify that the foregoing is 14 15 a co 16 xainIner hed 17 Oil Conservation Divi ion 18 19 20 21 22 23 24 25

JAMES T. JENNINGS SIM B. CHRISTY TY DEAN G. CONSTANTINE LAW OFFICES OF JENNINGS & CHRISTY 1012 SECURITY NATIONAL BANK BUILDING P. O. BOX 1180 ROSWELL, NEW MEXICO 83201

TELEPHONE 622-8432 AREA CODE 505

May 20, 1980

Oil Conservation Division Post Office Box 288 Santa Fe, New Mexico 87501

Re: Case 6897 - Application of McClellan Oil Corporation for two compulsory poolings - Chaves County, New Mexico.

Gentlemen:

Personally, and on behalf of the Blanco Corporation, I would like to make the following objections to the above Application by letter as it is not possible for a representative of the Blanco Corporation or me to be present at the hearing tomorrow.

1. The Application does not locate the proposed well, and from the information available it appears that the well is to be drilled in the SW\SW\ of Section 30, and we have no information concerning the proposed location of the second well. Likewise, we have no A.F.E. or other information concerning this well.

2. The proposed well is designated as a "wildcat gas well" projected to a formation above the Wolfcamp, and as such shall be located on a drilling tract consisting of 160 surface acres pursuant to the provisions of Rule 104Bla. Section 70-2-17(c) pertains only to two or more separately owned tracts embraced within a spacing or proration unit or royalty interest or undivided interest separately owned under any such spacing or proration unit and certainly does not contemplate the forced pooling of multiple spacing units. The applicant has failed to point out any urgent need to force pool more than one unit and should not be allowed to pool multiple units at the same hearing or based upon the same testimony. Good oil field practice would demand that one well be drilled and adequately tested before commencing the second well, certainly in the absence of some extenuating circumstances which are not described in the application.

3. That the Blanco Company and the undersigned own an undivided 1/6 interest in the minerals under the tract in question and granting of the order requested would impair the correlative rights of said parties.

# JENNINGS & CHRISTY

Oil Conservation Division May 20, 1980 Page Two

That the Blanco Company and James T. Jennings have (a) Lease the acreage to McClellan Oil offered and renew the offer to: Corporation for a term sufficient to allow McClellan

sufficient time to obtain a rig and commence drilling operations, which lease will cover the rights down to the base of the deepest producing formation of the proration unit dedicated to the producing well located thereon with no bonus, the lease to provide focated thereon with no ponus, the rease to provide for a 1/4 royalty and to be on a Producer's 88 (Producer's Revised New Mexico Form 342, 1965) lease, or

To enter into a Farmout Agreement with McClellan Oil Corporation covering the rights to the base of the deepest producing horizon providing for the usual 1/8 royalty and additional royalty of 1/16 with the right to convert the 1/16 additional royalty

to 1/2 of the working interest on payout. Blanco Company and the undersigned hereby request that the above and foregoing objections be duly considered by the Framiner at the Hearing and in any order entered that the above and foregoing objections be duly considered by the Examiner at the Hearing and in any order entered herein, and further that the risk factor allowed be only the minimum and that the spacing be limited in accordance with the rules of this Commission and the Statutes of the State of

the rules of this Commission and the Statutes of the State of Respectfully submitted,

New Mexico.

JENNINGS & CHRISTY a nn' James

JTJ/dds

Mr. W. Thomas Kellahin - hand delivered Blanco Company cc:

	Page	1
STATE	OF NEW TEXTCO	
	MINERALS DEPARTMENT	
	ERVATION DIVISION	
STATE L	AND OFFICE BLDG.	
SALVIA I	TL, NEW MUXICO	
21	May 1980	
EXAM	INER HEARING	
IN THE MATTER OF:	)	
Application of McC	) lellan Oil Cor~ ) (	CASE
poration for two co		6897
poolings, Chaves Co	ounty, New )	
Mexico.	)	
	)	
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BEFORE: Richard L. Stamets		
TRANSCRI	PT OF HEARING	
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	PT OF HEARING A R A N C E S	
APPEI	ARANCES	
APPE: For the Oil Conservation	A R A N C E S Ernest L. Padilla, I	
APPEI	A R A N C E S Ernest L. Padilla, I Legal Counsel to the	e Di
APPE: For the Oil Conservation	A R A N C E S Ernest L. Padilla, I Legal Counsel to the State Land Office Di	e Di 1dg.
APPE: For the Oil Conservation	A R A N C E S Ernest L. Padilla, I Legal Counsel to the	e Di 1dg.
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APPE For the Oil Conservation Division:	A R A N C E S Ernest L. Padilla, I Legal Counsel to the State Land Office D Santa Fe, New Mexico	e Di ldg. o 87
APPE: For the Oil Conservation	A R A N C E S Ernest L. Padilla, I Legal Counsel to the State Land Office D Santa Fe, New Mexico W. Thomas Kellahin,	e Di ldg. o 87 Esq
APPE For the Oil Conservation Division:	A R A N C E S Ernest L. Padilla, H Legal Counsel to the State Land Office D: Santa Fe, New Mexico W. Thomas Kellahin, KELLAHIN & KELLAHIN	e Di ldg. o 87 Esq
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SALLY W. BOYD, C.S.R. Rt. 1 Box 199-B Santa Fe, New Merico 87301 Phone (505) 455-7409



-	Paga3
1	MR. STAVETS: We'll call next Case 6897.
2	MR. PADILLA: Application of McClellan
3	Oil Corporation for two compulsory poolings, Chaves County,
4	New Mexico.
5	MP. KELLAHIN: Tom Kellahin of Santa Fe,
6	appearing on behalf of the applicant and I have one witness.
7	
8	(Witness sworn.)
9	
10	JACK MCCLELLAN
11	being called as a witness and having been duly sworn upon his
12	oath, testified as follows to-wit:
13	
14	DIRECT EXAMINATION
15	BY MR. KELLAHIN:
16	Q Would you please state your name and oc-
17	cupation?
	A My name is Jack L. McClellan, owner of
19	McClellan Oil Corporation and petroleum geologist.
20	Q Mr. McClellan, have you testified as a
22	geologist before the New Mexico Oil Conservation Division
22 23	on previous occasions?
24	A. Yes, I have.
25	Q And have your qualifications as an expert
-	witness been accepted and made a matter of record?

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fc. New Meedoo 87301 Phone (305) 455-7409

Yes, they have.

<sup>2</sup> MR. KELLAHIN: We tender Mr. McClellan as
<sup>3</sup> an expert geologist.

MR. STAMETS: The witness is considered

9. Mr. McClellan, would you turn first of all to what we've marked as page five or Exhibit Five of the packet of exhibits and look at the plat and orient the Examiner to the location of the acreage for which you seek a compulsory pooling order?

A. The acreage consists of the south half of
 Section 30, Township 6 South, Pange 26 East, Chaves County,
 New Mexico.

Q. What is the interval, vertical interval, involved in the forced pooling application?

A. 1200 feet below the surface to an appro ximate depth of 45 - 4600 feet, the base of the Abo.

MP. KELLAHIN: If the Examiner please, the application was filed in the alternative. It sought permission to drill the well in the south half and to compulsery pool that acreage. The spacing in that areage is 160 acres. Mr. McClellan believes that there is potential, that, although despite the risk involved in the well, if he encounters a substantial Abo producer there would be a desire on his part to dedicate 320 acres to the well.

SALLY W. BOYD, C.S. Rt. 1 Box 193-B Santa Fe, New Mexico f7501 Phone (305) 455-7409

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In the alternative we have sought approval of 160-acre spacing, which is consistent with statewide spacing, and that if the first well on the proration unit is only able to drain 160 acres, then we would like this order to have also pooled the other half of the south half of 30, which would have been the southeast quarter of the southwest quarter for the second well.

That explains our position. We want the ability to control the south half for either the drilling of two wells or for the dedication of the entire south half to the one well.

MR. STAMETS: How long a period of time after completion of the first well do you feel would be --would be appropriate to either begin the second well or gain approval of 320-acre spacing?

L Well, at the present time there is a pipeline being -- going to be laid approximately as shown on Exhibit Five.

I would think that it would entail some production for a period of six months or so before we could really ascertain the potential of the production from the Abo zone in that well.

MR. STANETS: How soon do you anticipate completion of this pipeline in the area?

Probably another four -- four months.

Υ W. BOYD, C.S.

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MR. STAUETS: So there'd be no opportunity to produce either of the wells.

No.

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MR. STAMETS: No natter how many you drilled in there for a few months.

Right.

MR. STAMETS: So at the maximum, a period of twelve months from the date of the hearing should be sufficient time to allow you to either drill the second well or to get the 320-acre spacing approved?

> Yes, I think a year should be sufficient. MR. STAMETS: The flexibility is there to

allow us to grant twelve months for completion of these wells, and of course during that period of time you can come in and get your 320 spacing, which should go ahead and take care of any problems you might have relative to production.

Uh-huh.

MR. KELLAHIN: As an additional comment, Mr. Examiner, the only parties that have not agreed to participate in the well in the entire south half of this section are Mr. James Jennings and Blanco Company, both of which received copies of the original application, which did indicate the application in the alternative, so that they understand that their entire interest in the south half of this section is subject to order of the Commission.

SALLY W. BOYD, C.8. Rt. 1 Box 193-B Santa Fe, New Merico 87301 Phone (393) 135-7409 1

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SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mindoo 17901 Phone (303) 435-7409	1	MP. STRIPS: One other question along	
	2	these lines. You intend to begin the first well immediately?	
	3	Yes. Our lease, the lease that we have	
	4	leased, has a term of as shown on Exhibit Six, all expire,	
	5	the carliest expiring one would be August the 22nd, so Cur	
	6	intention is to commence the well prior to that August 2214.	
	7	MR. STAMETS: And the commencement of the	
	8	first well is sufficient to hold all of your interest in the	
	9	south half of the section?	N,
	10	A. Yes, sir.	1
	11	MR. STAMETS: Okay. All right, we'll	1 10 10 10 10
	12	I believe we can I believe we can proceed to do what you	
	13	want, even though it may not exactly say what you want.	
	14	MR. KELLAHIN: All right, sir.	
	15	Q. Hould you refer, Mr. McClellan, to Exhibit	
	16	Number One and identify that for us?	
	17	Exhibit Number One is the letter that was	
	18	written to the Blance Company and an exact letter was written	
	19	the Isres T. Jennings, asking that they either make u	
	20	to me at the under the same conditions that we u	
	21	leased the other mineral owners in this lease, or that day	
	22		
	23	g Exhibit Number Two is a copy of the letter	l
	2	to Mr. Jennings?	ļ
	2		

Q All right, and enclosed with that letter did you provide Mr. Jennings and Blanco Company a proposed AFE?

Yes, I did.

A.

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Q What is indicated by Exhibit Number Three? A Exhibit Three was an cil and gas lease furnished to them initially, asking that they lease under the same conditions that we were leasing at that time the other owners.

Q This is a sample of the lease executed by all the other interests, working interest owners in the south half of the section?

Yes, it is.

Q Except for Mr. Jennings and the Blanco Company?

Yes.

Q Would you identify for us Exhibit Number Four?

A Exhibit Number Four was an AFE presented to Mr. Jennings and Blanco Company, and I requested that they join in the drilling of the test well, as to their interest.

Q. You proposed that McClellan Oil Corporation will be designated the operator of the force pooled acreage?

SALLY W. BOYD, C.S. Rt. 1 Box 193-B Sunta Fe, New Mexico 17501 Phone (503) 455-7409

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A,	Yes.
C.	And what was your original estimate of
costs involved	in drilling this well, as indicated on Exhibi-
Four?	
A.	The cost of a dry hole was \$137,000; of
a completed flo	wing gas well, \$230,000.
Q	Have those estimates been supplemented to
a current price	as of this week or so?
А.	Yes, they have.
Q	All right, let's go to that exhibit now,
if you don't mi	nd, Mr. McClellan. I believe it's Exhibit
Number Seven.	
A.	Exhibit Number Seven was prepared May the
20th reflecting	g basically a change in the drilling costs in
that area, indi	cating that the price had risen on the
drilling, that	a dry hole would at the present time cost
\$154,700; compl	leted flowing gas well, \$247,400.
Q	Okay. The second AFE, Exhibit Number
Seven, shows an	n increased potential cost of some \$17,400,
and that cost :	is represented in what items, cost of actual
drilling?	
Α.	The footage contract for drilling the
well is the pr	incipal increase.
Q	Okay. In your opinion does Exhibit Num-
ber Seven repr	esent a reasonable and accurate estimate of

() SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-7409 t

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the costs involved in dralling an Mac test in this area? Yes, it does. 2 A. All right, sir, would you go to Exhibit 3 Q. Number Five, which is the plat, and do you have an opinion 4 with regards to the risk involved in frilling this Abo test? 5 Yes. I have examined logs depicted ---6 А most of the logs depicted on the line drawn from A to A'. 7 I had examined all of those and it's evident that these Abo 8 sands within the Abo formation are not continuous. They are 9 very difficult to determine which ones you'll encounter, or 10 if you'll encounter any of them. 11 Examination particularly of the Yates 12 Red Rock over in Section 28, 16, 5, which resulted in a dry 13 hole, which did not have any of the sands present. There 14 have been no Abo wells drilled east of our proposed location 15 16 within many miles. This exhibit identifies all the Abo wells 17 Q. 18 in the area? To my knowledge, that have been reported. 19 A Okay. Describe for us the type of well 20 Q. involved in this Yates well in Section 36. 21 It was a well that was completed out of 22 A. one zone from 3815 to 25. It had one sand present, and I 23 believe the absolute open flow potentialed 1,200,000. 24 How does that potential compare to a 26 Ç.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Pe, New Merico 87301

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Page \_\_\_\_\_11\_\_\_\_

typical Abo well?

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A. Well, it is a typical Abo well, but the wells to the north had, for instance, the McClellan "MB" in Section 31 has about 62 feet of pay; about 6 zones of sands development. So with respect to those, it's -- it's much lesser productivity-wise than the wells to the north.

Q All right. Do you have an opinion of the percentage risk involved in drilling the proposed well?

A. Well, that's a difficult question, and it would be an opinion. I think if you had, oh, probably one chance in four, that it would be productive, commercially productive.

Q The Commission provides by statute that the statutory maximum to be allowed to an operator for a risk factor to be charged against the non-consenting working interests, a risk factor of 200 percent, which would be the cost -- their proportionate share of the cost plus 200 percent. That is the statutory maximum.

In terms of the statutory maximum, Mr. McClellan, where would you place the risk involved in drilling this well?

A. At the maximum, 200 percent.
 Q. Would you identify Exhibit Number Six for
 us and describe that -- what that is?

Exhibit Six is a breakdown of the -- all

/ W. BOYD, C.S. Rt. I Box 193-B Fe, New Merido 87501 hone (505) 455-7409 typical Abo well?

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W. BOYD, C.S.

A Well, it is a typical Abo well, but the wells to the north had, for instance, the McClellan "MB" in Section 31 has about 62 feet of pay; about 6 zones of sands development. So with respect to those, it's -- it's much lesser productivity-wise than the wells to the north.

Q. All right. Do you have an opinion of the percentage risk involved in drilling the proposed well?

A. Well, that's a difficult question, and it would be an opinion. I think if you had, oh, probably one chance in four, that it would be productive, commercially productive.

Q The Commission provides by statute that the statutory maximum to be allowed to an operator for a risk factor to be charged against the non-consenting working interests, a risk factor of 200 percent, which would be the cost -- their proportionate share of the cost plus 200 percent. That is the statutory maximum.

In terms of the statutory maximum, Mr. McClellan, where would you place the risk involved in drilling this well?

A At the maximum, 200 percent.
 Q Would you identify Exhibit Number Six for
 us and describe that -- what that is?

A

Exhibit Six is a breakdown of the -- all

the mineral owners within this lease, indicating that I have all of them under lease, showing the date of the lease, date 2 of expiration, and the royalty retained, with the exception 3 of the Blanco Company and James T. Jennings. 4

My total lease under this south half of Section 30 is 84.08 percent.

Also it depicts the name and address of the two non-consenting parties, James T. Jennings, the Blanco Company, and also the one formation that we anticipate, which would be the Abo, anticipate that would produce.

Is this ownership the same for the south Q. half of Section 30? Does it vary from the southeast to the southwest quarter?

No, it's all continuous under the south Α.

half of 30.

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SALLY W. BOYD, C.S.

Do you have a recommendation to the Exa-0. miner with regards to the overhead charges to be assessed against the non-consenting parties?

Our standard charges in the area, we're Α. now operating other wells in the Abo formation, the drilling rate is \$1500. The monthly producing well rate is \$220. Could you identify a particular well in

Q. the area to which those charges are being assessed? Yes. We're producing the McClellan No. 1 Α. Tolmac in the Section 36 of 9 South, 25 East; the No. 1 "JJ" 

 Federal, Section 31, 9 South, 26 East.

 Q
 What are the approximate dates of those

 agreements pursuant to which those overhead charges are

 being assessed?

 A
 Approximately four months.

Q. In your opinion, then, the \$1500 and the \$220 commercial charges are reasonable and consistent with those charges for Abo wells in the area?

Yes.

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Q. Would you identify for us Exhibit Number Eight?

MR. KELLAHIN: If +be Examiner please, Exhibit Number Eight simply is the certified return receipts indicating that Mr. Jennings and Blanco Corporation have receipted for the application and the notices involved in this hearing.

Mr. McClellan, were Exhibits One through Seven prepared by you or compiled under your direction and supervision?

Yes, they were.

Q And in your opinion will approval of this application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

Yes.

MR. KELLAHIN: That concludes my examin-

	Page14
1	ation and I move the introduction of Exhibits One through
2	Eight.
3	MR. STAMETS: These exhibits will be ad-
4	mitted.
5	
6	CROSS EXAMINATION
7	BY MR. STAMETS:
8	Mr. McClellan, at a depth from 1200 feet
9	to 4500 feet, is that all the Abo formation or other forma-
10	tions above the Abo which are included in that?
11	A Other formations. The 1200 feet, basi-
12	cally, the San Andres, which is produced
13	Q Is that the top of the San Andres?
14	
15	That, see, from the surface to 1200 feet is leased to an-
16	
17	
1	1 AT THE Sall Human -
1	9 A. Yes, the basal basal part of the San
2	Andres.
2	And it's your intent to include all of
2	the Abo formation.
:	A It is my intent to include the Abo.
:	24 MR. STAMETS: Any other questions of
	the witness? He may be excused.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Merico 87301 Phone (505) 455-7409

15 Pag Anything further in this case? The case will be taken under advisement. 1 2 MR. PADILLA: Mr. Examiner, I have a letter that I would like to read into the record as a state-3 4 ment from Mr. Jennings, if I may. MR. STAMETS: Could you just give us the 5 sense of the statement and we'll have the reporter put the 6 7 entire letter in the record? MR. PADILLA: Well, basically it's an 8 objection to the forced pooling. Mr. Jennings, as has been 9 10 testified is one of the non-consenting interest owners in 11 this case. 12 MR. STAMETS: Okay, thank you. 13 14 (In accordance with direction of 15 the Examiner the letter of Mr. 16 James T. Jennings is attached here-17 to with the original transcript of 18 the hearing.) 19 20 (Hearing concluded.) 21 22 23 24 26



Jason Kellahin W. Thomas Kellahia Karen Aubrey

KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION April 22, 1980 EXHIBIT NO. CASE NO.\_ Mr. Joe Ramey Submitted by\_\_\_\_ Oil Conservation Division P. O. Box 2088 Hearing Date\_\_\_\_ Santa Fe, New Mexico 87501

Dear Joe:

Compulsory Pooling Case re:

Telephone 982-4285 Area Code 505

Please set the enclosed application for hearing on May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin encl. Jack McClellan cc:

James Jennings --- CERTIFIED MAIL (Return Receipt Requested) Blanco Company --- CERTIFIED MAIL (Return Receipt Requested) WTK:mmr



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**RECEIPT FOR CERTIFIED MAIL** NO INSURANCE COVERAGE PROVIDED---NOT FOR INTERNATIONAL MAIL (See Reverse)



**RECEIPT FOR CERTIFIED MAIL** NO INSURANCE COVERAGE PROVIDED-NOT FOR INTERNATIONAL MAIL (See Reverse) SENT SO Blanco Company STREET AND NO P.S. STATE AND ZIP CODE ROSLING(, TIM 88001 POSTAGE IS CERTIFIED FEE FEES SPECIAL DELIVERY RESTRICTED DELIVERY CONSULT POSTMASTER FOR SHOW TO WHOM AND DATE DELIVERED OPTIONAL SERVICES RETURN RECEIPT SERVICE SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY TOTAL POSTAGE AND FEES 1.53 POSTMARK OR DATE PS Form 3800,

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STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE. CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the teceipt attached, and present the article at a post office service window or hand it to your rulal carrier. (no extra charge)

3.

If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article. side of the article, ualle, detauth and related the receipt, and their the article. If you want a return receipt, while the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the tront of the article by means of the gummed ends if space permits. Otherwise, after to back of article. Endorse front of article RETURN RECEIPT REQUESTED

If you want delivery restructed to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.

5

- Enter tees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in them 1 of Form 3811. 5. Save this receipt aile present it if you make inquiry

# GPO : 1979 O - 289-363

\* GPO : 1979 O - 289-363

## STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE, CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

- If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article. Leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (In extra charge)
- If you do not want this raceipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
- Af you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811; and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, efficit to back of article. Endorse front of article RETURN RECEIPT REQUESTED
- If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICEED DELIVERY on the front of the article.
- 5. Enter lees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811. 6. Save this receipt and present it if you make inquiry.

UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS TY FOR PR SENDER INSTRUCTIONS PORTAGE NO ne, eddress, and ZIP Code is the same helm Complete jams 1, 2, and 3 on the reverse. Attack to front of article if space p stherwise of its to back of article. Endorse article "Return Receipt Reg adjucted to sumbly RETURN TO W. Thomas Kellahin Kellahin & Kellahin (Name of Sender) P. O. Box 1769 (Street or P.O. Box) Santa Fe, NM 87501 (City, State, and ZIP Code) UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS SENDER INSTRUCTIONS s, address, and ZIP Code in the space ball Ca less isoms 1, 2, and 3 on the rm Attach to front of article if space a wise effix to back of article. Endorse article "Return Recaipt Req at te aumber. RETURN Je . ΤÔ W. Thomas Kellahin Kellahin & Kellahin (Name of Sender) P. O. Box 1769 (Street or P.O. Box) Santa Fe, NM 87501 (City, State, and ZIP Code)

Jason Kellahin W. Thomas Kellahin Karen Aubrey KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

### April 24, 1980

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

re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours, mi Thomas Kellahin W.

WTK:mmr cc: Mr. Jack McClellan Blanco Company James T. Jennings



McCLELLAN OIL CORPORATION FORCED POOLING CASE # 6897

0

## **McClellan Oil Corporation**

CASE # 6897 EXHIBIT "A"

March 27, 1980

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
 CASE 6897
Submitted by
Hearing Date 21 May 80
 Hearing Date 21 May 80

The Blanco Company Post Office Box 1150 Roswell, New Mexico 89201

> Re: S½ Sec. 30-T6S-R26E, Chaves County, N. M.

#### Gentlemen:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards, ME Clelle Jack . McClellan President

/enclosures

## McClellan Oil Corporation

March 27, 1980

Mr	. J	lam	les	Т.	Jen	ni	ng	S
					Box			
Ro	SWe	11	>	New	Mex	ic	0	88201

Re: S<sup>1</sup>/<sub>2</sub> Sec. 30-T6S-R26E, Chaves County, N. M.

Submitted by\_\_\_ Hearing Date\_\_\_

CASE NO.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION

EXHIBIT NO. 2

Dear Jim:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards, ME Clall. Jack 1. McClellan President

lenclosures

	L & GAS LEASE OIL CONSERVATION DIVISION
THIS AGREEMENT made this 20th day of Marc THE BLANCO COMPANY, a corporation,	EXHIBIT NOtwen
THE DENIGO GUIFART, a CORPORATION,	CASE NO
	Submitted by
	Hearing Bate (Past Office Address)
herein called leasor (whether one or more) and 1. Lessor, in consideration of TEN AND OTHER DOILLARS of the agreements of the lessee herein coutained, hereby grants, le drilling, and operating for and producing oil and gas, injecting s	DIL CORPORATION <u>DRAWER 730</u> , <u>ROSWELL</u> , NEW MEXICO & in hand paid, receipt of which is here acknowledged, and of the royalties herein provide saves and lets exclusively unto lessee for the purpose of investigating, exploring, prospe- cas, waters, other fluids, and air into subsurface atrata, laying pipe lines, storing oil, but thereon to produce, save, take care of, ireat, process, store and transport said mineral
tollowing described isnd in	County, New Mexico, to-wit:
TOWNSHIP 6 SOUTH,	RANGE 26 EAST, N. M. P. M.
Section 30:	S <sup>1</sup> / <sub>2</sub>
limited to those depths in excess of 12	200' below the surface.
For the purpose of calculating the rental payments hereinafter comprises more or less. 2. Subject to the other provisions herein contained, this lease	r provided for, said land is estimated to comprise <u>320</u> acres, whether it as Six (0) MONTHS
as long threafter as oil or gas, is produced from said land or la 3. The royalties to be paid by lesses are: (a) on oil, and on a same to be delivered at the wells or to the credit of lessor in the p sous substances, produced from said land and sold or used of the the mouth of the well of J/10 of the gas as sold or used, pro such sale; (c) and at any time when this lesse is not validated by therewith, but gas and/or condensate is not being so sold or used; less provided for in this lesse for the acreage then held under this less tendered this lesse shall not terminate and it will be considered u	ind with which and land is pooled. other liquid hydrocarbons saved at the well, $3/16$ of that produced and saved from said pipe line to which the wells may be connected; (b) on gas, including casinghead gas and a premises or in the manufacture of gasoline or other produce herefrom, the market va- volter provisions hereof and there is a gas and/or condensate well on said land, or land and such well is shut in, either before or after production therefrom, then on or before 9 we may pay or tunder an advance annual shut-in royalty equal to the amount of delay is use by the party making such payment or tender, and so long as asid shut-in royalty is put other of lauses hereof that gas is being produced from the leased premises in naving our
paid under this lease if the well were in fact producing, or be p bereinafter provided for the payment of rentals.	ties who at the time of such payment would be entitled to receive the royalties which wo had or tendered to the credit of such party or parties in the depository bank and in the p
	or on land pooled therewith on or before one (1) year from this date, this leave shall ter 320.00 to before a ball now on tonder to the leave a rantel of S
as to both parties, unless on or before one (1) year from this dat shall cover the privilege of deferring commencement of such opera annually, the commencement of said operations may be further de	te lessee shall pay or tender to the lessor a rental of S
or tender may be made to the lesser or to the credit of the lessor i	in the
at	ns. If such bank, or any successor bank) shall fail, liquidate, or be successor thereon
or for any reason shall fail or refuse to accept rental, lessee shall instrument making provision for another acceptable method of pa of rental may be made by check or draft of lessee, mailed or deliv date. Any timely payment or bender of rental or shut in royally whole or in part as to parties, amounts, or depositorics shall nev	I not be held in default until thirty (30) days after lessor shall deliver to lesse a reco- syment or tender, and any depository charge is a liability of the lessor. The payment or vered to said bank or lessor, or any lessor if more than one, on or before the rental which is made in a bona fide attempt to make proper payment, but which is errone ertheless he sufficient to prevent termination of this lease in the same manner as the correct such error within thirty (30) days after lesse has received written notice ther
5. Lessre is hereby granted the right and power, from time i with any other land, lesse, lesses, mineral estates or parts thereo	to time, to pool or combine this lense, the land covered by it or any part or horizon is of for the production of oil or gas. Units puoled hereunder shall not exceed the standar Commission or by other lawful authority for the pool or area in which said land is situate
a tolerance of 10%. Lessee shall file written unit designations it time and either before or after the completion of wells. Drilling poses, except the payment of royalty, as operatious conducted up covered by this lease included in any such unit that pertion of the er unit operations, which the number of surface acces in the land	Commission of by other invited action of the pool of area in which safe tand is studied in the county in which the premises are located and such units may be designated from it coperations on or production from any part of any such units hall be considered for a on or production from the laud described in this lense. There shall be allocated to the e total production of pooled minerals from wells in the unit, after deducting any used is d covered by this lense included in the unit hears to the total number of surface acres see, including the payment or delivery of roysity, to be the entire production of pooled m
from the portion of said land covered hereby and included in said Any pooled unit designated by lease, as provided herein, may be a usted at any time after the completion of a dry hole or the cess	l unit in the same manner as though produced from said land under the terms of this dissolved by lessee by recording an appropriate instrument in the County where the land stion of production on said unit.
production thereof should cease for any cause, this lease shall no thereafter and diligently prosecutes the same, or (if it be within	iould drill and abandon a dry hole or holes hereunder, or if after discovery of oll or g ot terminate if lessee commences reworking or additional drilling operations within 6 the primary term) commences or resumes the payment or tender of rendals or com
operations for drilling or revorking on or before the rental payin dry hole or holes or the constition of production. If at the expiration for drilling or reworking of any well, this lease shall remain in f	ng date next ensuing after the expiration of three months from date of shandonment ( ion of the primary term oil or gas is not being produced but lessee is then engaged in ope force so long as such operations are diligently prosecuted with no cesation of more t
consecutive days. If during the drilling or reworking of any well faith is unable to complete said operations then within 30 days af with due diligence. If any drilling, additional drilling, or reworki	under this paragraph, lossee loses or junks the hole or well and after different efforts i fter the abandonment of suid operations lossee may commence another well and drill th ing operations hercunder result in production, then this lease shall remain in full force a
-ibereafter as oil or gas is produced hereunder. <ol> <li>Lessee shall have free use of oil, gas and water from sa</li> <li>shall be computed after deducting any so used. Lessee shall have</li> </ol>	id land, except water from lessor's wells and tunks, for all operations hereunder, and the the right at any time during or after the expiration of this lesse to remove all proper
fixtures placed by lesses on said land, including the right to draw lands below ordinary plow depth, and no well shall be drilled with sent. Lessor shall have the privilege, at his risk and expense, of	r and remove all casing. When required by lessor, lessee will bury all pipe lines on cul hin two hundred feet (200 fi.) of any residence or barn now on said lard without lessor using gas from any gas well on said land for stoves and inside lights in the principal d
thereon, out of any surplus gas not needed for operations hereunder <b>B.</b> The rights of either party hereunder may be assigned in successors and assigns; but no change or division in the ownership	, whole or in part and the provisions hereof shall extend to the heirs, executors, administ of the land, or in the ownership of or right to receive rentals, toyalties or payments, h
accomplished shall operate to enlarge the obligations or diminish pose until 30 days after lessee has been furnished by certified r thereof constituting the chain of title from the original lessor.	the rights of lessee; and no such change or division shall be binding upon lessee for an mail at lessee's principal place of business with acceptable instruments or certified If any such change in ownership occurs through the death of the owner, lessee may
evidence satisfactory to lessee as to the persons entitled to such rentals payable hereunder shall be apportioned as between the s	wased or his estate in the depository bank until such time as lessee has been furnishe is sums. In the event of an assignment of this lease as to a segregated portion of said la several leasehold owners ratably according to the surface area of each, and default in
assignment, relieve and discharge lessee of any obligations herein of the proportionate part of the rentals due from such lessee or a	nere hereunder. An assignment of this lease, in whole or in part, shall, to the extent 4 nder, and, it lesses or assignee of part or parts hereof shall fail or nake default in the p assignce or fail to comply with any other provision of the lease, such default shall not aff
<ul> <li>paragraph shall also include shut-in royalty.</li> <li>Should lessee be prevented from complying with any expl</li> </ul>	or any assignce thereof shall so comply or make such payments. Rentals as used vess or implical covenant of this lease, or from conducting drilling or reworking operation
mader, or from producing oil or gas hereunder by reason of scar by any Federal or state law or any order, rule or regulation of g shall not be liable for failure to comply therewith; and this lease	relty or inability to obtain or use equipment or material, or by operation of force maje overnmental authority, then while so prevented, lessew's duty shall be suspended, and shall be extended while and so long as lessee is prevented by any such cause from con-
drilling or reworking operations on or from producing oil or gas anything in this lease to the contrary notwithstanding.	hereunder: and the time while lessee is an prevented shall not be counted against o said land, and agrees that lessee, at its option, may discharge any tax, mortgage, o
Hen upon said land, and in the event lease does so, it shall be a hereunder toward satisfying same. Without impairment of lessee's mart of said land than the entire and undivided fee simple estat	subrogated to such lien with the right to enforce same and noply rentals and royalties a rights under the warranty, if this lease covers a less interest in the oil or gas in all e (whether lessor's interest is herein specified or not) then the royalties, shut in royalty.
and other payments, if any, accruing from any part as to which i interest therein, if any, covered by this lease, bears to the whol benors fall to execute this lease, it shall nevertheless be biuding	this lease covers less than such full interest, shall be paid only in the proportion wh le and undivided fee simple extate therein. Should any one or more of the parties named a upon the party or parties executing the same.
11. Lessee, its/his successors, heirs and assigns, shall have t	the right at any time to surrender this lease. In whole or in part, to lessor or his heirs, e lessor, or by placing a release thereof of record in the county in which said land is si or implied, of this agreement as to acreage so surrendered, and thereafter the rents
shut-in royalty payable hereunder shall be reduced in the proper	or implied, or this agreement as to accence so surrendered, and thereafter the rent
10	•
Executed the day and year first above written. ATTEST:	THE BLANCO COMPANY
	BY:

County of The foregoing instrument was acknowledge 14 by			
My Commission expires		Notary Public	
STATE OF NEW MEXICO,		NDIVIDUAL ACKNOWLEDGMENT (	New Mexico Short Fo
County of The foregoing instrument was acknowledge			
19 by		·	
			······
My Commission expires		Notary Public	
STATE OF NEW MEXICO,		. •	
County of		INDIVIDUAL ACKNOWLEDGMENT	(New Mexico Short Fo
The foregoing instrument was acknowledg			
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STATE OF		INDIVIDUAL ACKNOWLEDGMENT	(New Mexico Short Fo
County of The foregoing instrument was acknowledg			•
19 by			
My Commission expires	, 19	Notary Publi	C
<b>\$7</b>			
I hereby certify that this instrument was filed for record on theday of, A. D., 19, ato'clockm, and was duly recorded in Bookat Page, of the Records of said County. County Clork. By	TermCounty, New Mexico STATE OF NEW MEXICO	TO TO	OIL AND GAS LEASE NEW MEXICO FROM
STATE OF NEW MEXICO		CORPORATION ACKNOWLEDGMEN	Γ (New Mexico Short F
County of Chaves The foregoing instrument was acknowled	and hofers me the	• •	-
The foregoing instrument was acknowled by	geu verore me this.	Jay 01	, 19, Pres
The Plance Company		·····	corpor
on behall of said corporation. My Commission Expires:		· · · · · · · · · · · · · · · · · · ·	Notary Public
STATE OF		CORPORATION ACKNOWLEDGMEN	T (New Mexico Short F
County of The foregoing instrument was acknowled	and hatars ma the		
Ine loregoing instrument was acknowled	Rea nerore me turs.	Gay of	, 19, Pres
by			

Producer's 88-(Producer's Revised 1965) (New Mexico) Form 342

OIL & GAS LEASE

19 80, between

Printed and for sale by Hall-Poorbaugh Press, Roswell, M. M.

Т	us /	GREEMENT	ninde this	20th day	or Marc	h	
					JENNINGS,		

or Roswell, New Mexica (Post Office Address) 201,

berein called lessor (whether one or more) and MCCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 88

Betein called lessor twenter one or morel and J. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royaltic herein provided at... of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lesser for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and all into auburface strath, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said mineral, the

Chaves following described land in

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

#### Section 30: Sł

#### limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to converse 320 months acres, whether it actually comprises more or less. 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six why from this date (called "primary term"), and call the regulation of the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas ame to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas used and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/10 of the gas so sold or used off the premises or in the manufacture of gasoline or other product therefrom, then and sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said wells lesse for the acreage then held under this lesse by the party making such payment or tender, and so long as shall shut in royalty equal to the samout of delay rentals provided for the terminate and it will be considered under all clauses hereof that gas is being produced from the leased provider and such well is a lost product form the lease in puying quantities. Each such asset if the wells lesses for the acreage then held under this lease by the party making such payment or tender, and so long as shall shut in royalty is paid or tendered this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties who at the time of such party or parties in the depository bank and in the manner therein for the payment of rentals.

If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

has to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$
320.00
which
shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders,
annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the \_\_\_\_\_

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Thereaster as oil or gas is produced hereunder. 7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's con-sent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any rurplus gas not needed for operations hereunder.

Executed the day and year first above written.

Frances Jennings

James	۱.	Jennings	r
-------	----	----------	---

The foregoing instrument was achowindged before me this day of March g 80 by JAMES I. JEENINGS and FRANCES JEANINGS, his wife.  Netary Fublic STATE OF NEW MEXICO, INDIVIDUAL ACKNOWLEDGNENT (New Mexice Short For The foregoing instrument was achowindged before me this day of	TATE OF NEW MEXICO,	an a			ACKNOWLEDGMEN		Short Form
ty Commission explice     19	9_80_ byJAMES T.	JENNINGS and I	FRANCES JENN	VINGS, his	wife.		
INDIVIDUAL ACKNOWLEDGMENT (New Mexice Short For The foregoing instrument was acknowledged before me this							••••••••••••••••••••••••••••••••••••••
9     by     39     Notary Public       Ay Commission expires     19     Notary Public       STATE OF NEW MEXICO     INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For       9     by       4y Commission expires     19       6x     by       4y Commission expires     19       10     Notary Public       5TATE OF     INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For       5TATE OF     INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For       5TATE OF     INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For       7     Notary Public       5TATE OF     INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For       7     Notary Public       7     Notary Public   <				INDIVIDUAL	ACKNOWLEDGMEN	iT (New Mexico	) Short Form
dy Commission explores     18     Notary Public       TATE OF NEW MEXICO, Disputy of	The foregoing instrument	was acknowledged l	,				
TATE OF NEW MEXICO, Nonty of	av Commission expires		. 19			<u>.</u>	
bootty of							- 61 Fi
dy Commission expires       19       Notary Fublic         STATE OF       INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Formation of the foregoing instrument was acknowledged before me this       day of         9       by       INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Formation of the foregoing instrument was acknowledged before me this       day of         80       by       Individual formation of the foregoing instrument was acknowledged before me this       0         9       0       10       10       10         80       0       0       10       10         80       0       0       10       10         80       0       0       10       10         80       0       0       10       10         80       0       0       10       10         90       0       0       10       10       10         90       0       0       10       10       10       10         90       0       0       10       10       10       10       10         90       0       0       0       10       10       10       10       10         90       0       0       0       0       10	The foregoing instrument	t was acknowledged l	before me this _		day of		
TATE OF							
Journy of	ly Commission expires		, 19		Notery P	ublic	
9 by	Sounty of		•				. 1
Ay Commission expires							· · · · · · · · · · · · · · · · · · ·
STATE OF NEW MEXICO       County of	ly Commission expires		, 19			ublic	
County of CORPORATION ACKNOWLEDGMENT (New Mexice Short Fo The foregoing instrument was acknowledged before me this day of, 19 by, preside of, preside of, or by Notary Public STATE OF STATE OF County of The foregoing instrument was acknowledged before me this day of, 19 by, preside by, preside by	ed in Bookat Pag 13 said County. Count	COUNTY OF I hereby certify that this instrument was filed for record on theday of, A. D., 19, ato'clockm., and	County, New	, Township, Range	TO	FROM	AND GAS NEW MEXI
by Preside of	County of		hafana ma dhin				
on behalf of said corporation.         My Commission Expires:         STATE OF         STATE OF         County of         County of         The foregoing instrument was acknowledged before me this         Dy	Dy		·			•	Presid
STATE OF CORPORATION ACKNOWLEDGMENT (New Mexico Short Fo County of The foregoing instrument was acknowledged before me this day of, 19 py,Preside	on behalf of said corporation	•					-
County of day of, 19, 19, 19, py, President of the foregoing instrument was acknowledged before me this day of, president of the foregoing instrument was acknowledged before me this			<u></u>	CORPORATI	-	FNT (Naw Mar	ico Short Fo
	•	ni was acknowledged	before me this	-			-
	•						



C t

**McClellan Oil Corporation** Suite 1000 Security Bank Building Box 848 Roswell, New Mexico 88201

## Authority For Expenditure

То:	Lease: Johnson No. Fee
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective Depth 4300 Formation Abo	County: <u>Chaves</u>
Date: March 26, 1980 AFE No. 1	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>660' FSL &amp; 660' FWL</u> Well No. 1
Type Well:GasSpacing320	Section 30 Township 6-S Range 26-E

## INTANGIBLES

## TANGIBLES

	Amount		int	Amount					
•	Item	Dry Hole	Producer	Item	Dry Hole	Producer			
-	Surveying	\$ 500	\$ <u>500</u>	Casing (Size, Amt., Price)	\$	\$			
	Build Location & Roads	7,000							
- *	Drilling 4300 ft. @ \$ 13.00	56,000		Interm. 8-5/8"-1300-\$9.45	12,300	12.300			
$\sim$	Day Work 2 days @ \$ 3500	3,500		Prod. 413-4300-\$4.32		18,600			
	Completion 10 days @ \$ 650		6,500	Tubing (Size, Amt., Price)					
•	Muds & Chemicals	10,000		2-3/8"-4300'-\$2.75		<u>11,900</u>			
	Electric logging	13,000	13,000	Rods (Size, Amt., Price)					
	Drill Stem Tests No:								
	Acid 1500 Gals		3,000	Down Hole Pump		-			
	Fracturing 17,500Gals_20,000_lbs.		15,000						
	Perforating & Logging		3,500	Float & Other Equipment					
	Coring ft			Surface					
	Geol. & Geophy. Expense			Intermediate	350	350			
	Well Supervision			Production	1 1	500			
	Administrative Overhead	3,000	3.000	Pumping Unit					
	Engr. & Geol. Services	2,500	-						
	Cement Services			Elec. Motor & Panel					
	Surface sx			Flowlines & Connections	350	1,000			
	Interm. <u>350</u> sx	3,500	3,500	Storage Tanks, Stairs, Wiks					
	Prod. <u>300</u> sx			No Size					
	Plugging-Clean-up	5,000		Separator: Size:		2,500			
	Surface Damage	1,000	-	Heater Treater: Size:					
	Contract Labor	500		Wellhead Ecuipment		6,000			
	Trucking	500	1,500			2,000			
	Equipment Rental			Packers In contingencies					
_	Water	8,000							
	Environmental Impact			Electrical Systems					
1	Legal Fees			Injection Equipment					
	Contingencies	4.000	9,000	Lease Acquisition					
	Taxes%	6,000	9,500						
	SUBTOTAL INTANGIBLES	\$124,000	\$175,000	SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000			
-			•		Δ	<u> </u>			
	TOTAL'ESTIMATED DRY HOLE COST	, 137,000		Division of Interest %	Dry Hole	Producer			
		·				•			
	TOTAL ESTIMATED COST OF PRODUC								
	Gas or Flowing	\$ 230,000							
	Pumping	e Estats				f			
	. uniping	•			-				
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## Case # 6897

## <u>Exhibit "C"</u>

## S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M. Limited to these depths in excess of 1200' below the surface Chaves County, New Mexico

ARAX

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		•	ALL FEE LEA	<u>SES</u>		Date of Lease	Royalty
	Lease Owner	Interest	Status of L	.ease	Date of Lease		Retained
Johnson F	Properties	.25	Leased to M	100	March 14, 1980	Sept. 14, 1980	.1875
May Kehre	er (Victor J. Kehrer, Jr.	) .125	u	. 11	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B.	Gardner	.0833		11	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mo	ounsey	.25	, <b>n</b> .	н.,	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A.	rong	.0625	N	II.	March 12, 1980	Sept. 12, 1980	.1875
Marion or	Milton Engelbrecht	.0625	0 - 10 - 10 - 10 - 10 - 10 - 10 - 10 -	н	March 14, 1980	Sept. 14, 1980	.1875
The Blanc	co Company	.08334	Unleased 🥤	1	ndivide 5/2	530	. ·
James î.	Jennings	.08333	Unleased	{ W	me under 12	Jun C	

1.000 Leased to MOC .8408

Owners Not Agreeing To	Join	•••		Anticipated to	Produce
James T. Jennings P.O. Box 1180 Roswell, N.M. 88201	Fee Lease	73:	Abo	<u></u>	
The Blanco Company P.O. Box 1150 Roswell, N.M. 88201	Fee Lease		••••••••••••••••••••••••••••••••••••••		

3ME	McClellan Suite 1000 Secu Box 848 Roswell, New N	urity Bank B Nexico 8820	uilding D1		OIL COM E CASE NO. dituré aboutta	Case # 6897 Exhibit "D" EXAMINER STAMETS SERVATION DIVISION XHIBIT NO by
То:				Lease: _	Johnson	No. <u>Fee</u>
Purpose:	Drill New Well			Field: _	Wildcat	·
<b>Objective</b> E	epth <u>4300</u>	Formation_	Ábo	County:	Chaves	
Date: <u>Ma</u>	<u>y 20, 19</u> 80	AFE No	1	State: _	New Mexico	
Anticipated	l Commencemen'. D	ate <u>August</u>	1, 1980	Locatio	n: <u>1980' FSL &amp;</u>	660' FWL Well No. 1
Type Well:	Gas	Spacing	160	Section		hip <u>6-S</u> Range <u>26-E</u>

## INTANGIBLES

1

## TANGIBLES

	Amo	unt		Ame		
Item	Dry Hole	Producer	Item	Dry Hole	Producer	
Surveying	s 500	\$ 500	Casing (Size, Amt., Price)	\$	\$	
Build Location & Roads	7,000	7.000	Surf			
Drilling_4300ft.@\$_17.00	73,000	73,000	Interm. 8-5/8"-1300-\$9.45	12.300	12,300	
Day Work 2 days @ \$ 3500	3,500	5,200			18,600	
Completion 10days @ \$650		6,500				
Muds & Chemicals	10,000		2-3/8"-4300'-\$2.75		11,900	
Electric logging	13,000	13,000	Rods (Size, Amt., Price)			
Drill Stem Tests No:			•			
Acid 1500Gais	·	3,000	Down Hole Pump			
Fracturing 17,500Gals 20,000 lbs.		15,000	Type:Size:			
Perforating & Logging		3,500	Float & Other Equipment			
Coring ft			Surface			
Geol. & Geophy. Expense						
Well Supervision						
Administrative Overhead						
Engr. & Geol. Services						
Cement Services						
Surfacesx						
Interm350ox						
Prod. <u>300</u> _sx						
Plugging-Clean-up						
Surface Damage						
Contract Labor						
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Water						
Environ						
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Suite 1000 Se Box 848	n Oil Corpo ecurity Bank Buik v Mexico 88201 Authority	ding		SERVATIO	"" R STAMETS N DIVISION 2
		,			
То:		Lease:	Johnson		No. <u>Fee</u>
Purpose: Drill New Well	1	Fleld:	Wildcat		
Objective Depth	Formation_Ab	0County:	Chaves	<del></del>	
Date: <u>May 20, 19</u> 80	AFE No1	State:	New Mexico		
Anticipated Commencemen	t Date <u>August 1.</u>	1980 Location	: <u>1980' FSL &amp;</u>	660' FWL	_ Well No1
Type Well: <u>Gas</u>	Spacing160	Section		nip <u>6-S</u>	
INTANG	GIBLES		TAN	GIBLES	
	Amount				Amount

Item	Dry Hole	Producer	Item	Dry Hole	Producer
Surveying	s 500	\$ 500	Casing (Size, Amt., Price)	\$	\$
Build Location & Roads	7.000	7.000			
Drilling_4300ft.@\$_17.00	73,000		Interm. 8-5/8"-1300-\$9.45	12,300	12,300
Day Work 2days @ \$ 3500	3,500				18,600
Completion 10 days @ \$ 650		6.500	Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000	10,000	2-3/8"-4300'-\$2.75		11,900
Electric logging	13,000	13,000	Rods (Size, Amt., Price)		
Drill Stem Tests No:					
Acid 1500 Gals		3,000	Down Hole Pump		
Fracturing 17, 500Gals 20,000 lbs.		15,000			
Perforating & Logging			Float & Other Equipment		
Coring ft			Surface		I
Geol. & Geophy. Expense			Intermediato	350	350
Well Supervision			Production		500
Administrative Overhead	3.000	3.000	Pumping Unit		
Engr. & Geol. Services	2,500				
Cement Services			Elec. Motor & Panel		
Surfacesx	1		Flowlines & Connections	350	1,000
Interm. 350 sx	3,500	3,500	Storage Tanks, Stairs, Wiks		
Prod,sx	1		No Size	1	
Plugging—Clean-up	5,000			1	2.500
Surface Damage	1.000		Heater Treater: Size:		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Contract Labor	500		Wellhead Equipment		6,000
Trucking	500		· ·	1	2,000
Equipment Rental	1		Packers In contingencies	1	
Water	8.000		Meters	1	
Environmental Impact		1	Electrical Systems		
Legal Fees	1	1	Injection Equipment	1	t
-	4,000	9,000	Lease Acquisition		
Contingencies	1			1	
Taxes%	6.750	10,250			1
SUBTOTAL INTANGIBLES			SUB TOTAL TANGIBLES	s 13,000	\$ 55,000
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	s 247,40	0	<b></b>		1
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Non-Operator			<b> </b>	-+	+
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TOTAL

Jason Kellahin W. Thomas Kellahin Karen Aubrey KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

### April 22, 1980

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on May 21, 1980 before the Division's Examiner.

Very truly yours,

### W. Thomas Kellahin

encl. cc: Jack McClellan

James Jennings --- CERTIFIED MAIL (Return Receipt Requested) Blanco Company --- CERTIFIED MAIL (Return Receipt Requested) WTK:mmr

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CONSULT POSTMASTER

1976

Apr.

PS Form 3800,

SERVICE

TOTAL POSTAGE AND FEES

POSTMARK OR DATE

SERVICES

OPTHOMAL :

RESTRICTED DELIVERY

SHOW TO WHOM AND DATE DELIVERED

SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY

SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY

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(See Reverse) SENT TO James T. Jennings J.O. BOX 1180 PO STATE AND ZIP CODE ROSLIEL, NH 88201 POSTAGE CERTIFIED FEE SPECIAL DELIVERY FES RESTRICTED DELIVERY CONSULT POSTMASTER FOR SHOW TO WHOM OATE SHOW TO WHOM OATE AND ADDRESS OF DELIVERY TO WHOM AND/ TO WHOM AND/ WHOM AND/ WHOM AND/ OPTIONAL SERVICES RETURN RECEIPT SERVICE SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY 1976 TOTAL POSTAGE AND FEES 53 2 Apr. POSTMARK OR DATE PS Form 3800,

Pll 7129045



# STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE. CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

- If you want this receipt nostmarked, stick the gummed slub on the left portion of the address sloe of the article, leaving the teceipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
- If you do not want this receipt postmarked, stick the gummed stub on the left portion of the adoress side of the article, date, delach and retain the receipt, and mail the article.
- 3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the pummed ends if space adjacent to the number.
- If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
- 5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3511. 6. Save this receipt and present it if you make inquiry

\* GPO : 1979 O - 289-363

## STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE, CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

- 1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
- If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
- 3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811; and attach it to the front of the ancie by means of the guinning and attach it to the front of article by means of the guinning and attach it is participed and a statement. Otherwise, aftix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number
- If you want delivery restricted to the addressee, or to an authorized agent of the addressee, end, rse RESTRICCED DELIVERY on the front of the article.
   Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item 1 of Form 3811.
- 6. Save this receipt and present it if you make inquiry.





(Name of Sender)

(Street or P.O. Box)

(City, State, and ZIP Code) .

. . . . .

P. O. Box 1769

Santa Fe, NM 87501

W. Thomas Kellahin

Jason Kellahin

Karen Aubrey

KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

### April 24, 1980

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

re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours, W. Thomas Kellahin

WTK:mmr cc: Mr. Jack McClellan Blanco Company James T. Jennings



McCLELLAN OIL CORPORATION FORCED POOLING CASE # 6897

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McClellan Oil Corporation

CASE # 6897

EXHIBIT "A"

March 27, 1980

The Blanco Company Post Office Box 1150 Roswell, New Mexico 88201

> Re: S<sup>1</sup>/<sub>2</sub> Sec. 30-T6S-R26E, Chaves County, N. M.

Gentlemen:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Beşt personal regards, dile C 0° 00 . McClellan Jack President

/enclosures

**McClellan Oil Corporation** 

March 27, 1980

Mr. James T. Jennings Post Office Box 1180 Roswell, New Mexico 88201

> Re: S1 Sec. 30-T6S-R26E, Chaves County, N. M.

Dear Jim:

Ç,

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, ob-tained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards, J.M. Cloll Jack 4. McClellan President

/enclosures

Suite 1000 Security Bank Building --- Drawer 730 --- 505/622 - 3200 --- Roswell, New Mexico 88201

er's 88-(Producer's Revised 1965) (New Mexico) Form 342

Printed and for sale by Hall-Poorbough Press, Roswell, N. M.

10 ...... between .....

**~**...

THIS AGREEMENT made this \_20th day of \_ March THE BLANCO COMPANY, a corporation,

more) and

Roswell, New Mexico

<u>יי</u>?נ

(Post Office Address)

McCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 8

Chaves

County, New Mexico, to-wit:

following described land in

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herein called lessor (whether one

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

#### Section 30: Sł

#### limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less. 2. Subject to the other provisions herein contained, this lesse shall remain in force for a term of Six (b) MONUNS Xays from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

as long thereafter as all or gas, is produced from said land or land with which said land is pooled. 3. The royalties to be paid by lesses are: (a) on oil, and on other liquid hydrocarbons saved at the well. 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-sous substances, produced formy said land and sold or used off the premises or in the manufacture of gazoline or other produced herefrom, the market value at the mouth of the well of 3/10 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/10 of the amount realized from such active; (c) and at any time when this lesse is not validated by other provisions hereof and there is a gas and/or condensate well on said land, us land wolk a shut in, either before or after production therefrom, then on or before 30 days after said well is shut in, and thereafter at annual intervals, lesse may pay or tender an advance annual stud-in royalty equal to the accesses then held under this lesse by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lesse if the well of the provisions there of the time of such payment or tender, and so long as and shut-in royalty is paid or tendered this lesse if the well or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be parties for the spayment of rentals. 4. If operations for drilling are not commenced on said land or on land model therewith an other.

erations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate A Tr on

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of S shall cover the privilege of deferring commancement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the .

paragraph shall also include shut-in royalty. 9. Should lessee be prevented from complying with any express or implied covenant of this lesse, or fron conducting drilling or reworking operations here-under, or from producing oil or gas hereunder by reason of scarcity or insbility to obtain or use equipment or material, or by operation of force majere, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lesse shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lesse to the contrary notwithstanding.

anything in this lease to the contrary notwithstanding. 10. Lessor hereby warrants and agrees to defend the tile to said lond, and agrees that lessee, nt its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce some and apply rentals and royaties according hereunder toward satisfying same. Without impairment of lesse's rights under the warranty, if this lesse covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is here in specified or not) then the covalities, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the lassers therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lassers, therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lassers, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease. In whole or in part, to lessor or his heirs, succes-some, and assigns by delivering or mailing a release there to the longer, or by placing a release there of or coord in the county in which said iand is situated: thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to accrede hereby is reduced by said release or releases.

ATTEST:	THE BLANCO COMPANY	
	BY:	
Secretary	anna ann an an an an an ann an an an an	

· · · ·		day of	
•			
Commission expires		Notary Public	
ATE OF NEW MEXICO,	1	INDIVIDUAL ACKNOWLEDGMENT (New )	Nexico Short Form
unty of The foregoing instrument was acknowle	dged before me this	day of	
by			
Commission expires	, 19	Notary Public	
ATE OF NEW MEXICO,	<b></b>	INDIVIDUAL ACKNOWLEDGMENT (New 1	Marian Short For
unty of		day of	
by			
v Commission expires	, 19	Notary Public	~~~~
CATE OF		INDIVIDUAL ACKNOWLEDGMENT (New	Mexico Short For
The foregoing instrument was acknowle		day of	
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y Commission expires		Notary Public	
I hereby certify that this instrument was filed for record on thaday of, A. D., 19, ato'elockm, and was duly recorded in Bookat Page of the Records of said County. County Clark. By	Term County, New Mexico STATE OF NEW MEXICO COUNTY OF	TO TO Date	OIL AND GAS LEASE NEW MEXICO FROM
TATE OF NEW MEXICO		CORPORATION ACKNOWLEDGMENT (New	v Mexico Short Foi
		day ofMarch	, 19
The Blanco Company			•
n behalf of said corporation.			Notary Public
			• • •
Ounty of		CORPORATION ACKNOWLEDGMENT (New	w Mexico Short Fo
•			
The foregoing instrument was acknow	ledged before me this.		•

s 83-(Producer's Revised 1965) (New Mexico) Form 342

Printed and for sale by Hall-Poorbaugh Press, Roswell, 11 M.

## OIL & GAS LEASE

March

THIS AGREEMENT minde this \_20th day of \_ JAMES T. JENNINGS and FRANCES JENNINGS, his wife,

19 80, between -

Roswell, New Mex (Post Office Address) New Mexico 201,

berein called lessor (whether one or more) and MCCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 83 1. Lessor, intenier one of more and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the Chaves

County, New Mexico, to-wit:

following described land in \_\_\_\_

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

#### Section 30: Sł

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whather it actually comprises more or less. a long thereaster as oli or gas, is produced from said land or land with which said land is pooled. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, or land with which said land is pooled. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, saved from said land, and sold or used off the premises or in the manufacture of gasoline or other project therefrom, the market value at the mouth of the well of 3/10 of the gas so sold or used off the premises or in the manufacture of gasoline or other production therefrom, the market value at the mouth of the well of 3/10 of the gas so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty can to be gaid abut-in royalty is paid or tendered this lesse for the screage then held under this lesse by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lesse if the well or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this l

a. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

which half cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, which manually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the ...

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with due anigence. It any driving, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long "thereafter as oil or gas is produced hereunder. T. Leasee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royality shall be computed after deducting any so used. Lessee shall have the hight at any time during or after the expiration of this lease to remove all property and fittures placed by lessee on said land, including the right to dra-up remove all casing. When required by lession, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled. This two hundred feet (200 ft.) of any residence or barn now on said land without lessor's con-sent. Lessor shall have the privilege, at his tisk and expense, of using gas from any gas used on said land for stoves and inside lights in the principal dwelling thereon, (sut of any surplus gas not needed for operations hereunder. 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successars and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any pur-pose until 30 days after lessee has been furnished by certified mail at bessee's principal place of business with acceptable instruments or certified copies whereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or pender any rentals, royalties or payments to the receit of the decreaded or his teste in the depository bank until such time as lesses has been furnished wi

paragraph shall also include shut-in royalty.
9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations here, or from producing oil or gas bereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majoure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and insee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas bereunder; and the lesse hall be time while lessee is so prevented shall not be counted against lessee.
10 Lesson barba wareness and commend a drifting or reworked and the time while lesse is so prevented shall not be counted against lessee.

anything in this lease to the contrary notwithstanding. 10. Leasor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lesser does so, it shall be subrogated to such lien with the right to enforce same and sply rentals and royalties accuring bereunder toward satisfying same. Without impointment of lesses' rights under the warranty, it this lesse covers a less interest is an oryalties, shull be subrogated to such lien with the right to enforce same and sply rentals and royalties accuring part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shull in sub-and other payments. If any, accruing from any part as to which this lesse covers less than such full interest, shull be puid only in the proportion which the lineverst therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Shuld any one or more of the parties named above as breasers fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same. 11. Leaser, ka/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, succes-sors, and assigns by delivering or maling a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated: thereupon leaser shall be relived from all obligations, expressed or implied, of this agreement as to accreage so surrendered, and thereafter the rontals and shut-in royalty payable hereunder shall be reduced, in the proportion that the acceace covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Frances Jennings

James T. Jennings
ounty of <u>Chaves</u>		· · · ·	· •	March	
The foregoing instrument 80 by JAMES T.	JENNINGS and FI	tore me this . CANCES JEN	NINGS hie	wife.	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
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fy Commission expires				Notary Public	······
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The foregoing instrumen	t was acknowledged be		· ·	day of	
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dy Commission expires	<u>.</u>	, 19		Notary Public	
STATE OF NEW MEXICO,		•	INDIVIDUAL	ACKNOWLEDGMENT (	New Mexico Short Form
County of		fore we this		day of	•
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My Commission expires		, 19	,	Notary Public	
STATE OF		••••••••••••••••••••••••••••••••••••••			
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Ky Commission expires		, 19	•	Notary Public	
was duly recorded in Bookat Page of the Records of said County. County Clerk. By Deputy.	STATE OF NEW MEXICO COUNTY OF I hereby certify that this instrument was filed for record on theday of, A. D., 19, ato'clockm., and	County, New Mexico Term	Date, 19, Section, Township, Range No. of Acres	TO	OIL AND GAS LEASE NEW MEXICO FROM
STATE OF NEW MEXICO				ON ACKNOWLEDGMENT	
The foregoing instrume		before me this	۱ <u></u>	day of	, 19 Preside
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on behalf of said corporation My Commission Expires:	÷ 1 4			· · · · · · · · · · · · · · · · · · ·	Notary Public
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STATE OF			CORPORATI	ON ACKNOWLEDGMENT	' (New Mexico Short For
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by		· · · · · · · · · · · · · · · · · · ·			Presid

McClellan Oil Corporation Suite 1000 Security Bank Building Box 848 Roswell, New Mexico 88201

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# Authority For Expenditure

То:	Lease: Johnson No Fee
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective DepthFormation_Abo	County: <u>Chaves</u>
Date: March 26, 1980 AFE No. 1	State: <u>New Mexico</u>
Anticipated Commencement Date August 1, 1980	Location: <u>660' FSL &amp; 660' FWL</u> Well No. 1
Type Well: <u>Gas</u> Spacing 320	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

# INTANGIBLES

# TANGIBLES

	Amo	unt		Amo	unt
item	Dry Hole	Producer	Item	Dry Hole	Producer
Surveying	\$ 500		Casing (Size, Amt., Price)	\$	<u>\$</u>
Build Location & Roads	7,000		Surf	- I I	
Drilling_4300ft.@\$_13_00	56,000		Interm. 8-5/8"-1300-\$9.45	12,300	
Day Work			Prod. 413-4300-\$4.32	· · · ·	18,600
Completion 10days @ \$650		6,500	Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000		2-3/8"-4300'-\$2 <sub>-</sub> 75	<u> </u>	11,900
Electric logging	13,000		Rods (Size, Amt., Price)		
Drill Stem Tests No:					
Acid <u>1500</u> Gais		3,000	Down Hole Pump	-	
Fracturing 17,500Gais 20,000	lbs	15,000	Type:Size:		
Perforating & Logging		3,500	Float & Other Equipment		
Coringft			Surface		
Geol. & Geophy. Expense			Intermediate	350	350
Well Supervision			Production		500
Administrative Overhead	3,000	3.000	Pumping Unit		
Engr. & Geol. Services					
Cement Services			Elec. Motor & Panel		
Surfacesx	i		Flowlines & Connections	350	1,000
Interm350sx	3,500	3,500	Storage Tanks, Stairs, Wiks	· _ ]	
Prod sx			No Size		
Plugging-Clean-up	5,000		Separator: Size:		2,500
Surface Damage	1,000		Heater Treater: Size:		
Contract Labor	500		Wellhead Equipment		6,000
Trucking	500		Valves & Fittings		2,000
Equipment Rental			Packers In contingencies		
Water	8,000		Meters		•
Environmental Impact			Electrical Systems		
Legal Fees			Injection Equipment		
Contingencies	4.000	9.000	Lease Acquisition		
Taxes%	6,000	9,500			
SUBTOTAL INTANGIBLES	\$124,000	\$175,000	SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000
-	<b>L</b>	**************************************		Amoi	
TOTAL'ESTIMATED DRY HOLE COST	, 137,000		Division of Interest %	Dry Hole	Producer
TOTAL COMMATED DATABOLE COOL	• • • • • • • • • • • • • • • • • • • •				•
TOTAL ESTIMATED COST OF PROD	UCING WELL	•			
TOTAL ESTIMATED COST OF PRICE					
Gas or Flowing	\$ 230,000				
Pumping	* <u>COUSTION</u>		<u>∦</u> }		
Fumping	•				
Approved by	n	ate	l		
Operator			-		
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Accepted byNon-Operato			╊━━━━━╋━━━━╋━━━━		
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### Case # 6897

## Exhibit "C"

# S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M. Limited to these depths in excess of 1200' below the surface Chaves County, New Mexico

	·	ALL FEE LEASES		Date of Lease	Royalty
Lease Owner	Interest	Status of Lease	Date of Lease	Expiration	Retained
Johnson Properties	.25	Leased to MOC	March 14, 1980	Sept. 14, 1980	.1875
May Kehrer (Victor J. Kehrer, Jr.	).125	15 . 18	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B. Gardner	.0833	ii ii	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mounsey	.25	, II	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A. rong	.0625	8 0	March 12, 1980	Sept. 12, 1980	.1875
Marion or Milton Engelbrecht	.0625	n aBriggioù <b>n B</b> i Stantan	March 14, 1980	Sept. 14, 1980	.1875
The Blanco Company	.08334	Unleased			. •
James T. Jennings	. 08333	Unleased			

1.000 Leased to MOC-.8408

Formations Anticipated to Produce Included In this Case

James T. Jennings P.O. Box 1130 Roswell, N.M. 88 Fee Lease 88201 The Blanco Company P.O. Box 1150 Roswell, N.M. 88201

Owners Not Agreeing To Join

Fee Lease

Abo<sup>.</sup>

Case # 6897 Exhibit "D"

McClellan Oil Corporation Suite 1000 Security Bank Building Box 848 Roswell, New Mexico 88201

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# Authority For Expenditure

To:	Lease: Johnson No. Fee
Purpose:New_Well	Field: <u>Wildcat</u>
Objective DepthFormation_Abo	County: <u>Chaves</u>
Date: May 20, 1980 AFE No 1	State: <u>New Mexico</u>
Anticipated Commencement Date August 1, 1980	Location: <u>1980' FSL &amp; 660' FWL</u> Well No. <u>1</u>
Type Well: <u>Gas</u> Spacing 160	Section 30 Township 6-S Range 26-E

### INTANGIBLES

## TANGIBLES

	Amount			Amount		
Item	Dry Hole	Producer	item	Dry Hole	Producer	
Surveying	s 500.	\$ 500	Casing (Size, Amt., Price)	\$	\$	
Build Location & Roads	7,000		Surf			
Drilling_4300ft.@ \$_17.00	73,000		Interm. 8-5/8"-1300-\$9.45	12,300	12,300	
Day Work days @ \$ 3500	3,500	5,200	Prod. 41-4300-\$4.32		18,600	
Completion 10days @ \$650		6,500	Tubing (Size, Amt., Price)			
Muds & Chemicals	10,000		2-3/8"-4300'-\$2.75		11,900	
Electric logging	13,000	13,000	Rods (Size, Amt., Price)			
Drill Stem Tests No:		Į				
Acid 1500Gais	·		Down Hole Pump			
Fracturing 17,500Gals 20,000_lbs.		15,000	Type:Size:			
Perforating & Logging		3,500	Float & Other Equipment			
Coringft		<u> </u>	Surface		· · · · · · · · · · · · · · · · · · ·	
Geol. & Geophy. Expense			Intermediate	350	350	
Well Supervision						
Administrative Overhead						
Engr. & Geol. Services						
Coment Services						
Surfacesx						
Interm350sx						
. Prod300sx						
Plugging-Clean-up						
Spriace Damage						
Contract Labor						
Trucking						
Equipment						
Water						
Envice						

McCLELLAN OIL CORPORATION FORCED POOLING CASE # 6897

CASE # 6897

EXHIBIT "A"

# McClellan Oil Corporation

March 27, 1980

The Blanco Company Post Office Box 1150 Roswell, New Mexico 88201

> Sł Sec. 30-T6S-R26E, Chaves County, N. M. Re:

Gentlemen:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

<del>Be</del>st personal regards, <u>e Clale</u> Jack . McClellan President

/enclosures

Suite 1000 Security Bank Building --- Drawer 730 --- 505/622 - 3200 --- Roswell, New Mexico 88201



**McClellan Oil Corporation** 

March 27, 1980

Mr. James T. Jennings Post Office Box 1180 Roswell, New Mexico 88201

> Re: S# Sec. 30-T6S-R26E, Chaves County, N. M.

Dear Jim:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Tease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards, ME Clall Jack 4. McClellan President

/enclosures

Suite 1000 Security Bank Building --- Drawer 730 --- 505/622-3200 --- Roswell, New Mexico 88201

Producer's 88-(Producer's Revised 1965) (New Mexico) Form 342

following described land in .

Printed and for sale by Hall-Poorbaugh Press, Roswell, N. M.

19 80 between

OIL & GAS LEASE

THIS AGREEMENT made this \_ 20th day of \_\_\_\_ March

THE BLANCO COMPANY, a corporation,

Roswell, New Mexico

(Post Office Address)

herein called lessor (whether one or more) and MCCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO &

I. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided a of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospectively, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, build tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals. Chaves

\_\_\_\_County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

#### Section 30: Sł

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less. 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of the said land or land with which said land is pooled. 3. The royalties to be paid by lease are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, and and sold or used off the premises or in the manufacture of gasoline or other produced forms and all gase or used, provided that on gas sold at the wells and/or condensate well on said land, or land with which said land the wells may be connected; (b) on gas, including casinghend gas and all gases such as (c) and at any time when this lease is not wildtated by other provisions here of and there will of 3/10 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/10 of the amount realized from said land, or land work well is shut in, either before or after production thereform, then any induce of enclose the said well is shut in, and thereafter at annual intervals, lease may pay or tender an advance annual shutin royalty enclose the cancent of delay efficiency of the delay of the delay of the party or parties who at the first of such as the ground the elease provided to the party or parties who at the first or such as being produced from the lease of the durber will be considered to the party or parties who at the first of such as the produced from the lease premises in paying quantities. 4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate approved to the payment of rentals.

as to both partles, unless on or before one (1) year from this data lessee shall pay or tender to the lessor a rental of S shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the .

Part and particle to the lesser or to the credit of the lesser in the second particle of the lesser. The lesser has a basis for the lesser the lesser has a basis for the lesser the lesser has a basis for any reason half fall or refue to accept result, lesse shall not be had in default until theirs (3) days after lessor shall exiting the lesser of the lesser. The lesser shall not be had in default until theirs (3) days after lesser shall not be had in default until theirs (3) days after lesser shall not be had in default until theirs (3) days after lesser shall not be had in default until theirs (3) days after lesser the lesser the partner of the lesser. The supress of the rest of the lesser the lesser the lesser of the lesser the default of parent of the less is a likelikit of the lesser. The supress of theirs and their supress of their shall be supressed to their supressed of their shall be supressed to their supressed of their shall have their supressed to their supressed of their shall be supressed to their supressed of their shall be supressed to their supressed of their shall not be had in their supressed to their supressed to

anything in this lease to the contrary notwithstanding. 10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, moetgage, or other lies upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing bereunder toward satisfying same. Without impairment of lengee's rights under the warranty, if this lesse covers a less interest in the off or was in all or may be sub-in royalties, statistical des sub-in royalties, statistical des sub-in royalts, rental, and other payments, if any, accruing from any part as to which this lesse covers less than such full interest, shall be paid only in the proportion which the laterest therein, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties samed above as and other payments, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties amend above as laterest therein, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties amend above as and saling a release therein a successors, heirs and assigns, shall have the right at any time to surrender this lesse. In whole or in part, to lessor or his heirs, succes-and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of in the county in which said land is situated: thereupon lensee shall be relived from shi obligations, expressed or implied, of this agreement as to acreage so surrendered, and thervafter the rentals and shut-in royalty payshe hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or release.

Executed the day and year first above written. THE BLANCO COMPANY ATTEST: BY: Secretary

Producer's 88-(Producer's Revised 1965) (New Mexico) Form 342

following described land in

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of \_ March 10.80 between

JAMES T. JENNINGS and FRANCES JENNINGS, his wife,

or Roswell, New Mexico 1901, (Post Office Address)

Printed and for sole by Hall-Poorbaugh Press, Roswell, H. M.

MCCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 88 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the reguliter herein provider and of the agreements of the lessee herein contained, hereby grants, lesses and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, frilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and sir into subsurface strats, laying lines, exploring, building ands, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the Chaves

County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

#### Section 30: Sł

#### limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 more or less. 2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six 460% from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled. 3. The royalties to be paid by lease are: (a) on oil, and on other liquid hydrocarbons saved at the well. 3/16 of that produced and saved from said land, the pipe line to which the wells connected: (b) on gas, including easingbend gas and all gaseous aubstances, produced fromysaid land and sold or used off the premises or in the manufacture of gasoline or other projuct therefrom, the market value at the mouth of the well of 3/10 of the gas as oald or used off the premises or in the manufacture of gasoline or other production therefrom, the market value at the mouth of the well of a start the tasts is not validated by other provisions here of and there is a gas and/or condensate well on said land, or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at in the lease by the party making such part or tender, and so long as said shut in royalty is paid or tendered the lease for the acreage then held under this lease by the party making such part, and so long as said shut in royalty equal to the leased provided the the time of such parts are been or the parts or parties who at the time of such parts or the deciver to redeate the lease is and suce and so long as as and so long as asid shut in royalty is paid or tendered to the party or parties who at the time of such parts or parties in the depository bank and in the manner back parts or the said be considered to the lease provided for in this lease if the well were in fact producing, or be paid or tendered to the credit of such parts or parties in the depository bank and in the manner bereviants

4. It operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lesses shall pay or tender to the lessor a rental of s shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, manually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Fayment

or tender may be made to the lessor or to the credit of the lessor in the

Near in so far as it covers a part of ram issue upon which lesses or any assigned thereof shall so comply of make such payments. Rentais as used in this paragraph shall also include shut-in royalty.
Should lesse be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations herework, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majoure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lesse's duty shall be aspended, and lesses shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lesses is prevented by any such cause from conducting diffing or reworking operations on or from producing oil or gas hereunder; and the time while lesses is so prevented shall not be counted against lesses, any the supended, and in the cause from conducting of the second shall had, and second the second shall had, and any the supended while and an long as lesses is a prevented shall not be counted against lesses.
In the state and against lesses to defend the title to said land, and second the right to enforce same and apply rentals and royalties accruing the any second satisfying same. Without impairment of lesses's rights under the warranty, if this lesse covers a less interest in the oil or gas in all or gan and other payments, if any, accruing from any as to the whole and undivided fee simple estate (whether payments, flang, sources of the proportion which the interest therein, fit have, been so the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lesses, and assigns by delivering or making, shall have therefore the regulation of proportion which the interest therein, fit have, there and assigns, shall have the whole and undivided fee simple estate therein. Should any one or more of the

Executed the day and year first above written.

Frances Jennings

James T. Jennings

**McClellan Oil Corporation** Suite 1000 Security Bank Building Box 848 Roswell, New Mexico 88201

# Authority For Expenditure

То:	Lease: Johnson No. Fee
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective Depth Formation	County: <u>Chaves</u>
Date: March 26, 1980AFE No1	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>660' FSL &amp; 660' FWL</u> Well No. 1
Type Well: <u>Gas</u> Spacing <u>320</u>	Section 30 Township 6-S Range 26-E

# INTANGIBLES

# TANGIBLES

	Amou			Amo	
Item	Dry Hole	Producer	Item	Dry Hole	Producer
Surveying	s 500		Casing (Size, Amt., Price)	3 1	
Build Location & Roads	7.000	7,000		<b> </b> -	
Drilling 4300 ft. @ \$ 13.00	56,000	56,000		12,300	
Day Work	3,500	5,200		·	
Completion 10days @ \$650		6,500	Tubing (Size, Amt., Price)	l	
Muds & Chemicais	10,000	10,000			11,90
Electric logging	13,000	13,000	Rods (Size, Amt., Price)	L	
Drill Stem Tests No:				·	
Acid 1500 Gais		3,000	Down Hole Pump		
Fracturing 17, 500Gals_20,000_lbs.		15,000			
Perforating & Logging		3 500	Float & Other Equipment		
Coring ft			Surface		
Geol. & Geophy. Expense			Intermediate	350	35
Well Supervision			Production		50
Administrative Overhead	3,000	3.000	Pumping Unit		
Engr. & Geol. Services	2,500				
Cement Services			Elec. Motor & Panel	1	
Surface 8X			Flowlines & Connections	350	1,00
Interm. 350 sx	3.500	3 500	Storage Tanks, Stairs, Wiks		
Prod. 300	1	3,500		11	·····
	5.000			1	2,50
Plugging—Clean-up	1.000			<u>+</u>	
Surface Damage	500		Wellhead Equipment	t	6.00
Contract Labor				<u> </u>	-
Trucking	500		n -	<del> {</del>	2,00
Equipment Rental	1 0 000	7,000	n <b>-</b>	<u> </u>	
Water	8,000	10,000	))	+	
Environmental Impact		<b>}</b>	Electrical Systems	++	
Legal Fees	+		Injection Equipment	- <u>+</u> +	
Contingencies	4,000		Lease Acquisition		
Taxes %	6,000	9,500			
SUBTOTAL INTANGIBLES	\$124,000	\$175,000	SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,0
TOTAL'ESTIMATED DRY HOLE COST	<u>137,000</u>		Division of Interest %	Amo Dry Hole	unt Producer
TOTAL ESTIMATED COST OF PRODUC	ING WELL				•
Gas or Flowing	\$ 230,000				
Pumping	\$				
Approved by	C	)ate			
Operator					
			<b> </b>		
Approved and Accepted by	, ,	Date			······································
Non-Operator		/419			
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#### Case # 6897

### Exhibit "C"

## S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M. Limited to these depths in excess of 1200' below the surface Chaves County, New Mexico

		ALL FEE LEASE		Date of Lease	Royalty
Lease Owner	Interest	<u>Status of Le</u>	ase Date of Lease	Expiration	Retained
Johnson Properties	. 25	Leased to MO	C March 14, 1980	Sept. 14, 1980	.1875
May Kehrer (Victor J. Kehrer, Jr.)	.125	ii . 11	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B. Gardner	.0833	. 13 83	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mounsey	.25	14 Jz	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A. rong	.0625	н н	March 12, 1980	Sept. 12, 1980	.1875
Marion or Milton Engelbrecht	.0625	1000 - 10000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1000 - 1	March 14, 1980	Sept. 14, 1980	.1875
The Blanco Company	.08334	Unleased			
James T. Jennings	.08333	Unleased		•	

1.000 Leased to MOC .8408

13

Formations Anticipated to Produce Included In this Case

Abo

The Blanco Company P.O. Box 1150 Fee Lease Roswell, N.M. 88201

Fee Lease

Owners Not Agreeing To Join

James T. Jennings P.O. Box 1180 Roswell, N.M. 88201

Case # 6897 Exhibit "D"



# Authority For Expenditure

То:	Lease:JohnsonNo. <u>Fee</u>
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective Depth Formation_ Abo	County: <u>Chaves</u>
Date: May 20, 1980 AFE No. 1	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>1980' FSL &amp; 660' FWL</u> Well No. <u>1</u>
Type Well: GasSpacing160	Section 30Township 6-SRange 26-E

# INTANGIBLES

# TANGIBLES

	Amo	unt		Amo	ount
ltem	Dry Hole	Producer	Item	Dry Hole	Producer
Surveying	s 500	\$ 500	Casing (Size, Amt., Price)	\$	\$
Build Location & Roads	7,000		Surf		
Drilling_4300ft_@\$_17.00	73,000	73,000	Interm. 8-5/8"-1300-\$9.45	12,300	12,30
Day Work 2 days @ \$ 3500	3,500		Prod. 41-4300-\$4.32		18,60
Completion 10days @ \$650		6,500	Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000	10,000	2-3/8"-4300'-\$2.75		11,90
Electric logging	13,000	13,000	Rods (Size, Amt., Price)		
Drill Stem Tests No:					
Acid 1500 Gais	 	3,000	Down Hole Pump		
Fracturing 17,500Gals_20,000_lbs.	· · · · · · · · · · · · · · · · · · ·	15,000	Type:Size:		
Perforating & Logging		3,500	Float & Other Equipment		
Coringft			Surface	· · · · · · · · · · · · · · · · · · ·	
Geol. & Geophy. Expense			Intermediate	350	35
Well Supervision				1	
Administrative Overnead					
Engr. & Geol. Services					
Cement Services					
Surfacesx		-			
Interm350sx					
Prodsx					
Plugging—Clean-up					
Surface Damage					
Contract Labor					
Trucking					
Trucking Equipment F					
Equipment R					

Case # 6897 Exhibit "D"

**McClellan Oil Corporation** Suite 1000 Security Bank Building Box 848

Roswell, New Mexico 88201

# Authority For Expenditure

То:	Lease: Johnson No. Fcc
Purpose: Drill New Well	Field: <u>Wildcat</u>
Objective DepthFormationAbo	County: <u>Chaves</u>
Date: May 20, 1980AFE No 1	State: <u>New Mexico</u>
Anticipated Commencement Date August 1, 1980	Location: 1980' FSL & 660' FWL Well No. 1
Type Well: <u>Gas</u> Spacing 160	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

# INTANGIBLES

## TANGIBLES

Item         Surveying         Build Location & Roads         Drilling_4300_ft.@\$_17.00         Day Work_2_days @\$_3500         Completion_10_days @\$_650         Muds & Chemicals         Electric logging         Drill Stem Tests         Acid 1500         Gals         Fracturing 17,500Gals_20,000_lbs         Perforating & Logging         Coring       ft.         Geol. Copy. Expense         Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface       sx         Prod.       300_sx         Ptugging-Clean-up         Surface Damage	Dry Hole \$ 500 7,000 73,000 3,500 10,000 13,000	7,000 73,000 5,200 6,500 10,000 13,000 3,000 15,000	Tubing (Size, Amt., Price) 2-3/8"-4300'-\$2.75 Rods (Size, Amt., Price)	Dry Hole \$ 12,300	Producer \$ 12,300 18,600 11,900
Build Location & Roads         Drilling_4300ft.@\$_17.00	7,000 73,000 3,500 10,000 13,000	7,000 73,000 5,200 6,500 10,000 13,000 3,000 15,000	Surf		12,300
Drilling_4300ft.@\$_17.00         Day Work_2days @\$_3500         Completion_10days @\$_3500         Completion_10days @\$_3500         Muds & Chemicals	73,000 3,500 10,000 13,000	73,000 5,200 6,500 10,000 13,000 3,000 15,000	Interm. $8-5/8"-1300-$9.45$ Prod. $4\frac{1}{2}-4300-$4.32$ Tubing (Size, Amt., Price) 2-3/8"-4300'-\$2.75 Rods (Size, Amt., Price)	12,300	18,600
Day Work       2       days @ \$ 3500         Completion 10       days @ \$ 650         Muds & Chemicals	3,500 10,000 13,000	5,200 6,500 10,000 13,000 3,000 15,000	Prod. 4 <sup>1</sup> / <sub>2</sub> -4300-\$4.32 Tubing (Size, Amt., Price) 2-3/8"-4300'-\$2.75 Rods (Size, Amt., Price)	12,300	18,600
Completion 10days @ \$650         Muds & Chemicals         Electric logging         Drill Stem Tests No:         Acid 1500Gals         Fracturing 17,500Gals _20,000 lbs         Perforating & Logging         Coringft.         Geol. 2 Geophy. Expense         Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface         sx         Interm	10,000	5,200 6,500 10,000 13,000 3,000 15,000	Prod. 4 <sup>1</sup> / <sub>2</sub> -4300-\$4.32 Tubing (Size, Amt., Price) 2-3/8"-4300'-\$2.75 Rods (Size, Amt., Price)		
Muds & Chemicals         Electric logging         Drill Stem Tests         Acid         1500         Gals         Fracturing 17,500Gals         Perforating & Logging         Coring         ft.         Geon.         Geophy. Expense         Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface         sx         Interm.         350         sx         Prod.         300         Sx	13,000	10,000 13,000 3,000 15,000	2-3/8"-4300'-\$2.75 Rods (Size, Amt., Price)		11,900
Electric logging Drill Stem Tests No: Acid 1500 Gals Fracturing 17,500Gals 20,000 lbs Perforating & Logging Coringft Geon. * Geophy. Expense Well Supervision Administrative Overhead Engr. & Geol. Services Cement Services Surfacesx Interm350 Prodsx Plugging-Clean-up	13,000	13,000 3,000 15,000	Rods (Size, Amt., Price)		11,900
Drill Stem Tests       No:		3,000 15,000			
Acid 1500       Gals         Fracturing 17,500Gals       20,000         Perforating & Logging       55         Coring       ft         Geon. Coophy. Expense       55         Well Supervision       4dministrative Overhead         Engr. & Geol. Services       55         Cement Services       50         Surface       5x         Prod.       300       5x         Plugging       Clean-up       50	b.	15,000		t	
Fracturing 17, 500Gals_20,000_lbs Perforating & Logging Coringft Geol. C Geophy. Expense Well Supervision Administrative Overhead Engr. & Geol. Services Cement Services Surfacesx Interm350sx Prod300sx Plugging—Clean-up		15,000		_ <b>_</b>	
Perforating & Logging	k		Down Hole Pump		
Perforating & Logging		3.500	Type:Size:		
Geon. * Geophy. Expense         Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface         sx         Interm.         300         sx         Prod.         300         sx		And the second residue of the second residue	Float & Other Equipment		· ·
Geon. * Geophy. Expense         Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface         sx         Interm.         300         sx         Prod.         300         sx		-	Surface		
Well Supervision         Administrative Overhead         Engr. & Geol. Services         Cement Services         Surface         Surface         Interm.         350         sx         Prod.         300         sx         Plugging			Intermediate	350	350
Administrative Overhead Engr. & Geol. Services Cement Services Surfacesx Interm350sx Prod300sx Ptugging—Clean-up			Production		500
Engr. & Geol. Services Cement Services Surfacesx Interm350sx Prod300sx Ptugging—Clean-up	3.000	3.000	Pumping Unit	1	
Cement Services	2,500	3,500	Engine		
Surfacesx           Interm350           Prod300           sx           Ptugging-Clean-up			Elec. Motor & Panel		
Interm350sx Prod300sx Ptugging—Clean-up			Flowlines & Connections	350	1,000
Prod. <u>300</u> sx Plugging—Clean-up	3,500	3,500	Storage Tanks, Stairs, Wiks		
Plugging-Clean-up		.3,500			
	5,000				2,500
	1.000		N The second		
Contract Labor	500	T / /	Wellhead Equipment		6,000
Trucking	500				2,000
Equipment Rental	1		Packers In contingencies		
Water	8,000				
Environmental Impact		<u> </u>	Electrical Systems		
Legal Fees	1	1	Injection Equipment		
Contingencies	4.000	9 000	Lease Acquisition	-	
	1	<b>&gt;</b>			
Taxes%	6 750	10,250			
SUBTOTAL INTANGIBLES			SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000
	191713/00	10152,400		•	
TOTAL ESTIMATED DRY HOLE COST	<u>\$ 154,700 °</u>		Division of Interest %	Amo Dry Hole	Producer
TOTAL ESTIMATED COST OF PRODUC	ING WELL				
Gas or Flowing	\$ 247,40	0			
Pumping	\$				
•					
Approved by	C	Date			
Operator					
				1	1
Approved and				1	L
Accented by					
Non-Operator	C	Date			
	C	)ale			

MOC

Jason Kellahin W. Thomas Kellahin Karen Aubrey KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

#### April 22, 1980

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin

encl. cc: Jack McClellan

James Jennings --- CERTIFIED MAIL (Return Receipt Requested) Blanco Company --- CERTIFIED MAIL (Return Receipt Requested) WTK:mmr











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- STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE. CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (See front) 1.
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\* GPO : 1979 O - 289-363

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- If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811; and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, effix to back of article. Endorse front of article RETURN RECEIPT REDUESTED adjacent to the number.
- If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
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+ GPO - 1979 D - 289-363

UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS SENDER INSTRUCTIONS POSTAGE 33 me, eddress, and ZIP Code in the sp item items 1, 2, and 3 on the reverse. Comp Attach to front of article if space permits, otherwise offix to back of article Endors article "Return Receipt Ret adjacent to number. RETURN TO W. Thomas Kellahin Kellahin & Kellahin (Name of Sender) P. O. Box 1769 (Street or P.O. Box) Santa Fe, NM 87501 (City, State, and ZIP Code) UNITED STATES POSTAL SERVICE OFFICIAL BURINE SENDER INSTRUCTIONS AVOID PAYS a, address, and ZIP Code in the space bi Complete items 1, 2, and 3 on the reverse. Attach so front of article if space pennits, cherwise affix to back of article Endorse article "Return Receipt Rec adjacent to number. RETURN TO W. Thomas Kellahin Kellahin & Kellahin (Name of Sender) P. O. Box 1769 (Street or P.O. Box) Santa Fe, NM 87501 (City, State, and ZIP Code)

Jason Kellahin W. Thomas Kellahin Karen Aubrev KEILAIIIN and KELLAHIN Attorneys at Law 500 Don Gaspas Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Telephone 982-4285 Area Code 505

# April 24, 1980

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

# re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation. 1

Very truly yours. w W. Thomas Kellahin

WTK:m.r cc: Mr. Jack McClellan Blanco Company James T. Jennings



LAW OFFICES OF JENNINGS & CHRISTY 1012 SECURITY NATIONAL BANK BUILDING P. O. BOX 1180 ROSWELL, NEW MEXICO 86201

1

Oil Conservation Division Post Office Box 288 Santa Fe, New Mexico 87501 É.

DELIVER TO: ERNEST PADILLA OF RICHARD L. STAMETS

JAMES T. JENNINGS SIM B. CHRISTY IV DEAN G. CONSTANTINE LAW OFFICES OF JENNINGS & CHRISTY 1012 SECURITY NATIONAL BANK BUILDING P. O. BOX 1180 ROSWELL, NEW MEXICO 88201

May 20, 1980

TELEPHONE 622-8432 AREA CODE 505

Oil Conservation Division Post Office Box 268 Santa Fe, New Mexico 87501

Re: Case 6897 - Application of McClellan Oil Corporation for two compulsory poolings - Chaves County, New Mexico.

#### Gentlemen:

Personally, and on behalf of the Blanco Corporation, I would like to make the following objections to the above Application by letter as it is not possible for a representative of the Blanco Corporation or me to be present at the hearing tomorrow.

1. The Application does not locate the proposed well, and from the information available it appears that the well is to be drilled in the SW4SW4 of Section 30, and we have no information concerning the proposed location of the second well. Likewise, we have no A.F.E. or other information concerning this well.

2. The proposed well is designated as a "wildcat gas well" projected to a formation above the Wolfcamp, and as such shall be located on a drilling tract consisting of 160 surface acres pursuant to the provisions of Rule 104Bla. Section 70-2-17(c) pertains only to two or more separately owned tracts embraced within a <u>spacing or proration unit</u> or royalty interest or undivided interest separately owned under any <u>such</u> spacing or proration unit and certainly does not contemplate the forced pooling of multiple spacing units. The applicant has failed to point out any urgent need to force pool more than one unit and should not be allowed to pool multiple units at the same hearing or based upon the same testimony. Good oil field practice would demand that one well be drilled and adequately tested before commencing the second well, certainly in the absence of some extenuating circumstances which are not described in the application.

3. That the Blanco Company and the undersigned own an undivided 1/6 interest in the minerals under the tract in question and granting of the order requested would impair the correlative rights of said parties.

#### JENNINGS & CHRISTY

Oil Conservation Division May 20, 1980 Page Two

That the Blanco Company and James T. Jennings have offered and renew the offer to:

(a) Lease the acreage to McClellan Oil Corporation for a term sufficient to allow McClellan sufficient time to obtain a rig and commence drilling operations, which lease will cover the rights down to the base of the deepest producing formation of the proration unit dedicated to the producing well located thereon with no bonus, the lease to provide for a 1/4 reyalty and to be on a Producer's 88 (Producer's Revised New Mexico Form 342, 1965) lease, or

(b) To enter into a Farmout Agreement with McClellan Oil Corporation covering the rights to the base of the deepest producing horizon providing for the usual 1/8 royalty and additional royalty of 1/16 with the right to convert the 1/16 additional royalty to 1/2 of the working interest on payout.

Blanco Company and the undersigned hereby request that the above and foregoing objections be duly considered by the Examiner at the Hearing and in any order entered herein, and further that the risk factor allowed be only the minimum and that the spacing be limited in accordance with the rules of this Commission and the Statutes of the State of New Mexico.

Respectfully submitted,

JENNINGS & CHRISTY James

JTJ/dds

cc: Blanco Company Mr. W. Thomas Kellahin - hand delivered

Docket No. 14-80

Dockets Nos. 16-80 and 17-80 are tentatively set for June 4 and 25, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - MAY 20, 1980

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

CASE 6715: (DE NOVO)

Application of Texaco Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Loomis Fed. Well No. 1 to be drilled 1600 feel from the North line and 660 feet from the West line of Section 5, Township 21 South, Range 32 Fast, South Salt Lake-Morrow Gas Pool, the N/2 of said Section 5 to be dedicated to the well.

Upon application of Texaco inc. and Bass Enterprises Production Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

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Docket No. 15-80

DOCKET: EXAMINER HEARING - VEDNESDAY - MAY 21, 1980

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for June, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 6891: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6859: (Continued from April 9, 1980, Examiner Hearing)

Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6886: (Continued from May 7, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling waid well.

#### CASE 6884: (Continued from May 7, 1980, Examiner Hearing)

Application of Supron Energy Corporation for compulsory pooling and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the N/2 of Section 4, Township 30 North, Range 11 West, to be dedicated to a proposed dual completion to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

# Decket No. 15-80

Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Swest, to Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 West, be be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be rage 2 of J Examiner Hearing - Wednesday - May 21, 1980 Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof 28 well as be dedicated to a well to be drilled at a standard location thereon. Also to be considered will the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designati Page 2 of 3 the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well. CASE 6892: Application of Stevens Oil Company for a non-standard gas proration unit and unorthodox location, Chaves County. New Mexico. Applicant. in the above-styled cause. seeks approval of a 160-acre no Application of Stevens Oil Company for a non-standard gas proration unit and unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the N/2 SW/4 and S/2 NW/4 of Section 25, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, to be dedicated to its O'Brien "F" Well No. at an unorthodox location 1650 feet from the South line and 2310 feet from the West line of said Section 25. (Readvertised) Application of Stevens Oil Company to amend Order No. R-5353, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks a revision of the special rules for the Twin Lakes-San shall Andres Associated Pool as promulgated by Order No. R-5353 to provide that each well, oil or gas, shall be located no nearer than 330 feet to any quarter-(uarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of the quarter-quarter section. CASE 6878: Application of Sun Oil Company for an unorthodox well location, Lea County, New Mexicc. Applicant in the above-styled cause, seeks approval for the uporthodox location of its Application of Sun Oil Company for an unorthodox well location, Lea County, New Mexicc. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jennings-Rederal "B" Well No. 1, a Yates test to be drilled 2440 feet from the South line and 2290 feet dedi-the West line of Section 15, Township 19 South, Range 32 East, Lusk Field, the NE/4 SW/4 to be dedi-CASE 6893: Federal "B" Well No. 1, a Yates test to be drilled 2440 feet from the South line and 2290 feet from the West line of Section 15, Township 19 South, Range 32 East, Lusk Field, the NE/4 SW/4 to be dedi-cated to the well. Application of Sun Gas Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks findings that the drilling of its J. A. Akens Well No. 10 located in Unit N of Section 3, Township 21 South, Range 36 East, was necessary to effectively and efficiently drain that portion of an existing proration unit which could not be drained by the existing well. section. CASE 6894: N of Section 3, Township 21 South, Range 36 East, was necessary to effectively and efficient that portion of an existing proration unit which could not be drained by the existing well. Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8. CASE 6895: Application of McClellan Oil Corporation for two compulsory poolings, Chaves County, New Mexico. Applicant. in the above-styled cause. seeks an order pooling all mineral interests from 1200 fee Application of McClellan Oil Corporation for two compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and the SE/4 of Section 30, Township of South, Range 26 East, each to be dedicated to a proposed gas well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and charges for supervision. Also to be considered will as actual operating costs and charges for supervision. J West, to be dedicated to his Gult Well No. 2 to be drilled at an the North line and 790 feet from the East line of said Section 8. CASE 6896: tion thereon. Also to be considered will be the cost of drilling and completing said wells and allocation of the cost thereof as well as actual operating costs and charges for supervision. be considered will be the designation of applicant as operator of the wells and a charge for ri allocation of the cost thereof as well as actual operating costs and charges for supervision. Also be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells. CASE 6897: Application of Conoco Inc. for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Application of Conoco Inc. for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its New B-28 Well No. 4 to be drilled 560 feet from the North line and 1980 feet from the West line of Section 28, Township 20 South, Range 37 East, Eumont Gas Pool, to be simultaneously dedicated with its Meyer B-28 Well No. 1 in Unit G to the NE/4 and E/2 NW/4 of said Section 28. involved in drilling said wells, Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico Applicant: in the above-styled cause, seeks approval for the inorthodox location of a Morrow test well to be drilled 660 feet from the South and East lines of Section 9, Township 17 South, Range 26 East, the E/2 of said Section 9 to be dedicated to the well. CASE 6898: Application of Yates Petroleum Corporation for a non-standard oil proration unit, unorthodox well loca-tion, and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard oil proration unit comprising the N/2 SE/4 of Section 22, Township 16 South, Range 33 East, Kemnitz Field, to be dedicated to its Sombrero "MS" State Well No. 1 at an approval of an 80-acre non-standard oil proration unit comprising the N/2 SE/4 of Section 22, Township In South, Range 33 East, Kemnitz Field, to be dedicated to its Sombrero "MS" State Well No. 1 at an unorthodox location 1650 feet from the South and East lines of said Section 22. Applicant also seeks approval for the downhole commingling of Wolfcamp and Cisco production in the wellbore of said well. CASE 6899: CASE 6900:

St. C ....

Fage 3 of 3 Examiner Hearing - Wednesday - May 21, 1980

Docket No. 15-80

- CASE 6901: Application of Harvey E. Tates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- <u>CASE 6902</u>: Application of Harvey E. Yates Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Young Deep Unit Well No. 1 located in Unit D of Section 10, Township 18 South, Range 32 East, to produce gas from the Morrow formation and oil from the Bone Springs formation thru parallel strings of tubing.
- CASE 6903: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.
- CASE 6904: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.
- CASE 6905: Application of Harvey E. Yates Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Buffalo Lake Unit Area, comprising 2,560 acres, more or less, of Federal, State, and fee lands in Township 15 South, Range 27 East.

KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

Jason Kellahin W. Thomas Kellahiu Karen Aubrey

RAN STATE

Area Code 505

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0 PR 9 2 16

Case 6897

OIL COMELRVATION DIVISION

SANTA FE

Telephone 982-4285

April 22, 1980

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on May 21, 1980 before the Division's Examiner.

Very truly yours ow W. Thomas Kellahin

encl.

Jack McGlellan James Jennings---CERTIFIED MAIL (Return Receipt Requested) Blanco Company---CERTIFIED MAIL (Return Receipt Requested) cc: WTK:mmr

# STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF McCLELLAN OIL CORPORATION FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

#### APPLICATION

ase 10877

COMES NOW McCLELLAN OIL CORPORATION and applies to the New Mexico Energy and Minerals Department, Oil Conservation Division, for a compulsory pooling order pooling the mineral interest from the surface to the base of the Abo formation in the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and in support thereof would show the Division:

1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.

2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said Section for the drilling of two Abo wells with the SW/4 dedicated

to one well and the SE/4 dedicated to the other well.

and proposed well with the exception of the following:

that they (a) wice over syick.

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James T. Jennings P. O. Box 1180 Roswell, New Mexico 88201 8.333%

-1-

(b) Slanco Company P. 0. Box 1150 Roswell, New Mexico 88201

8.333%

Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section. (200) ?

3. In order to form a standard unit for <u>Dakota</u> production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

WHEPEFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law the Division enter its order pooling the above described acreage, together with a provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other apl further relief as may be proper.

Respectfully submicted MCCLELLAN OIL CORPORATION By\_ WV Thomas Kellahin Kellahin & Kellahin P. O. Box 1769 Santa Fe, New Mexico 87501

Santa Fe, New Mexico 8/5 (505) 982-4285 ATTORNEYS FOR APPLICANT

# STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF McCLELLAN OIL CORPORATION FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

#### APPLICATION

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1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T5S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.

2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said Section for the drilling of two Abo wells with the SW/4 dedicated to one well and the SE/4 dedicated to the other well.

3. Applicant has obtained the right to all mineral interests underlying the S/2 of said section for the purposes of drilling the proposed well with the exception of the following:

-1-

James T. Jennings
 P. O. Box 1180
 Roswell, New Mexico 88201
 8.333%

(b) Blanco Company P. O. Box 1150 Roswell, New Mexico 88201

8.333%

Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section.

3. In order to form a standard unit for Dakota production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

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Respectfully submicted, MCCLELLAN OIL CORPORATION

W. Thomas Kellahin Kellahin & Kellahin P. O. Box 1769 Santa Fe, New Mexico 87501 (505) 982-4285 ATTORNEYS FOR APPLICANT

-2-

# STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF McCLELLAN OIL CORPORATION FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

### APPLICATION

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1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.

2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said Section for the drilling of two Abo wells with the SW/4 dedicated to one well and the SE/4 dedicated to the other well.

3. Applicant has obtained the right to all mineral interests underlying the S/2 of said section for the purposes of drilling the proposed well with the exception of the following:

a)	James T. Jennings	
•	P. O. Box 1180	
	Roswell, New Mexico 88201	8.333%

-1-

(b) Blanco Company P. O. Box 1150 Roswell, New Mexico 88201

8.333%

Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section.

3. In order to form a standard unit for Dakota production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law the Division enter its order pooling the above described acreage, together with a provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

Respectfully submicted, MCCLELLAN OIL CORPORATION By<sub>.</sub>

W. Thomas Kellahin Kellahin & Kellahin P. O. Box 1769 Santa Fe, New Mexico 87501 (505) 982-4285 ATTORNEYS FOR APPLICANT

-2-

Jason Kellahin W. Thomas Kellahin Karen Aubrey KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Africa C. C. F. J. J. J. Post Office Box 7501 Santa Fe, New Meace 87501 O'L CO April 26 ANTA FE

Telephone 982-4285 Area Code 505

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

re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours W. Thomas Kellahin

WTK:mmr cc: Mr. Jack McClellan Blanco Company James T. Jennings

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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. <u>6897</u>
1	Order No. R-6367
J.	APPLICATION OF MCCLELLAN OIL CORPORATION FOR TWO COMPULSORY POOLINGS, CHAVES COUNTY, NEW MEXICO.
	ORDER OF THE DIVISION
	BY THE DIVISION:
	mbis cause came on for hearing at 9 a.m. on May 21
	80 at Canta Fe. New Mexico, before Examiner Richard L. Stamet
	NOW on this day of May , 1980, the Division
	the baying considered the testimony, the record, and dis
	Director, having company and being fully advised in the recommendations of the Examiner, and being fully advised in the
	premises,
	FINDS:
	(1) That due public notice having been given as required by
	(1) That due pairs law, the Division has jurisdiction of this cause and the subject
	matter thereof.
	(2) That the applicant, McClellan Oil Corporation
	(2) That the first interests in the form 1200 feet seeks an order pooling all mineral interests in the formation below the surface to the base of the Abo formation underlying the <u>SW/4</u> and the SF/4
	Of Beat
	of Section 30, Township 6 South, Range 26 East , Chaves County, New
	NMPM,, Chaves
	Mexico.

-2-Case No. Order No. R-

(3) That the applicant has the right to drill and proposes
 a gav
 b a cash of the
 to drill xxwsii two wells at standard location the
 a forstaid to care spacing and provide the standard s.
 (4) That there are interest owners in the proposed proration

unit, who have not agreed to pool their interests.

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

(6) That the applicant should be designated the operator of the subject wells and units.

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

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

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

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

a white drilling and \$220,00 - 3-, 1500 per month while drilling and (11) That \$ \$ 220 CC per month, while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest. (12) That all proceeds from production from the subject well, which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership. (13) That upon the failure of the operator of said pooled the first of said on a of soid of soid unit to commence drilling of the wells to trize and found Vedication on or before Section ber 13, 1980, the order pooling said units should become null and void and of no effect whatsoever. IT IS THEREFORE ORDERED: That all mineral interests, whatever they may be, (1)from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and **XXXXXX** he SE/4 of Section 30 , Township 6 South \_\_, Range <u>26 East</u> , Chaves County, New Mexico, NMPM, are hereby pooled to form a standard \_\_\_\_\_\_acre gas spacing 2 A RES Wall and proration unit, to be dedicated to to be drilled at standard locations thereon. axxxxxxxx L Aunt PROVIDED HOWEVER, that the operator of said units shall the first of commence the drilling of said wells on or before the 15 1/2 day of sten ber \_\_, 19<sup>\_80</sup>, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the 460formation; PROVIDED FURTHER, that in the event said operator does not dedicute commence the drilling of said well on or before the 1514 day of Justimber, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains £ a time extension from the Division for good cause shown. £

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

Provid & Further, What should the second of said wells not be drilled to completion or abandonment within the days after comme the De comme atter nonths tive date of this order or acreage is not otherwise deciented pooled 1760 gos well, said operator shall Division Director an oppear before the Order (1) of this order should rescinded as to Such

not be Hable for risk charges.

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided -5-Case No. Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

(9) That \$ <u>/500</u> per month while drilling and \$ <u>220</u> per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating *Sq id wells*, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-Case Order No.

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

under the terms of this order. (11) That any well costs or charges which are to be paid

out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests. (12) That all proceeds from production from Athe subject

welly which are not disbursed for any reason shall immediately County, New Mexico, to be be placed in escrow in <u>Chaves</u> paid to the true owner thereof upon demand and proof of cwnership that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

above designated.

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. 6897 Order No. R-6367

APPLICATION OF MCCLELLAN OIL CORPORATION FOR TWO COMPULSORY POOLINGS, CHAVES COUNTY, NEW MEXICO.

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 21, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of June, 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, McClellan Oil Corporation, seeks an order pooling all mineral interests from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and the SE/4 of Section 30, Township 6 South, Range 26 East, MMPM, Chaves County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a gas well at a standard location on each of the aforesaid 160-acre spacing and proration units.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said units the opportunity to recover or receive +2-Case No. 6897 Order No. 8-6367

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without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject wells and units.

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

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

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

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

(11) That \$1500.00 per month per well while drilling and \$220.00 per month per well while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from either of the subject wells which are not disbursed for any reason should be placed in ascrow to be paid to the true owner thereof upon demand and proof of ownership. -3-Case No. 6897 Order No. R-6367

(13) That upon the failure of the operator of said pooled unit to commence drilling of the first of said wells on one of said units on or before September 15, 1980, the order pooling said units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to drill a well to pompletion, or abandonment, on the second spacing and proration unit herein pooled or to dedicate such unit to another Abo well within 12 months after the effective date of this order, Order No. (1) of this order should be null and void and of no effect whatsoever with respect to said second spacing and proration unit.

#### IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from 1200 feet below the surface to the base of the Abo forma-tion underlying the SW/4 and the SE/4 of Section 30, Township 6 Bouth, Range 26 East, NMPM, Chaves County, New Mexico, are hereby pooled to form two standard 160-acre gas spacing and proration units, each to be dedicated to a gas well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said units shall pommence the drilling of the first of said wells on or before the 15th day of September, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

PROVIDED FURTHER, that should the second of said wells not be drilled to completion, or abandonment, within 12 months after the effective date of this order or if the pooled acreage is not otherwise dedicated to an Abo gas well, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

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-4-Case No. 6897 Order No. R-6367

(2) That McClellan Oil Corporation is hereby designated the operator of the subject wells and units.

(3) That after the effective date of this order and within 90 days prior to commencing either of said wells, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

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

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him. -5-Case No. 6897 Order No. R-6367

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

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

(9) That \$1500.00 per month while drilling and \$220.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges sttributable to each nonconsenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating said wells, not in excess of what are reasonable; attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from either of the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Chaves County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary. -6-Case No. 6897 Order No. R-6367

BEAL

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

JOE D. RANEY Director