

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE: 9970

APPLICATION OF PACIFIC  
ENTERPRISES OIL COMPANY (USA)  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Exxon Corporation as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

Pacific Enterprises Oil  
Company (USA)

**ATTORNEY**

Karen Aubrey  
P. O. Box 2265  
Santa Fe, N.M. 87504  
(505) 982-4285

**OPPOSITION OR OTHER PARTY**

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79702  
(W.T. Duncan)  
(915) 688-7538

**ATTORNEY**

Hinkle, Cox, Eaton,  
Coffield & Hensley  
James Bruce  
500 Marquette, N.W.  
Suite 800  
Albuquerque, N.M. 87102  
(505) 768-1500

**STATEMENT OF CASE**

APPLICANT

(Please make a concise statement as what is being sought with this application and the reasons therefore.)

Pre-hearing Statement  
NMOCD Case No. 9970

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

1. Exxon owns 100% of the working interest in the SE $\frac{1}{4}$  §16-17 South-31 East.

2. Applicant's proposed well is located on Exxon's acreage in the SE $\frac{1}{4}$ .

3. The target formation of Applicant's proposed well is spaced on 160 acres.

4. Exxon cannot be force pooled into units of 160 acres or less, and opposes compulsory pooling of all but 320 acre units.

**PROPOSED EVIDENCE**

APPLICANT

WITNESS (Name and expertise)	EST. TIME	EXHIBITS
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OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
-None-	-	State Lease B-2613.

Pre-hearing Statement  
NMOCD Case No. 9970

**PROCEDURAL MATTERS**

(Please identify any procedural  
matters which need to be  
resolved prior to the hearing)

Exxon has, with this statement, filed a motion to  
dismiss.



7/6/90

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James Bruce  
Attorney for Applicants  
500 Marquette, N.W.  
Suite 800  
Albuquerque, New Mexico 87102  
(505) 768-1500

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF PACIFIC )  
ENTERPRISES OIL COMPANY )  
(USA) FOR COMPULSORY )  
POOLING, EDDY COUNTY, )  
NEW MEXICO. )  
\_\_\_\_\_ )

No. 9970

MOTION TO DISMISS AS TO  
UNITS OF 160 ACRES OR LESS

Exxon Corporation ("Exxon") moves the Division for an Order dismissing the Application in the above matter insofar as it requests the pooling of well units of 160 acres or less, and in support thereof, states:

1. Applicant has requested the compulsory pooling of the following acreage:

(a) The  $E\frac{1}{2}$  of Section 16-17 South-31 East as to all formations or pools spaced on 320 acres;

(b) The  $SE\frac{1}{4}$  of Section 16 as to all pools or formations spaced on 160 acres; and

(c) The  $NW\frac{1}{4}SE\frac{1}{4}$  of Section 16 as to all pools or formations spaced on 40 acres.

2. Applicant's proposed well is located on the  $NW\frac{1}{4}SE\frac{1}{4}$  of Section 16.

3. Exxon owns 100% of the working interest in the  $SE\frac{1}{4}$  of Section pursuant to State of New Mexico oil and gas lease B-2613, a copy of which is attached hereto as Exhibit A. As a result, Exxon cannot be force pooled into units of 160 acres or less.

4. The target formation of Applicant's proposed well is apparently the Fren-Pennsylvanian Gas Pool. Said pool was created by the Division by Order No. R-928 dated December 13, 1956, and the proposed well is within one mile of the Pool. Because the Pool was created before June 1, 1964, it is spaced on 160 acres. Division Rule 104(C)(I). Therefore, Exxon cannot be force pooled into a well completed in said Pool.

WHEREFORE, Exxon requests the Division to enter its order dismissing the Application insofar as it requests compulsory pooling of formations spaced on 160 acres or less, including the Fren-Pennsylvanian Gas Pool.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By James Bruce  
James Bruce  
500 Marquette, N.W.  
Suite 800  
Albuquerque, New Mexico 87102  
(505) 768-1500

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was hand delivered this 6<sup>th</sup> day of July, 1990 to Karen Aubrey, 117 North Guadalupe, Santa Fe, New Mexico 87501.

By James Bruce  
James Bruce

48029  
STATE LAND OFFICE  
NEW MEXICO  
B-2613

DUPLICATE  
B-2613

APPLICATION NO. B-2613

# OIL AND GAS LEASE

THIS AGREEMENT, dated this the 10th day of March, A. D. 1934, made and entered into by and between the STATE OF NEW MEXICO, acting by and through the undersigned, its Commissioner of Public Lands, thereunto duly authorized, party of the first part and hereinafter called the "Lessor", and Humble Oil & Refining Company,  
Houston, Texas,

party of the second part, hereinafter called the "Lessee", whether one or more,

## WITNESSETH:

WHEREAS, the said lessee has filed in the office of the Commissioner of Public Lands an application for an oil and gas lease covering the lands hereinafter described and has tendered therewith the required first payment being not less than the amount required by law and by the rules and regulations of the New Mexico State Land Office; and

WHEREAS, all of the requirements of law relative to said application and tender have been duly complied with, and said application has been approved and allowed by the Commissioner of Public Lands:

THEREFORE, for and in consideration of the premises as well as the sum of One Thousand and Sixty-Eight and no/100ths - - - - - (\$1,068.00---) Dollars, the same being the amount of the tender above mentioned, paid in cash, and evidenced by official receipt No. 129727, and of the further sum of \$5.00----- filing fee, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, the said lessor has granted and demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee, exclusively,

for the sole and only purpose of exploration, development and production of oil and/or gas thereon and therefrom with the right to own all oil and gas so produced and saved therefrom and not reserved as royalty by the lessor under the terms of this lease, together with rights of way, easements and servitudes for pipe lines, telephone and telegraph lines, tanks, power houses, stations, gasoline plants, and fixtures for producing, treating and caring for such products, and housing and boarding employees, and any and all rights and privileges necessary, incident to or convenient for the economical operation of said land, for oil and gas, with right for such purposes to the free use of oil, gas, casing-head gas, or water from said lands, but not from lessor's water wells, and with the right of removing either during or after the term hereof, all and any improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject, however, to the conditions hereinafter set out, the

following described land situate in the Count. Eddy, of State of New Mexico, and more particularly described as follows:

S. 1/4	Institution	Sec.	Twp.	Range	SUBDIVISION				Acres
					Column 1	Column 2	Column 3	Column 4	
1	C. S.	2	17S	31E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
2	C. S.	16	17S	31E	NE $\frac{1}{4}$ SE $\frac{1}{4}$	NW $\frac{1}{4}$ SE $\frac{1}{4}$	SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	160.00
3	C. S.	36	17S	31E			SW $\frac{1}{4}$ SE $\frac{1}{4}$	SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00
4								Total-----	400.00
5									
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FILED  
A

Said lands having been awarded to lessee and designated as tract No. 13 at a public sale held by the Commissioner of Public Lands on March 10, 1934. (To be filled in only where lands are offered at public sale.)

TO HAVE AND TO HOLD said land, and all the rights and privileges granted hereunder, to and unto the lessee for a primary term of five years from the date hereof, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions as hereinafter set forth.

In consideration of the premises the parties covenant and agree as follows:

1. Subject to the free use without royalty, as hereinbefore provided, the lessee shall pay the lessor as royalty one-eighth part of the oil produced and saved from the leased premises, or the cash value thereof, at the option of the lessor, such value to be the price prevailing the day oil is run into a pipe line, if the oil be run into a pipe line, or into storage tanks, if the oil be stored.

2. The lessee agrees to pay the lessor the one-eighth of the net proceeds derived from the sale of gas from each gas well. If casing-head gas produced from said land is sold by the lessee, the lessee shall pay the lessor as royalty one-eighth of the net proceeds of said sale; if casing-head gas produced from said lands is utilized by the lessee otherwise than for carrying on the lessee's operations for producing oil or gas from said lands, then the lessee shall pay the lessor the market value in the field, the equal of one-eighth part of the casing-head gas so utilized at the time of such utilization.

3. Lessee agrees to make full settlement on the 20th day of each month for all royalties due the lessor for the preceding month, under this lease, and to permit the lessor or its agents, at all reasonable hours, to examine lessee's books relating to the production and disposition of oil and gas produced. The lessee also agrees to submit to the lessor, for each and every royalty payment, a correct statement showing the amount of oil or gas produced and saved since his last report and the market value thereof. Lessee further agrees to submit to lessor annually upon forms furnished by lessor, verified reports showing lessee's operations for the preceding year.

4. It is expressly agreed that the consideration hereinbefore specified is a good, valid and substantial consideration and sufficient in all respects to support each and every covenant herein, including specifically the option granted the lessee to prevent the termination of this lease from year to year, by the payment or tender of the further rental hereinafter provided for.

An annual rental, at the rate of 25 cents per acre shall also become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor as hereinafter provided, upon each acre of the land above described and then claimed by such lessee, transferee or assignee hereunder, and the same shall be due and payable in advance to the lessor on the successive anniversary dates of this lease, but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).

In event the lessee shall elect to surrender any or all of said acreage, he shall deliver to the Commissioner a duly executed release thereof and in event said lease has been recorded, then he shall upon request furnish and deliver to said Commissioner a certified copy of a duly recorded release.

5. The lessee may at any time by paying to the State of New Mexico, acting by its Commissioner of Public Lands, or other authorized officer, all amounts then due as provided herein and the further sum of Ten Dollars (\$10.00), surrender and cancel this lease, insofar as the same covers all or any portion of the lands herein leased and be relieved from further obligations or liability hereunder, in the manner as hereinbefore provided. Provided, this surrender clause and the option herein reserved to the lessee shall cease and become absolutely inoperative immediately and concurrently with the institution of any suit in any court of law or equity by the lessee, lessor, or any assignee, to enforce this lease, or any of its terms express or implied.

6. All payments due hereunder shall be made on or before the day such payment is due, in cash or by certified exchange at the office of the Commissioner of Public Lands in Santa Fe, New Mexico.

7. The lessee with the consent of the lessor, shall have the right to assign this lease in whole or in part. Provided, however, that no assignment of any undivided interest in the lease or in any part thereof nor any assignment of less than a legal subdivision shall be recognized or approved by the lessor. Upon approval in writing by the lessor of an assignment, the assignor shall stand relieved from all obligations to the lessor with respect to the lands embraced in the assignment and the lessor shall likewise be relieved from all obligations to the assignor as to such tract, and the assignee shall succeed to all of the rights and privileges of the assignor with respect to such tracts and shall be held to have assumed all of the duties and obligations of the assignor to the lessor as to such tracts.

8. Lessee agrees, with reasonable diligence, to offset all paying oil or gas wells drilled, within 300 feet of any of the land covered by this lease and retained hereunder.

9. The lessee agrees to notify the lessor of the location of each well before commencing drilling thereon, to keep a complete and accurate log of each well drilled and to furnish a copy thereof, verified by some person having actual knowledge of the facts, to the lessor upon the completion of any well, and to furnish the log of any unfinished well at any time when requested to do so by the lessor. If any lands embraced in this lease shall be included in any deed or contract of purchase outstanding and subsisting issued pursuant to any sale made of the surface of such lands prior to the date of this lease, it is agreed and understood that no drilling operation shall be commenced on any such lands so sold unless and until the lessee or his assignee shall have filed a good and sufficient bond with the lessor as required by law to secure the payment for such damage to the livestock, range, water, crops or tangible improvements on such lands as may be suffered by the purchaser holding such deed or contract of purchase, or his successors, by reason of the developments, use and occupation of such lands by such lessee. Provided, however, that no such bond shall be required if such purchaser shall waive the right to require such bond to be given in the manner provided by law.

10. In drilling wells all water-bearing strata shall be noted in the log, and the lessor reserves the right to require that all or any part of the casing shall be left in any non-productive well when lessor deems it to the interest of the State of New Mexico to maintain said well or wells for water. For such casing so left in wells the lessor shall pay to the lessee the reasonable value thereof.

11. Lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands. When requested by lessor, the lessee shall bury pipe-lines below plow depth.

12. The lessee shall not remove any machinery or fixtures placed on said premises, nor draw the casing from any well unless and until all payments and obligations due the lessor under the terms of this agreement shall have been paid or satisfied. The lessee's right to remove the casing is subject to the provision of paragraph 10 above.

13. Upon failure or default of the lessee or any assignee to comply with any of the provisions or covenants hereof, the lessor is hereby authorized to cancel this lease and such cancellation shall extend to and include all rights hereunder as to the whole of the tract so claimed, or possessed by the lessee or assignee so defaulting, but shall not extend to, nor affect the rights of any other lessee or assignee claiming any portion of the lands upon which no default has been made; provided, however, that before any such cancellation shall be made, the lessor shall mail to the lessee, or assignee so defaulting, by registered mail, addressed to the post-office address of such lessee or assignee as shown by the records of the State Land Office, a notice of intention of cancellation specifying the default for which cancellation is to be made, and if within 30 days from the date of mailing said notice the said lessee or assignee shall remedy the default specified in said notice, cancellation shall not be made.

14. All the terms of this agreement shall extend to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

15. If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term hereof, the lessee may continue this lease in full force and effect for an additional term of five

years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands, or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. (This paragraph (15) shall not be inserted in any lease issued pursuant to the provisions of Section 3 (132-403) of this Act.)

IN WITNESS WHEREOF, the party of the first part has hereunto signed and caused its name to be signed by its Commissioner of Public Lands thereunto duly authorized, with the seal of his office affixed, and the lessee has signed this agreement the day and year first above written.

STATE OF NEW MEXICO

TRADE O.K.  
WALLACE E. PRATT

BY Wallace E. Pratt  
COMMISSIONER OF PUBLIC LANDS, Lessor.

HUMBLE OIL & REFINING COMPANY

By: Wallace E. Pratt  
Vice-President Lessee

30th day of March, 1934

(PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_ ss.

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: \_\_\_\_\_

Notary Public.

(ACKNOWLEDGMENT BY ATTORNEY IN FACT)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_ ss.

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared before me \_\_\_\_\_

to me known to be the person who executed the foregoing instrument in behalf of \_\_\_\_\_

and acknowledged that he executed the same as the free act and deed of said \_\_\_\_\_

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: \_\_\_\_\_

Notary Public.

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Texas  
COUNTY OF Harris ss.

On this the 21<sup>st</sup> day of March, 1934, personally appeared

Wallace E. Pratt

to me personally known, who being by me duly sworn did say that he is the Vice-President of Humble Oil & Refining Company

and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Wallace E. Pratt

acknowledges said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires: 6-1-35

Mrs. Earl H. Butler  
Notary Public



OIL CONSERVATION DIVISION  
RECEIVED

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL  
O. M. CALHOUN  
MACK EASLEY  
JOE W. WOOD

CLARENCE E. HINKLE (1901-1985)  
W. E. BONDURANT, JR. (1913-1973)  
ROY C. SNODGRASS, JR. (1914-1987)

June 28, 1990

700 UNITED BANK PLAZA

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STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
PAUL J. KELLY JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
T. CALDER EZZELL, JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
STEVEN D. ARNOLD  
JAMES J. WECHSLER  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI  
JEFFREY D. HEWITT  
JAMES BRUCE  
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ALBERT L. PITTS  
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DAVID T. MARKETTE\*  
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FRED W. SCHWENDIMANN  
JAMES M. HUDSON  
RAYMOND HAMILTON  
STANLEY K. KOTOVSKY JR.  
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JEFFREY S. BAIRD\*  
RUTH S. MUSGRAVE  
HOWARD R. THOMAS  
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S. BARRY PAISNER  
MARGARET CARTER LUDEWIG  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
JAMES A. GILLESPIE  
GARY W. LARSON  
STEPHAN E. LANDRY  
JERRY D. WORSHAM II  
JOHN R. KULSETH, JR.  
TONY CONNERS\*

\*NOT LICENSED IN NEW MEXICO

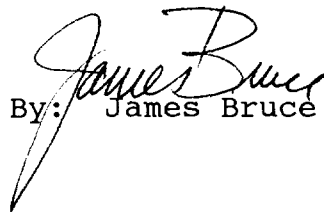
Ms. Florene Davidson  
New Mexico Oil Conservation  
Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

Dear Florene:

Enclosed for filing in case 9970 is an Entry of Appearance on behalf of Exxon Corporation. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By:   
James Bruce

JB:le  
Enclosures

cc: Karen Aubrey

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF PACIFIC )  
ENTERPRISES OIL COMPANY )  
(USA) FOR COMPULSORY )  
POOLING, EDDY COUNTY, )  
NEW MEXICO. )

No. 9970

RECEIVED

JUN 8 1990

OIL CONSERVATION DIVISION

ENTRY OF APPEARANCE

Hinkle, Cox, Eaton, Coffield & Hensley hereby enters  
its appearance in this case on behalf of Exxon Corporation.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By James Bruce  
James Bruce  
500 Marquette, N.W.  
Suite 800  
Albuquerque, New Mexico 87102  
(505) 768-1500

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the  
foregoing pleading was mailed this 28<sup>th</sup> day of June, 1990 to  
Karen Aubrey, P. O. Box 2265, Santa Fe, New Mexico 87504.

By James Bruce  
James Bruce

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

RECEIVED

JUN 22 1990

OIL CONSERVATION DIVISION

CASE NO. 9970

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

APPLICATION OF PACIFIC ENTERPRISES  
OIL COMPANY, USA FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by  
KELLAHIN, KELLAHIN & AUBREY as required by the Oil  
Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

(name, address, phone  
and contact person)

Craig Clark  
Pacific Enterprises Oil  
Company, USA  
10 Desta Drive,  
Suite 500 West  
Midland, TX 79705  
(915) 684-3861

ATTORNEY

Karen Aubrey  
Kellahin, Kellahin & Aubrey  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

OPPOSITION OR OTHER PARTY

(name, address, phone  
and contact person)

ATTORNEY

Pre-hearing Statement  
NMOCD Case No. 9970  
Page 2

### **STATEMENT OF CASE**

#### **APPLICANT**

(please make a concise statement of what is being sought with this application and the reasons therefore.)

Applicant seeks to pool the mineral interests underlying the NW/4 SE/4, the SE/4 and/or the E/2 of S16, T17S, R31E, Eddy County, NM, to be named operator of the well and the imposition of a 200% risk factor against non-consenting working interests.

#### **OPPOSITION OR OTHER PARTY**

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement)

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES (name and expertise)	EST. TIME	EXHIBITS
Craig Clark (landman)	20 min.	Approx. 3
Rick Ricketts (geologist)	15 min.	Approx. 3

(As per Craig Clark, exhibits listed do not include cert. of mailing)

OPPOSITION

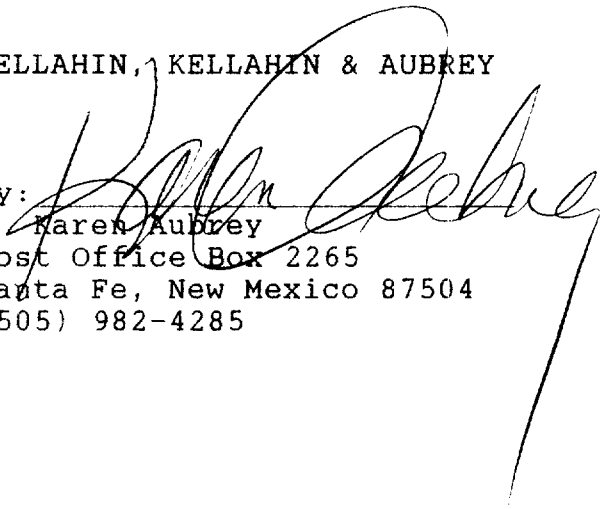
WITNESSES (name and expertise)	EST. TIME	EXHIBITS
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**PROCEDURAL MATTERS**

(Please identify any procedural matters which need to be resolved prior to the hearing)

None.

KELLAHIN, KELLAHIN & AUBREY

By:   
Karen Aubrey  
Post Office Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285