

CASE 4744: Application of YATES  
PETROLEUM FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

Case Number

4744

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE HALL, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
June 28, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum  
Corporation for compulsory pooling,  
Eddy County, New Mexico.

CASE NO. 4744

BEFORE: Elvis A. Utz  
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4744.

2 MR. HATCH: Application of Yates Petroleum  
3 Corporation for compulsory pooling, Eddy County, New Mexico.

4 MR. LOSEE: A. J. Losee, of Artesia, New Mexico,  
5 representing the Applicant. I have two witnesses.

6 MR. UTZ: Any other appearances in this case?

7 (No response.)

8 MR. UTZ: You may proceed, Mr. Losee.

9 \* \* \* \* \*

10 JACKSON McCALL,  
11 was called as a witness and, after being duly sworn, testified  
12 as follows:

13 DIRECT EXAMINATION

14 BY MR. LOSEE:

15 Q Will you state your name, residence, and occupation,  
16 Mr. McCall?

17 A Jackson McCall, Artesia, New Mexico.

18 Q Have you previously testified before the Commission?

19 A Yes.

20 Q And had your qualifications accepted?

21 A Yes.

22 MR. LOSEE: Are Mr. McCall's qualifications  
23 accepted?

24 MR. UTZ: Yes, sir.

25 Q (By Mr. Losee) Would you explain the purpose of the

1 Application of Yates Petroleum Corporation in Case  
2 4744?

3 A It is an Application for compulsory pooling in the  
4 E/2 of Section 8, Township 19 South, Range 25 East,  
5 for production in the Morrow formation from the Johnston  
6 "BE" Well Number 1, located 330 feet from the north and  
7 east lines of Section 8. The well was originally  
8 completed as a San Andres well and earlier this was  
9 developed in the Morrow.

10 Q That was pursuant to administrative approval; is that  
11 correct?

12 A Correct.

13 Q Please refer to what has been marked as Exhibit 1 and  
14 explain what is shown on this Exhibit.

15 A It is an outline of the E/2 of Section 8 which we  
16 propose to dedicate to the Johnston "BE" Well Number 1.  
17 It shows the offset operators and ownership of the E/2  
18 of Section 8.

19 The N/2 is a Federal lease -- I mean the North  
20 80 acres are Federally leased and the remaining three-quarters  
21 of the 320 acre section is all fee land.

22 Q Now, are all of the independent leases under these  
23 leases, committed to this well?

24 A All except a 30 acre interest.

25 Q And the lessor of the 30 acre interest is who?

- 1 A Mr. Roger Hanks.
- 2 Q That is an undivided 30 acre interest in the S/2 of the
- 3 SE/4 of Section 8?
- 4 A Yes, sir.
- 5 Q Is one of the lessors of that lease Mr. Clarence Hinkle?
- 6 A Yes, it is.
- 7 Q You actually have already drilled and completed this
- 8 well in the Morrow, at this time; haven't you?
- 9 A Yes, sir.
- 10 Q Did you attempt to obtain a farm-out or participation
- 11 agreement from Mr. Hanks when you deepened this well
- 12 to the Morrow?
- 13 A We attempted to get Mr. Hanks to participate with us
- 14 in the deepening or to farm-out and he would do neither
- 15 so we went ahead and deepened the well.
- 16 Q Did you attempt to carry on those negotiations yourself?
- 17 A Yes.
- 18 Q Did he ever give you, Mr. Hanks or some representative
- 19 from his office, ever give you any indication of whether
- 20 they would or would not participate in the drilling?
- 21 A Before we drilled the well?
- 22 Q Yes.
- 23 A No, they didn't want to participate in the drilling
- 24 of the well.
- 25 Q After you completed the well, did they give you any

- 1           indication that they would participate?
- 2       A     They said if we sent them the logs and the tests, they
- 3           would look at the information and then tell us whether
- 4           they wanted to participate.
- 5       Q     When did they make that statement to you?
- 6       A     May 17th.
- 7       Q     Did you send them the logs or the tests?
- 8       A     Yes, sir.
- 9       Q     Have you heard from them since then?
- 10      A     No.
- 11      Q     Did I ask you how many phone conversations you had with
- 12           them?
- 13      A     No.
- 14      Q     How many did you have with them?
- 15      A     I called the office eleven times from January 14th to
- 16           May 25th.
- 17      Q     Did you write them?
- 18      A     We wrote them a letter and sent them the logs and the
- 19           four point tests and then later, we sent them some more
- 20           information on the well with a little note just listing
- 21           what it was.
- 22      Q     And they haven't told you anything at this point?
- 23      A     No.
- 24      Q     Please refer to what has been marked as Exhibit 2 and
- 25           explain what is shown on this Exhibit.

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1 A This is the cost of our original well, the lease, the  
2 testing, the completion, the pumping equipment, the  
3 cost of the original well plus the deepening to the  
4 Morrow. The total cost was \$189,255.61, plus the cost  
5 for surface equipment and so forth.

6 Q For a total of how much?

7 A \$199,530.61.

8 Q Are there other Morrow producing wells in the vicinity  
9 of this well?

10 A We are involved with David Bascum in five wells and  
11 there are two companies there on a payout basis and  
12 one of them is the Arco 10 about a mile and a half to  
13 the east which cost \$321,000 and then there is the  
14 Brown-Yates well in Section 25, Township 18, Range 25.  
15 This was completed for \$197,537.02.

16 Q Mr. McCall, based on your experience in the area, do  
17 you have an opinion as to what would be a reasonable  
18 charge for supervision of this well?

19 A We are paying Bascum \$130 and we feel that is fair  
20 because there are about ten people involved in the  
21 operations.

22 Q Were Exhibits 1 and 2 prepared by you or under your  
23 supervision?

24 A Yes, sir.

25 MR. LOSEE: We move for the introduction of



1 Exhibits 1 and 2.

2 MR. UTZ: Without objection, Exhibits 1 and 2 will  
3 be entered into the record.

4 (Whereupon, Applicant's Exhibits 1 and 2 were  
5 entered in evidence.)

6 MR. LOSEE: That is all the Direct Testimony we  
7 have from Mr. McCall. We have an engineer here also, to  
8 testify.

9 \* \* \* \* \*

10 CROSS-EXAMINATION

11 BY MR. UTZ:

12 Q Mr. McCall, you said \$130, do you mean \$130 per month?

13 A Yes.

14 Q Looking at your Exhibit Number 2 I notice the original  
15 cost of the well didn't include any figures for bit, was  
16 that included in the \$10,865?

17 A Yes -- are you talking about end bits?

18 Q I am talking about the original well, do you have a  
19 column for the original well? You have a column for  
20 the deepening of the well and you have \$12,642 for bits  
21 for deepening the well, but nothing for the original  
22 well.

23 A I don't understand the question.

24 MR. LOSEE: In drilling the initial well, we only  
25 show one figure of \$10,865. The question is: Were the bits

1 included in that, or have they been omitted?

2 THE WITNESS: The bits became a separate item.

3 Q (By Mr. Utz) I notice the same situation in the over-  
4 head, you have a charge for \$4,192 for the deepening and  
5 no charge for the original well. I also have the same  
6 question regarding the gauges and the couplings and so  
7 forth.

8 A I would suspect that the engineering costs were  
9 included in the original drilling contract and these  
10 valves and things haven't been deducted from the original  
11 costs because of the original completion information and  
12 that is the reason it was not added in.

13 Q You used these valves and couplings for the deepening?

14 A Oh, the deepening, this would be new equipment.

15 Q How deep is this well now?

16 A 9,100 feet.

17 MR. UTZ: Are there any other questions of this  
18 witness?

19 (No response.)

20 MR. UTZ: If not, the witness may be excused.

21 (Witness excused.)

22 \* \* \* \* \*

23 EDDIE MAHFOOD,

24 was called as a witness and, after being duly sworn, testified  
25 as follows:

DIRECT EXAMINATION

BY MR. LOSEE:

Q Will you state your name, residence and occupation, please?

A Eddie Mahfood, Artesia, New Mexico, I am a petroleum engineer.

Q Have you previously testified before this Commission?

A Yes, I have.

Q And had your qualifications accepted?

A Yes, I have.

MR. LOSEE: Are the witness' qualifications acceptable, Mr. Examiner?

MR. UTZ: Yes, they are.

Q (By Mr. Losee) Mr. Mahfood, please refer to what has been marked as Exhibit 3 and explain what is shown on this Exhibit.

A Exhibit 3 is a net pay isopach map of the Morrow sand. The contours reflect a continuous sand with varying thicknesses and thinning. The wells circled in red are completed in the Morrow sand, those circled in black have penetrated the sand, but are not productive. We have drill stem tests on several wells indicated on this map.

Q Mr. Mahfood, were all of these wells present when you deepened the Johnston "BE"?

- 1 A No, the only completion at that time was the Arco  
2 Federal Number 10 that is in Section 10 and the Arco  
3 Federal 9 was in the process of being drilled at the  
4 time. It was completed before ours was.
- 5 Q But it had actually tested the Morrow at that time;  
6 had it not?
- 7 A No, it was tested while we were drilling. The Arco  
8 3 had been already drill tested and plugged back.
- 9 Q Now, would you please explain to the Examiner why the  
10 Arco Federal Number 3 up in Section 3 does not produce  
11 from the Morrow A sand and yet your Johnston "BE" does  
12 produce from the Morrow A sand considering the locations  
13 of the structures?
- 14 A You will notice that the drill stem test on the Arco  
15 3, although it was opened with a good blow, the blow  
16 decreased and the final pressure was considerable less  
17 than the initial pressure which indicated a limited  
18 reservoir. The risk was not oriented for completing the  
19 well in the Morrow.
- 20 Q Has the porosity and permeability determined whether  
21 the Morrow wells are capable of being completed and being  
22 producers?
- 23 A To a large extent, yes.
- 24 Q Please turn to what has been marked as Exhibits 4 and  
25 4-A, logs of your Johnston "B" well and the Arco Federal

1 and explain what is shown by these logs.

2 A On Exhibit 4-A, which is a log of the Johnston "BE"  
3 well, we have the net pay colored in and the perforation  
4 marked.

5 Exhibit 4 is the Arco Number 3 with the net pay  
6 also colored in and the porosity marked. You will notice  
7 also that the Johnston "BE" has much better porosity  
8 and the gamma-ray is much clearer in the Johnston than  
9 in the Arco Number 3. I think the purpose of this  
10 Exhibit is just to show that the Johnston well is a  
11 better prospect and the purpose for running the test  
12 on the Johnston 3 was to show that it is more promising  
13 than the Arco 3.

14 Q Please refer to Exhibit 5 and explain what is shown by  
15 this Exhibit.

16 A Exhibit 5 is the open-flow potential on the Johnston  
17 "BE" Number 1 and it shows a shut-in, open-flow  
18 potential of 4.21 million MCF.

19 Q Do you have a recommendation as to the risk charge?

20 A Yes, I would say there is a 50 percent risk.

21 Q In other words, the maximum risk that the Commission  
22 can set?

23 A Yes, I would think so.

24 Q Why do you feel that the maximum risk should be charged  
25 in this case?

1 A Well, we have these examples back in Exhibit 3, we have  
2 these examples of wells that have much more net pay  
3 than the Johnston, or as much pay as the Johnston, and  
4 some of them are good and some are not good.

5 Q Each of these are actually wildcats; are they not?

6 A I think I would be justified in answering yes to that.

7 Q Have you estimated the period of payout on this well?

8 A I would say approximately three years.

9 Q And on that basis, what portion of the risk factor  
10 is actually interest on the money that Yates has  
11 advanced to carry Mr. Hanks?

12 A I would estimate 15 percent.

13 Q Now, you mentioned that you have a participating  
14 working interest with Mr. Bascum in several wells in  
15 the area, are those under joint operating agreements?

16 A I believe that is correct, but I am not familiar with  
17 that aspect.

18 Q Were Exhibits 3, 4, 4-A and 5, prepared by you or under  
19 your direction?

20 A Yes.

21 MR. LOSEE: I move for the introduction of  
22 Exhibits 3 through 5 inclusive.

23 MR. UTZ: Without objection, Exhibits 3 through 5  
24 inclusive will be entered into the record of this Case.

25 (Whereupon, Exhibits 3 through 5, inclusive,

1                   were entered in evidence.)

2                   MR. LOSEE: That is all the Direct Examination  
3 we have, at this time.

4                   \* \* \* \* \*

5                   CROSS-EXAMINATION

6                   BY MR. UTZ:

7                   Q     Referring to Exhibit 3 --

8                   A     Yes, sir.

9                   Q     The well in question is completed in the Morrow; am  
10 I correct?

11                  A     This is correct.

12                  Q     How many other Morrow wells are shown on this Exhibit?

13                  A     There are seven wells penetrated to the Morrow and only  
14 three are producing from the Morrow A sand, only three  
15 are producing from the Morrow A sand, at this time.

16                  Q     Those are the three circled in red?

17                  A     This is correct.

18                  Q     Now, have we defined the pool in this area?

19                  A     A little earlier I remarked that these were Morrow  
20 wildcats and I don't remember -- I think the pool is  
21 defined.

22                  Q     Do you know if the pool has been defined in this  
23 area or not?

24                  A     All this area appears to be a continuous sand body.

25                  Q     What I am asking is has the Oil Conservation Commission

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1                   were entered in evidence.)

2                   MR. LOSPE: That is all the Direct Examination  
3 we have, at this time.

4                   \* \* \* \* \*

5                   CROSS-EXAMINATION

6                   BY MR. UTZ:

7           Q       Referring to Exhibit 3 --

8           A       Yes, sir.

9           Q       The well in question is completed in the Morrow; am  
10 I correct?

11          A       This is correct.

12          Q       How many other Morrow wells are shown on this Exhibit?

13          A       There are seven wells penetrated to the Morrow and only  
14 three are producing from the Morrow A sand, only three  
15 are producing from the Morrow A sand, at this time.

16          Q       Those are the three circled in red?

17          A       This is correct.

18          Q       Now, have we defined the pool in this area?

19          A       A little earlier I remarked that these were Morrow  
20 wildcats and I don't remember -- I think the pool is  
21 defined.

22          Q       Do you know if the pool has been defined in this  
23 area or not?

24          A       All this area appears to be a continuous sand body.

25          Q       What I am asking is has the Oil Conservation Commission

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1 defined the pool, designated a pool in this area?

2 MR. HATCH: I don't know, but I have suspicions

3 that we have.

4 THE WITNESS: I think there are two pools.

5 Q (By Mr. Utz) You mean one to the Morrow and one to

6 the San Andres?

7 A No, I am referring to the Morrow here. I think the

8 northern part is called the West Atoka and the southern

9 part is called the Johnston.

10 Q I asked the question for this reason, I think we need

11 to know what pools have been defined in this area and

12 whether those are correct definitions or not.

13 A With the exception of the Atlantic B well and the Roger

14 Hanks Federal, I would say, yes.

15 Q Which well was drilled first?

16 A The Boyd well was the first drilled in the Morrow and

17 is presently completed in the B sand of the Morrow.

18 (Whereupon, an off the record discussion was held.)

19 Q (By Mr. Utz) Mr. Mahfood, I don't want to dwell too long

20 on this, but there is a difference between an exploratory

21 well and a development well and I would like to get this

22 settled on the record at this time. Your last statement

23 mentioned the Boyd well, is the Arco 9 and the Johnston

24 well in the same formation?

25 A That would be indicated from the pressure data.

1 Q Is there communication possibly between the two wells?

2 A Yes, it is most possible.

3 MR. HATCH: Do you have any objection to the  
4 Examiner taking judicial notice of those nomenclature  
5 hearings?

6 MR. LOSEE: No, sir.

7 Q (By Mr. Utz) Do you have the completion data on these  
8 two wells, the Johnston 10 and the Arco 9?

9 A No, sir, I don't have that with me. It was approximately  
10 February that the Arco 10 was completed.

11 Q February of 1972?

12 A Yes, sir.

13 Q Could you furnish us with that information?

14 A Yes, sir.

15 Q Or we can take administrative notice of the well  
16 completion file.

17 MR. LOSEE: We have no objection to the Commission  
18 doing that, or, if you would like, we will get the information  
19 for you.

20 MR. UTZ: We can take administrative notice from  
21 the well completion files which, I presume, have the accurate  
22 data of the completions.

23 Are there any other questions?

24 MR. HATCH: I have one or two.

25 \* \* \* \* \*

CROSS-EXAMINATION

BY MR. HATCH:

Q Mr. Mahfood, you have recommended a 50 percent risk factor and I don't understand what the risk is.

A Well, the risk would be in getting our money back.

Q Didn't you testify that you estimated payout for three years?

A Yes. I might point out that the Arco 4 looked just as good as the Johnston well and yet they may never be able to get gas from it because it is so tight, it wouldn't give up enough gas to sustain continuous production. We feel that the Johnston will sustain production and assuming it does sustain production, the payout will be three years.

Q Mr. Mahfood, if you started deepening the Johnston well with the Arco 10 in Section 10, -- that is the proper designation, isn't it?

A The Arco 10 in Section 10, correct.

Q And that would be the nearest well, wouldn't it? Is my statement correct that if you started completing the Johnston well, the Arco 10 would be the nearest Morrow completion?

A Correct.

Q Was there a risk in stepping out a mile and a half?

A Yes, there certainly was.

1 Q Because that is the nature of the Morrow?

2 A Yes, sir.

3 MR. UTZ: Any other questions?

4 \* \* \* \* \*

5 REDIRECT EXAMINATION

6 BY MR. LOSEE:

7 Q Mr. Mahfood, you say you think that Yates Petroleum  
8 Corporation will get their money back out of this well,  
9 is that an engineering probability or just a possibility?

10 A A possibility.

11 Q And not an engineering probability.

12 A That's right.

13 MR. LOSEE: Thank you.

14 MR. UTZ: Any other questions of either witness?

15 (No response.)

16 MR. UTZ: The witness may be excused.

17 (Witness excused.)

18 MR. UTZ: Any statements in this case?

19 (No response.)

20 MR. UTZ: The Case will be taken under advisement.

21

22

23

24

25

I N D E XWITNESS:PAGEJACKSON McCALL

Direct Examination by Mr. Losee

3

Cross-Examination by Mr. Utz

8

EDDIE MAHFOOD

Direct Examination by Mr. Losee

10

Cross-Examination by Mr. Utz

14

Cross-Examination by Mr. Hatch

16

Redirect Examination by Mr. Losee

18

\* \* \* \* \*

E X H I B I T SAPPLICANT'SOFFEREDADMITTED

## Yates Petroleum Corporation

Exhibit Number 1

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Exhibit Number 2

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Exhibit Number 3

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Exhibit Number 4

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Exhibit Number 4-A

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13

Exhibit Number 5

12

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1 STATE OF NEW MEXICO )  
2 ) ss  
3 COUNTY OF BERNALILLO )

4 I, RICHARD E. MCCORMICK, a Certified Shorthand Reporter,  
5 in and for the County of Bernalillo, State of New Mexico,  
6 do hereby certify that the foregoing and attached Transcript  
7 of Hearing before the New Mexico Oil Conservation Commission  
8 was reported by me; and that the same is a true and correct  
9 record of the said proceedings to the best of my knowledge,  
10 skill and ability.

11 Richard E. McCormick  
12 CERTIFIED SHORTHAND REPORTER

21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
23 the Bernalillo hearing of Case No. 4244,  
24 held on June 12, 1922.  
25 Richard E. McCormick Reporter  
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 4744  
Order No. R-4336

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 28, 1972,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 17th day of July, 1972, the Commission, a  
quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being fully  
advised in the premises,

FINDS:

- (1) That due public notice having been given as required  
by law, the Commission has jurisdiction of this cause and the  
subject matter thereof.
- (2) That the applicant, Yates Petroleum Corporation, seeks  
an order pooling all mineral interests in the Morrow formation  
underlying the E/2 of Section 8, Township 19 South, Range 25  
East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and has  
drilled its Johnston "BE" Well No. 1 at a location 330 feet  
from the North line and 330 feet from the East line of said  
Section 8 to the Morrow formation.
- (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 the E/2 of said Section 8 the opportunity to recover  
or receive without unnecessary expense his just and fair share  
of the gas in said pool, all mineral interest, whatever they may  
be in the Morrow formation underlying the E/2 of said Section 8  
should be pooled.

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CASE NO. 4744  
Order No. R-4336

(6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That \$130.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interest, whatever they may be, in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas proration unit to be dedicated to the Yates Petroleum Corporation Johnston "BE" Well No. 1, located 330 feet from the North line and 330 feet from the East line of said Section 8.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following



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CASE NO. 4744  
Order No. R-4336

the date of this order; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 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 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(4) That within 60 days from the date the schedule of said actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said actual well costs to the operator in lieu of paying his share of actual well costs out of production, and that any such owner who pays his share of said actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

(A) The pro rata share of actual well costs attributable to each non-consenting working interest owner who has not paid his share of said actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of actual well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

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

(7) That \$130.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(8) 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.

-4-

CASE NO. 4744  
Order No. R-4336

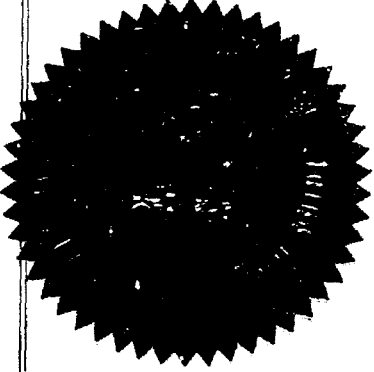
(9) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(10) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*Bruce King*

BRUCE KING, Chairman

*Alex J. ArmiJO*

ALEX J. ARMIJO, Member

*A. L. Porter Jr.*

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

**P. O. BOX 2088 - SANTA FE**

**87501**

July 17, 1972

GOVERNOR  
BRUCE KING  
CHAIRMAN

**LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER**

**STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR**

Mr. A. J. Losee  
Losee & Carson  
Attorneys at Law  
Post Office Box 239  
Artesia, New Mexico 88210

Re: Case No. 4744  
Order No. R-4336  
Applicant:  
  
Yates Petroleum Corp.

Dear Sir:

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

Very truly yours,

A. L. Porter

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u>x</u>
Artesia OCC	<u>x</u>
Aztec OCC	

**Other** \_\_\_\_\_



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

August 8, 1972

S. P. YATES  
PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. TREAS.

State of New Mexico  
Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87501  
Attention: Mr. A. L. Porter

Re: Case No. 4744  
Order No. R-4336  
Application of Yates Petroleum  
Corporation for Compulsory  
Pooling, Eddy County, New Mexico

Gentlemen:

In compliance with the above captioned order, Yates Petroleum Corporation hereby submits the following items:

1. Schedule of Development Cost - Johnston "BE" Well No. 1.
2. Copies of Yates Petroleum Corporation's general ledger accounts indicating the details of costs incurred in drilling and completing the original Johnston "BE" Well No. 1.
3. Statement of Costs incurred in deepening well (Johnston "BE" Well No. 1).

Costs incurred in drilling the original well which have no application to total costs of a Morrow completion have been eliminated. These items are set forth in Column 2 of the Schedule of Development Cost.

Each working interest owner, by copy of this letter and all enclosures, has been furnished the required information concerning actual costs of the Johnston "BE" Well No. 1.

Very truly yours,

YATES PETROLEUM CORPORATION

By: B. W. Harper

/er  
Enclosures

YATES PETROLEUM CORPORATION

Schedule of Development Cost - JOHNSTON "BE" WELL NO. 1

	<u>1</u> Original Well	<u>2</u> Items elimi- nated from cost of orig- inal well	<u>3</u> Costs in- curred in deepening well	<u>4</u> Total Cost
Drilling	\$10,865.79		\$56,341.80	\$67,207.59
Bits and Reamers			11,732.26	11,732.26
Cement & cementing services	5,671.64		4,972.67	10,644.31
Sundry Intangibles	14,154.44		15,732.16	29,886.60
Testing	1,543.91	( 1,543.91)	2,730.61	2,730.61
Completion Cost	26,841.86	( 26,841.86)	20,157.65	20,157.65
Engineering, Supervision and Overhead			4,619.91	4,619.91
Sub-Surface Equipment	11,201.83	*( 1,507.21)	26,067.23	35,761.85
Valves, etc.			152.57	152.57
Well Head Equipment	365.04	( 365.04)	3,500.07	3,500.07
Pumping Equipment	2,538.17	( 2,538.17)		-0-
Tanks	4,190.89	( 4,190.89)	1,218.76	1,218.76
Miscellaneous equipment	191.28		266.40	457.68
Separation Unit			6,102.08	6,102.08
	<u>\$77,564.85</u>	<u>*( \$36,987.08)</u>	<u>\$153,594.17</u>	<u>\$194,171.94</u>

\*Tubing - 2 3/8", 2638 feet

400-130

YATES PETROLEUM CORP.

Development Cost: Johnston BE #1 Fed. NW #1372



DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
APR 30'67VR	1		87.90 + 4		87.90 •
MAY 31'67JV	1		586.48 + 4		674.38 •
MAY 31'67VR	2		24,532.20 + 4		25,206.58 •
MAY 31'67VR	2		6,987.56 + 4		32,194.14 •
JUN 30'67VR	3		9,620.77 + 4		41,814.91 •
JUN 30'67VR	3		23,221.07 + 4		65,035.98 •
JUN 30'67JV	2		141.91 + 4		65,177.89 •
JUN 30'67JV	2		5,651.47 + 4		70,829.36 •
JUL 31'67VR	4		325.17 + 4		71,154.53 •
AUG 31'67VR	5		1,293.39 + 4		72,447.92 •
AUG 31'67JV	2		3,347.57 + 9		75,795.49 •
SEP 30'67CR	6			41.15 - 5	75,754.34 •
SEP 30'67VR	6		54.08 + 4		75,808.42 •
SEP 30'67JV	2		2,061.36 + 4		77,869.78 •
NOV 30'67JV	2			304.93 - 5	77,564.85 •
MAR 31'68JV	9,999			77,564.85 - 5	.00 •

400-156-1

YATES PETROLEUM CORPORATION

Development Cost: Johnston BE #1

Drlg Cost: contract cost (cr. dry hole contributions)

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
MAY 31'67VR	6,454	DRLC - DAYWORK (4075')	10,865.79 + 4		10,865.79 •
MAR 31'68JV	9,999			10,865.79 - 5	.00 •

400-156-2

## YATES PETROLEUM CORPORATION

Development Cost: Johnston BE #1 Fed.

Cement & Cmtg Serv: Collars, shoes, baskets, DV tools, centralizers & scratchers

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
MAY 31'67VR	6,482	BENNETT - TEMP. SURV.	102.79+4		
MAY 31'67VR	6,608	HALLIBURTON - CEMENT 9 5/8"	337.65+4		
MAY 31'67VR	6,609	✓ CEMENT	1,087.48+4		
MAY 31'67VR	6,610	✓ CEMENT 9 5/8" 2ND STG.	401.70+4		
MAY 31'67VR	6,611	✓ CEMENT 2ND STG.	694.90+4		
MAY 31'67VR	6,612	✓ 2-9 5/8" BASKETS	153.26+4		
MAY 31'67VR	6,766	UNION - 9 5/8" SLEEVE, CLPG. ETC.	176.35+4		2,954.13•
JUN 30'67VR	7,114	BENNETT - TEMP. SURV.	102.79+4		
JUN 30'67VR	7,190	HALLIBURTON - CEMENT 7" (3210)	936.57+4		
JUN 30'67VR	7,191	✓ CEMENT 7"	1,355.40+4		
JUN 30'67VR	7,192	✓ 13-7" CEMENT - INSERT PIPE	322.75+4		5,671.64•
MAR 31'68JV	9,999			5,671.64-5	.00•



400-156-3

Development Cost: Johnston BE #1 Fed.

Sundry Intangibles: Location, roads, mud, water, drlg. additives, hauling, payroll  
whipstock

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
JUN 30'67VR	7,612	ROWLAND CONST-DOZE OUT MUD & BACKFILL	50.75+4		
JUN 30'67VR	7,609	ROWLAND CONST-TANK GRADE WATER PIT	69.78+4		
JUN 30'67VR	7,604	ROWLAND CONST-PLOWING FLOW LINE DITCH, BACKFILL WATER PIT	69.78+4		
JUN 30'67VR	7,504	CLYDE GUY-GAS FOR WATER PUMP	4.50+4		
JUN 30'67VR	7,494	GOOCH TANK-FENCING PITS	26.61+4		
JUN 30'67VR	7,480	C.L. EAST-WATER	177.16+4		
JUN 30'67VR	7,416	BEARING SERV-S&LIP ADAPTERS	6.93+4		
JUN 30'67VR	7,441	BROWN WELL SERV-REPAIR COLLAR	19.06+4		
JUN 30'67VR	7,433	BOBS CSG.CREWS-RUN 3,218'7" CSG	231.75+4		
JUN 30'67VR	7,562	J.O. MILLER-DRLG ENG	206.80+4		13,046.80•
JUL 31'67VR	7,811	BEADLE-HAUL PIPE RACKS TO YARD	28.33+4		
JUL 31'67VR	7,889	CURRIER-SUPP ABSTRACT	29.64+4		
JUL 31'67VR	8,028	RIVERSIDE EQUIP-WELL SIGNS BATTERY	26.18+4		
JUL 31'67VR	8,075	SOLT-PULL TBG., SHUT DOWN RUN 2200' 2 1/2" RUN RODS SPACE WELL OUT, CLEAN LOCATION	241.02+4		13,371.97•
AUG 31'67VR	8,208	BEADLE-MOVING JACK	30.26+4		
AUG 31'67VR	8,209	BEADLE-HAULING 2 3/8"	42.49+4		
AUG 31'67VR	8,227	BEARING SERV-V-BELTS	15.03+4		
AUG 31'67VR	8,465	ROSE GRAVEL-ROCKS FOR SURF CSG	98.42+4		
AUG 31'67VR	8,466	ROSE GRAVEL-GRAVEL FOR SURF CSG	62.73+4		
AUG 31'67VR	8,467	ROSE GRAVEL-FOR CSG	156.82+4		
AUG 31'67VR	8,489	ROWLAND CONST-BACKFILL ROTARY PITS	76.12+4		
AUG 31'67VR	8,740	LOSEE AND STEWART-ABSTRACTS AND TITLE OPINION	67.60+4		13,921.44•
AUG 31'67JV	2	MT#47- 2" PVC-133.33' LINES	24.96+9		
AUG 31'67JV	2	2 1/2" PVC-800' LINES	208.04+9		14,154.44•
MAR 31'68JV	9,999			14,154.44-5	.00•

400-156-3

## YATES PETROLEUM CORPORATION

Development Cost: Johnston BE #1 Fed.

Sundry Intangibles: Locations, roads, mud, water, drlg. additives, hauling payroll  
whipstock

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
APR 30'67VR	6,070	300 BBL - STEVE CARTER	51.50+4		
APR 30'67VR	6,202	WATER - STEVE CARTER	36.40+4		87.00•
MAY 31'67JV	1		586.48+4		674.38•
MAY 31'67VR	6,445	ARRESTED EMERGENCY MUD	564.55+4		
MAY 31'67VR	6,446		134.11+4		
MAY 31'67VR	6,455	BAL DRILL MOUNTING R.G.	2,641.37+4		
MAY 31'67VR	6,457	BEADLE - MOVE 600 BBL TANK	28.33+4		
MAY 31'67VR	6,468	HAUL HULLS	129.78+4		
MAY 31'67VR	6,476	BEARING SER. - CONN. WTR LINE	48.45+4		
MAY 31'67VR	6,520	STEVE CARTER - WATER ROAD	93.73+4		
MAY 31'67VR	6,521		93.73+4		
MAY 31'67VR	6,537	CARRIER ASSTRACT	111.28+4		
MAY 31'67VR	6,647	LINK - RAT HOLE	243.60+4		
MAY 31'67VR	6,686	PECIS VALLEY - HILLS	357.00+4		
MAY 31'67VR	6,707	WATER - LOCATION & SITS	114.19+4		
MAY 31'67VR	6,767	WATER - 3" SUCTION HOSE	203.37+4		
MAY 31'67VR	6,768	WATER - 1" ON SILEN BARBERS	16.48+4		5,454.35•
MAY 31'67VR	6,865	WATER - 3" SUCTION HOSE	99.14+4		
MAY 31'67VR	6,882	BEADLE - 1-13 3/4" 2-1/2" 2-1/2" 2-1/2"	1,774.18+4		
MAY 31'67VR	6,883	WATER - 3" SUCTION HOSE	731.30+4		
MAY 31'67VR	6,884	WATER - 3" SUCTION HOSE	786.26+4		
MAY 31'67VR	6,885	WATER - 1" SUCTION HOSE	259.56+4		
MAY 31'67VR	6,900	WATER - 3" SUCTION HOSE	24.72+4		
MAY 31'67VR	6,957	WATER - 3" SUCTION HOSE	37.08+4		
MAY 31'67VR	6,998	WATER - 3" SUCTION HOSE	356.67+4		
MAY 31'67VR	7,018	WATER - 3" SUCTION HOSE	176.13+4		
MAY 31'67VR	7,019	WATER - 3" SUCTION HOSE	160.47+4		
MAY 31'67VR	7,020	WATER - 3" SUCTION HOSE	149.22+4		
MAY 31'67VR	7,021	WATER - 3" SUCTION HOSE	147.26+4		
MAY 31'67VR	7,022	WATER - 3" SUCTION HOSE	195.70+4		
MAY 31'67VR	7,023	WATER - 3" SUCTION HOSE	210.38+4		
MAY 31'67VR	7,024	WATER - 3" SUCTION HOSE	200.59+4		10,763.01•
JUN 30'67VR	7,097	BEADLE - HAUL TBL FR. AS 1/2	70.81+4		
JUN 30'67VR	7,098	DRILL COLLAR FR BD 1	20.09+4		
JUN 30'67VR	7,099	REV. UNIT	73.13+4		
JUN 30'67VR	7,141	BROWN WELL - REPAIR DE S	171.50+4		
JUN 30'67VR	7,146	STEVE CARTER - HAUL WATER	160.68+4		
JUN 30'67VR	7,184	GRANT TOL - 1-8 3/4" FLAMER	505.73+4		
JUN 30'67VR	7,226	M/M RENTAL - POWER TOWNS	234.33+4		
JUN 30'67VR	7,314	WALKER - HAUL DRILL COLLAR	85.08+4		12,084.36•
JUN 30'67VR	7,650	STEVENSON TANK-TRANSFER 2 7/8" TBG	88.84+4		
JUN 30'67VR	7,649	STEVENSON TANK-REMOVE & CLEAN CATTLEGUARD	10.48+4		12,183.68•

Development Cost: Johnston BE #1 Fed  
Testing: Coring, Dst, logging

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
MAY 31'67VR	6,780	LANE WELLS - LOGGING	1,543.91 +		1,543.91 •
MAR 31'68JV	9,999			1,543.91 -	.00 •

## YATES PETROLEUM CORP.

400-156-5

Development Cost: Johnston BE #1 Fed.

Completion Cost: Treating, perforating, acidizing, frac tank rentals, swabbing  
plugging, packers

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
MAY 31'67VR	6,436	ALLIED-MISC. CONN	34.25+4		34.25•
MAY 31'67VR	6,992	LYNES-STRAODLE PACKER	1,678.90+4		1,713.15•
JUN 30'67VR	7,096	BEADLE-HAUL TBG FR 8A	56.65+4		
JUN 30'67VR	7,221	LANE WELLS-PERFORATE	3,365.73+4		
JUN 30'67VR	7,271	TWO-STATES-FRAC TANK RENTAL	757.05+4		
JUN 30'67VR	7,643	SOLT-SET PACKERS, ACIDIZE, SET CMT PLUG AT 3450	1,743.79+4		
JUN 30'67VR	7,644	RUN TBG W/DRILL COLLARS AND BIT, DRILL OUT PLUGS CIRCULATE-TALLY AND RUN 2488' OF 2 1/2" TBG, HOOKUP WELL AND P. UNIT	1,604.74+4		
JUN 30'67VR	7,658	UNION SUPPLY-BIT	292.60+4		
JUN 30'67VR	7,671	H. APPLE-SUPERVISION	350.60+4		
JUN 30'67VR	7,592	RIVERSIDE OIL-PROPANE FOR FRAC	40.22+4		
JUN 30'67VR	7,404	BS AND B-REV DRLG UNIT W/MUD PUMP, RUBBER, DRLG COLLARS ELEVATORS, CLAMPS	534.98+4		
JUN 30'67VR	7,484	FRONTIER-3 LOADS WATER	9.00+4		
JUN 30'67VR	7,519	HALLIBURTON-WATER FRAC	5,171.11+4		
JUN 30'67VR	7,522	HALLIBURTON-WATER FRAC	9,252.81+4		
JUN 30'67VR	7,530	HALLIBURTON-TREATING	1,039.24+4		
JUN 30'67VR	7,557	M & M-RENT TBG TONGS	144.20+4		26,075.27•
JUN 30'67JV	2	DISC. ADJ. ON SAND AND SALT	141.91+4		26,217.18•
AUG 31'67VR	8,400	M AND M-RENT TONGS	36.05+4		
AUG 31'67VR	8,518	SOLT-REPLACED 2 7/8 WITH 2 3/8	443.42+4		
AUG 31'67VR	8,551	UNION SUPPLY-NIPPLE, SLIPS CPLGS, RINGS	91.13+4		26,787.78•
SEP 30'67VR	8,902	SOLT-LOWER TBG 3 JOINTS CLEAN LOCATION	54.08+4		26,841.86•
MAR 31'68JV	9,999			26,841.86-5	.00•

400-156-6

MATES PETROLEUM CORPORATION

Development Cost: Johnston BE #1 Fed.

Sub-Surface Equipment: Csg., Tbg., prod. sleeves

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
MAY 31'67VR	6,771	111111-1075' 9" 6' 9" 31.3 Csg	4,354.15+4		4,354.15•
JUN 30'67JV	2	7" - 20# - 1935.92'	3,309.25+4		
JUN 30'67JV	2	7" - 23# - 1314.45'	2,342.22+4		10,005.62•
SEP 30'67CR	6	Sale of thread protectors		41.15-5	9,964.47•
SEP 30'67JV	2	9 5/8" - 65.34' (269.85)			
		2 3/8" - 2638' 1,507.21			
			1,237.36+4		11,201.83•
MAR 31'68JV	9,999			11,201.83-5	.60•

400-156-7

YPC

Development Cost: Johnston BE #1 Fed.

Well Head Equipment: Xmas tree, Braden & Tbg heads, intermitter flow beam, choke,  
2" valve & over, orbit valves

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
JUN 30'67VR	7,301	UNION - HIND. HEAD 7" x 2"	252.71 + 4		252.71 •
AUG 31'67VR	8,228	BEARING SERV-ANCHOR FITTING, PRESSURE REGULATOR	74.74 + 4		
AUG 31'67VR	8,552	UNION SUPPLY-21" LP, PKG RING F/TBG HEAD	37.59 + 4		365.04 •
MAR 31'68JV	9,999			365.04 - 5	.00 •

400-156-8

YPC

Development Cost: Johnston BE #1 Fed.

Pumping Equipment: Pump, rods, elec mtrs, w/regulators & panels

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
JUN 30'67VR	7,302	UNION - PUMP, 1 1/2" X 2 1/2" X 12'	356.67+4		356.67•
JUN 30'67VR	7,430	BETHLEHEM STEEL-3/4" X 25' SUCKER RODS	1,013.58+4		
JUN 30'67VR	7,424	BEARING SERV-STFG BOX STFG BOX PACKING	16.22+4		
JUN 30'67VR	7,364	ALLIED-15 HP-3 PH ELEC MTR, PUMPING PANEL-SHEAVE	460.93+4		
JUN 30'67VR	7,543	KYLE ELEC-INSTALLATION & HOOKUP	171.70+4		2,019.10•
SEP 30'67JV	2	PUMP JACK-AM T9C-470	824.00+4		2,843.10•
NOV 30'67JV	2	15 HP-BROOKS 3 PH (\$460.93)			
		7 1/2 HP FM \$156.00		304.93-4	2,538.17•
MAR 31'68JV	9,999			2,538.17-5	.00•

400-156-9

YFC

Development Cost: Johnston BE #1 Fed.  
 Tankage: Tanks, separators, heater-treaters

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
		<i>FERRY'S</i>			
JUN 30'67VR	7,168	GOOCH - HOOKAP GUN BBL. SEP.	793.10+4		793.10•
JUN 30'67VR	7,491	GOOCH TANK-SET 210 BBL TANK, CONN ETC	226.60+4		1,019.70•
AUG 31'67VR	8,229	BEARING SERV-CONN FOR CHEM. POT	56.62+4		1,076.32•
AUG 31'67JV	2	MT#42- TANK #52- FLAT, 210 WELDED	989.17+9		
AUG 31'67JV	2	TANKS #4-6, 4-7, 210 CONE, WELDED	2,125.40+9		4,190.89•
MAR 31'68JV	9,999			4,190.89-5	.00•



YPC

400-156-10

Development Cost: Johnston BE #1 Fed.

Misc. Tangible Equip: Lines, connections, chokes, misc. nipples & valves over 2"

DATE	REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
JUN 30'67VR	7,387	AAGA-POST, BARBED WIRE	28.29+4		
JUN 30'67VR	7,583	PERMIAN ANCHOR SERV- BULLDOG ANCHORS W/PLASTIC COATED RODS	158.62+4		186.91•
AUG 31'67VR	8,552		4.37+4		191.28•
MAR 31'68JV	9,999			191.28-5	.00•

YATES PETROLEUM CORPORATION

Statement of Costs Incurred in Deepening Well (JOHNSTON "BE" WELL NO. 1)

Intangible:

\$116,287.06

<u>Drilling:</u>		\$56,341.80
Daywork	\$50,812.64	
Moving rig & equip	<u>5,529.16</u>	

<u>Bits &amp; Reamers:</u>		11,732.26
----------------------------	--	-----------

<u>Cmt. &amp; cmt. serv.:</u>		4,972.67
Cmt. 4½" w/collars, etc.	\$ 3,765.58	
Water to cmt.	188.70	
Temp. survey	320.59	
Cmt. sleeve	<u>697.80</u>	

<u>Sundry Intangibles:</u>		15,732.16
Loc. & rat hole	\$ 676.28	
Tank grade & clean loc.	72.80	
Water-drlg.	3,418.82	
Mud & additives	11,246.11	
Sample sax	44.63	
Welding-cut 4½" & 7"	46.80	
Fishing-combs	<u>226.72</u>	

<u>Testing:</u>		2,730.61
Returns & pressures	\$ 2,148.19	
Four point test & 4 BHP tests	<u>582.42</u>	

<u>Completion Costs:</u>		20,157.65
Frac & acidize	\$ 5,812.11	
Perforate	3,517.80	
Logging	3,994.24	
Completion unit & csg. crew	5,155.08	
Packers & plugs	<u>1,678.42</u>	

<u>Engineering, Supervision &amp; Adm. Overhead:</u>		4,619.91
Drilling & comple- tion OH	\$ 1,601.66	
Legal, filing fees, etc.	145.75	
Engineer services	2,137.50	
Superintendent	<u>735.00</u>	

Tangible:

\$ 37,307.11

Sub-Surface Equipment:

\$26,067.23

4 1/2" -9,154.51' \$17,528.54

2 3/8" -9,081.2' 8,538.69Valves, Couplings, etc.:

152.57

Well Head Equipment:

3,500.07

X-mas tree, complete,

Rector head

10"x6", 3000# \$ 3,500.07

Tanks:

1,218.76

Hauling &amp; installa-

tion of 210 bbl \$ 288.76

1-210 bbl cone btm.

tank 930.00Misc. Equipment:

266.40

Separation Unit:

6,102.08

Heater-Separator comb-

gas prod. unit \$ 4,862.36

Freight-Unit &amp; equip 351.38

Labor-Roustabout serv,

conn., etc. 184.86

Connections & controls 703.48Total:

---

\$153,594.17

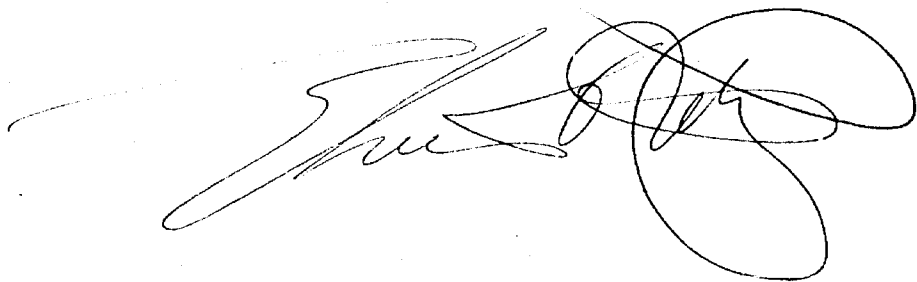
4744  
Heard 6-28-72  
Rec. 7-7-72

Grant Yates the Comp. pooling  
requested for the E/2 8+19.5  
SE.

He did work in the Johnston  
"BE" #1 330/N+E of road sec,  
S.

He 1/2 W.I. under the 5/2 SE/4  
of S. have not joined the unit.

Perk Sailor of 125 P.  
Supervisor P.O.H. 130/mo.



DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 28, 1972

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 4735: (Continued and readvertised from the June 7th examiner hearing)  
Application of El Paso Natural Gas Company for capacity production, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 14 (A), 15 (A), and 15 (B), of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, to produce six wells located in Sections 29, 30, 31, and 32 of Township 32 North, Range 9 West and Section 36, Township 32 North, Range 10 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, at full capacity for approximately one year from February 1, 1972.
- Applicant further seeks authority to offset any over-production accrued to the above-described six wells during the one-year period by underproduction attributable to any underproduced wells or marginal wells located within the participating area of the San Juan 32-9 Unit.
- CASE 4739: Application of Texas Pacific Oil Company for rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dedicate the 160-acre non-standard gas proration unit in the Jalmat C Pool comprising the NW/4 of Section 1, Township 23 South, Range 36 East, Lea County, New Mexico, simultaneously to its Emery King "NW" Wells Nos. 1 and 4 located, respectively, in Units E and F of said Section 1 and to produce the allowable for the unit from either well in any proportion.
- CASE 4740: Application of Amoco Production Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas and condensate production from the Flora Vista-Gallup and Basin-Dakota Pools in the wellbores of its L. C. Kelly Wells Nos. 3 and 5 located, respectively, in Unit F of Section 4 and Unit I of Section 3, Township 30 North, Range 12 West, San Juan County, New Mexico.
- CASE 4741: Application of Robert, Koch & Cartwright for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 16, Township 19 South, Range 25 East, Eddy County, New Mexico.

(Case 4741 continued)

Said acreage to be dedicated to a well to be drilled 1980 feet from the North line and 660 feet from the West line of said Section 16. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

- CASE 4728: (Continued from the June 7, 1972, Examiner Hearing)  
Application of Texaco Inc. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the East Weir-Tubb Pool, Lea County, New Mexico, including provisions for 80-acre proration units and a limiting gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil.
- CASE 4742: Application of Tenneco Oil Company for dual completions, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Well No. 12 located in Unit B of Section 13, Township 17 North, Range 9 West, McKinley County, New Mexico, in such a manner as to inject gas into Lone Pine-Dakota "D" Oil Pool through tubing and produce gas from the "A" zone of the Dakota formation through the casing-tubing annulus. Applicant also seeks authority to complete its Well No. 13 located in Unit F of said Section 13 in such a manner as to produce oil from the Lone Pine-Dakota "D" Oil Pool through tubing and gas from the "A" zone of the Dakota formation through the casing-tubing annulus.
- CASE 4743: Application of Tenneco Oil Company for pool contraction, redefinition of a pool and special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to contract the horizontal limits of the Basin-Dakota Pool by deleting therefrom all of Section 17 and 20, Township 21 North, Range 8 West, San Juan County, New Mexico. Applicant further seeks to redefine the Snake Eyes-Dakota "D" Oil Pool as a gas pool with horizontal limits comprising the above-described Sections 17 and 20. Applicant further seeks the promulgation of special pool rules for the redefined pool including a provision for 320-acre spacing.
- CASE 4744: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, Eddy County, New Mexico. Said acreage to be dedicated to applicant's Johnston "BE" Well No. 1 located 330 feet from the North and East lines of said Section 8. Also to be considered will be the costs

(Case 4744 continued)

of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4745: Application of Yates Petroleum Corporation for pool re-definition and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the re-definition of the Penasco Draw San Andres-Yesc Pool, Eddy County, New Mexico, as an associated oil and gas pool. Applicant further seeks the promulgation of special rules for said associated pool, including provisions defining a gas well as one producing with a gas-liquid ratio of 10,000 or more cubic feet of gas per barrel of oil, a gas-liquid ratio limitation for oil wells of 3,000 cubic feet of gas per barrel of oil, and 320-acre spacing units for gas wells. Applicant further seeks authority to commingle on the surface gas production from various wells prior to metering and to report said gas production on a lease basis. Applicant further seeks authority to commingle on the surface all casinghead gas prior to metering and to allocate said casinghead gas to the various wells on the basis of gas-oil ratio tests.

CASE 4746: Application of Mobil Oil Corporation for an unorthodox well location and amendment of Order No. R-2914, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing well at an unorthodox location 1450 feet from the North line and 70 feet from the West line of Section 19, Township 18 South, Range 34 East, in the E-K Queen Waterflood Project Area authorized by Order No. R-2914. Applicant further seeks a procedure whereby additional production and injection wells at orthodox and unorthodox locations may be approved administratively.

CASE 4747: Application of Union Texas Petroleum, a Division of Allied Chemical Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below the base of the Devonian formation underlying the N/2 of Section 33, Township 25 South, Range 37 East, Crosby Field, Lea County, New Mexico. Said acreage to be dedicated to its well to be located 1650 feet from the North line and 2310 feet from the East line of said Section 33. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

- CASE 4748: Application of Pubco Petroleum Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Humble City-Strawn Pool, Lea County, New Mexico, including provisions for 160-acre proration units and wells to be located within 150 feet of the center of any quarter-quarter section.
- CASE 4749: Application of Harding Oil Company for a discovery allowable and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units and for the assignment of an oil discovery allowable to its E. D. Shipp Well No. 1 located in Unit K of Section 11, Township 17 South, Range 37 East.
- CASE 4750: Application of Cities Service Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing well in its Southeast Maljamar Grayburg-San Andres Unit Waterflood Project Area at an unorthodox location 1155 feet from the South line and 1385 feet from the East line of Section 29, Township 17 South, Range 33 East, Maljamar Pool, Lea County, New Mexico. Applicant further seeks a procedure whereby additional injection and production wells within the project area at unorthodox locations may be approved administratively.
- CASE 4751: Application of Sun Oil Company for pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the horizontal limits of the Lusk-Morrow Gas Pool, Lea County, New Mexico to include all of Sections 15 and 16 of Township 19-South, Range 32 East.
- CASE 4752: Application of Claude C. Kennedy for permission to flare casinghead gas, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-4070, to flare casinghead gas produced by his BSK Edna Well No. 1 located in Unit F of Section 8, Township 17 North, Range 8 West, Lone Pine Dakota "D" Pool, McKinley County, New Mexico.



[illegible]

YATES PETROLEUM CORPORATION  
DEVELOPMENT COST - JOHNSTON BE #1 FEDERAL

	Original Well	Deepening Well	TOTAL
Drilling (Incl. trucking rig)	\$ 10,865.79	\$ 57,716.30	
Bits		12,642.61	
Cement & Cementing Service (collars, shoes, baskets, centralizers, etc.)	5,671.64	8,694.18	
Sundry Intangibles (Locations, Roads, mud, water, drlg. additives, hauling)	14,154.44	16,159.47	
Testing (coring, logging, Dst.) (1)	1,543.91	6,840.23	
Completion Cost (Treating, Frac Tank rentals, perforating, acidize, swab, packers) (2)	26,841.86	10,613.51	
Engineering, Superv. Ovrhead		4,192.06	
Sub-surface Equipment	11,201.83	26,131.16	
Valves, Gauges, Couplings, Nipples, Unions, etc.		4,016.07	
Well Head Equipment	365.04		
Pumping Equipment	(3) 2,538.17		
Tanks	(4) 4,190.89		
Miscellaneous Equipment	191.28		
	<u>\$77,564.85</u>	<u>\$147,005.59</u>	\$224,570.44

Deductions from cost on original well:

Testing	(1)	\$ 1,543.91		
Completion Cost	(2)	26,841.86		
Pumping Equip.	(3)	2,538.17		
Tanks	(4)	4,190.89	(35,114.83)	(35,114.83)
			<u>\$ 42,450.02</u>	<u>\$147,005.59</u>
				\$189,455.61

Estimated additional costs:

Heater and Seperator	\$ 5,200.00	
Hook-up cost - materials & labor	1,100.00	
Two (2) tanks, stairways, walkways- installed, incl. dirtwork and ditch	3,200.00	
Fence tank battery, heater & seperator	325.00	
Clean location	250.00	10,075.00
		<u>\$199,530.61</u>

BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 4744

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

David Fasken 11/20/83 1699' / 10' 5' 3" - 19' 5"

Sch. 10/10/83

BHE 10/10/83

0068

DST 44 8930-8995

TO 15" w/ 900' blow

SI 60" Re-op w/ gas blow down  
to 15" w/ 60' SI-60"

Rec 60" mud 2 cutt + 1000 cc mud  
in splk @ 1500 psi

110VWVW 8918

FP 53-77

SIP 1930-1423

HP 4132-4093

BHT 150°F

④ "A" Se

0000

⑤

0016

BEFORE EXAMINER U7Z  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 3  
CASE NO. 4744  
Examined by  
Date

MEXICO OIL CONSERVATION COMMISSION  
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Form C-122  
Revised 9-1-65

Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special				Test Date 4-27-72	
Company Yates Petroleum Corp			Connection Unconnected		
Pool Boyd			Formation Morrow		Unit
Completion Date 4-27-72		Total Depth 9222'		Plug Back TD 9061'	Elevation 3572 KB
Farm or Lease Name Johnston BE Fed.					
Csg. Size 4 1/2"	Wt. 10.5	d	Set At 9097KB	Perforations: From 8975 To 9001	
Tbg. Size 2 3/8"	Wt. 4.6	d	Set At 8934 KB	Perforations: From To	
Type Well - Single - Bradenhead - G.C. or G.O. Multiple Single				Packer Set At 8934	
Producing Thru Tubing		Reservoir Temp. °F # 130		Mean Annual Temp. °F	
				Baro. Press. - P <sub>g</sub> 13	
				State New Mexico	
L	H	G <sub>g</sub> 0.593	% CO <sub>2</sub> 0.67	% N <sub>2</sub> 0.25	% H <sub>2</sub> S Nil
				Prover Orifice	
				Meter Run Well Tester	
				Taps	

FLOW DATA				TUBING DATA		CASING DATA		Duration of Flow		
NO.	Prover Line Size	X	Orifice Size	Press. p.s.i.g.	Diff. in h <sub>w</sub> in	Temp. °F	Press. p.s.i.g.		Temp. °F	Press. p.s.i.g.
SI							2743		Sealed	
1.	2" x 1"			11.8	24.0	48	2591	20	-	
2.	2" x 1"			23.6	48.0	43	2448	20	-	
3.	2" x 1 1/4"			15.5	31.6	10	2335	0	-	
4.	2" x 1 1/4"			32.0	65.1	42	2169	20	-	
5.										

RATE OF FLOW CALCULATIONS							
NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$	Pressure P <sub>m</sub>	Flow Temp. Factor F <sub>t</sub>	Gravity Factor F <sub>g</sub>	Super Compress. Factor, F <sub>pv</sub>	Rate of Flow Q, Mcfd
1	520	24"	.9659	1.0117	1.0058	1.0010	512
2	809	48"	.9717	1.0168	1.0058	1.0013	805
3	1044	31.6"	.9675	1.0518	1.0058	1.0016	1070
4	1688	65.1"	.9746	1.0178	1.0058	1.0029	1689
5.							

NO.	P <sub>t</sub>	Temp. °R	T <sub>f</sub>	Z	Gas Liquid Hydrocarbon Ratio	Mcf/bbl.
1.					A.P.I. Gravity of Liquid Hydrocarbons	Deq.
2.					Specific Gravity Separator Gas	0.593
3.					Specific Gravity Flowing Fluid	XXXXXX
4.					Critical Pressure	675.2
5.					Critical Temperature	354.6

$P_c = 341.4$ $P_c^2 = 11.655 \times 10^6$				BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION EXHIBIT NO. 4 CASE NO. MNCFPD 4744 Submitted by _____		
NO.	P <sub>t</sub> <sup>2</sup>	P <sub>w</sub>	P <sub>w</sub> <sup>2</sup>	P <sub>c</sub> <sup>2</sup> - P <sub>w</sub> <sup>2</sup>	(1) $\frac{P_c^2}{P_c^2 - P_w^2}$	(2) $\left[ \frac{P_c^2}{P_c^2 - P_w^2} \right]^n$
1	*3294	10.850	0.805			
2	*3200	10.240	1.415			
3	*3000	9.480	2.109			
4	*2866	8.214	3.441			
5						

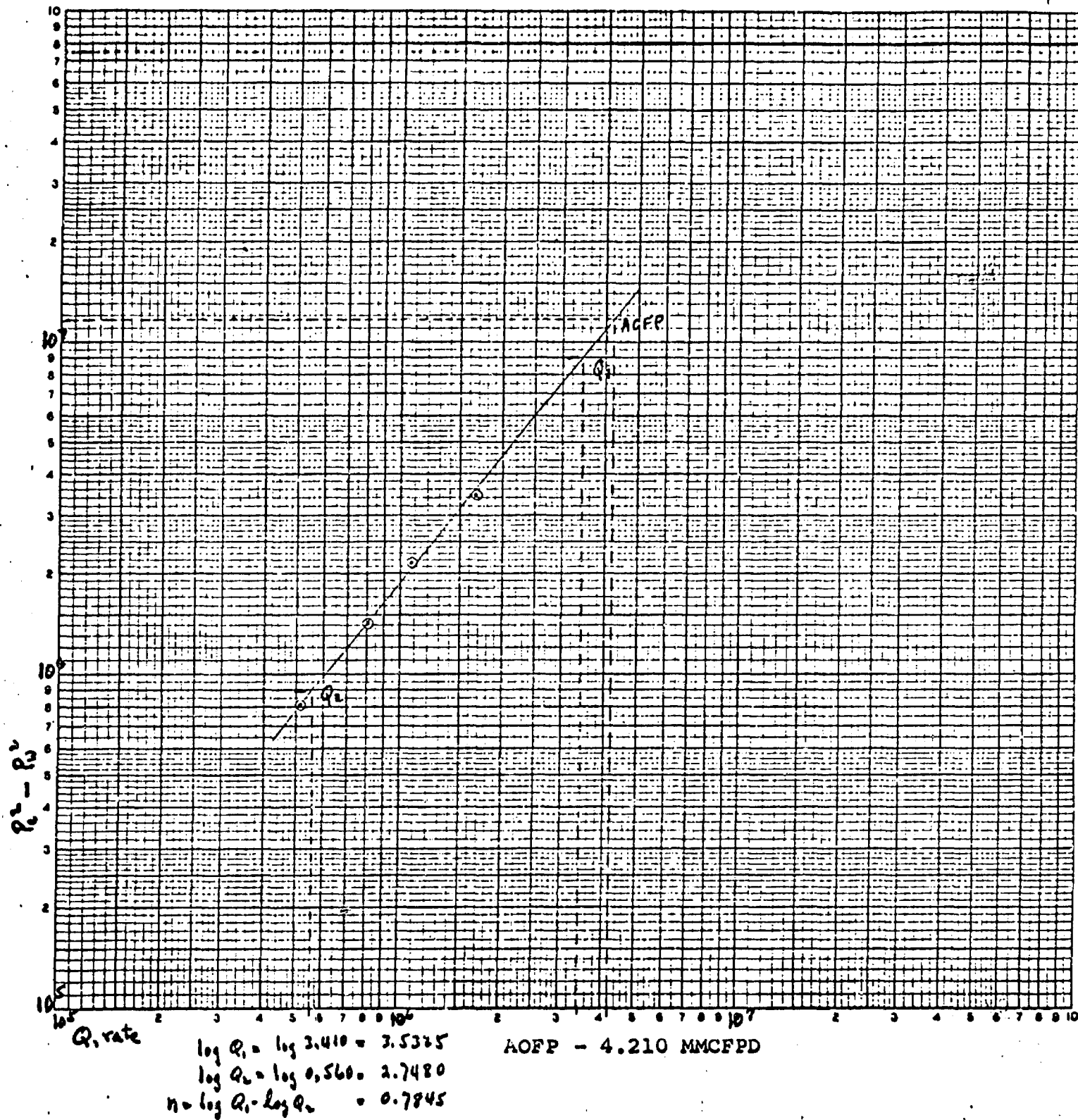
  

Absolute Open Flow _____ Mcfd @ 15.025		Angle of Slope @ 38.1 deg.		Slope, n 0.784	
Remarks: *Bottom Hole Pressure at 8993 (center of perf.) AOF Potential Test Conducted by Yates Petroleum Corp & Witnessed By Transwestern Pipeline Co.					
Approved By Commission:		Conducted By: Jack Moore (TW) & Don Weaver (Yates)		Calculated By: Eddie Mahfood	
				Checked By:	

12-081

Yates Petroleum Co., Inc.  
Johnston "BL" No. 1  
Sec. 8-19S-25E  
Eddy County, New Mexico

- Multipoint & One Point Back Pressure  
- Test for Gas Well



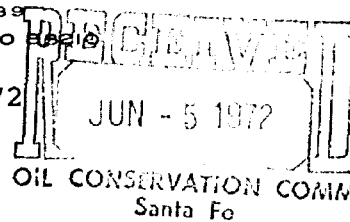
Full Logarithmic, 3 x 3 Cycles

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
**LOSEE & CARSON**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

2 June 1972



*Case 4744*

Mr. A. L. Porter, Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Enclosed herewith, you will please find Application of  
Yates Petroleum Corporation for Compulsory Pooling,  
Eddy County, New Mexico. Please set this matter for  
hearing before an examiner on or after June 20, 1972.

Very truly yours,

LOSEE & CARSON

A handwritten signature in dark ink, appearing to read "A. J. Losee".

A. J. Losee

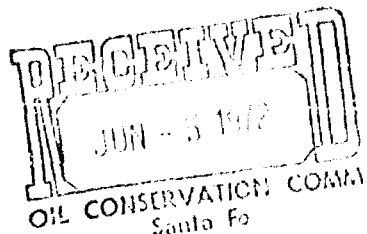
AJL:jw  
Enclosure

cc: Mr. Jack McCaw w/enclosure

*Worship  
Roger C. Hansen*

DOCKET NO. 670

Date 6-13-72



BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
YATES PETROLEUM CORPORATION FOR )  
COMPULSORY POOLING, EDDY COUNTY, )  
NEW MEXICO )

Case No. 4744

APPLICATION

COMES YATES PETROLEUM CORPORATION, by its attorneys,  
and in support hereof, respectfully states:

1. That, except as hereinafter noted, applicant is  
the owner and operator of the entire working interest in the  
Morrow formation underlying the E/2 of Section 8, Township 19  
South, Range 25 East, N.M.P.M., dedicated to applicant's  
recently completed Johnston "BE" Well No. 1, located 330 feet  
from the North line and 330 feet from the East line of said  
Section 8, in an undesignated Morrow gas pool, Eddy County,  
New Mexico. The unorthodox gas well location of the said  
Johnston "BE" Well No. 1 was approved by Administrative Order  
No. NSL-535 of the Oil Conservation Commission.

2. The owners of an undivided 1/2 of the working  
and royalty interests under the S/2 SE/4 of said Section 8,  
within the proposed gas spacing unit, have not agreed to pool  
their interests with applicant. That to avoid the drilling  
of unnecessary wells to protect correlative rights and to  
afford to the owners of each interest in the E/2 of said Sec-  
tion 8, the opportunity to recover or receive without unneces-  
sary expense his just and fair share of the gas underlying  
said half section, all mineral interests, whatever they may be,

in the Morrow formation underlying the E/2 of said Section 8 should be pooled to form a 320-acre unit dedicated to the applicant's Johnston "BE" Well No. 1.

3. That applicant should be designated as operator of the pooled unit.

4. Applicant has expended \$194,993.42 in originally drilling and in deepening and completing the said Johnston "BE" No. 1 Well. That any non-consenting working interest owner should be afforded the opportunity to pay his share of the said drilling and completion costs.

5. That any working interest owner who elects not to pay his share of the said drilling and completion costs should have withheld from production and paid to applicant his share of the said drilling and completion costs, the operating costs and a reasonable charge for supervision, and a charge for the risk involved in the drilling of the said well.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing, the Commission enter its order pooling all mineral interests, whatever they may be, in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, N.M.P.M., to form a 320-acre gas spacing unit to be dedicated to applicant's Johnston "BE" Well No. 1, at a non-standard location 330 feet from the North line and 330 feet from the East line of said Section 8.



C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By:   
A. J. Losee for

LOSEE & CARSON  
P. O. Drawer 239  
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

GMH/dr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 4744

Order No. R- 4336

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 28, 1972,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this \_\_\_\_\_ day of July, 1972, the Commission, a  
quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks  
an order pooling all mineral interests in the Morrow formation  
underlying the E/2 of Section (8) Township 19 South, Range 25  
East, NMPM, Boyd-Morrow Gas Pool,  
Eddy County, New Mexico.

(3) That the applicant has the right to drill and has  
drilled its Johnston "BE" well no. 1 at a location 330 feet from the North line and  
330 feet from the East line of said Section 8 to the Morrow  
formation.

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

~~(5) That the evidence indicates that approximately \_\_\_\_\_ acres in the E/2 of said Section 8 is not productive of gas from the Morrow formation.~~

~~(6) That the evidence indicates that approximately \_\_\_\_\_ acres in the E/2 of said Section 8 is productive of gas from the Morrow formation.~~

<sup>5</sup>  
(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in the E/2 of said Section 8 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interest, whatever they may be in the Morrow <sup>formation</sup> Pool underlying the E/2 of said Section 8 should be pooled.

<sup>6</sup>  
(8) That the applicant should be designated the operator of the subject well and unit.

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

<sup>8</sup>  
(10) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

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

-3-

CASE NO. 4744

Order No. R-

~~(12) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.~~

<sup>10</sup>  
(13) That ~~\$100.00~~ <sup>\$130.00</sup> per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

<sup>11</sup>  
(14) 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interest, whatever they may be, in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, NMPM, <sup>Bayd - Murray Gas Pool</sup> Eddy County, New Mexico, are hereby pooled to form a <sup>320-acre</sup> ~~standard~~ gas proration unit to be dedicated to <sup>the Yates Petroleum Corporation Johnston "8E" well no. 1</sup> ~~a well~~ located 330 feet from the North line and 330 feet from the East line of said Section 8.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

~~(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.~~

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

<sup>3</sup>

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within <sup>60</sup>~~30~~ days following ~~the date of this order;~~  
~~completion of the well;~~ that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 days following <sup>receipt of said schedule,</sup> ~~completion of the well,~~ the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

~~(6) That within 30 days, following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.~~

(4) That within 60 days from the date the schedule of said actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said actual well costs to the operator in lieu of paying his share of actual well costs out of production, and that any such owner who pays his share of said actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

(A) The pro rata share of ~~reasonable~~ <sup>actual</sup> well costs attributable to each non-consenting working interest owner who has not paid his share of ~~estimated~~ <sup>said actual</sup> well costs within ~~30~~ <sup>60</sup> days from the date the schedule of ~~estimated~~ <sup>actual</sup> well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of ~~reasonable~~ <sup>actual</sup> well costs attributable to each non-consenting working interest owner who has not paid his share of ~~estimated~~ <sup>actual</sup> well costs within ~~30~~ <sup>60</sup> days from the date the schedule of ~~estimated~~ <sup>actual</sup> 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 ~~\$100.00~~ <sup>\$130.00</sup> per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

<sup>8</sup>  
(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.

<sup>9</sup>  
(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.

<sup>10</sup>  
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

<sup>11</sup>  
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

CASE 4745: Application of YATES  
PETROLEUM FOR POOL REDEFINITION  
AND SPECIAL POOL RULES, EDDY CO.

Sept 11