

CASE 7305: AMOCO PRODUCTION COMPANY FOR
COMPULSORY POOLING AND AN UNORTHODOX
WELL LOCATION, EDDY COUNTY, NEW MEXICO

pany

Case No.

7305

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production
Company for compulsory pooling and
an unorthodox well location, Eddy
County, New Mexico.

CASE
7305

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Clyde L. Mote, Esq.
Amoco Production Company
Houston, Texas

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I N D E X

ROBERT J. KILLIAN

Direct Examination by Mr. Mote 4

JAMES M. WISHART

Direct Examination by Mr. Mote 15

Cross Examination by Mr. Nutter 21

DAVID BOATWRIGHT

Direct Examination by Mr. Mote 23

Cross Examination by Mr. Nutter 27

E X H I B I T S

Applicant Exhibit One, Map 6

Applicant Exhibit Two, Isopach 7

Applicant Exhibit Three, Cross Section 11

Applicant Exhibit Four, Map 16

Applicant Exhibit Five, List 17

Applicant Exhibit Six, TWX 18

Applicant Exhibit Seven, Document 19

Applicant Exhibit Eight, Document 19

Applicant Exhibit Nine, Well Cost 24

1
2 MR. NUTTER: The hearing will come to
3 order, please.

4 Call next Case Number 7305.

5 MR. PEARCE: Application of Amoco Pro-
6 duction Company for compulsory pooling and an unorthodox well
7 location, Eddy County, New Mexico.

8 MOTE: I'm Clyde Mote, attorney, from
9 Houston, Texas, appearing for Amoco Production Company in
10 association with Atwood and Malone.

11 We'll have three witnesses.

12
13 (Witnesses sworn.)

14
15 MR. MOTE: Mr. Examiner the well loca-
16 tion we're asking to be amended. I don't believe it would
17 require re-notice of the hearing. When we went out to stake
18 the well to check the surface location, we found a surface
19 obstruction which required us to move the well 910 feet from
20 the south line as opposed to the 660 feet requested.

21 Since this is towards the orthodox
22 location from the unorthodox location requested, I assume
23 that no further notice of this hearing will be required. is
24 that correct?

25 MR. NUTTER: Inasmuch as the location

1
2 is being moved towards a more orthodox location, than it was
3 advertised, we will consider the application amended.

4 MR. MOTE: Thank you. Call as our first
5 witness Mr. Killian.

6
7 ROBERT J. KILLIAN

8 being called as a witness and being duly sworn upon his oath.
9 testified as follows, to-wit:

10
11 DIRECT EXAMINATION

12 BY MR. MOTE:

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

15 A My name is Robert James Killian, em-
16 ployed by Amoco Production Company in Houston, Texas, as a
17 petroleum geologist.

18 MR. NUTTER: Is that K-I-L-L-I-A-N?

19 A Yes, sir.

20 Q Would you please relate your educational
21 experience for the Examiner?

22 A I'm a graduate of the University of
23 Texas in 1977 with a Bachelor of Science in geology.

24 Q And what is your work experience?

25 A I'm employed by Amoco Production since

1
2 April of 1978 in the Houston Region as exploration geologist.

3 Q Have you previously testified before
4 the Division?

5 A No, I have not.

6 Q Are you familiar with the area involved
7 in this application?

8 A Yes, I am.

9 Q Are you familiar with the application of
10 Amoco in this proceeding?

11 A Yes.

12 Q And what is that application?

13 A From compulsory pooling and drilling a
14 well in an unorthodox location.

15 Q And the well that's to be drilled is
16 the Fate Well No. 1, is that correct?

17 A Yes, it is.

18 MR. MOTE: Is the witness considered
19 qualified?

20 MR. NUTTER: Yes, he is.

21 Q I'll ask you to testify concerning
22 certain exhibits. Were these exhibits either prepared by
23 you or under your supervision and direction?

24 A Yes, they were.

25 Q All right, turn to your first exhibit.

1
2 if you would. I believe this is a map of the area in question,
3 is it not?

4 A. Yes, sir.

5 Q. And how is your proposed location shown
6 on this map?

7 A. Indicated by a red arrow.

8 Q. And the various wells that are shown on
9 this map in different colors, would you explain what those
10 are?

11 A. This is a map which indicates wells that
12 have penetrated the Pennsylvanian formatin in the area, the
13 completed intervals and the cumulative production rates as
14 of March, 1981, and latest flow tests as of March, 1981.

15 Q. And is this all of the wells that you
16 considered that penetrated the Pennsylvanian?

17 A. Yes, they are.

18 Q. And the information that you show with
19 regard to the cumulative production and the last tested,
20 that's what you've highlighted on this map?

21 A. Yes, sir.

22 Q. Do you have anything further regarding
23 this exhibit?

24 A. No, I do not.

25 Q. It's in Eddy County, New Mexico, is it

1
2 not?

3 A. Yes.

4 Q. All right. Go to your second exhibit,
5 if you would. I believe this is an Isopach map.

6 A. Yes, sir.

7 Q. How did you get the information to make
8 this determination?

9 A. The Isopach map was constructed from
10 subsurface electric logs.

11 Q. All right, and I notice a cross section
12 across the thing. It's black. It's a little bit hard to see
13 but point it out to the Examiner because you're going to be
14 talking about that a little bit later.

15 A. This ---

16 Q. Going from one well to the other explain
17 where it is.

18 A. This is cross section A-A' in Township
19 23 South, Range 28 East, extending from HNG's No. 1 Pardue
20 33 in the east half of Section 33 across the Atoka Channel
21 system to Amoco's No. 1 Pardue Farms, located in the east
22 half of Section 26. It includes four wells.

23 Q. All right.

24 MR. NUTTER: It doesn't catch this well
25 in the north half of Section 11?

1
2 A. No, it does not. I did not have a CNL
3 density on it.

4 Q What sand is shown in the yellow on
5 this map?

6 A. This is Atoka Sand, an over-pressure
7 sand within the Atoka formation. This is one stratigraphic
8 interval. The values I've used to construct this are based
9 on what I consider clean sand that is less than 50 API units
10 on the gamma ray.

11 Q All right, and you show the proposed
12 location on this map also by a red arrow, do you not?

13 A. Yes, sir.

14 Q Now both on this map and the previous
15 exhibit Number One is the proposed location shown at the
16 910 rather than the 660 location?

17 A. Yes, it is.

18 Q The various wells that you have on here
19 show certain information in little boxes in reference to each
20 well. What is -- what is that information and where did you
21 get it?

22 A. This information is from scout tickets.
23 I've included the eighteen local wells surrounding our pro-
24 posed location. Within the boxes I have the name of the
25 well, the total depth reached, the completion date initial

1
2 potential, and in some cases pressure data, and in some cases
3 cumulative production figures.

4 Q Point out some of the most significant
5 control points on this exhibit, please, sir.

6 A Our objective with regards to the unorthodox location is to approach the center of the channel.
7
8 Key wells in this regard include the Maddox No. 1 Pardue
9 Farms 26, located in the west half of Section 26, which encountered 23 feet of clean Atoka Sand. This well was potentialized flowing 10.25 million a day, and is as close to the
10 axis of the channel system as any well in the area. It is
11 our maximum sand thickness.
12
13

14 We approach the edge of the channel
15 system as HNG has in No. 1 Vasquez 4, located in the east
16 half of Section 4, which encountered only 6 feet of Atoka,
17 clean Atoka Sand. The initial potential there was 1.5 million
18 a day, so your chances of success are significantly reduced
19 towards the edges of the system.

20 Q Do you consider that you have pretty
21 good control of the width of this channel?

22 A Yes, I do. Our narrowest point to the
23 north is defined by the three wells in Section 26 and 27, in
24 the west half of 27 the Maddox No. 1 Pardue 27 encountered
25 2 feet of clean Atoka Sand. No attempt was made to complete

1
2 in this zone.

3 In Section 26, again Maddox No. 1 Pardue
4 Farms 26 encountered 23 feet of clean sand, and in the east
5 half of Section 26 Amoco No. 1 Pardue Farms encountered no
6 sand in this interval.

7 Our widest point of control was just to
8 the south of our proposed location. HNG's No. 1 Vasquez 4
9 with 6 feet of sand, Aminoil's No. 1 Vasquez Com, located in
10 Section 3 with 18 feet of clean sand.

11 MR. NUTTER: What does SO mean as a code
12 on these wells?

13 A. It's a shale out or a zero value.

14 MR. NUTTER: Okay.

15 A. The brown on this map indicates no sand.
16 Maddox No. 1 Malaga encountered 13 feet of sand and to the
17 east here Phillips No. 1 Malaga encountered no sand in the
18 Atoka.

19 Q Is it your opinion that the closer you
20 get to the center of the channel ordinarily you'll be able
21 to get --- more likely get a commercial production?

22 A. Yes, sir, it is.

23 Q Are you of the opinion that you could
24 or could not get a commercial producer at the orthodox loca-
25 tion?

1

2

A. From the Atoka, no, sir.

3

4

Q. From the Atoka. Now is the orthodox location shown on this Exhibit Number Two?

5

6

A. Yes, it is. I've indicated the orthodox location with a circle to the north.

7

8

Q. Just to the north of the proposed location?

9

10

11

A. The west half of 34.

12

13

Q. Yes sir. Do you have anything further with regard to this exhibit?

14

15

16

A. No, sir.

17

18

19

Q. All right turn to your Exhibit Number Three. Go through each of these wells and describe the wells and what they show in connection with this exhibit please, sir.

20

21

22

23

24

25

A. This is a cross section hung on a structural datum, including the Pennsylvanian section in the subject area.

The first well, it's essentially perpendicular to the channel system. To the west HNG No. 1 Pardue 33, which is currently testing. This is in the east half of Section 33, encountered no sand in the Atoka interval here. This is a zero point or a shale out.

To move into the channel to the west,

1

12

2

HNG's No. 1 Pardue 34 in the east half of Section 34 encountered

3

12 feet with -- and a successful completion in the Atoka.

4

The third well on the cross section,

5

HNG No. 2 Williams 35 in the south half of Section 35, also

6

a successful completion in the Atoka. It encountered 18 feet

7

of clean sand.

8

And moving somewhat further to the east,

9

Amoco's No. 1 Pardue Farms, a Strawn completion for 11 million

10

a day. No Atoka Sand encountered here.

11

Q

Where would your proposed well lie if it

12

were placed on this cross section?

13

A

Between HNG's Pardue 33 and HNG's No. 1

14

Pardue 34.

15

Q

Does this exhibit show the perforations

16

on it?

17

A

Yes, it does. I've indicated those in

18

red.

19

Q

And the sand thickness, is the sand

20

thickness shown by the two wells in the middle that are com-

21

pleted in the channel?

22

A

Yes, it is.

23

Q

And it's in yellow, just like it is on

24

Exhibit Number Two?

25

A

This area colored yellow.

1
2 Q Does this support your Exhibit Number
3 Two, in your opinion?

4 A Yes, I believe it does.

5 Q What is your recommendation to Amoco
6 with regards to the drilling of this well?

7 A I recommended that Amoco drill a well
8 660 from south line and 1980 from west line of Section 34.

9 Q And would you recommend that a well be
10 drilled at the 1980 location from the south line?

11 A No, I would not.

12 Q Why is that?

13 A Our probability for success would be
14 significantly decreased as we'd be at or near the shale out
15 for the sand.

16 Q Do you know why the well was moved from
17 the advertised location of 660 from the south line up to 910
18 from the south line?

19 A Yes, sir, to avoid a surface obstruction.

20 Q Would you say that your testimony gen-
21 erally is in connection with the proposed well that the
22 further north you have to go with this well that the risk is
23 greater for successful commercial completion?

24 A Yes, sir.

25 MR. MOTE: We offer Exhibits One, Two,

1
2 and Three, and that concludes our testimony involving this
3 witness.

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

6 Now let's see, he said he recommended
7 the well be 660 from the south line and that's what was ad-
8 vertised, but because of surface obstruction you're moving it
9 to what, 910?

10 A. Yes, sir.

11 MR. MOTE: Yes, sir.

12 MR. NUTTER: 910 from the south line.
13 And the distance from the west line remains the same, 1980
14 from the west line, is that correct?

15 MR. MOTE: Yes, sir.

16 MR. NUTTER: Are there any questions of
17 this witness? He may be excused.

18 MR. MOTE: Our next witness is Mr. Jim
19 Wishart.

20
21 JAMES M. WISHART
22 being called as a witness and being duly sworn upon his oath,
23 testified as follows, to-wit:
24
25

DIRECT EXAMINATION

BY MR. NOTE:

Q If you would, please, state your name,
by whom employed, and in what capacity?

A My name is James M. Wishart. I'm
employed by Amoco Production Company as a landman in the
Houston office.

Q Have you --
MR. NUTTER: Spell your last name,
please.

A W-I-S-H-A-R-T.

MR. NUTTER: Thank you.

Q Have you previously testified before
the Division?

A No.

Q Would you please relate your educational
and work experience with Amoco?

A I graduated in 1972 from the Southwest
Texas State University and have been employed by Amoco Pro-
duction Company for the past three years as a landman.

Q Are you familiar with the area of the
application?

A Yes, sir.

Q And are you familiar with the application

1
2 that's been made by Amoco in this proceeding?

3 A Yes, sir.

4 MR. MOTE: Is there any question con-
5 cerning this witness' qualification to testify as a landman?

6 MR. NUTTER: No, sir, he's qualified.

7 Q You have, I believe, four -- Exhibits
8 Four through Eight that you'll be asked to testify concerning.
9 Were these exhibits either prepared by you or under your
10 supervision and direction?

11 A Yes, sir, they were.

12 Q All right. Turn to Exhibit Number Four.
13 Explain what you show on this exhibit please, sir.

14 A Exhibit Number Four is an ownership map
15 covering approximately nine square miles in and around our
16 proposed unorthodox location.

17 Q And you've got a legend on there which
18 shows the difference between the producing wells, the pro-
19 posed location, and a testing well, is that correct?

20 A Yes, sir. I've indicated the producing
21 well by the normal symbol, the producing well being a well
22 producing from the Pennsylvanian formation.

23 Our proposed location is indicated also
24 by an arrow.

25 Q Do you have anything further with regard

1
2 to this exhibit?

3 A. No, sir.

4 Q. All right, turn to Exhibit Number Five.
5 What is this exhibit?

6 A. Exhibit Number Five covers the west half
7 of Section 34, Township 23 South, Range 28 East. It is the
8 ownership map, or the ownership that's set forth in the west
9 half of that section.

10 Q. You've got three columns here. One of
11 them shows the owners of all the mineral interests in the
12 section -- west half of Section 34 that's under consideration?

13 A. Yes, sir. The additional information
14 covers the tracts that each individual owner has at this
15 time, as well as the proportionate interest ownership for
16 each.

17 Q. Do you have anything further on this
18 exhibit?

19 A. No, sir.

20 Q. Have you been in correspondence both
21 verbally and in writing with these owners in the west half
22 of Section 34?

23 A. Yes, sir, I have.

24 MR. NUTTER: Now these are all working
25 interest owners?

1

2

A. Not all of them.

3

MR. NUTTER: Fee owners?

4

A. There are -- there are two that are fee owners, yes, sir.

6

MR. NUTTER: That have not been leased.

7

A. Right, yes, sir.

8

9

MR. NUTTER: So under a compulsory pooling order they would be working interest owners?

10

A. Yes, sir.

11

12

MR. NUTTER: So this would be a list of all the working interest owners in that respect.

13

A. Yes, sir.

14

Q. All right, turn to your EXhibit Number

15

16

Six. This is a TWX which was sent to the same people that you've just shown on your previous exhibit, is that correct?

17

18

19

20

21

A. Yes, sir, it was sent to all working interest owners and advised them of our proposal or plans to drill at the unorthodox location; also mentioned the cumulative cost of the drilling of wells and asked for a reply. It's dated June 30th.

22

Q. And did you get any responses?

23

A. Yes, sir.

24

Q. In writing?

25

A. Yes, sir, we did. We heard -- we heard

1
2 in writing from three owners, Roy G. Barton, Jr. HNG Oil
3 Company, and Phillips Petroleum. Those are indicated under
4 Exhibit Number Seven.

5 They represent approximately 75 percent
6 of the working interest in the west half of Section 34.

7 MR. NUTTER: They plus Amoco you mean.

8 A. Yes, sir.

9 MR. NUTTER: Did they reply in the af-
10 firmative?

11 A. Yes, sir, they did.

12 Q. Did you send out then an AFE?

13 A. Yes, we did. We followed that with an
14 AFE.

15 Q. Is that your Exhibit Number Eight?

16 A. That's Exhibit Number Eight. It's dated
17 July 9th, 1981. It included our estimated well cost as well
18 as again listing the working interest ownership and advising
19 each, or inclosing to each owner a mailing list of the other
20 working interest owners.

21 Q. Is there anything on this exhibit Number
22 Eight that you would like to correct?

23 A. Yes, sir, there is. A clerical error
24 was made in the listing of working interest ownership on
25 page one of the letter. Pardue Farms, the second listing,

1
2 and Bill Seltzer, the third listing, have had their corres-
3 ponding mineral interests, or working interests, reversed.
4 It should read Pardue Farms with .03125 and Bill Seltzer with
5 .015625.

6 Q All right, have you contacted all the
7 owners verbally who didn't respond in writing?

8 A Yes, sir, I have.

9 Q Of the total percentage, how many, what
10 percent of the working interest owners have agreed to join
11 either verbally or in writing?

12 A Including Amoco, 95.4 percent have agreed
13 to join.

14 Q And who has refused to join?

15 A Two owners, Aminoil, representing approx-
16 imately 3.1 percent of the total, and Robert Coleman, re-
17 presenting approximately 1 1/2 percent of the total.

18 Q So that leaves about 4.6 percent who've
19 refused to join or have neglected to join to this date?

20 A Yes, sir.

21 Q Do you have any problem with leases ex-
22 piring in the near future?

23 A Yes, sir, we do. Our leasehold, which
24 represents 115 net acres out of the west half, expires August
25 the 2nd, 1981. In addition, Mr. Bill Seltzer, who is on

several of these exhibits. has 10 acres which will be expiring July the 25th, 1981.

Q In case the Division could get an order out approving this proposal shortly, would you be able to get a rig on to keep these leases in effect?

A Yes, sir, we would have a rig available.

Q Okay. Do you have any further testimony with regard to your contacts with the various owners in this section, this half section?

A No, sir. I don't.

MR. MOTE: We offer Exhibits Four through Eight into evidence, and that concludes our testimony from this witness.

MR. NUTTER: Exhibits Four through Eight will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Now, Mr. Wishart, I didn't follow you exactly. At first you said you had affirmative replies from Barton and Phillips and HNG, and they represented along with Amoco 75 percent?

A Yes, sir, those were the ---

Q And you said over here that you've had

affirmative replies from 95.4 percent.

A. Yes, sir, those three plus Amoco, which represented 75 percent were the three that responded in writing, and we have copies of the wires.

Q. And these others have had verbal response.

A. The others we've contacted by phone and they indicated verbally that they would join.

Q. But you have it in writing only from those other three so far.

A. Yes, sir.

Q. And you have a definite nay from Coleman and Aminoil, is that it?

A. Yes, sir.

Q. Okay.

MR. NUTTER: Are there any further questions for Mr. Wishart? He may be excused.

MR. MOTE: Call Mr. David Boatwright.

DAVID BOATWRIGHT

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

DIRECT EXAMINATION

BY MR. MOTE:

Q Please state your name, by whom employed, and in what capacity and location.

A. My name is David A. Boatwright. I'm employed by Amoco Production Company in Houston, Texas, as an engineer.

Q Have you ever testified before the Division?

A. No, I haven't.

Q If you would, please, relate your educational experience.

A. I got a BS degree in mechanical engineering from Texas A & M University in 1974. Went to work for Amoco right after that and have worked in both the district offices and the division and region offices in drilling production operations, and reservoir engineering.

Q Are you familiar with the area of this application?

A. Yes, sir, I am.

Q And are you familiar with the application itself?

A. Yes, sir.

MR. MOTE: Is there any question con-

cerning this witness' qualifications to testify as an engineering witness?

MR. NUTTER: He's qualified.

Q You've been asked to testify concerning certain exhibits, or one exhibit, was this exhibit either prepared by you or under your supervision and direction?

A Yes, sir, it was.

Q And turning to your Exhibit Number Nine, Amoco Exhibit Number Nine please explain what this is.

A This is a detailed well cost worksheet.

Q And where did you get the information that you used on which to base this detailed worksheet?

A We developed these cost estimates from the drilling of the State "JB" Well No. 1 in Section 32 to the west of this subject well.

Q And when was that drilled?

A That well was drilled, spudded in December, 1980. It was -- the drilling was completed in March, 1981.

Q All right, and what does this worksheet show, or what is your estimate or opinion of the dry hole costs in connection with drilling of the Fate Well No. 1?

A Dry hole costs for this well will be 1.892 million dollars.

1

2

Q What about if it's a producer?

3

A If it's a producer the costs will be

4

2.216 million dollars.

5

Q Are there some surface costs in addition

6

to that?

7

A The surface costs associated with this

8

well will be approximately \$80,000.

9

Q Have you made any estimates concerning

10

supervision during drilling and supervision during production

11

of the Fate Well?

12

A Yes, sir the numbers we came up with ---

13

came up with there were \$4000 a month under drilling condi-

14

tions for supervision and \$400 a month under producing

15

conditions.

16

Q And are you requesting that Amoco Pro-

17

duction Company be allowed to be operator of this unit if

18

it's formed?

19

A Yes, sir, I am.

20

Q Have you considered the --- what should

21

be charged as risk in connection with any working interest

22

owner who decides he does not wish to take the drilling risk

23

in the drilling of this Fate No. 1 Well?

24

A Yes. We're proposing the maximum risk

25

penalty be invoked, that being 200 percent.

1
2 Q Do you anticipate that the well drilled
3 at the proposed location will be commercial and pay out the
4 costs of drilling and operation and return a fair profit to
5 unit owners?

6 A Yes sir.

7 Q Has Amoco filed an application for a
8 permit to drill yet?

9 A Not as yet, no.

10 Q Do you feel that they soon will do so?

11 A Yes, we plan to file a permit with the
12 Division and I'd like to comment on that permit that it would
13 be contingent upon the outcome of this hearing.

14 Q All right, in your opinion would the
15 granting of the application of Amoco be in the interest of
16 conservation, the prevention of waste, and the protection of
17 correlative rights?

18 A Yes, sir.

19 MR. MOTE: We offer Exhibit Number Nine
20 and that concludes our case and testimony from this exhibit.

21 MR. NUTTER: Exhibit Nine will be ad-
22 mitted in evidence.
23
24
25

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Boatwright, this combined fixed rate of \$4000 while drilling and \$400 while producing, that's the first time I've encountered a figure that high. Is that what Amoco's charges are?

A Yes, sir.

Q Is that in the agreement that you -- now you said that Phillips and HNG had agreed in -- or Mr. Wishart said that they had agreed in writing to this proposal.

A Yes, sir.

Q Is that in the voluntary communitization agreement with those operators?

A We've not shown them a communitization agreement as yet.

Q Or the operating agreement I mean?

A These numbers were not in that, either that TWX or the AFE that we sent them.

Q I hadn't seen a \$4000 a month while drilling overhead charge before.

A That's just a number that has been generated based on our experience in this area, and the cost of drilling a well of this high risk in this area of New Mexico.

Q Amoco must have a high overhead. Now what are you basing the 200 percent risk factor on?

A That it's a deep well. It has various risks associated with it. Numerous sets of pipe have to be set. We're going to be drilling with -- in an over-pressured area. The pressures in this area have been determined to be more than a standard gradient, and for that reason we feel that it's more than a regular risk. It's a high risk well.

Q That Culebra Bluff blowout was in this same probable channel, wasn't it?

A Yes, sir, I believe it's offset to the north.

Q The unorthodox location, though, is designed to minimize the risk to get into the channel, isn't it?

A Yes, sir, but there's still some risk associated with that. It's not -- nothing is 100 percent, I don't believe, when you're drilling around a channel like that.

Q Now this \$80,000 surface cost, what would that include?

A That includes the flow lines, the metering, the --

Q Separators?

1
2 A Separation equipment at the surface, yes.
3 Q And the tanks.
4 A Yes, anything from the wellhead out.
5 The wellhead is the cost at which we stop doing our drilling
6 estimate that's on this sheet and that's why the \$80,000.
7 Q The wellhead is on here?
8 A Yes.
9 Q So it's down -- everything downstream
10 from the well through the tanks?
11 A Yes, sir.
12 MR. NUTTER: Are there any further ques-
13 tions of this witness? He may be excused.
14 Do you have anything further, Mr. Mote?
15 MR. MOTE: No, sir.
16 MR. NUTTER: Does anyone have anything
17 they wish to offer in Case Number 7305?
18 MR. PEARCE: Mr. Examiner. I believe the
19 record should reflect that the Oil Conservation Division has
20 received a letter signed by Mr. Jerry L. Harper of Aminoil
21 expressing his opposition to any well location closer than
22 1980 from the south line of Section 34.
23 MR. NUTTER: No expression of sentiment
24 as far as the compulsory pooling is concerned, however?
25 MR. PEARCE: None.

MR. NUTTER: Thank you.

Does anyone else have anything to offer
in Case Number 7305?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

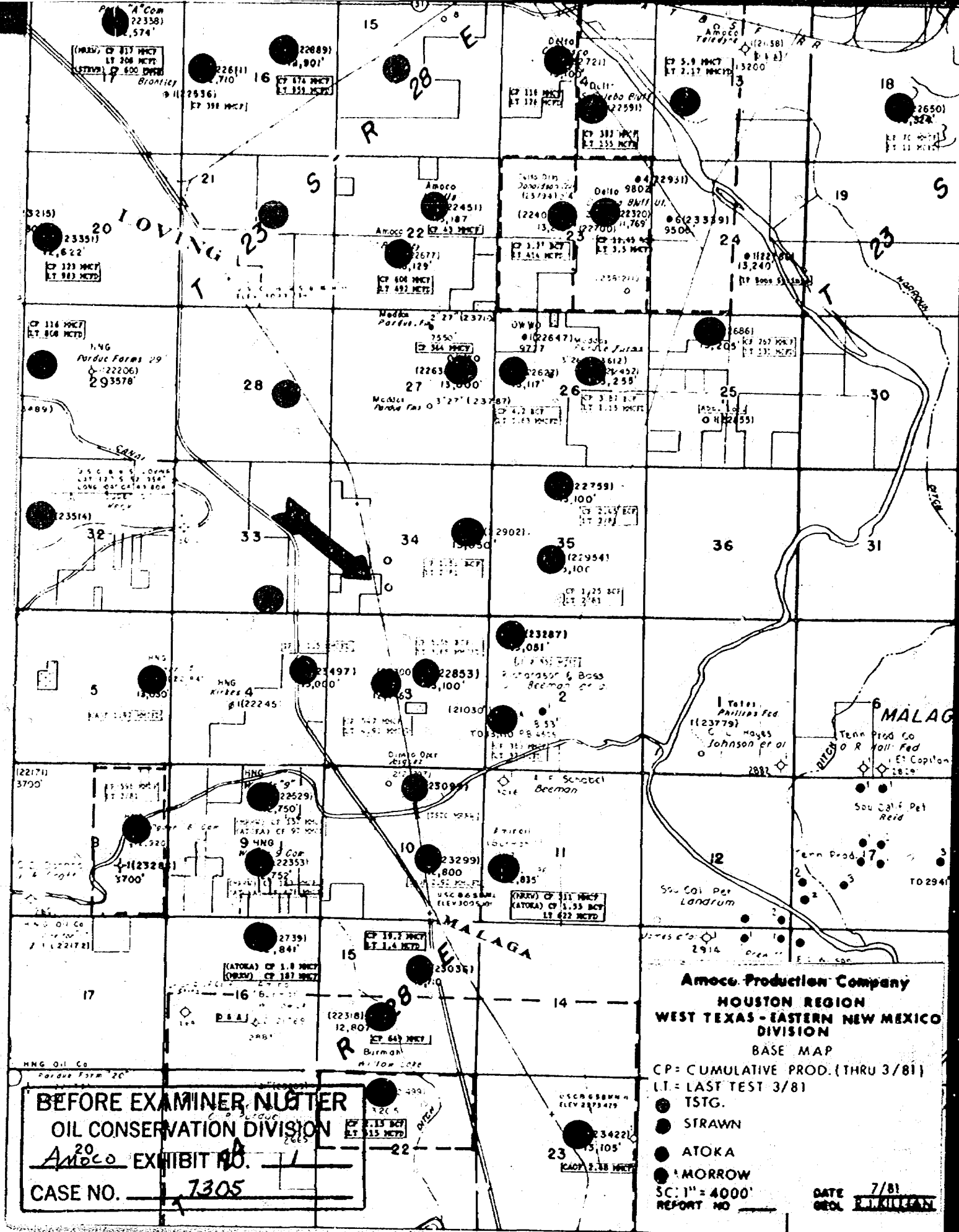
Sally W. Boyd CSR

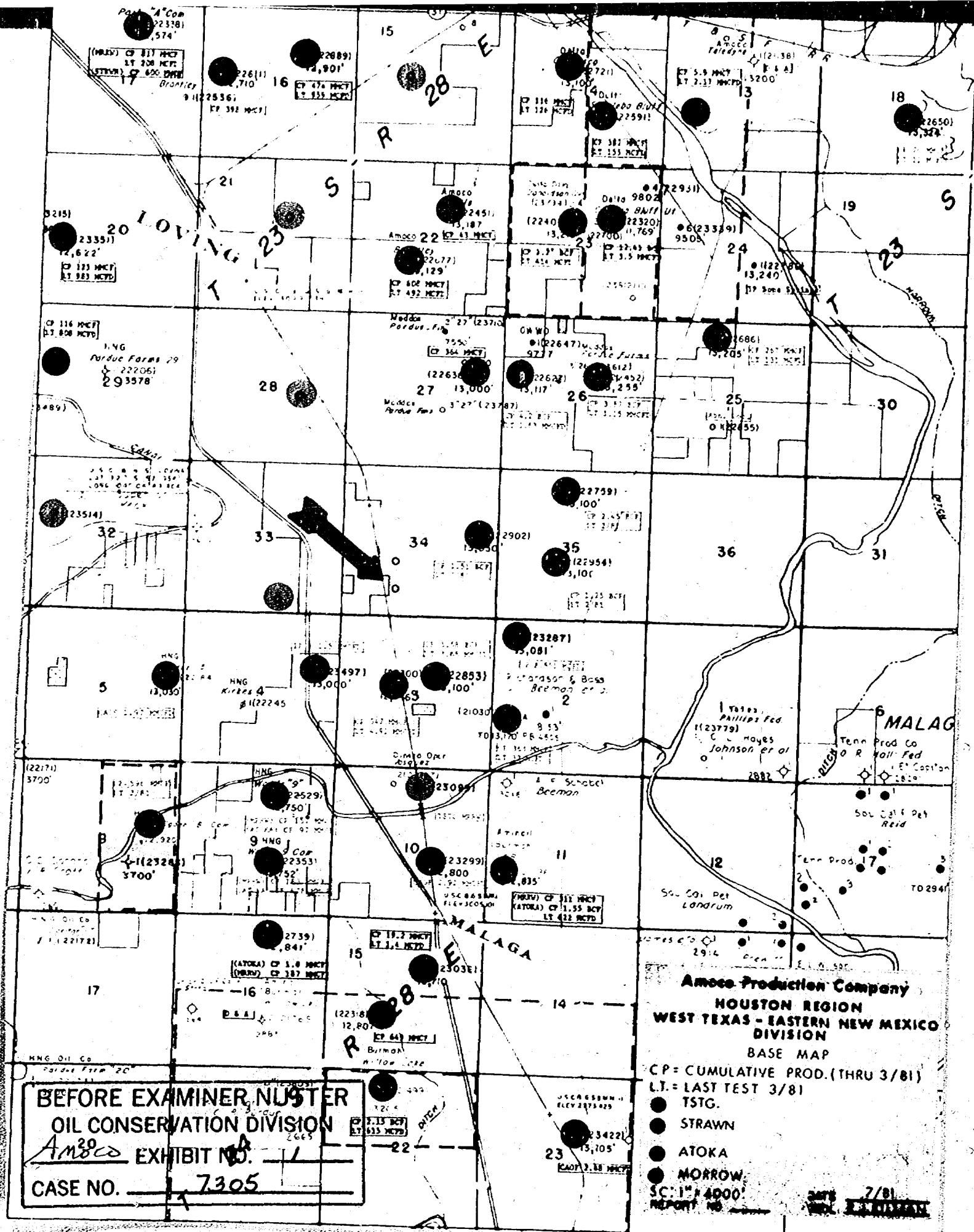
I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7305 heard by me on 7/15 1981.

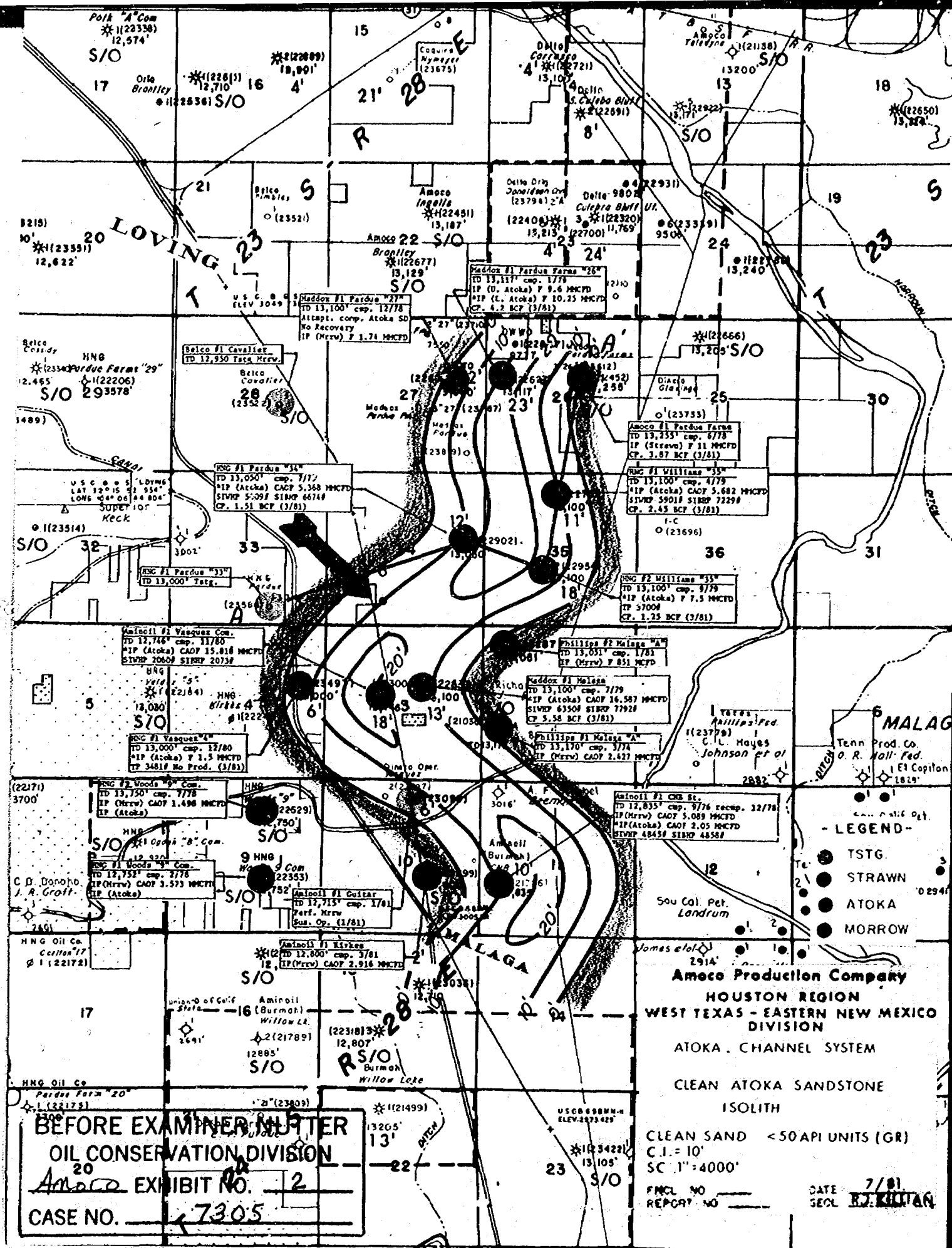
[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409







BEFORE EXAMINER MUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 2
CASE NO. 7305

- LEGEND -
● TSTG
● STRAWN
● ATOKA
● MORROW
Amoco Production Company
HOUSTON REGION
WEST TEXAS - EASTERN NEW MEXICO
DIVISION
ATOKA CHANNEL SYSTEM
CLEAN ATOKA SANDSTONE
ISOLITH
CLEAN SAND < 50 API UNITS (GR)
C.I. = 10'
SC 1" = 4000'
FMCL NO. _____
REPORT NO. _____
DATE 7/81
SEAL [Signature]

Southest Loving Area
W/2 Section 34, T-23-S, R-28-E
Eddy County, New Mexico

AMOCO PRODUCTION COMPANY

23/64

W/2 SW/4 NW/4 NW/4, SW/4 NW/4, NW/4 SW/4, NE/4 SW/4 SW/4,
E/2 NW/4 SW/4 SW/4, E/2 SW/4 SW/4 SW/4, W/2 SE/4 SW/4 SW/4,
W/2 NW/4 SE/4 SW/4

PARQUE FARMS; A NEW MEX. CORP.

1/32

E/2 NE/4 SE/4 SW/4, E/2 SW/4 NE/4 NW/4

BILL SELTZER; MIDLAND, TEXAS

1/64

E/2 SE/4 NE/4 NW/4

JACK RUSSELL; ROBERT H. JOHNSON, RICHARD S. GADDY,
D.D.D.F. COMPANY, INC.

7/64

E/2 SW/4 SE/4 SW/4, W/2 SE/4 SE/4 SW/4, W/2 NW/4 SW/4 SW/4,
E/2 SE/4 NW/4 NW/4, W/2 SW/4 SW/4 SW/4, E/2 SE/4 SE/4 NW/4,
W/2 NE/4 SE/4 NW/4

GEORGE G. STALEY

1/32

NE/4 NE/4 NW/4

ED PHILLIPS - MIDLAND, TEXAS

1/64

W/2 SW/4 NE/4 NW/4

ROY G. BARTON - HOBBS, NEW MEXICO

1/16

NW/4 NW/4 NW/4, E/2 SW/4 NW/4 NW/4, W/2 SE/4 NW/4 NW/4

ROBERT B. COLEMAN

1/64

W/2 NE/4 NW/4 NW/4

PHILLIPS PETROLEUM

1/8

E/2 NW/4 NW/4 NW/4, NW/4 NE/4 NW/4, W/2 SE/4 NE/4 NW/4,
NW/4 SE/4 NW/4, E/2 NE/4 SE/4 NW/4, W/2 SE/4 SE/4 NW/4

AMINOIL OIL

1/32

E/2 SE/4 SW/4 SW/4, W/2 SW/4 SE/4 SW/4

HNG

13/64

NE/4 SW/4, SW/4 SE/4 NW/4, E/2 NW/4 SE/4 SW/4, W/2 NE/4
SE/4 SW/4, E/2 SE/4 SE/4 SW/4

*1/8
neglected
in
to join*

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
AMOCO EXHIBIT NO. 5
CASE NO. 7305

9184281212
HU INFOMASTER
*
AMOCOPRD R HOU

0166211181 1613EST
NR 001 HOUSTON, TX 6/30/81
ZIP
PARQUE FARMS, A N.M. LIMITED CORP.
P.O. BOX 128
LOVING, NEW MEXICO 88256

REQUEST YOUR APPROVAL TO DRILL THE FATE WELL NO. 1 LOCATED 660'
FSL X 1900' FNL, SEC. 34, T-23-S, R-28-E, EDDY COUNTY, NEW MEXICO
TO AN APPROXIMATE DEPTH OF 13,050'. ESTIMATED GROSS DRY HOLE COST
\$1,892,000. ESTIMATED GROSS PRODUCER COST \$2,216,000. AN ADDITIONAL
\$80,000 WILL BE REQUIRED FOR ASSOCIATED EQUIPMENT.

DUE TO EXPIRING ACREAGE AND RIG AVAILABILITY, WE WOULD APPRECIATE
YOUR REPLY BY RETURN TELEX OR WIRE BY 7-7-81. A FORMAL AFE IS
FORTHCOMING BY MAIL FOR YOUR EXECUTION.

E. D. NEWMAN
DIVISION OPERATIONS SUPERINTENDENT
AMOCO PRODUCTION COMPANY (USA)
HOUSTON, TEXAS

TX 9188811602 AMOCOPRD R HOU
OR 9188812586 AMOCOPRD R HOU

JUNE 30, 1981
END

882 HOUSTON, TX 6/30/81
ZIP
BILL SELTZER
514 PETROLEUM BLDG.
MIDLAND, TX. 79701

883 HOUSTON, TX 6/30/81
ZIP
JACK S. RUSSELL
108 PERMIAN BLDG.
MIDLAND, TX. 79701

884 HOUSTON, TX 6/30/81
ZIP
ROBERT J. JOHNSTON
P.O. BOX 1535
MERRVILLE, TX 78628

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 6
CASE NO. 7305

885 HOUSTON, TX 6/30/81

ZIP

RICHARD S. GADDY

P.O. BOX 2572

MIDLAND, TX 79701

886 HOUSTON, TX 6/30/81

ZIP

D.D.B.F. CO., INC.

P.O. BOX 465

MIDLAND, TX 79702

887 HOUSTON, TX 6/30/81

ZIP

GEORGE G. STALEY

1705 FIRST NATIONAL BANK BLDG.

MIDLAND, TX 79701

888 HOUSTON, TX 6/30/81

ZIP

ED E. PHILLIPS

706 GIRLO TOWER WEST

MIDLAND, TX 79701

889 HOUSTON, TX 6/30/81

ZIP

ROY G. BARTON, JR.

300 WEST TAYLOR

HOBBBS, NEW MEXICO 88240

810 HOUSTON, TX 6/30/81

ZIP

ROBERT B. COLEMAN

P.O. BOX 501

MIDLAND, TX 79701

811 HOUSTON, TX 6/30/81

ZIP

PHILLIPS PETROLEUM

4100 PENDROCK

ODESSA, TX 79762

812 HOUSTON, TX 6/30/81

ZIP

ARINOIL PETROLEUM

600 WESTERN UNITED LIFE BLDG.

MIDLAND, TX 79701

813 HOUSTON, TX 6/30/81

ZIP

HNS

P.O. BOX 2267

MIDLAND, TX 79701

ROY G BARTON JR BARTON OIL PRODU
PO BOX 978
HOBBS NM 88240



4-057379S182 07/01/81 ICS IPHMTZZ CSP HOUB
5053935426 MGM TDMT HOBBS NM 38 07-01 0456P EST

RECEIVED

► ED NEWMAN DIVISION OPERATION SUPERINTENDENT
AMOCO PRODUCTIONS CO
HOUSTON TX 77001

WEST TX - EASTERN RM DIVISION
PRODUCING DEPARTMENT
HOUSTON, TEXAS

ROY G BARTON JR APPROVED THE DRILLING OF THE FATE WELL #1 SECTION 34,
T-23-S, R-28-E, EDDY COUNTY NEW MEXICO.
ROY G BARTON JR BARTON OIL PRODUCERS

16157 EST

MGMCOMP

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
AMOCO EXHIBIT NO. 7
CASE NO. 7305

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

HNG OIL CO, JW
PO BOX 2267
MIDLAND TX 79702



4-010556S187003 07/06/81 ICS IPM3NGZ CSP HOUS
2 9156834871 MGM TDBN MIDLAND TX 07-06 0922A EST

E D NEWMAN, CARE AMOCO PRODUCTION CO.
PO BOX 3092
HOUSTON TX 77001

THIS IS A CONFIRMATION COPY OF A PREVIOUSLY PHONE-DELIVERED TELEGRAM

SUBJECT TO ACCEPTANCE OF AFE AND OPERATING AGREEMENT, HNG IS
AGREEABLE TO JOIN IN THE DRILLING OF THE TATE #1 IN SECTION 34,
T-23-S, R-28-E. AFE COST LIMITED TO ONLY 1 LOCATION
HNG OIL CO., W R LEWIS DISTRICT LANDMAN
PO BOX 2267
MIDLAND TX 79702

09123 EST

MGMCOMP

RECEIVED

71281
WEST TX - EASTERN NM DIVISION
PRODUCING DEPARTMENT,
HOUSTON, TEXAS

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS



PHILLIPS PETROLEUM COMPANY
ODESSA, TEXAS 79701
PHILLIPS BUILDING

NATURAL RESOURCES GROUP
Exploration and Production

July 7, 1981

Amoco Production Company (USA)
Box 3092
Houston, Texas 77001

Attention: Mr. R.D. Newman
Division Operations Superintendent

Re: Your Mailgram of June 30, 1981. Phillips will join in drilling of the Pate Well No. 1 located in West Half Section 34, T-23-S, R-28-E, Eddy County, New Mexico. Please furnish Operating Agreement along with your AFE for execution by Phillips. (Our #G-153339)

Robert L. Ivy
District Landman

Robert L. Ivy
Phillips Petroleum Company
Odessa, Texas

EDN
WJW

W. IV, E. NEWMAN
PRODUCTION

4E 8 '81

EEM	
EDN	
JHP	
JRB	
HHC	
RIC	
LWC	
ACR	
GOD	
KES	
GDD	
ERS	
RCN	
JRR	
DEC	
CHC	

ONE DESTROY

WJW



E. D. Newman
Division Operations
Superintendent

July 9, 1981

File: GDD(6)-2835-WF

Re: Drilling Recommendation
Fate Well No. 1
Eddy County, New Mexico

Amoco Production Company

Houston Region
500 Jefferson Building
Post Office Box 3092
Houston, Texas 77001
West Texas-Eastern
New Mexico Division

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Amoco	EXHIBIT NO. 8
CASE NO.	7305

Working Interest Owners
Address List Attached

Gentlemen:

Reference our TWX dated June 30, 1981, requesting your approval to drill the Fate Well No. 1.

This is to request your approval to drill the Fate Well No. 1 located 910' FSL x 1980' FWL, Sec. 34, T-23-S, R-28-E, Eddy County, New Mexico. This well will be drilled to approximately 13,050' in an undesignated field. Estimated gross dry hole cost to drill is \$1,892,000 with an estimated gross producer cost of \$2,216,000. Furthermore an additional \$80,000 is required for production equipment.

Initial working interest in this well based on lease acreage participation is as follows:

Amoco Production Company	.3593750	✓
Pardue Farms	.0156250	
Bill Seltzer	.0312500	
Robert H. Johnston	.0273437	
Richard S. Gaddy	.0273437	
D.D.F. Co., Inc.	.0273438	
Jack Russell	.0273438	
George G. Staley	.0312500	
Ed Phillips	.0156250	
Roy G. Barton	.0625000	
Robert B. Coleman	.0156250	
Phillips Petroleum Company	.1250000	✓
Aminoil Petroleum Company	.0312500	
HNG	.2031250	✓
Total Working Interest	1.0000000	

refuse to join
refuse to join
add up to 46%

95.4% have agreed

Working Interest Owners
July 9, 1981
Page 2

Please indicate your approval of this AFE by signing and returning one copy of the attached "Well Authorization" form. Should you require any well data or reports on this well, please indicate what type reports are required and where the information should be directed. Because of lease expiration and rig availability, we ask that you reply to this AFE by July 17, 1981. Should you have any further questions on the subject well, please contact Mr. Michael K. Davis (713) 652-4571.

Yours very truly,

E. D. Newman

JWS/1p
497/J

Attachment

Fate Well No. 1
Working Interest Owners
Address List

Bill Seltzer
514 Petroleum Bldg.
Midland, TX 79701

Jack S. Russell
100 Permian Bldg.
Midland, TX 79701

Robert H. Johnston
P.O. Box 1535
Kerrville, TX 78028

Richard S. Gaddy
P.O. Box 2572
Midland, TX 79701

D.D.F. Co., Inc.
P.O. Box 465
Midland, TX 79702

George G. Staley
1706 First National Bank Bldg.
Midland, TX 79701

Pardue Farms, A N.M. Limited Corp.
P.O. Box 128
Loving, New Mexico 88256

Ed E. Phillips
706 Gihlo Tower West
Midland, TX 79701

Roy G. Barton, Jr.
300 West Taylor
Hobbs, New Mexico 88240

Robert B. Coleman
P.O. Box 501
Midland, TX 79701

Phillips Petroleum Company
4100 Penbrook
Odessa, TX 79762

Aminoil Petroleum Company
600 Western United Life Bldg.
Midland, TX 79701

HNG
P.O. Box 2267
Midland, TX 79701

JWS/lp
497/L

Amoco Production Company Well Authorization

Operator <u>Amoco Production Company</u>		Lease <u>Fate</u>		Well No. <u>1</u>	
Producing Department <input type="checkbox"/> Completion <input checked="" type="checkbox"/> Extension <input type="checkbox"/> Service <input checked="" type="checkbox"/> #1 Status Well <input type="checkbox"/> Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Other _____ <input type="checkbox"/> Support Form II			Exploration Department <input type="checkbox"/> New Field <input type="checkbox"/> New Pool <input type="checkbox"/> Deep Pool <input type="checkbox"/> Shallow Pool <input type="checkbox"/> #1 Status Well Plan/Prospect Code _____ <input type="checkbox"/> Oil <input type="checkbox"/> Gas EA Code _____		
Target: Depth _____ Formation _____ Total: Depth <u>13,050</u> Formation <u>Morrow</u> Budget Project <u>Type II - New Mexico Morrow</u>			Target: Depth _____ Formation _____ Total: Depth _____ Formation _____ Budget Prev. _____ Code _____		
FLAC (Well) No.	Basic CD	H/Z Sub	Comb. CD	Regulatory Field Code	Horizon Code
<u>801650</u>	<u>3</u>	<u>01</u>	<u>1</u>	<u>1060</u>	<u>2430</u>
			FLAC (Lease/Unit) _____		
			(Controller's Dept. Use Only) Own Code _____ CD _____ Int _____		
			Op. Fld. Code <u>5991</u> To Loc. Code <u>1</u> Contract # _____		
			LPN <u>13112452A</u> Appn. No. _____		
Kind of Job: <input checked="" type="checkbox"/> Drill <input type="checkbox"/> Recomplete <input type="checkbox"/> Multiple Completion					
Type Authorization: <input checked="" type="checkbox"/> New <input type="checkbox"/> Reauthorization <input type="checkbox"/> Reentry <input type="checkbox"/> Final # _____ <input checked="" type="checkbox"/> Input Only # <u>1</u> <input type="checkbox"/> Amended # _____ <input type="checkbox"/> Supplement # _____ <input type="checkbox"/> Cancel					
Property Description and Land Data					
Field <u>Undesignated-Eddy-Morrow-Gas</u>		County <u>Eddy</u>		State <u>N.M.</u> District <u>Hobbs</u>	
Location <u>660' FSL X 1980' FWL, Sec. 34, T-23-S, R-28-E</u>		Spacing Pattern-Acres/Well <u>320</u>			
Lease Expiration Date <u>8/2/81</u>		Most Commence <input type="checkbox"/> Operations <input checked="" type="checkbox"/> Spud By <u>8/2</u>		19 <u>81</u> Qtr To Start <u>320</u>	
Qtr To Complete _____		Time Required To Meet Land Requirements _____		Location Meets <input type="checkbox"/> State Regs <input type="checkbox"/> Field Rules <input checked="" type="checkbox"/> Exception Required	
Amoco Working Interest: Before Royalty <u>3593750</u>		After Royalty _____		Other Working Interests <u>640625</u>	
		Oil Outlet _____		Gas Outlet _____	
Estimated Allow/Col. Day: BOD _____		MCFD _____		<input type="checkbox"/> Perated <input type="checkbox"/> Nonperated Executive Order 11248 <input type="checkbox"/> Is <input type="checkbox"/> Is Not Applicable	
<input type="checkbox"/> Federal Lease/Unit		Special Contractual Provisions _____			
Offset or Nearby Well Data			Expected Impact on Booked Reserves or Net Expected Resources		
<input checked="" type="checkbox"/> Not Appl. <input type="checkbox"/> See Rev. Side of Form			<input checked="" type="checkbox"/> Not Appl. <input type="checkbox"/> See Rev. Side of Form		
Estimated Costs			Producing Department		Exploration Department
			Estimated		Estimated
			Gross Dry Hole	Gross Producer	Gross Dry Hole
Drilling Intangibles					
Drilling Cost _____ Feet @ \$ _____ Per Foot _____ <u>MIRU X RD</u>			\$ <u>25,000</u>	\$ <u>25,000</u>	
Day Work <u>90</u> Days @ \$ <u>7000</u> Per Day <u>+\$35,000 Comp. Unit</u>			<u>630,000</u>	<u>665,000</u>	
Location \$ <u>25,000</u> Surveys \$ <u>110,000</u> Studs \$ <u>150,000</u> Stimulation \$ <u>20,000</u> Others \$ <u>558,000</u>			<u>843,000</u>	<u>954,000</u>	
Total Drilling Intangibles _____			<u>1,498,000</u>	<u>1,644,000</u>	
Well Equipment-Tangibles					
Casing and Tubing <u>16"-400'</u> , <u>10 3/4"-2500'</u> , <u>7 7/8"-9800'</u>			<u>394,000</u>	<u>517,000</u>	
Wellhead, Etc. <u>4 1/2" Liner - 3700'</u>			<u>---</u>	<u>55,000</u>	
Total Well Equipment-Tangibles _____			<u>394,000</u>	<u>572,000</u>	
Remarks _____			Net Dry Hole	Net Producer	
			\$ <u>1,892,000</u>	\$ <u>2,216,000</u>	
Total This Request _____			<u>1,892,000</u>	<u>2,216,000</u>	
Previous Estimate _____					
Total To-Date Estimate _____					
Economics include \$80,000 associated P X F costs.					
Notice To Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.					
Nonoperator _____					
By _____ Date _____					

Reference: E. D. Newman's letter dated

July 9, 1981, File: GDD(6)-2835-WF

Please return one signed copy of this form to:

Amoco Production Company
P.O. Box 3092
Houston, Texas 77001

Amoco Production Company Well Authorization

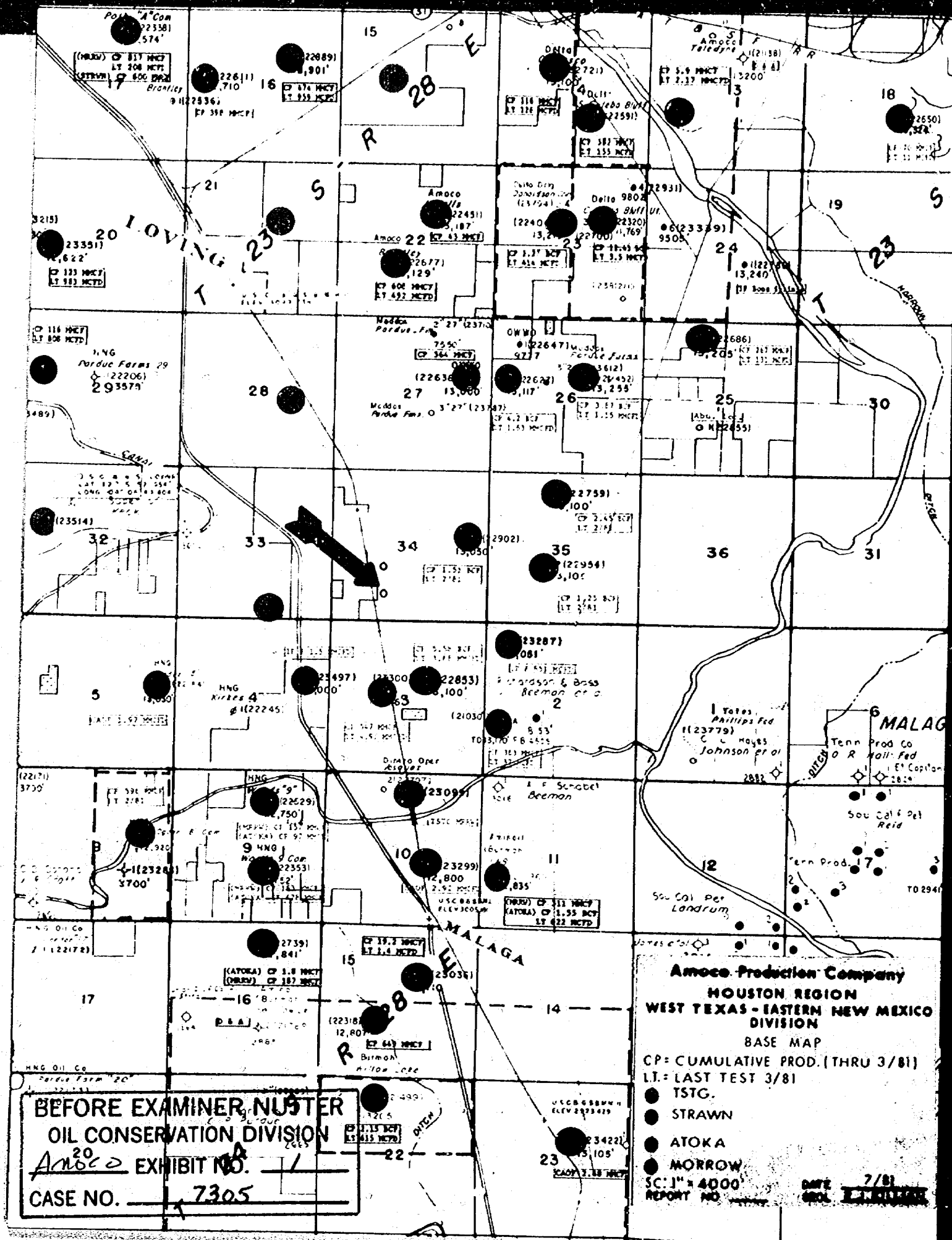
Operator <u>Amoco Production Company</u>		Lease <u>Fate</u>	Well No. <u>1</u>																																																								
Producing Department <input type="checkbox"/> Permit <input checked="" type="checkbox"/> Extension <input type="checkbox"/> Service <input checked="" type="checkbox"/> #1 Status Well <input type="checkbox"/> Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Other _____ <input type="checkbox"/> Support Form 11		Exploration Department <input type="checkbox"/> New Field <input type="checkbox"/> New Pool <input type="checkbox"/> Deep Pool <input type="checkbox"/> Shallow Pool <input type="checkbox"/> #1 Status Well Plan/Prospect Code _____ <input type="checkbox"/> Oil <input type="checkbox"/> Gas EA Code _____																																																									
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Estimated Costs		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="2">Producing Department</th> <th colspan="2">Exploration Department</th> </tr> <tr> <th colspan="2">Estimated</th> <th colspan="2">Estimated</th> </tr> <tr> <th>Gross Dry Hole</th> <th>Gross Producer</th> <th>Gross Dry Hole</th> <th>Gross Producer</th> </tr> <tr> <td>\$ 25,000</td> <td>\$ 25,000</td> <td>\$</td> <td>\$</td> </tr> <tr> <td>630,000</td> <td>665,000</td> <td></td> <td></td> </tr> <tr> <td>843,000</td> <td>954,000</td> <td></td> <td></td> </tr> <tr> <td>1,498,000</td> <td>1,644,000</td> <td></td> <td></td> </tr> <tr> <td>394,000</td> <td>517,000</td> <td></td> <td></td> </tr> <tr> <td>---</td> <td>55,000</td> <td></td> <td></td> </tr> <tr> <td>394,000</td> <td>572,000</td> <td></td> <td></td> </tr> <tr> <td>Net Dry Hole</td> <td>Net Producer</td> <td></td> <td></td> </tr> <tr> <td>\$1,892,000</td> <td>\$2,216,000</td> <td></td> <td></td> </tr> <tr> <td>Previous Estimate</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total To-Date Estimate</td> <td></td> <td></td> <td></td> </tr> </table>		Producing Department		Exploration Department		Estimated		Estimated		Gross Dry Hole	Gross Producer	Gross Dry Hole	Gross Producer	\$ 25,000	\$ 25,000	\$	\$	630,000	665,000			843,000	954,000			1,498,000	1,644,000			394,000	517,000			---	55,000			394,000	572,000			Net Dry Hole	Net Producer			\$1,892,000	\$2,216,000			Previous Estimate				Total To-Date Estimate			
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394,000	572,000																																																										
Net Dry Hole	Net Producer																																																										
\$1,892,000	\$2,216,000																																																										
Previous Estimate																																																											
Total To-Date Estimate																																																											
Drilling Intangibles Drilling Cost _____ Feet & \$ _____ Per Foot _____ <u>MIRU X RD</u> Day Work <u>90</u> Days & \$ <u>7000</u> Per Day <u>+\$35,000 Comp. Unit</u> Location \$ <u>25,000</u> Surveys \$ <u>110,000</u> Mud \$ <u>150,000</u> Stimulation \$ <u>20,000</u> Others \$ <u>558,000</u> Total Drilling Intangibles <u>649,000</u>																																																											
Well Equipment-Tangibles Casing and Tubing <u>16"-400', 10 3/4"-2500', 7 7/8"-9800'</u> Wellhead, Etc. <u>4 1/2" Liner - 3700'</u> Total Well Equipment-Tangibles <u>394,000</u>																																																											
Remarks _____ _____ _____																																																											
Economics include \$80,000 associated P X F costs.																																																											
Notice To Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.																																																											
Nonoperator _____		By _____ Date _____																																																									

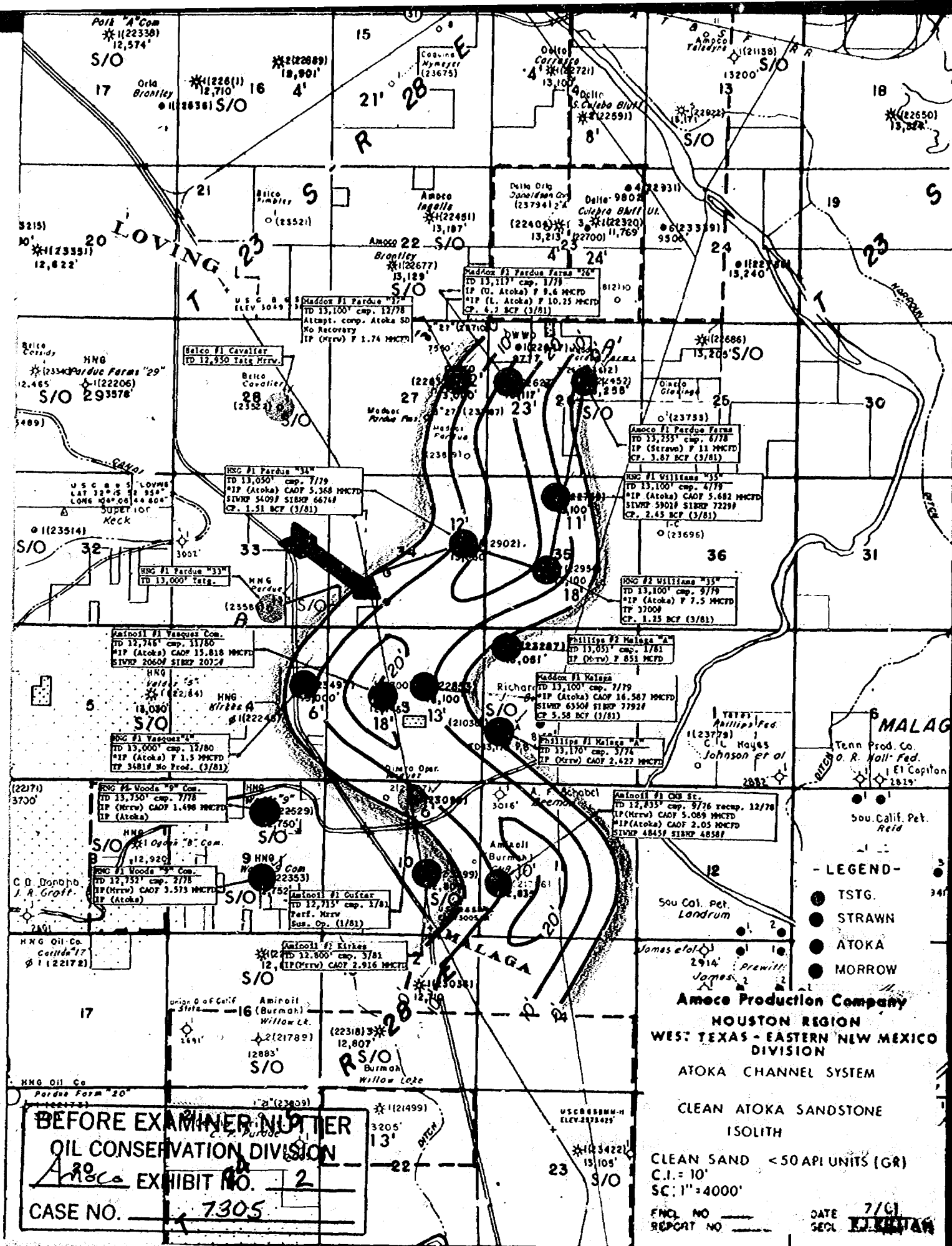
Reference: E. D. Newman's letter dated

July 9, 1981, File: GDD(6)-2835-WF

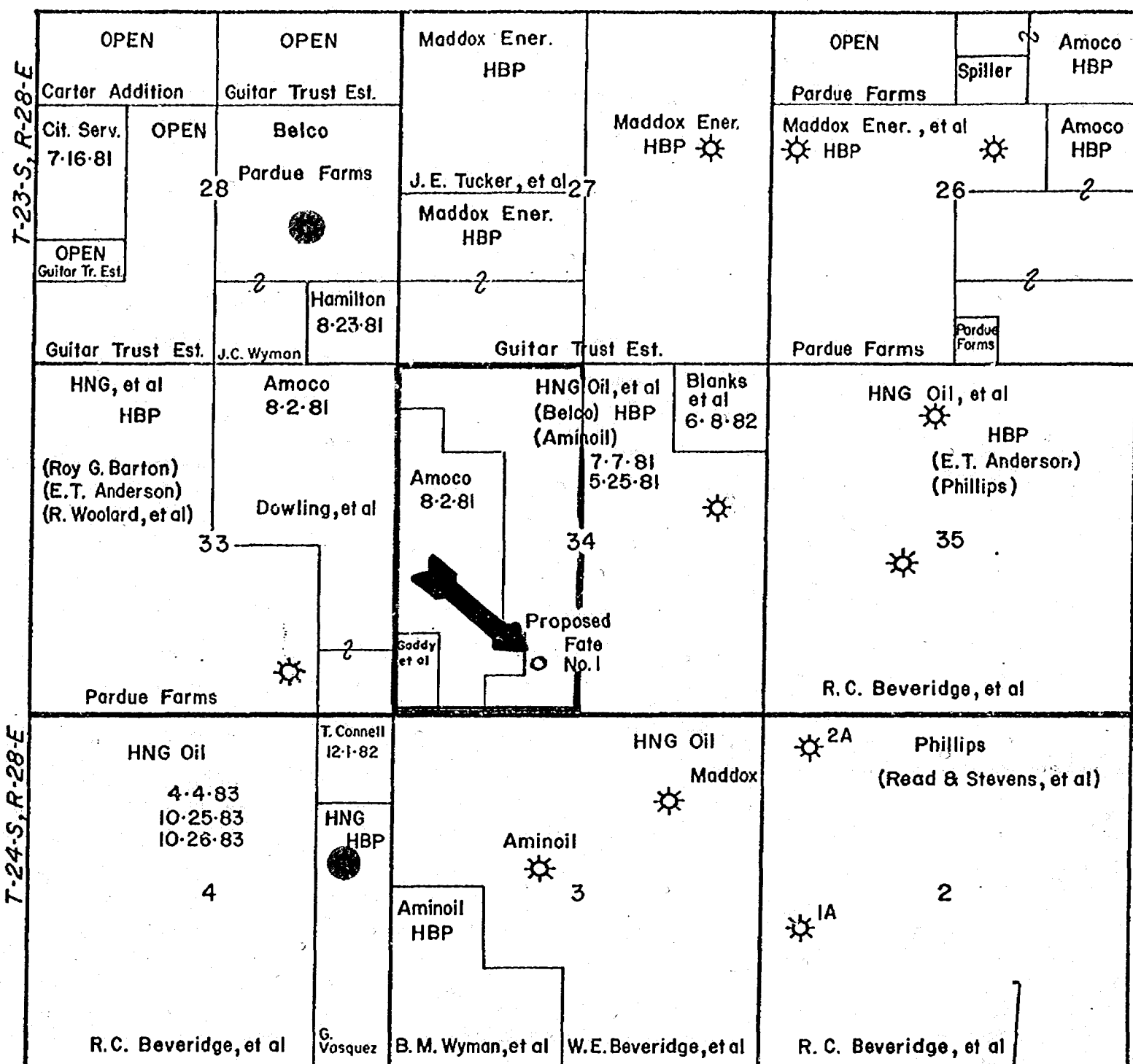
Please return one signed copy of this form to:

Amoco Production Company
P.O. Box 3092
Houston, Texas 77001





Proposed Southeast Loving Area "Fate" Well No. 1
Eddy County, New Mexico



☼ Producing Well
 ○ Proposed Location
 ● Tstg. Well

0' 2000'

Scale (feet)

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 4
CASE NO. 7305

Southeast Loving Area
 W/2 Section 34, T-23-S, R-28-E
 Eddy County, New Mexico

AMOCO PRODUCTION COMPANY

23/64

W/2 SW/4 NW/4 NW/4, SW/4 NW/4, NW/4 SW/4, NE/4 SW/4 SW/4,
E/2 NW/4 SW/4 SW/4, E/2 SW/4 SW/4 SW/4, W/2 SE/4 SW/4 SW/4,
W/2 NW/4 SE/4 SW/4

PARDUE FARMS; A NEW MEX. CORP.

1/32 2

E/2 NE/4 SE/4 SW/4, E/2 SW/4 NE/4 NW/4

BILL SELTZER; MIDLAND, TEXAS

1/64 1

E/2 SE/4 NE/4 NW/4

JACK RUSSELL; ROBERT H. JOHNSON, RICHARD S. GADDY,
D.D.D.F. COMPANY, INC.

7/64 2

E/2 SW/4 SE/4 SW/4, W/2 SE/4 SE/4 SW/4, W/2 NW/4 SW/4 SW/4,
E/2 SE/4 NW/4 NW/4, W/2 SW/4 SW/4 SW/4, E/2 SE/4 SE/4 NW/4,
W/2 NE/4 SE/4 NW/4

GEORGE G. STALEY

1/32 2

NE/4 NE/4 NW/4

ED PHILLIPS - MIDLAND, TEXAS

1/64 1

W/2 SW/4 NE/4 NW/4

ROY G. BARTON - HOBBS, NEW MEXICO

1/16 4

NW/4 NW/4 NW/4, E/2 SW/4 NW/4 NW/4, W/2 SE/4 NW/4 NW/4

ROBERT B. COLEMAN

1/64 1

W/2 NE/4 NW/4 NW/4

PHILLIPS PETROLEUM

1/8 8

E/2 NW/4 NW/4 NW/4, NW/4 NE/4 NW/4, W/2 SE/4 NE/4 NW/4,
NW/4 SE/4 NW/4, E/2 NE/4 SE/4 NW/4, W/2 SE/4 SE/4 NW/4

AMINOIL OIL

1/32 2

E/2 SE/4 SW/4 SW/4, W/2 SW/4 SE/4 SW/4

HNG

13/64

NE/4 SW/4, SW/4 SE/4 NW/4, E/2 NW/4 SE/4 SW/4, W/2 NE/4
SE/4 SW/4, E/2 SE/4 SE/4 SW/4

BEFORE EXAMINER NUTTER
 OIL CONSERVATION DIVISION
 AMOCO EXHIBIT NO. 5
 CASE NO. 7305

9184281212
NO INFOMASTER
*
AMOCOPRD R HOU

9166211181 1613EST
RR 001 HOUSTON, TX 6/30/81
ZIP
PARQUE FARMS, R N.M. LIMITED CORP.
P.O. BOX 128
LOVING, NEW MEXICO 88256

REQUEST YOUR APPROVAL TO DRILL THE FATE WELL NO. 1 LOCATED 660'
FSL X 1980' FWL, SEC. 34, T-23-S, R-28-E, EDDY COUNTY, NEW MEXICO
TO AN APPROXIMATE DEPTH OF 13,850'. ESTIMATED GROSS DRY HOLE COST
\$1,892,000 ESTIMATED GROSS PRODUCER COST \$2,216,000. AN ADDITIONAL
\$80,000 WILL BE REQUIRED FOR ASSOCIATED EQUIPMENT.

DUE TO EXPIRING ACREAGE AND RIG AVAILABILITY, WE WOULD APPRECIATE
YOUR REPLY BY RETURN TELEX OR WIRE BY 7-7-81. A FORMAL AFE IS
FORTHCOMING BY MAIL FOR YOUR EXECUTION.

E. T. NEWMAN
DIVISION OPERATIONS SUPERINTENDENT
AMOCO PRODUCTION COMPANY (USA)
HOUSTON, TEXAS

TWX 9168811582 AMOCOPRD R HOU
OR 9169312586 AMOCOPRD B HOU

JUNE 30, 1981
END

882 HOUSTON, TX 6/30/81
ZIP
BILL SELTZER
514 PETROLEUM BLDG.
MIDLAND, TX. 79701

883 HOUSTON, TX 6/30/81
ZIP
JACK S. RUSSELL
108 PERMIAN BLDG.
MIDLAND, TX. 79701

884 HOUSTON, TX 6/30/81
ZIP
ROBERT J. JOHNSON
P.O. BOX 1535
MERRVILLE, TX 78629

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 6
CASE NO. 7305

885 HOUSTON, TX 6/30/81

ZIP

RICHARD S. GADDY

P.O. BOX 2572

MIDLAND, TX 79701

886 HOUSTON, TX 6/30/81

ZIP

D.B.B.F. CO., INC.

P.O. BOX 465

MIDLAND, TX 79702

887 HOUSTON, TX 6/30/81

ZIP

GEORGE G. STALEY

1705 FIRST NATIONAL BANK BLDG.

MIDLAND, TX 79701

888 HOUSTON, TX 6/30/81

ZIP

ED E. PHILLIPS

706 GINLO TOWER WEST

MIDLAND, TX 79701

889 HOUSTON, TX 6/30/81

ZIP

ROY G. PARTON, JR.

300 WEST TAYLOR

HOBBS, NEW MEXICO 88240

810 HOUSTON, TX 6/30/81

ZIP

ROBERT B. COLEMAN

P.O. BOX 501

MIDLAND, TX 79701

811 HOUSTON, TX 6/30/81

ZIP

PHILLIPS PETROLEUM

4100 PENDROCK

ODESSA, TX 79762

812 HOUSTON, TX 6/30/81

ZIP

ARINOIL PETROLEUM

600 WESTERN UNITED LIFE BLDG.

MIDLAND, TX 79701

813 HOUSTON, TX 6/30/81

ZIP

HNS

P.O. BOX 2267

MIDLAND, TX 79701

ROY G BARTON JR BARTON OIL PRODU
PO BOX 978
HOBBBS NM 88240



4-057379S182 07/01/81 ICS IPHMT2Z CSP HOUB
505393S426 MGM TDMT HOBBS NM 38 07-01 0456P EST

RECEIVED

► ED NEWMAN DIVISION OPERATION SUPERINTENDENT
AMOCO PRODUCTIONS CO
HOUSTON TX 77001

WEST TX - EASTERN NM DIVISION
PRODUCING DEPARTMENT
HOUSTON, TEXAS

ROY G BARTON JR APPROVED THE DRILLING OF THE FATE WELL #1 SECTION 34,
T-23-S, R-28-E, EDDY COUNTY NEW MEXICO.
ROY G BARTON JR BARTON OIL PRODUCERS

16157 EST

MGMCOMP

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Amoco	EXHIBIT NO. 7
CASE NO. 7305	

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

HNG OIL CO. JW
PO BOX 2267
MIDLAND TX 79702



Mailgram

4-0105568187003 07/06/81 ICS IPMNGZ CSP HOUB
2 9156834871 MGM TDBN MIDLAND TX 07-06 0922A EST

E D NEWMAN, CARE AMOCO PRODUCTION CO.
PO BOX 3092
HOUSTON TX 77001

THIS IS A CONFIRMATION COPY OF A PREVIOUSLY PHONE-DELIVERED TELEGRAM

SUBJECT TO ACCEPTANCE OF AFE AND OPERATING AGREEMENT, HNG IS
AGREEABLE TO JOIN IN THE DRILLING OF THE TATE #1 IN SECTION 34,
T-23-S, R-28-E. AFE COST LIMITED TO ONLY 1 LOCATION
HNG OIL CO., W R LEWIS DISTRICT LANDMAN
PO BOX 2267
MIDLAND TX 79702

09123 EST

HGMCOMP

RECEIVED

7/28/81

WEST TX - EASTERN NM DIVISION
PRODUCING DEPARTMENT,
HOUSTON, TEXAS

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79701
PHILLIPS BUILDING

NATURAL RESOURCES GROUP
Exploration and Production

July 7, 1981

Amoco Production Company (USA)
Box 3092
Houston, Texas 77001

Attention: Mr. E.D. Newman
Division Operations Superintendent

Re: Your Mailgram of June 30, 1981. Phillips will join in drilling of the Fate Well No. 1 located in West Half Section 34, T-23-S, R-28-E, Eddy County, New Mexico. Please furnish Operating Agreement along with your AFE for execution by Phillips. (Our #G-153339)

Robert L. Ivy
District Landman

Robert L. Ivy
Phillips Petroleum Company
Odessa, Texas

W. W. L. NEWMAN
PRODUCTION

JUL 8 '81

EEA	
EDN	
AHP	
JRB	
HHS	
RIC	
IWC	
DCR	
GOR	
NES	
GOD	
ERS	
EGN	
JRR	
DRG	
EMR	

105W



E. D. Newman
Division Operations
Superintendent

July 9, 1981

File: GDD(6)-2835-WF

Re: Drilling Recommendation
Fate Well No. 1
Eddy County, New Mexico

Amoco Production Company

Houston Region
500 Jefferson Building
Post Office Box 3092
Houston, Texas 77001
West Texas-Eastern
New Mexico Division

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Amoco	EXHIBIT NO. 8
CASE NO.	7305

Working Interest Owners
Address List Attached

Gentlemen:

Reference our TWX dated June 30, 1981, requesting your approval to drill the Fate Well No. 1.

This is to request your approval to drill the Fate Well No. 1 located 910' FSL x 1980' FWL, Sec. 34, T-23-S, R-28-E, Eddy County, New Mexico. This well will be drilled to approximately 13,050' in an undesignated field. Estimated gross dry hole cost to drill is \$1,892,000 with an estimated gross producer cost of \$2,216,000. Furthermore an additional \$80,000 is required for production equipment.

Initial working interest in this well based on lease acreage participation is as follows:

Amoco Production Company	.3593750
Pardue Farms	.0156250
Bill Seltzer	.0312500
Robert H. Johnston	.0273437
Richard S. Gaddy	.0273437
D.D.F. Co., Inc.	.0273438
Jack Russell	.0273438
George G. Staley	.0312500
Ed Phillips	.0156250
Roy G. Barton	.0625000
Robert B. Coleman	.0156250
Phillips Petroleum Company	.1250000
Aminoil Petroleum Company	.0312500
HNG	.2031250

Total Working Interest	1.0000000
------------------------	-----------

Working Interest Owners
July 9, 1981
Page 2

Please indicate your approval of this AFE by signing and returning one copy of the attached "Well Authorization" form. Should you require any well data or reports on this well, please indicate what type reports are required and where the information should be directed. Because of lease expiration and rig availability, we ask that you reply to this AFE by July 17, 1981. Should you have any further questions on the subject well, please contact Mr. Michael K. Davis (713) 652-4571.

Yours very truly,

E. D. Neuman

JWS/lp
497/J

Attachment

Fate Well No. 1
Working Interest Owners
Address List

Bill Seltzer
514 Petroleum Bldg.
Midland, TX 79701

Jack S. Russell
100 Permian Bldg.
Midland, TX 79701

Robert H. Johnston
P.O. Box 1535
Kerrville, TX 78028

Richard S. Gaddy
P.O. Box 2572
Midland, TX 79701

D.D.F. Co., Inc.
P.O. Box 465
Midland, TX 79702

George G. Staley
1706 First National Bank Bldg.
Midland, TX 79701

Pardue Farms, A N.M. Limited Corp.
P.O. Box 128
Loving, New Mexico 88256

Ed E. Phillips
706 Gihlo Tower West
Midland, TX 79701

Roy G. Barton, Jr.
300 West Taylor
Hobbs, New Mexico 88240

Robert B. Coleman
P.O. Box 501
Midland, TX 79701

Phillips Petroleum Company
4100 Penbrook
Odessa, TX 79762

Aminoil Petroleum Company
600 Western United Life Bldg.
Midland, TX 79701

HNG
P.O. Box 2267
Midland, TX 79701

JWS/lp
497/L

Amoco Production Company Well Authorization

Operator <u>Amoco Production Company</u>		Lease <u>Fate</u>		Well No. <u>1</u>	
Producing Department <input type="checkbox"/> Completion <input checked="" type="checkbox"/> Extension <input type="checkbox"/> Service <input checked="" type="checkbox"/> #1 Status Well <input type="checkbox"/> Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Other _____ <input type="checkbox"/> Support Form 11			Exploration Department <input type="checkbox"/> New Field <input type="checkbox"/> New Pool <input type="checkbox"/> Deep Pool <input type="checkbox"/> Shallow Pool <input type="checkbox"/> #1 Status Well Plan/Prospect Code _____ <input type="checkbox"/> Oil <input type="checkbox"/> Gas EA Code _____		
Target: Depth _____ Formation _____ Total: Depth <u>13,050</u> Formation <u>Morrow</u> Budget Project <u>Type II - New Mexico Morrow</u>			Target: Depth _____ Formation _____ Total: Depth _____ Formation _____ Budget Prev. _____ Code _____		
FLAC (Well) No.	Basic CD	H/Z Sub	Comb. CD	Regulatory Field Code	Horizon Code
<u>801650</u>	<u>3</u>	<u>01</u>	<u>1</u>	<u>1060</u>	<u>2430</u>
				FLAC (Lease/Unit)	(Controller's Dept. Use Only)
				_____	Own Code CD Int
				_____	_____
				_____	_____
				Op. Fld Code <u>5991</u>	To Loc. Code <u>1</u> Contract # _____
				LPN <u>31312452A</u>	Appn. No. _____
Kind of Job: <input checked="" type="checkbox"/> Drill <input type="checkbox"/> Recomplete <input type="checkbox"/> Multiple Completion					
Type Authorization: <input checked="" type="checkbox"/> New <input type="checkbox"/> Reauthorization <input type="checkbox"/> Reentry <input type="checkbox"/> Final # _____ <input checked="" type="checkbox"/> Input Only # <u>1</u> <input type="checkbox"/> Amended # _____ <input type="checkbox"/> Supplement # _____ <input type="checkbox"/> Cancel					
Property Description and Land Data					
Field <u>Undesignated-Eddy-Morrow-Gas</u>		County <u>Eddy</u>		State <u>N.M.</u> District <u>Hobbs</u>	
Location <u>660' FSL X 1980' FWL, Sec. 34, T-23-S, R-28-E</u>		Spacing Pattern-Across/Wall		<u>320</u>	
Lease Expiration Date <u>8/2/81</u>		Most Commence <input type="checkbox"/> Operations <input checked="" type="checkbox"/> Spd By <u>8/2</u>		19 <u>81</u> Qtr To Start <u>320</u>	
Qtr To Complete _____		Time Required To Meet Land Requirements _____		Location Mnts <input type="checkbox"/> State Regs <input type="checkbox"/> Field Rules <input checked="" type="checkbox"/> Exception Required	
Amoco Working Interest: Before Royalty <u>3593750</u>		After Royalty _____		Other Working Interests <u>.640625</u>	
Estimated Allow/Col. Day: BOD _____		MCFD _____		<input type="checkbox"/> Perated <input type="checkbox"/> Nonperated Executive Order 11246 <input type="checkbox"/> Is <input type="checkbox"/> Is Not Applicable	
<input type="checkbox"/> Federal Lease/Unit		Special Contractual Provisions _____			
Offset or Nearby Well Data			Expected Impact on Booked Reserves or Net Expected Resources		
<input checked="" type="checkbox"/> Not Appl. <input type="checkbox"/> See Rev. Side of Form			<input checked="" type="checkbox"/> Not Appl. <input type="checkbox"/> See Rev. Side of Form		
Estimated Costs			Producing Department		Exploration Department
			Estimated		Estimated
			Gross Dry Hole	Gross Producer	Gross Dry Hole
Drilling Intangibles					
Drilling Cost _____ Feet & \$ _____ Per Foot _____					
Day Work <u>90</u> Days & \$ <u>7000</u> Per Day _____					
Location \$ <u>25,000</u> Surveys \$ <u>110,000</u> Mud \$ <u>150,000</u> Stimulation \$ <u>20,000</u> Other \$ <u>558,000</u>					
Total Drilling Intangibles _____					
Well Equipment-Tangibles					
Casing and Tubing <u>16"-400'</u> , <u>10 3/4"-2500'</u> , <u>7 7/8"-9800'</u>					
Wellhead, Etc. <u>4 1/2" Liner - 3700'</u>					
Total Well Equipment-Tangibles _____					
Remarks _____			Net Dry Hole	Net Producer	
Total This Request _____			\$1,892,000	\$2,216,000	1,892,000 2,216,000
Previous Estimate _____					
Total To-Date Estimate _____					
Economics include \$80,000 associated P X F costs.					
Notice To Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.					
Nonoperator _____					
By _____ Date _____					

Reference: E. D. Newman's letter dated

July 9, 1981, File: GDD(6)-2835-WF

Please return one signed copy of this form to:

Amoco Production Company
P.O. Box 3092
Houston, Texas 77001

Amoco Production Company Well Authorization

Operator Amoco Production Company Lease Fate Well No. 1

Producing Department <input type="checkbox"/> Completion <input checked="" type="checkbox"/> Extension <input type="checkbox"/> Service <input checked="" type="checkbox"/> #1 Status Well <input type="checkbox"/> Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Other _____ <input type="checkbox"/> Support Form 11 Target Depth <u>13,050</u> Formation <u>Morrow</u> Total Depth <u>13,050</u> Formation <u>Morrow</u> Budget Project <u>Type II - New Mexico Morrow</u>				Exploration Department <input type="checkbox"/> New Field <input type="checkbox"/> New Pool <input type="checkbox"/> Deep Pool <input type="checkbox"/> Shallow Pool <input type="checkbox"/> #1 Status Well Play/Prospect Code _____ <input type="checkbox"/> Oil <input type="checkbox"/> Gas EA Code _____ Target Depth _____ Formation _____ Total Depth _____ Formation _____ Budget Prev. _____ Code _____				
FLAC (Well) No.	Basic CD	H/Z Sub	Comb. CD	Regulatory Field Code	Horizon Code	FLAC (Lease/Unit)	(Controller's Dept. Use Only)	
<u>801650</u>	<u>3</u>	<u>01</u>	<u>1</u>	<u>1060</u>	<u>2430</u>		Own Code	CD Int
Op. Fid. Code <u>5991</u> Loc. Code <u>1</u> Contract # _____						LPN <u>3312452A-</u> Appn. No. _____		

Kind of Job: ☒ Drill ☐ Recomplete ☐ Multiple Completion
 Type Authorization: ☒ New ☐ Reauthorization ☐ Reentry ☐ Final # _____ ☒ FLAC Input Only # 1 ☐ Amended # _____ ☐ Supplement # _____ ☐ Cancel

Property Description and Land Data

Field Undesignated-Eddy-Morrow-Gas County Eddy State N.M. District Hobbs
 Location 660' FSL X 1980' FWL, Sec. 34, T-23-S, R-28-E Spacing Pattern-Acres/Well 320
 Lease Expiration Date 8/2/81 Must Commence ☐ Operations ☒ Spud By 8/2, 19 81 Qtr To Start 320
 Qtr To Complete _____ Time Required To Meet Land Requirements _____ Location Meets ☐ State Regs ☐ Field Rules ☒ Exception Required
 Amoco Working Interest: Before Royalty 3593750 After Royalty _____ Other Working Interests 640625
 _____, Oil Outlet _____ Gas Outlet _____
 Estimated Allow/Col. Day: BOD _____ MCFD _____ ☐ Perated ☐ Nonperated Executive Order 11248 ☐ Is ☐ Is Not Applicable
☐ Federal Lease/Unit Special Contractual Provisions _____

Offset or Nearby Well Data ☒ Not Appl. ☐ See Rev. Side of Form **Expected Impact on Booked Reserves or Net Expected Resources** ☒ Not Appl. ☐ See Rev. Side of Form

Estimated Costs	Producing Department		Exploration Department	
	Estimated	Estimated	Estimated	Estimated
Drilling Intangibles	Gross Dry Hole	Gross Producer	Gross Dry Hole	Gross Producer
Drilling Cost _____ Feet & \$ _____ Per Foot _____ MIRU X RD	\$ 25,000	\$ 25,000		
Day Work <u>90</u> Days & \$ <u>7000</u> Per Day <u>+\$35,000 Comp. Unit</u>	630,000	665,000		
Location \$ <u>25,000</u> Surveys \$ <u>110,000</u> Mud \$ <u>150,000</u> Stimulation \$ <u>20,000</u> Other \$ <u>558,000</u>	843,000	954,000		
Total Drilling Intangibles _____	1,498,000	1,644,000		
Well Equipment-Tangibles				
Casing and Tubing <u>16"-400'</u> , <u>10 3/4"-2500'</u> , <u>7 7/8"-9800'</u>	394,000	517,000		
Wellhead, Etc. <u>4 1/2" Liner - 3700'</u>	---	55,000		
Total Well Equipment-Tangibles _____	394,000	572,000		
Remarks _____	Net Dry Hole	Net Producer		
Total This Request _____	\$1,892,000	\$2,216,000	1,892,000	2,216,000
Previous Estimate _____				
Total To-Date Estimate _____				

Economics include \$80,000 associated P X F costs.

Notice To Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Nonoperator _____ By _____ Date _____

Reference: E. D. Newman's letter dated

July 9, 1981, File: GDD(6)-2835-WF

Please return one signed copy of this form to:

Amoco Production Company
P.O. Box 3092
Houston, Texas 77001

WELL COST DETAIL WORKSHEET

Location 34 T23S R28E Zone of Compl. Single Compl. in Atoka or Morrow Depth 13,200'

INTANGIBLES		DRY HOLE	PRODUCER
Drilling Cost (Footage) _____ Ft. @ _____ MIxRUxRD		25,000	25,000
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>7,000</u>		630,000	630,000
Cable Tools or Comp. Unit _____ Days @ \$ _____		---	35,000
Surveys _____		110,000	110,000
Mud _____ (OIL _____)		150,000	150,000
Stimulations, Size _____		---	20,000
Roads & Bridges _____ Grading _____		25,000	25,000
	Sub Total	940,000	995,000
OTHER:			
Coring Equipment _____		---	---
Perforating _____ Shots _____		---	10,000
Scratchers and Centralizers _____		---	---
Company Labor <u>90/100</u> Day @ \$400/day		36,000	40,000
Contract Labor <u>Mud logger, 80 days @ \$450/day</u>		36,000	36,000
Fuel and Water _____		50,000	60,000
Digging Pits _____ Filling Pits _____		5,000	8,000
Trucking _____		15,000	40,000
Cementing Services _____		60,000	75,000
Cement for Casing _____ Sacks _____		---	---
Guide Shoes, Float Shoes and Collars _____		---	---
Bits and Reamers _____		50,000	50,000
Drill Stem Tests ----- No. Tests -----		---	---
Miscellaneous <u>Rentals, Casing crews, etc.</u>		170,000	180,000
Contingencies @ 10% of above		136,000	150,000
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>BEFORE EXAMINER NUTTER</p> <p>OIL CONSERVATION DIVISION</p> <p><u>AMOC</u> EXHIBIT NO. <u>9</u></p> <p>CASE NO. <u>7305</u></p> </div>			
Total Other		558,000	649,000
Total Intangibles		1,498,000	1,644,000
WELL EQUIPMENT - TANGIBLES			
Cond. Casing - Surface - Size <u>16"</u> Ft. <u>400'</u>		13,000	13,000
Casing - Intermediate - Size <u>10-3/4"</u> Ft. <u>2500'</u>		57,000	57,000
Casing - Oil String - Size <u>7-5/8"</u> Ft. <u>9800'</u>		324,000	324,000
Tubing - Size <u>4-1/2"</u> Ft. <u>3700'</u>		---	42,000
Wellhead		---	81,000
		---	55,000
Total Well Equipment		394,000	572,000
Totals		1,892,000	2,216,000

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production
Company for compulsory pooling and
an unorthodox well location, Eddy
County, New Mexico.

CASE
7305

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Clyde L. Mote, Esq.
Amoco Production Company
Houston, Texas

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I N D E X

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ROBERT J. KILLIAN

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Direct Examination by Mr. Mote

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JAMES M. WISHART

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Direct Examination by Mr. Mote

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Cross Examination by Mr. Nutter

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DAVID BOATWRIGHT

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Direct Examination by Mr. Mote

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Cross Examination by Mr. Nutter

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E X H I B I T S

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Applicant Exhibit One, Map

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Applicant Exhibit Two, Isopach

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Applicant Exhibit Three, Cross Section

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Applicant Exhibit Four, Map

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Applicant Exhibit Five, List

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Applicant Exhibit Six, TWX

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Applicant Exhibit Seven, Document

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Applicant Exhibit Eight, Document

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Applicant Exhibit Nine, Well Cost

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

4 Call next Case Number 7305.

5 MR. PEARCE: Application of Amoco Pro-
6 duction Company for compulsory pooling and an unorthodox well
7 location, Eddy County, New Mexico.

8 MOTE: I'm Clyde Mote, attorney, from
9 Houston, Texas, appearing for Amoco Production Company in
10 association with Atwood and Malone.

11 We'll have three witnesses.

12
13 (Witnesses sworn.)

14
15 MR. MOTE: Mr. Examiner, the well loca-
16 tion we're asking to be amended. I don't believe it would
17 require re-notice of the hearing. When we went out to stake
18 the well to check the surface location, we found a surface
19 obstruction which required us to move the well 910 feet from
20 the south line as opposed to the 660 feet requested.

21 Since this is towards the orthodox
22 location from the unorthodox location requested, I assume
23 that no further notice of this hearing will be required, is
24 that correct?

25 MR. NUTTER: Inasmuch as the location

1
2 is being moved towards a more orthodox location, than it was
3 advertised, we will consider the application amended.

4 MR. MOTE: Thank you. Call as our first
5 witness Mr. Killian.

6
7 ROBERT J. KILLIAN

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

10
11 DIRECT EXAMINATION

12 BY MR. MOTE:

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

15 A My name is Robert James Killian, em-
16 ployed by Amoco Production Company in Houston, Texas, as a
17 petroleum geologist.

18 MR. NUTTER: Is that K-I-L-L-I-A-N?

19 A Yes, sir.

20 Q Would you please relate your educational
21 experience for the Examiner?

22 A I'm a graduate of the University of
23 Texas in 1977 with a Bachelor of Science in geology.

24 Q And what is your work experience?

25 A I'm employed by Amoco Production since

1
2 April of 1978 in the Houston Region as exploration geologist.

3 Q Have you previously testified before
4 the Division?

5 A No, I have not.

6 Q Are you familiar with the area involved
7 in this application?

8 A Yes, I am.

9 Q Are you familiar with the application of
10 Amoco in this proceeding?

11 A Yes.

12 Q And what is that application?

13 A From compulsory pooling and drilling a
14 well in an unorthodox location.

15 Q And the well that's to be drilled is
16 the Fate Well No. 1, is that correct?

17 A Yes, it is.

18 MR. MOTE: Is the witness considered
19 qualified?

20 MR. NUTTER: Yes, he is.

21 Q I'll ask you to testify concerning
22 certain exhibits. Were these exhibits either prepared by
23 you or under your supervision and direction?

24 A Yes, they were.

25 Q All right, turn to your first exhibit,

1
2 if you would. I believe this is a map of the area in question,
3 is it not?

4 A. Yes, sir.

5 Q. And how is your proposed location shown
6 on this map?

7 A. Indicated by a red arrow.

8 Q. And the various wells that are shown on
9 this map in different colors, would you explain what those
10 are?

11 A. This is a map which indicates wells that
12 have penetrated the Pennsylvanian formatin in the area, the
13 completed intervals and the cumulative production rates as
14 of March, 1981, and latest flow tests as of March, 1981.

15 Q. And is this all of the wells that you
16 considered that penetrated the Pennsylvanian?

17 A. Yes, they are.

18 Q. And the information that you show with
19 regard to the cumulative production and the last tested,
20 that's what you've highlighted on this map?

21 A. Yes, sir.

22 Q. Do you have anything further regarding
23 this exhibit?

24 A. No, I do not.

25 Q. It's in Eddy County, New Mexico, is it

1
2 not?

3 A. Yes.

4 Q. All right. Go to your second exhibit,
5 if you would. I believe this is an Isopach map.

6 A. Yes, sir.

7 Q. How did you get the information to make
8 this determination?

9 A. The Isopach map was constructed from
10 subsurface electric logs.

11 Q. All right, and I notice a cross section
12 across the thing. It's black. It's a little bit hard to see
13 but point it out to the Examiner because you're going to be
14 talking about that a little bit later.

15 A. This ---

16 Q. Going from one well to the other explain
17 where it is.

18 A. This is cross section A-A' in Township
19 23 South, Range 28 East, extending from HNG's No. 1 Pardue
20 33 in the east half of Section 33 across the Atoka Channel
21 system to Amoco's No. 1 Pardue Farms, located in the east
22 half of Section 26. It includes four wells.

23 Q. All right.

24 MR. NUTTER: It doesn't catch this well
25 in the north half of Section 11?

1
2 A. No, it does not. I did not have a CNL
3 density on it.

4 Q. What sand is shown in the yellow on
5 this map?

6 A. This is Atoka Sand, an over-pressure
7 sand within the Atoka formation. This is one stratigraphic
8 interval. The values I've used to construct this are based
9 on what I consider clean sand that is less than 50 API units
10 on the gamma ray.

11 Q. All right, and you show the proposed
12 location on this map also by a red arrow, do you not?

13 A. Yes, sir.

14 Q. Now both on this map and the previous
15 exhibit Number One is the proposed location shown at the
16 910 rather than the 660 location?

17 A. Yes, it is.

18 Q. The various wells that you have on here
19 show certain information in little boxes in reference to each
20 well. What is -- what is that information and where did you
21 get it?

22 A. This information is from scout tickets.
23 I've included the eighteen local wells surrounding our pro-
24 posed location. Within the boxes I have the name of the
25 well, the total depth reached, the completion date, initial

1
2 potential, and in some cases pressure data, and in some cases
3 cumulative production figures.

4 Q Point out some of the most significant
5 control points on this exhibit, please, sir.

6 A Our objective with regards to the unor-
7 thodox location is to approach the center of the channel.
8 Key wells in this regard include the Maddox No. 1 Pardue
9 Farms 26, located in the west half of Section 26, which en-
10 countered 23 feet of clean Atoka Sand. This well was poten-
11 tially flowing 10.25 million a day, and is as close to the
12 axis of the channel system as any well in the area. It is
13 our maximum sand thickness.

14 We approach the edge of the channel
15 system as HNG has in No. 1 Vasquez 4, located in the east
16 half of Section 4, which encountered only 6 feet of Atoka,
17 clean Atoka Sand. The initial potential there was 1.5 million
18 a day, so your chances of success are significantly reduced
19 towards the edges of the system.

20 Q Do you consider that you have pretty
21 good control of the width of this channel?

22 A Yes, I do. Our narrowest point to the
23 north is defined by the three wells in Section 26 and 27, in
24 the west half of 27 the Maddox No. 1 Pardue 27 encountered
25 2 feet of clean Atoka Sand. No attempt was made to complete

1
2 in this zone.

3 In Section 26, again Maddox No. 1 Pardue
4 Farms 26 encountered 23 feet of clean sand, and in the east
5 half of Section 26 Amoco No. 1 Pardue Farms encountered no
6 sand in this interval.

7 Our widest point of control was just to
8 the south of our proposed location. HNG's No. 1 Vasquez 4
9 with 6 feet of sand, Aminoil's No. 1 Vasquez Com, located in
10 Section 3 with 18 feet of clean sand.

11 MR. NUTTER: What does SO mean as a code
12 on these wells?

13 A. It's a shale out or a zero value.

14 MR. NUTTER: Okay.

15 A. The brown on this map indicates no sand.
16 Maddox No. 1 Malaga encountered 13 feet of sand and to the
17 east here Phillips No. 1 Malaga encountered no sand in the
18 Atoka.

19 Q Is it your opinion that the closer you
20 get to the center of the channel ordinarily you'll be able
21 to get -- more likely get a commercial production?

22 A. Yes, sir, it is.

23 Q Are you of the opinion that you could
24 or could not get a commercial producer at the orthodox loca-
25 tion?

1

2

A. From the Atoka, no, sir.

3

4

Q. From the Atoka. Now is the orthodox location shown on this Exhibit Number Two?

5

6

A. Yes, it is. I've indicated the orthodox location with a circle to the north.

7

8

Q. Just to the north of the proposed location?

9

10

11

A. The west half of 34.

Q. Yes, sir. Do you have anything further with regard to this exhibit?

12

13

14

15

16

A. No, sir.

Q. All right, turn to your Exhibit Number Three. Go through each of these wells and describe the wells and what they show in connection with this exhibit, please, sir.

17

18

19

20

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25

A. This is a cross section hung on a structural datum, including the Pennsylvanian section in the subject area.

The first well, it's essentially perpendicular to the channel system. To the west HNG No. 1 Pardue 33, which is currently testing. This is in the east half of Section 33, encountered no sand in the Atoka interval here. This is a zero point or a shale out.

To move into the channel to the west,

1

12

2

HNG's No. 1 Pardue 34 in the east half of Section 34 encountered

3

12 feet with -- and a successful completion in the Atoka.

4

The third well on the cross section,

5

HNG No. 2 Williams 35 in the south half of Section 35, also

6

a successful completion in the Atoka. It encountered 18 feet

7

of clean sand.

8

And moving somewhat further to the east,

9

Amoco's No. 1 Pardue Farms, a Strawn completion for 11 million

10

a day. No Atoka Sand encountered here.

11

Q

Where would your proposed well lie if it

12

were placed on this cross section?

13

A

Between HNG's Pardue 33 and HNG's No. 1

14

Pardue 34.

15

Q

Does this exhibit show the perforations

16

on it?

17

A

Yes, it does. I've indicated those in

18

red.

19

Q

And the sand thickness, is the sand

20

thickness shown by the two wells in the middle that are com-

21

pleted in the channel?

22

A

Yes, it is.

23

Q

And it's in yellow, just like it is on

24

Exhibit Number Two?

25

A

This area colored yellow.

1
2 Q Does this support your Exhibit Number
3 Two, in your opinion?

4 A Yes, I believe it does.

5 Q What is your recommendation to Amoco
6 with regards to the drilling of this well?

7 A I recommended that Amoco drill a well
8 660 from south line and 1980 from west line of Section 34.

9 Q And would you recommend that a well be
10 drilled at the 1980 location from the south line?

11 A No, I would not.

12 Q Why is that?

13 A Our probability for success would be
14 significantly decreased as we'd be at or near the shale out
15 for the sand.

16 Q Do you know why the well was moved from
17 the advertised location of 660 from the south line up to 910
18 from the south line?

19 A Yes, sir, to avoid a surface obstruction.

20 Q Would you say that your testimony gen-
21 erally is in connection with the proposed well that the
22 further north you have to go with this well that the risk is
23 greater for successful commercial completion?

24 A Yes, sir.

25 MR. MOTE: We offer Exhibits One, Two,

1
2 and Three, and that concludes our testimony involving this
3 witness.

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

6 Now, let's see, he said he recommended
7 the well be 660 from the south line, and that's what was ad-
8 vertised, but because of surface obstruction you're moving it
9 to what, 910?

10 A. Yes, sir.

11 MR. MOTE: Yes, sir.

12 MR. NUTTER: 910 from the south line.
13 And the distance from the west line remains the same, 1980
14 from the west line, is that correct?

15 MR. MOTE: Yes, sir.

16 MR. NUTTER: Are there any questions of
17 this witness? He may be excused.

18 MR. MOTE: Our next witness is Mr. Jim
19 Wishart.

20
21 JAMES M. WISHART
22 being called as a witness and being duly sworn upon his oath,
23 testified as follows, to-wit:
24
25

DIRECT EXAMINATION

BY MR. NOTE:

Q If you would, please, state your name, by whom employed, and in what capacity?

A My name is James M. Wishart. I'm employed by Amoco Production Company as a landman in the Houston office.

Q Have you --
MR. NUTTER: Spell your last name, please.

A W-I-S-H-A-R-T.

MR. NUTTER: Thank you.

Q Have you previously testified before the Division?

A No.

Q Would you please relate your educational and work experience with Amoco?

A I graduated in 1972 from the Southwest Texas State University and have been employed by Amoco Production Company for the past three years as a landman.

Q Are you familiar with the area of the application?

A Yes, sir.

Q And are you familiar with the application

1
2 that's been made by Amoco in this proceeding?

3 A. Yes, sir.

4 MR. MOTE: Is there any question con-
5 cerning this witness' qualification to testify as a landman?

6 MR. NUTTER: No, sir, he's qualified.

7 Q. You have, I believe, four --Exhibits
8 Four through Eight that you'll be asked to testify concerning.
9 Were these exhibits either prepared by you or under your
10 supervision and direction?

11 A. Yes, sir, they were.

12 Q. All right. Turn to Exhibit Number Four.
13 Explain what you show on this exhibit, please, sir.

14 A. Exhibit Number Four is an ownership map
15 covering approximately nine square miles in and around our
16 proposed unorthodox location.

17 Q. And you've got a legend on there which
18 shows the difference between the producing wells, the pro-
19 posed location, and a testing well, is that correct?

20 A. Yes, sir. I've indicated the producing
21 well by the normal symbol, the producing well being a well
22 producing from the Pennsylvanian formation.

23 Our proposed location is indicated also,
24 by an arrow.

25 Q. Do you have anything further with regard

1
2 to this exhibit?

3 A. No, sir.

4 Q. All right, turn to Exhibit Number Five.
5 What is this exhibit?

6 A. Exhibit Number Five covers the west half
7 of Section 34, Township 23 South, Range 28 East. It is the
8 ownership map, or the ownership that's set forth in the west
9 half of that section.

10 Q. You've got three columns here. One of
11 them shows the owners of all the mineral interests in the
12 section -- west half of Section 34 that's under consideration?

13 A. Yes, sir. The additional information
14 covers the tracts that each individual owner has at this
15 time, as well as the proportionate interest ownership for
16 each.

17 Q. Do you have anything further on this
18 exhibit?

19 A. No, sir.

20 Q. Have you been in correspondence both
21 verbally and in writing with these owners in the west half
22 of Section 34?

23 A. Yes, sir, I have.

24 MR. NUTTER: Now these are all working
25 interest owners?

1

2

A. Not all of them.

3

MR. NUTTER: Fee owners?

4

5

A. There are -- there are two that are fee owners, yes, sir.

6

MR. NUTTER: That have not been leased.

7

A. Right, yes, sir.

8

9

MR. NUTTER: So under a compulsory pooling order they would be working interest owners?

10

A. Yes, sir.

11

12

MR. NUTTER: So this would be a list of all the working interest owners in that respect.

13

A. Yes, sir.

14

15

Q. All right, turn to your Exhibit Number Six. This is a TWX which was sent to the same people that you've just shown on your previous exhibit, is that correct?

16

17

18

19

20

21

A. Yes, sir, it was sent to all working interest owners and advised them of our proposal or plans to drill at the unorthodox location; also mentioned the cumulative cost of the drilling of wells and asked for a reply. It's dated June 30th.

22

Q. And did you get any responses?

23

A. Yes, sir.

24

Q. In writing?

25

A. Yes, sir, we did. We heard -- we heard

1
2 in writing from three owners, Roy G. Barton, Jr., HNG Oil
3 Company, and Phillips Petroleum. Those are indicated under
4 Exhibit Number Seven.

5 They represent approximately 75 percent
6 of the working interest in the west half of Section 34.

7 MR. NUTTER: They plus Amoco. you mean.

8 A. Yes, sir.

9 MR. NUTTER: Did they reply in the af-
10 firmative?

11 A. Yes, sir, they did.

12 Q. Did you send out then an AFE?

13 A. Yes, we did. We followed that with an
14 AFE.

15 Q. Is that your Exhibit Number Eight?

16 A. That's Exhibit Number Eight. It's dated
17 July 9th, 1981. It included our estimated well cost as well
18 as again listing the working interest ownership and advising
19 each, or inclosing to each owner a mailing list of the other
20 working interest owners.

21 Q. Is there anything on this exhibit Number
22 Eight that you would like to correct?

23 A. Yes, sir, there is. A clerical error
24 was made in the listing of working interest ownership on
25 page one of the letter. Pardue Farms, the second listing,

1
2 and Bill Seltzer, the third listing, have had their corres-
3 ponding mineral interests, or working interests, reversed.
4 It should read Pardue Farms with .03125 and Bill Seltzer with
5 .015625.

6 Q All right, have you contacted all the
7 owners verbally who didn't respond in writing?

8 A Yes, sir, I have.

9 Q Of the total percentage, how many, what
10 percent of the working interest owners have agreed to join
11 either verbally or in writing?

12 A Including Amoco, 95.4 percent have agreed
13 to join.

14 Q And who has refused to join?

15 A Two owners, Aminoil, representing approx-
16 imately 3.1 percent of the total, and Robert Coleman, re-
17 presenting approximately 1 1/2 percent of the total.

18 Q So that leaves about 4.6 percent who've
19 refused to join or have neglected to join to this date?

20 A Yes, sir.

21 Q Do you have any problem with leases ex-
22 piring in the near future?

23 A Yes, sir, we do. Our leasehold, which
24 represents 115 net acres out of the west half, expires August
25 the 2nd, 1981. In addition, Mr. Bill Seltzer, who is on

several of these exhibits, has 10 acres which will be expiring July the 25th, 1981.

Q In case the Division could get an order out approving this proposal shortly, would you be able to get a rig on to keep these leases in effect?

A Yes, sir, we would have a rig available.

Q Okay. Do you have any further testimony with regard to your contacts with the various owners in this section, this half section?

A No, sir, I don't.

MR. MOTE: We offer Exhibits Four through Eight into evidence, and that concludes our testimony from this witness.

MR. NUTTER: Exhibits Four through Eight will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Now, Mr. Wishart, I didn't follow you exactly. At first you said you had affirmative replies from Barton and Phillips and HNG, and they represented along with Amoco 75 percent?

A Yes, sir, those were the --

Q And you said over here that you've had

1
2 affirmative replies from 95.4 percent.

3 A. Yes, sir, those three plus Amoco, which
4 represented 75 percent were the three that responded in
5 writing, and we have copies of the wires.

6 Q. And these others have had verbal response.

7 A. The others we've contacted by phone and
8 they indicated verbally that they would join.

9 Q. But you have it in writing only from
10 those other three so far.

11 A. Yes, sir.

12 Q. And you have a definite nay from Coleman
13 and Aminoil, is that it?

14 A. Yes, sir.

15 Q. Okay.

16 MR. NUTTER: Are there any further
17 questions for Mr. Wishart? He may be excused.

18 MR. MOTE: Call Mr. David Boatwright.

19
20 DAVID BOATWRIGHT

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

23

24

25

DIRECT EXAMINATION

BY MR. MOTE:

Q. Please state your name, by whom employed, and in what capacity and location.

A. My name is David A. Boatwright. I'm employed by Amoco Production Company in Houston, Texas, as an engineer.

Q. Have you ever testified before the Division?

A. No, I haven't.

Q. If you would, please, relate your educational experience.

A. I got a BS degree in mechanical engineering from Texas A & M University in 1974. Went to work for Amoco right after that and have worked in both the district offices and the division and region offices in drilling production operations, and reservoir engineering.

Q. Are you familiar with the area of this application?

A. Yes, sir, I am.

Q. And are you familiar with the application itself?

A. Yes, sir.

MR. MOTE: Is there any question con-

cerning this witness' qualifications to testify as an engineering witness?

MR. NUTTER: He's qualified.

Q. You've been asked to testify concerning certain exhibits, or one exhibit, was this exhibit either prepared by you or under your supervision and direction?

A. Yes, sir, it was.

Q. And turning to your Exhibit Number Nine, Amoco Exhibit Number Nine, please explain what this is.

A. This is a detailed well cost worksheet.

Q. And where did you get the information that you used on which to base this detailed worksheet?

A. We developed these cost estimates from the drilling of the State "JB" Well No. 1 in Section 32 to the west of this subject well.

Q. And when was that drilled?

A. That well was drilled, spudded in December, 1980. It was -- the drilling was completed in March, 1981.

Q. All right, and what does this worksheet show, or what is your estimate or opinion of the dry hole costs in connection with drilling of the Fate Well No. 1?

A. Dry hole costs for this well will be 1.892 million dollars.

1

2

Q. What about if it's a producer?

3

A. If it's a producer the costs will be

4

2.216 million dollars.

5

Q. Are there some surface costs in addition

6

to that?

7

A. The surface costs associated with this

8

well will be approximately \$80,000.

9

Q. Have you made any estimates concerning

10

supervision during drilling and supervision during production

11

of the Fate Well?

12

A. Yes, sir the numbers we came up with ---

13

came up with there were \$4000 a month under drilling condi-

14

tions for supervision and \$400 a month under producing

15

conditions.

16

Q. And are you requesting that Amoco Pro-

17

duction Company be allowed to be operator of this unit if

18

it's formed?

19

A. Yes, sir, I am.

20

Q. Have you considered the --- what should

21

be charged as risk in connection with any working interest

22

owner who decides he does not wish to take the drilling risk

23

in the drilling of this Fate No. 1 Well?

24

A. Yes. We're proposing the maximum risk

25

penalty be invoked, that being 200 percent.

1
2 Q Do you anticipate that the well drilled
3 at the proposed location will be commercial and pay out the
4 costs of drilling and operation and return a fair profit to
5 unit owners?

6 A Yes, sir.

7 Q Has Amoco filed an application for a
8 permit to drill yet?

9 A Not as yet, no.

10 Q Do you feel that they soon will do so?

11 A Yes, we plan to file a permit with the
12 Division and I'd like to comment on that permit that it would
13 be contingent upon the outcome of this hearing.

14 Q All right, in your opinion would the
15 granting of the application of Amoco be in the interest of
16 conservation, the prevention of waste, and the protection of
17 correlative rights?

18 A Yes, sir.

19 MR. MOTE: We offer Exhibit Number Nine
20 and that concludes our case and testimony from this exhibit.

21 MR. NUTTER: Exhibit Nine will be ad-
22 mitted in evidence.
23
24
25

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Boatwright, this combined fixed rate of \$4000 while drilling and \$400 while producing, that's the first time I've encountered a figure that high. Is that what Amoco's charges are?

A Yes, sir.

Q Is that in the agreement that you -- now you said that Phillips and HNG had agreed in -- or Mr. Wishart said that they had agreed in writing to this proposal.

A Yes, sir.

Q Is that in the voluntary communitization agreement with those operators?

A We've not shown them a communitization agreement as yet.

Q Or the operating agreement, I mean?

A These numbers were not in that, either that TWX or the AFE that we sent them,

Q I hadn't seen a \$4000 a month while drilling overhead charge before.

A That's just a number that has been generated based on our experience in this area, and the cost of drilling a well of this high risk in this area of New Mexico.

1
2 Q Amoco must have a high overhead. Now
3 what are you basing the 200 percent risk factor on?

4 A That it's a deep well. It has various
5 risks associated with it. Numerous sets of pipe have to be
6 set. We're going to be drilling with -- in an over-pressured
7 area. The pressures in this area have been determined to be
8 more than a standard gradient, and for that reason we feel
9 that it's more than a regular risk. It's a high risk well.

10 Q That Culebra Bluff blowout was in this
11 same probable channel, wasn't it?

12 A Yes, sir, I believe it's offset to the
13 north.

14 Q The unorthodox location, though, is
15 designed to minimize the risk to get into the channel, isn't
16 it?

17 A Yes, sir, but there's still some risk
18 associated with that. It's not -- nothing is 100 percent,
19 I don't believe, when you're drilling around a channel like
20 that.

21 Q Now this \$80,000 surface cost, what
22 would that include?

23 A That includes the flow lines, the metering,
24 the --

25 Q Separators?

1
2 A. Separation equipment at the surface, yes.
3 Q. And the tanks.
4 A. Yes, anything from the wellhead out.
5 The wellhead is the cost at which we stop doing our drilling
6 estimate that's on this sheet, and that's why the \$80,000.
7 Q. The wellhead is on here?
8 A. Yes.
9 Q. So it's down -- everything downstream
10 from the well through the tanks?
11 A. Yes, sir.
12 MR. NUTTER: Are there any further ques-
13 tions of this witness? He may be excused.
14 Do you have anything further, Mr. Mote?
15 MR. MOTE: No, sir.
16 MR. NUTTER: Does anyone have anything
17 they wish to offer in Case Number 7305?
18 MR. PEARCE: Mr. Examiner, I believe the
19 record should reflect that the Oil Conservation Division has
20 received a letter signed by Mr. Jerry L. Harper of Aminoil
21 expressing his opposition to any well location closer than
22 1980 from the south line of Section 34.
23 MR. NUTTER: No expression of sentiment
24 as far as the compulsory pooling is concerned, however?
25 MR. PEARCE: None.

MR. NUTTER: Thank you.

Does anyone else have anything to offer
in Case Number 7305?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2305 heard by me on 7/15 1981.

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

July 23, 1981

Mr. Clyde Mote, Attorney
Amoco Production Company
Post Office Box 3092
Houston, Texas 77001

Re: CASE NO. 7305
ORDER NO. R-6728

Applicant:

Amoco Production Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/Ed

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7305
Order No. R-6728

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR COMPULSORY POOLING
AND AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15, 1981,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of July, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Amoco Production Company, seeks
an order pooling all mineral interests in the Pennsylvanian
formation underlying the W/2 of Section 34, Township 23 South,
Range 28 East, NMPM, Southeast Loving Area, Eddy County, New
Mexico, to be dedicated to a well to be drilled at an unorthodox
location thereon, at a point 910 feet from the South line and
1980 feet from the West line of said Section 34.

(3) That the original application was for an unorthodox
location 660 feet from the South line and 1980 feet from the
West line of the section, but the application was amended at
the hearing to the less unorthodox location described in Find-
ing No. (2) above, and no party appeared at the hearing to
object to the proposed location.

(4) That the applicant has the right to drill and proposes
to drill a well as described above, but there are interest

-2-

Case No. 7305
Order No. R-6728

owners in the proposed proration unit who have not agreed to pool their interests.

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

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

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

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

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

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

(11) That \$3000.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-3-

Case No. 7305
Order No. R-6728

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That approval of the unorthodox location will enable applicant to produce its just and equitable share of the gas in place and will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, NMPM, Southeast Loving Area, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 910 feet from the South line and 1980 feet from the West line of said Section 34, said location being hereby approved.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Atoka formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Amoco Production Company is hereby designated the operator of the subject well and unit.

-4-
Case No. 7305
Order No. R-6728

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

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

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

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

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

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

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

-5-

Case No. 7305

Order No. R-6728

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

(9) That \$3000.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

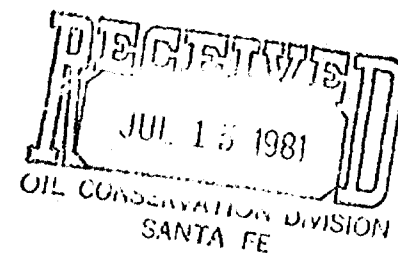


JOE D. RAMEY
Director

S
fd/



July 10, 1981



New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Re: July 15th Hearing on Application
of Amoco Production Company for
Unorthodox Location for the Fate
No. 1 Well, Section 34, T23S
R28E, Eddy County, New Mexico

Gentlemen:

Please be advised that Aminoil USA, Inc. is unequivocally opposed to the completion of the subject well any closer than 1980' from the south line of Section 34, and asks that such opposition be entered into the record for this hearing.

Our position in this matter is founded on the demonstrable principle that any location for the subject well closer than 1980' from the south lease line will enable the well to drain more marketable hydrocarbons from beneath Aminoil's south offset lease than would be the case for a standard location.

Our position is founded also on the knowledge that no surface condition exists which necessitates the drilling of the well at other than a standard location.

Yours very truly,

AMINOIL USA, INC.

Jerry L. Harper
Central District Production Mgr.

KSK/jd

cc: Amoco - Houston
HNG - Midland

Aminoil USA, Inc., Loraine Center, 601 N. Loraine St.,
Midland, Texas 79701 (915) 682-8231

WELL COST DETAIL WORKSHEET

Location 34 T23S R28E Zone of Compl. Single Compl. in Atoka or Morrow Depth 13,200'

INTANGIBLES		DRY HOLE	PRODUCER
Drilling Cost (Footage) _____ Ft. @ _____ MIXRUxRD		25,000	25,000
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>7,000</u>		630,000	630,000
Cable Tools or Comp. Unit _____ Days @ \$ _____		---	35,000
Surveys _____		110,000	110,000
Mud _____ (OIL _____)		150,000	150,000
Stimulations, Size _____		---	20,000
Roads & Bridges _____ Grading _____		25,000	25,000
	Sub Total	940,000	995,000
<u>OTHER:</u>			
Coring Equipment _____		---	---
Perforating _____ Shots _____		---	10,000
Scratchers and Centralizers _____		---	---
Company Labor <u>90/100</u> Day @ \$400/day		36,000	40,000
Contract Labor <u>Mud logger, 80 days @ \$450/day</u>		36,000	36,000
Fuel and Water _____		50,000	60,000
Digging Pits _____ Filling Pits _____		5,000	8,000
Trucking _____		15,000	40,000
Cementing Services _____		60,000	75,000
Cement for Casing _____ Sacks _____		---	---
Guide Shoes, Float Shoes and Collars _____		---	---
Bits and Reamers _____		50,000	50,000
Drill Stem Tests ----- No. Tests -----		---	---
Miscellaneous <u>Rentals, Casing crews, etc.</u>		170,000	180,000
Contingencies @ 10% of above		136,000	150,000
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>BEFORE EXAMINER NUTTER OIL CONSERVATION DIVISION <u>AMOCO</u> EXHIBIT NO. <u>9</u> CASE NO. <u>7305</u></p> </div>			
Total Other		558,000	649,000
Total Intangibles		1,498,000	1,644,000
WELL EQUIPMENT - TANGIBLES			
Cond. _____ Size <u>16"</u> _____ Ft. <u>400'</u>		13,000	13,000
Casing - Surface - Size <u>10-3/4"</u> _____ Ft. <u>2500'</u>		57,000	57,000
Casing - Intermediate - Size <u>7-5/8"</u> _____ Ft. <u>9800'</u>		324,000	324,000
Casing - Oil String - Size <u>4-1/2"</u> _____ Ft. <u>3700'</u>		---	42,000
Tubing - Size <u>2-7/8N</u> _____ Ft. <u>13,000'</u>		---	81,000
Wellhead _____		---	55,000
Total Well Equipment		394,000	572,000
Totals		1,892,000	2,216,000

WELL COST DETAIL WORKSHEET

Location 34 T23S R28E Zone of Compl. Single Compl. in Atoka or Morrow Depth 13,200'

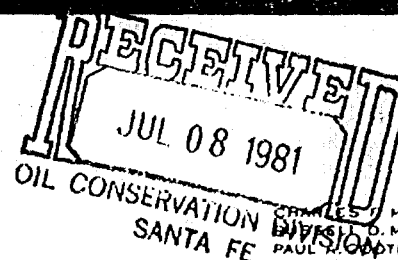
INTANGIBLES		DRY HOLE	PRODUCER	
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Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>7,000</u>		630,000	630,000	
Cable Tools or Comp. Unit _____ Days @ \$ _____		---	35,000	
Surveys _____		110,000	110,000	
Mud _____ (OIL _____) _____		150,000	150,000	
Stimulations, Size _____		---	20,000	
Roads & Bridges _____ Grading _____		25,000	25,000	
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OTHER:				
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Perforating _____ Shots _____		---	10,000	
Scratchers and Centralizers _____		---	---	
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Trucking _____		15,000	40,000	
Cementing Services _____		60,000	75,000	
Cement for Casing _____ Sacks _____		---	---	
Guide Shoes, Float Shoes and Collars _____		---	---	
Bits and Reamers _____		50,000	50,000	
Drill Stem Tests ----- No. Tests -----		---	---	
Miscellaneous <u>Rentals, Casing crews, etc.</u>		170,000	180,000	
Contingencies @ 10% of above		136,000	150,000	
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Cond. _____				
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Casing - Oil String - Size <u>4-1/2"</u> <u>3700'</u>		---	42,000	
Tubing - Size <u>2-7/8N</u> <u>13,000'</u>		---	81,000	
Wellhead _____		---	55,000	
Total Well Equipment		394,000	572,000	
Totals		1,892,000	2,216,000	
+ About \$ 80,000 surf costs				

ATWOOD, MALONE, MANN & COOTER

A PROFESSIONAL ASSOCIATION
LAWYERS

JEFF O. ATWOOD [1883-1960]
ROSS L. MALONE [1910-1974]

P O DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221



CHARLES J. MALONE
JEFF O. MANN
PAUL J. COOTER
BOB F. TURNER
JOHN W. BASSETT
ROBERT E. SABIN
BRIAN W. COPPLE

STEVEN L. BELL
WILLIAM P. LYNCH
RODNEY M. SCHUMACHER

July 6, 1981

Mr. Joe Ramey
Secretary-Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: Examiner Hearing - Wednesday, July 15, 1981
Cause No. 7305

Dear Mr. Ramey:

We would appreciate your filing the enclosed Entry
of Appearance for Amoco Production Company in Cause No. 7305.

Your assistance in this matter is appreciated.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Paul Cooter", written over a horizontal line.

Paul Cooter

PC/le

Enc.

cc: Clyde A. Mote, Esq.

RECEIVED
JUL 08 1981
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF AMOCO PRODUCTION COMPANY FOR)
COMPULSORY POOLING AND AN UNORTHODOX)
WELL LOCATION, EDDY COUNTY, NEW MEXICO.)

NO. 7305

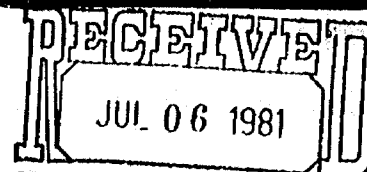
ENTRY OF APPEARANCE

The undersigned hereby enter their appearance on
behalf of Amoco Production Company with Clyde A. Mote of
Houston, Texas.

ATWOOD, MALONE, MANN & COOTER, P.A.

By 

P. O. Drawer 700
Roswell, New Mexico 88201



OIL CONSERVATION DIVISION

SANTA Amoco Production Company

Houston Region
600 Jefferson Building
Post Office Box 3092
Houston, Texas 77001

Richard E. Ogden
Regional Engineering
Manager

June 29, 1981

File: JCA-986.51NM-685

Re: Application for Hearing
Compulsory Pooling and Unorthodox Location
Eddy County, New Mexico

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

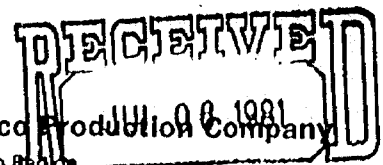
Amoco Production Company requests a hearing for compulsory pooling of all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 34, T-23-S, R-28-E, Eddy County, New Mexico. This 320 acre proration unit will be dedicated to a well to be drilled at an unorthodox location 660 feet from the south line and 1980 feet from the west line of Section 34. Also to be considered will be the cost of drilling and completing said well, the allocation of cost thereof, as well as actual operating cost, charges for supervision and a charge for risk involved in drilling said well. Amoco will ask to be designated operator of the well.

Please place this item on the Examiner's Hearing Docket of July 15, 1981. A map of the area and a list of all leasehold interest in the W/2 of Section 34, T-23-S, R-28-E are attached. This confirms our verbal request of June 24, 1981. Please direct any questions to Mr. David Boatwright (713) 652-5472.

Yours very truly,

R.E. Ogden DAB

DAB/rw



Amoco Production Company
Houston Region
500 Jefferson Building
Post Office Box 3092
Houston, Texas 77001
OIL CONSERVATION DIVISION
SANTA FE

Richard E. Ogden
Regional Engineering
Manager

June 29, 1981

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Compulsory Pooling and Unorthodox Location
Eddy County, New Mexico

State of New Mexico
Energy and Minerals Department
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P. O. Box 2088
Santa Fe, NM 87501

Attention: Mr. Joe D. Ramey

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R.E. Ogden DAB

DAB/rw



Richard E. Ogden
Regional Engineering
Manager

June 29, 1981

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Compulsory Pooling and Unorthodox Location
Eddy County, New Mexico

State of New Mexico
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Yours very truly,

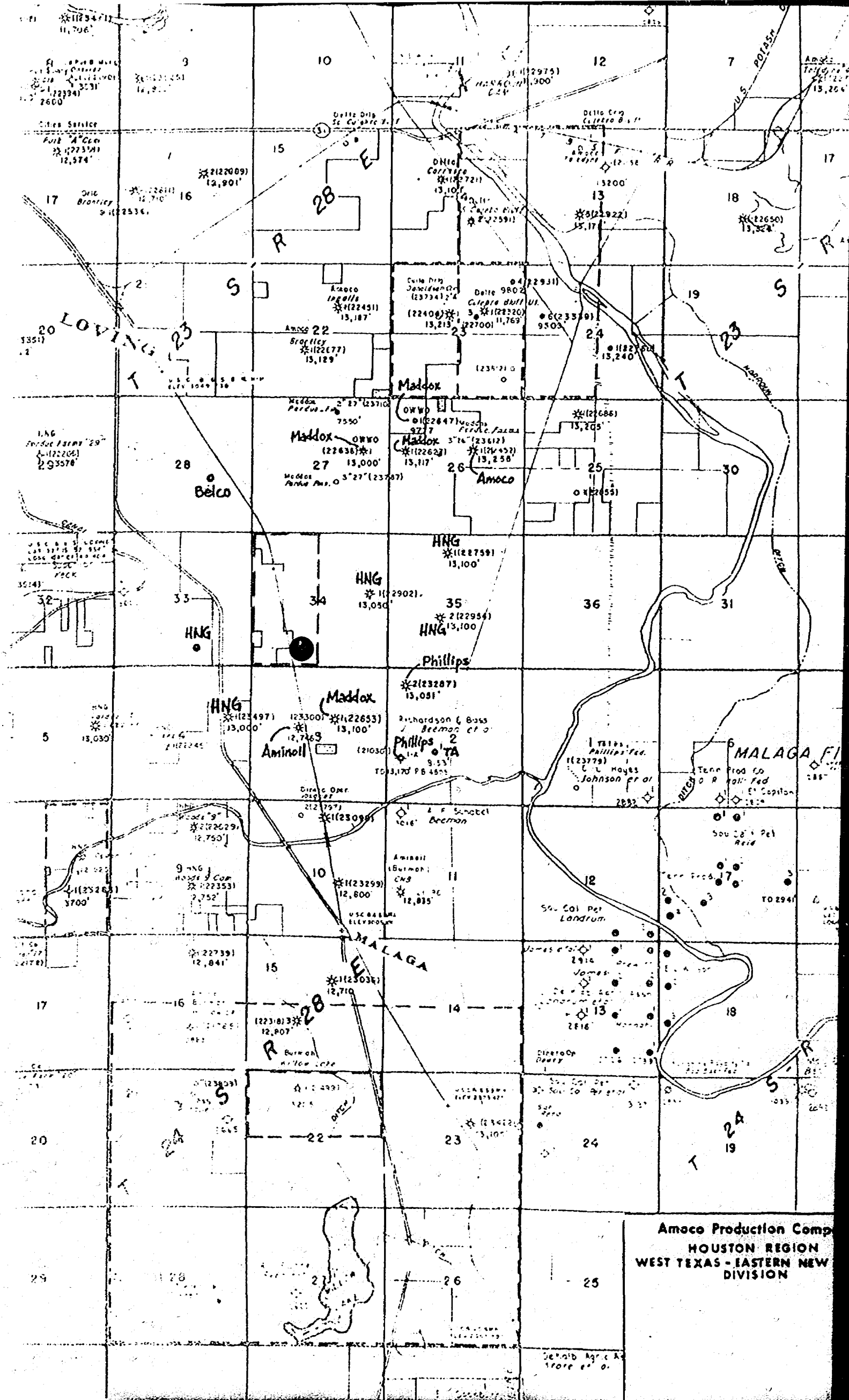
R.E. Ogden DAB

DAB/rw

Amoco Production Company

Houston Region
500 Jefferson Building
Post Office Box 3092
Houston, Texas 77001

RECEIVED
JUL 1 1981
OIL CONSERVATION DIVISION
SANTA FE



Amoco Production Comp
HOUSTON REGION
WEST TEXAS - EASTERN NEW
DIVISION

Southeast Loving Area
 W/2 Section 34, T-23-S, R-28-E
 Eddy County, New Mexico

AMOCO PRODUCTION COMPANY	23/64	W/2 SW/4 NW/4 NW/4, SW/4 NW/4, NW/4 SW/4, NE/4 SW/4 SW/4, E/2 NW/4 SW/4 SW/4, E/2 SW/4 SW/4 SW/4, W/2 SE/4 SW/4 SW/4, W/2 NW/4 SE/4 SW/4
PARDUE FARMS, A New Mex. Corp.	1/32	E/2 NE/4 SE/4 SW/4, E/2 SW/4, NE/4 NW/4
BILL SELTZER, Midland, Texas	1/64	E/2 SE/4 NE/4 NW/4
JACK RUSSELL, ROBERT H. JOHNSON, RICHARD S. GADDY, D.D.D.F. Co., Inc. - Midland	7/64	E/2 SW/4 SE/4 SW/4, W/2 SE/4 SE/4 SW/4, W/2 NW/4 SW/4 SW/4, E/2 SE/4 NW/4, W/2 NE/4 SE/4 NW/4
GEORGE G. STALEY	1/32	NE/4 NE/4 NW/4
ED PHILLIPS - Midland, Texas	1/64	W/2 SW/4 NE/4 NW/4
ROY G. BARTON - Hobbs, New Mexico	1/64	NW/4 NW/4 NW/4, E/2 SW/4 NW/4 NW/4, W/2 SE/4 NW/4 NW/4
ROBERT B. COLEMAN	1/64	W/2 NE/4 NW/4 NW/4
PHILLIPS PET.	1/8	E/2 NW/4 NW/4 NW/4, NW/4 NE/4 NW/4, W/2 SE/4 NE/4 NW/4, NW/4 SE/4 NW/4, E/2 NE/4 SE/4 NW/4, W/2 SE/4 SE/4 NW/4
AMINOIL OIL	1/32	E/2 SE/4 SW/4 SW/4, W/2 SW/4 SE/4 SW/4
HNG	13/64	NE/4 SW/4, SW/4 SE/4 NW/4, E/2 NW/4 SE/4 SW/4, W/2 NE/4 SE/4 SW/4, E/2 SE/4 SE/4 SW/4

Dockets Nos. 23-81 and 24-81 are tentatively set for July 29 and August 12, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 15, 1981

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for August, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7302: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbores of four wells to be drilled in the SE/4 and SW/4 of Section 34, Township 27 North, Range 7 West, and the SW/4 and NW/4 of Section 2, Township 26 North, Range 7 West, respectively.

CASE 7303: Application of Florida Hydrocarbons Company for surface commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the surface commingling of Morrow, Strawn, Atoka, and Wolfcamp gas produced from five wells located in Unit F of Section 10, Units G and O of Section 15, and Units A and I of Section 22, all in Township 23 South, Range 34 East, Antelope Ridge Field, after separately metering the gas produced from each well and each zone. Lease liquids would be separated out at the wellhead and the gas processed in a plant, allocating plant production back to each well on the basis of meter readings. Applicant further seeks a procedure whereby additional wells could be similarly commingled in said system.

CASE 7304: Application of ARCO Oil and Gas Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Custer Well No. 1, the surface location of which is 810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, Custer Field, to a bottom hole location within 100 feet of a point 1650 feet from the North line and 660 feet from the West line of said Section 6, at a true vertical depth of approximately 12,800 feet.

CASE 7305: Application of Amoco Production Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7306: Application of Getty Oil Company for pool creation, special pool rules, and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Lower Pennsylvanian gas pool for its Federal 33 Well No. 1 located in Unit G of Section 33, Township 26 South, Range 33 East, and the promulgation of special rules therefor, including provisions for 640-acre spacing. Applicant also seeks approval of a 616.24-acre non-standard gas proration unit comprising Sections 33 and 34, Township 26 South, Range 33 East.

CASE 7307: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the W/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 12E drilled at a standard location thereon.

CASE 7308: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the E/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 11E drilled at a standard location thereon.

CASE 7074: (Reopened and Readvertised)

In the matter of Case 7074 being reopened pursuant to the provisions of Order No. R-6565, which order created the South Elkins-Fusselman Gas Pool in Chaves County, New Mexico, to permit all interested parties to appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined to be a retrograde gas condensate reservoir.

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

July 15

To Called in by Dave Beatoright
6/24/81

Amoco Production Company

Compulsory Pooling and
Unorthodox location

Pennsylvanian formation

W/2 34-235-28E

Eddy County

660/5 + 1980/W

OIL CONSERVATION COMMISSION-SANTA FE

DRAFT
dr/

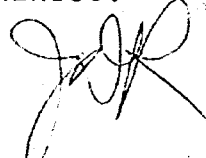
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7305

Order No. R- 6728

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

 ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15,
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of July, 19 81, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Amoco Production Company,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the W/2

of Section 34, Township 23 South, Range 28 East

NMPM, Southeast Loring Area, Eddy County, New
Mexico, to be dedicated to a well to be drilled,
at an unorthodox location thereon, at a point
910 feet from the South line and 1980 feet from
the west line of said Section 34.

(3) That the original application was for an
unorthodox location 660 feet from the South line
and 1980 feet from the west line of the section, but
the application was amended at the hearing
to the less unorthodox location described in
Finding No. (2) above, and no party appeared at
the hearing to object to the proposed location.

(4) That the applicant has the right to drill and proposes to drill a well/ ~~at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said~~ *as described above, but* ~~Section 34.~~
~~That~~ there are interest owners in the proposed proration unit who have not agreed to pool their interests.

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

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 20 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$ 8000.00 per month while drilling and \$ 300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That approval of the unorthodox location will enable applicant to produce its gas and acquire share of the gas in place and will not cause unfair impairment of its rights.
IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, NMPM, San Juan Loving Area, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 910 feet from the South line and 1980 feet from the West line of said Section 34, said location being hereby approved. PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the First day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Atoka formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the First day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Amoco Production Company is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided

-5-
Case No.
Order No. R-

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

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

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

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

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

(9) That \$ 2000.00 per month while drilling and \$ 300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

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

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

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

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

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