

CASE NO.

7683

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 September 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of S & I Oil Company
for compulsory pooling, San Juan
County, New Mexico.

CASE
7683

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Damon Weems, Esq.
2901 East 20th Street
Farmington, New Mexico 87401

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I N D E X

DENNY FAUST

Direct Examination by Mr. Weems 3

Cross Examination by Mr. Stamets 6

E X H I B I T S

Applicant Exhibit One, Document 4

MR. STAMETS: We'll call next Case 7683.

MR. PEARCE: That is on the application of
S & I Oil Company for compulsory pooling, San Juan County,
New Mexico.

MR. WEEMS: Mr. Examiner, I'm Damon Weems
on behalf of S & I Oil Company, from Farmington, New Mexico.

I will have one witness.

(Witness sworn.)

DENNY FAUST

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

DIRECT EXAMINATION

BY MR. WEEMS:

Q Please state your name.

A Denny Faust.

Q Have you previously testified before the
Division and had your qualifications accepted as a geologist
and a landman?

A Yes, I have.

MR. WEEMS: We tender the witness as an
expert.

MR. STAMETS: He is considered qualified.

Q. Are you familiar with the 80-acre tract that's the subject of this application?

A. Yes, I am. I'm familiar with the east half of the southeast quarter of Section 12, Township 29 North, Range 15 West.

Q. Did you prepare an exhibit to show the ownership --

A. Yes.

Q. -- or lack thereof?

A. Yes, I did.

Q. And is that marked Exhibit Number One?

A. Yes, it is.

Q. What does Exhibit Number One show?

A. Exhibit Number One describes the S & I Oil Company Barber No. 1 Well, which is located in San Juan County, New Mexico, and is a Cha Cha Gallup Field producer. It was drilled in November of 1980 and had a first delivery in December of 1980.

Q. Does the exhibit show that there is unleased acreage in the tract?

A. Yes. The second page of the exhibit shows the -- a graphic of the 80 acres in question and two unleased portions are colored.

1
2 The brown portion belongs to what we con-
3 sider to be the heirs of T. E. Crutchfield. These were some
4 elderly people that left Farmington in 1958, and we have no
5 record of their whereabouts since 1960, and in addition we
6 have a plat, which is colored blue, which is unleased acreage
7 which was a portion of the estate of Ada P. Bonds, who was
8 deceased in 1946, and this small .77 acre tract was never
9 granted out as part of the estate.

10 Q Have you examined the title documents
11 made the basis of the abstracting opinion, title opinion, in
12 this matter?

13 A Yes, sir, I have. In my former position
14 with Caribou, who had an interest in this well, I've examined
15 the abstract for this well. It was prepared for the title
16 opinion for this well and I've also done courthouse research
17 and attempted to reach the parties involved personally.

18 Q Have you been unable to reach the parties
19 involved?

20 A We have been able to locate no information
21 on the Crutchfields since 1960, and the L-shaped portion, as
22 I mentioned previously, was not granted out as part of the
23 estate and now there are several tens of heirs. We're talking
24 about in the 40 to 50 number of people, because we have the
25 heirs of Ada P. Bond, most of whom are deceased, and they had

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2 large families and some of them are deceased. It was carried
3 on to the third generation in some places.

4 Q Should this application be granted, would
5 a risk factor of 200 percent be fair?

6 A S & I Oil Company would like to have --
7 recover 200 percent of the well cost.

8 Q In your opinion would the granting of
9 this application be in the interest of conservation, prevention
10 of waste, and protection of correlative rights?

11 A Yes, sir, I believe so.

12 MR. WEEMS: I have no further questions of
13 the witness. I move the introduction of Exhibit Number One.

14 MR. STAMETS: The exhibit will be admitted.

15 MR. WEEMS: Do you have any questions,
16 Mr. Examiner?

17 MR. STAMETS: Yes.

18
19 CROSS EXAMINATION

20 BY MR. STAMETS:

21 Q On the L-shaped section, that's -- those
22 are the bond heirs, what attempts have you made to contact
23 any of those people?

24 A The lady who owns adjacent property, a
25 Mrs. Bonna Bond, who is the widow of Amado Bean Bond, who is

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a direct heir, is attempting to obtain quitclaim deeds on the property so that she can gain title through members of her family.

MR. PEARCE: Would you walk through what has happened for me one more time, please?

A. Okay. This L-shaped piece of property, to the best of my knowledge was originally used as an old cattle drive lane, and the Bond owned the entire 80, excluding the Crutchfield acreage, which is indicated as the 1-1/2 acres right next to it. And whenever Mrs. Ada P. Bonds died in 1946, the remaining acreage was divided north -- divided east/west into four parcels running the length of the 80 north/south.

So, this was the access used on three of those parcels and it was never granted out as part of the estate. There were deeds granted on four separate parcels and did not include this L-shaped piece of property.

Currently it's being used as access, surface access to a portion of the property, that part that's running directly north/south is used as a surface access; the portion that runs east/west is not used as an access right-of-way of any kind and is incorporated into Mrs. Bond's property.

Q Have any contacts been made with any of

1
2 the other Bond heirs in an attempt to get them to join in
3 this well or grant a lease or -- or what's the process of
4 getting a lease as to this L-shaped tract?

5 A. I have not personally made any contact
6 with others of the heirs, except Mrs. Bonna Bond.

7 MR. STAMETS: Mr. Weems, what's your --
8 well, let's go off the record and talk about this case.

9
10 (There followed a discussion
11 off the record.)
12

13 MR. STAMETS: Okay, let's go back on the
14 record.

15 Mr. Weems, would you just run briefly
16 through what we've talked about off the record, as far as
17 who's been paying taxes and the status of the L-shaped sec-
18 tion?

19 MR. WEEMS: Yes, sir. The L-shaped sec-
20 tion, which the north/south section of it is an access road
21 and the East/west section of it is incorporated in Bonna
22 Bond's property. Bonna Bond has been paying taxes on that
23 east/west section, although she does not have legal title
24 pursuant to property description.

25 She has probably been paying taxes on it

1
2 for a long enough period of time to have it be hers by adverse
3 possession if she had cover of title. She does not have cover
4 of title.

5 The north/south section of it is not a
6 granted road. It was just left out of the property descrip-
7 tions over the years as it was split up among the members of
8 Ada Bond's estate.

9 Numerous attempts have been made by our
10 office and by Mrs. Bond, who has some interest because she
11 is adjacent -- the adjacent property owner, and at least
12 getting the east/west section cleared up to have it belong
13 to her.

14 MR. STAMETS: Are there any other ques-
15 tions? The witness may be excused.

16 Anything further in this case?

17 MR. WEEMS: Nothing further.

18 MR. STAMETS: The case will be taken under
19 advisement.

20
21 (Hearing concluded.)

22
23 REPORTER'S NOTE:

24 Following the conclusion of Case Number
25 7684 the following colloquy was had by Mr. Stamets and Mr.

1
2 Faust on the record:

3 MR. STAMETS: While I've got you right
4 here, could you give me a recommendation for overhead charges
5 on that Case 7683?

6 MR. FAUST: Yes. S & I Oil Company would
7 like to see \$2500 drilling well rate charge and also a \$300
8 producing well rate.

9 MR. STAMETS: If the record did not re-
10 flect that previously, I would ask that it so reflect that
11 ultimately.

12
13 (End of hearing.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY 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. 7683 heard by me on 9-15 1982.

Richard P. Stamm, Examiner
Oil Conservation Division

SALL. BOYD, C.S.R.

Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

October 1, 1982

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

Mr. Damon Weems
Weems, Birdsall & Associates
Attorneys at Law
2901 East 20th Street
Farmington, New Mexico 87401

Re: CASE NO. 7683
ORDER NO. R-7091

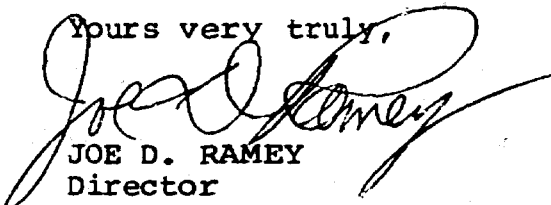
Applicant:

S & I Oil Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

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. 7683
Order No. R-7091

APPLICATION OF S & I OIL COMPANY FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 15, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of September, 1982, 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, S & I Oil Company, seeks an order pooling all mineral interests in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

-2-

Case No. 7683

Order No. R-7091

(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 \$2500.00 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 January 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 7683
Order No. R-7091

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, NMPM, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1983, 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 S & I Oil 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

-4-

Case No. 7683
Order No. R-7091

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.

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

(9) That \$2500.00 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

-5-

Case No. 7583

Order No. R-7091

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 interest's 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 San Juan 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
JOE D. RAMEY,
Director

S AND I OIL COMPANY

BARBARA #1
E/2 SE/4
SECTION 12-T29W-R15W

SAN JUAN COUNTY, NEW MEXICO
CHA-CHA GALLUP FIELD
DRILLED NOVEMBER 4, 1980
FIRST DELIVERY DECEMBER 23, 1980

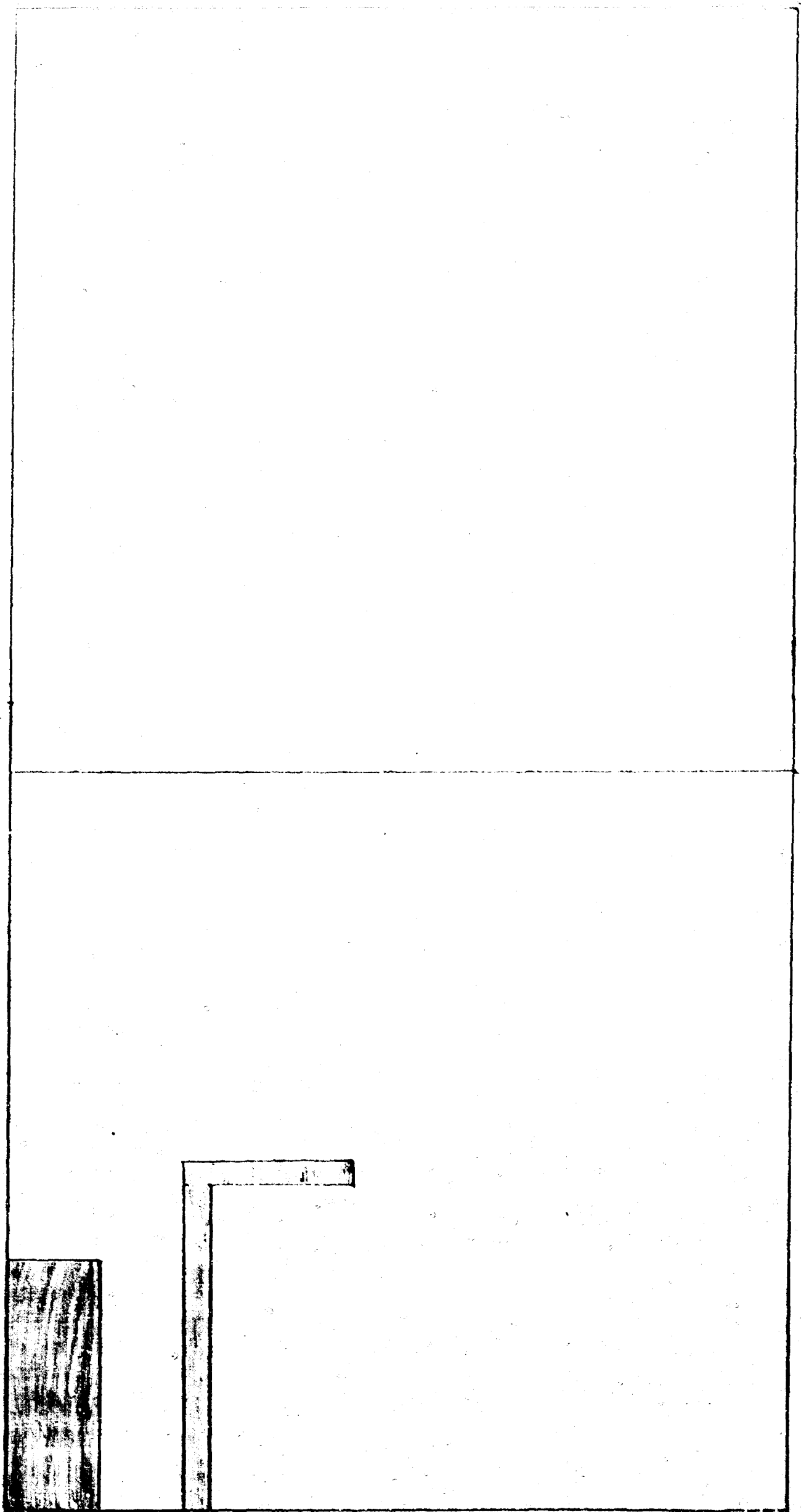
Unleased acreage, the
heirs of T.E. Crutchfield.

Unleased acreage.

Well site of S and I Oil
Barbara #1
760 FSL 810 FEL

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

EXHIBIT NO. 1
CASE NO. 7683



Dockets Nos. 31-82 and 32-82 are tentatively set for September 29 and October 13, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING WEDNESDAY-SEPTEMBER 15, 1982

9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for October, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7638: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Cibola Energy Corporation, American Employers Insurance Company and all other interested parties to appear and show cause why the Simms Ranch Well No. 1, located in Unit N, Section 9, the Clyde Berlier Well No. 1, located in Unit R and the Clyde Berlier Well No. 2, located in Unit F, both in Section 21, the Mora Ranch Well No. 3 located in Unit M and the Mora Ranch Well No. 4, located in Unit M, both in Section 5, all in Township 21 North, Range 21 East, Mora County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7637: (Continued from August 18, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R.A.F. Enterprises, Fireman's Fund Insurance Company and all other interested parties to appear and show cause why the Shaw Well No. 1, located in Unit M, Section 18, Township 4 North, Range 8 East, Torrance County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7635: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO₂-In-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Trigg Well No. 3 located in Unit J, Section 25, Township 15 North, Range 28 East, San Miguel County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7636: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO₂-In-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Amistad No. 1 located in Unit E of Section 18, and the Amistad No. 2 located in Unit D of Section 7, both in Township 19 North, Range 36 East, Union County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7673: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Almost Texas Unit Area, comprising 3,840 acres, more or less, of State and Federal lands in Township 26 South, Range 31 East.

CASE 7664: (Continued from September 1, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Little Cuevo Unit Area, comprising 13,307 acres, more or less, of State and Fee lands in Township 17 South, Range 18 East.

CASE 7674: Application of Irican Energy, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Javalina Basin Unit Area, comprising 3,840 acres, more or less, of State and Federal lands in Township 25 South, Range 34 East.

CASE 7675: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinbry, Justis Tubb-Drinkard, and Justis Devonian production in the wellbore of its G. L. Erwin "A" Federal Well No. 2 located in Unit K, Section 35, Township 24 South, Range 37 East.

- CASE 7676: Application of Tenneco Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from 4970 feet to 4982 feet in its Jennings Fed. Well No. 3 located in Unit B of Section 14, Township 24 South, Range 32 East.
- CASE 7677: Application of Anadarko Production Company for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Teas Yates Waterflood Project by converting two wells located in Unit F of Sections 13 and 14, Township 27 South, Range 33 East and drilling three new injection wells at unorthodox locations in Units M of Section 11 and Unit L of Section 13, Township 20 South, Range 33 East, and Unit E of Section 18, Township 20 South, Range 34 East.
- CASE 7678: Application of Phillips Petroleum Company for a pressure maintenance project, Lea County, New Mexico. Applicant in the above-styled cause, seeks authority to institute a pressure maintenance project in the Vacuum Grayburg-San Andres Pool by the injection of water into the Grayburg San Andres formation through eight injection wells to be drilled at unorthodox locations in Section 35, Township 17 South, Range 34 East, as follows: 2630 feet from the South line and 1330 feet from the West line; 2630 feet from the South and West lines; 2630 feet from the South line and 1330 feet from the East line; 1310 feet from the South line and 1330 feet from the West line; 1310 feet from the South line and 10 feet from the East line; 10 feet from the South line and 1310 feet from the East line; 1330 feet from the North line and 1310 feet from the West line; and 1330 feet from the North line and 10 feet from the West line. Applicant also proposes two production wells at unorthodox locations in said Section 35 as follows: 1310 feet from the South line and 2630 feet from the East line and 1310 feet from the South and East lines.
- CASE 7630: (Continued from September 1, 1982, Examiner Hearing - This Case will be Dismissed)
- Application of Ralph Nix for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 18, Township 19 South, Range 26 East.
- CASE 7671: (Continued from September 1, 1982, Examiner Hearing)
- Application of Texas Eastern Developments, Inc. for an exception to Rule 307, San Juan County, New Mexico. Applicant in the above-styled cause, seeks an exception to Rule 307 of the Division Rules and Regulations to permit it to draw a vacuum on the Shiprock Gallup Oil Pool reservoir through 16 wells in Sections 16 and 17, Township 29 North, Range 18 West. Applicant further seeks an administrative procedure whereby it could extend the proposed vacuum system to include additional wells in the same reservoir.
- CASE 7679: Application of C & K Petroleum, Inc. for the amendment of Order No. R-4857-A and for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, dedicated to its Ship 27 Well No. 2 located in Unit O in said Section 27. Applicant further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, to be dedicated to a well to be drilled in Unit P of said Section 27. 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 7680: Application of Unichem International, Inc. for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 11, Township 23 South, Range 29 East.
- CASE 7681: Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Ordovician gas well to be drilled 330 feet from the North line and 990 feet from the East line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 7682: Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Mississippian gas well drilled 330 feet from the North line and 330 feet from the West line of Section 34, Township 11 South, Range 28 East, the W/2 of said Section 34 to be dedicated to the well.

CASE 7683: Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, to be dedicated to a well drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7684: Application of R. E. Lauritsen for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the W/2 of Section 11, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof 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 7685: Application of Cimarron Energy Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian test to be drilled 1980 feet from the South line and 660 feet from the West line of Section 34, Township 22 South, Range 28 East, the S/2 of said Section 34 to be dedicated to the well.

CASES 7528 and 7529: (Continued and Readvertised)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

(Continued from September 1, 1982, Examiner Hearing)

CASES 7666, 7667, 7668, and 7669: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the four following cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7666: SW/4 Section 3;

CASE 7667: NW/4 Section 4;

CASE 7668: NW/4 Section 14;

All of the above being in Township 5 South, Range 24 East and

CASE 7669: NW/4 Section 2, Township 9 South, Range 25 East.

CASE 7670: (Continued from September 1, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 14 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7652: (Continued from August 18, 1982, Examiner Hearing)

Application of Conoco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco formation underlying all of partial Sections 34 and 35, Township 20 1/2 South, Range 23 East, underlying a previously approved 688-acre non-standard proration unit, to be dedicated to a well at a previously approved unorthodox location which is to be re-entered. Also to be considered will be the cost of re-entering 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 re-entering said well.

CASE 7672: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, assigning discovery allowable, contracting, and extending certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico:

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Brushy Canyon production and designated as the Brushy Draw-Brushy Canyon Pool. Further, to assign approximately 25,410 barrels of discovery allowable to the discovery well, the J. C. Williamson UCBHW Federal Well No. 1 located in Unit M of Section 25, Township 26 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM
Section 25: SW/4

- (b) CREATE a new pool in Lea County, New Mexico classified as an oil pool for San Andres production and designated as the Hobbs Channel-San Andres Pool. The discovery well is the Bass Enterprises Production Company Humble City Unit Well No. 1 located in Unit D of Section 36, Township 17 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 36: NW/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Humphreys Mill-Morrow Gas Pool. The discovery well is the Florida Exploration Company Reno Com Well No. 1 located in Unit D of Section 11, Township 25 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 35 EAST, NMPM
Section 11: N/2

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Justis-Abo Pool. The discovery well is the Santa Fe Energy Company Carlson B-25 Federal Well No. 3 located in Unit O of Section 25, Township 25 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 25: SE/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the McMillan-Upper Pennsylvanian Gas Pool. The discovery well is the Southland Royalty Company Pecos River Federal 20 Com Well No. 1 located in Unit J of Section 20, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 20: E/2

- (f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Mosley Canyon-Strawn Gas Pool. The discovery well is W. A. Moncrief, Jr., Jurnegan State Well No. 1 located in Unit C of Section 8, Township 24 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM
Section 8: N/2

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the West Nadine-Tubb Pool. The discovery well is the Tamarack Petroleum Company, Inc. Kornegay A Well No. 1 located in Unit F of Section 9, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 9: NW/4

- (h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Pitchfork Ranch-Morrow Gas Pool. The discovery well is the HNG Oil Company Madera 32 State Com Well No. 1 located in Unit C of Section 32, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 32: N/2

- (i) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Yeso production and designated as the Seven Rivers-Yeso Pool. The discovery well is Chama Petroleum Corporation Iran Federal Well No. 1 located in Unit N of Section 34, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 34: SW/4

- (j) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the East Skaggs-Abo Pool. The discovery well is the Texaco Inc. Ch. H. Weir A Well No. 12 located in Unit G of Section 12, Township 20 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 12: NE/4

- (k) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the Teague-Tubb Pool. The discovery well is the Alpha Twenty-One Production Company Lea Well No. 2 located in Unit A of Section 17, Township 23 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 17: NE/4

- (l) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Townsend-Devonian Pool. The discovery well is the Kimbark Oil and Gas Company New Mexico 1-4 State Com Well No. 1 located in Unit N of Section 4, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 4: Lots 11, 12, 13, and 14

- (m) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Welch-Bone Spring Pool. The discovery well is the Quanah Petroleum, Inc. Hay B Federal Com Well No. 1 located in Unit K of Section 9, Township 26 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM
Section 9: SW/4

- (n) CONTRACT the horizontal limits of the Buckeye-Abo Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 3: W/2 NW/4

Examiner Hearing - WEDNESDAY - SEPTEMBER 15, 1982

- (o) CONTRACT the horizontal limits of the Vacuum-Abo Reef Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 3: E/2 NW/4

- (p) EXTEND the Antelope Sink-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 13: N/2
Section 14: N/2

- (q) EXTEND the West Arkansas Junction-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: NW/4

- (r) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: E/2

- (a) EXTEND the Bilbrey-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 5: NW/4
Section 6: E/2

- (t) EXTEND the Punker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 14: N/2 S/2 and NE/4

- (u) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 3: S/2
Section 4: All

- (v) EXTEND the Comanche Stateline Tansill-Yates-Seven Rivers-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 26: NW/4
Section 27: NE/4 and E/2 NW/4

- (w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2
Section 36: W/2

- (x) EXTEND the South Empire-Wolfcamp Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 36: E/2 NE/4

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 31: NW/4 and S/2 NE/4

- (y) EXTEND the Forty Niner Ridge-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM
Section 16: SE/4

- (z) EXTEND the Hardy-Tubb Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 2: Lots 11, 12, 13, 14, and S/2
Section 11: NW/4

- (aa) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 20: NW/4

- (bb) EXTEND the West Milnesand-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 19: W/2

- (cc) EXTEND the South Peterson-Pennsylvanian Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 30: SE/4
Section 31: N/2 NE/4

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 15: S/2

- (dd) EXTEND the Race Track-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 28 EAST, NMPM
Section 18: NE/4 and S/2 SE/4

- (ee) EXTEND the Ross Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM
Section 23: S/2
Section 26: N/2

- (ff) EXTEND the West Sand Dunes-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2
Section 20: All

- (gg) EXTEND the Saunders Permo-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 21: NE/4

DOCKET: COMMISSION HEARING - WEDNESDAY - SEPTEMBER 22, 1982

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

The following cases were continued from the August 26, 1982, Commission Hearing:

CASE 7656: Application of Cities Service Company for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, pursuant to the provisions of Section 70-2-17 C, NMSA, 1978 Comp., and Paragraph (5) of Division Order No. R-6781, seeks a determination of reasonable well costs for two wells drilled under the provisions of said Order No. R-6781 by Doyle Hartman on lands pooled by said order.

CASE 7657: Application of Harvey E. Yates Company for non-rescission of Order No. R-6873, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the non-rescission of Order No. R-6873, which order pooled certain lands to be dedicated to a proposed Ordovician test well to be drilled thereon, being the W/2 of Section 18, Township 9 South, Range 27 East. Said order provided that should the unit well not be drilled to completion, or abandonment, within 120 days after commencement thereof, operator shall appear and show cause why the pooling order should not be rescinded.

CASE 7658: (Readvertised)

Application of Harvey E. Yates Company for a dual completion and downhole commingling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Seymour State No. 1 located in Section 18, Township 9 South, Range 27 East, in such a manner that Abo perforations from 4912 feet to 4929 feet would be commingled with Upper Atoka perforations from 5926 feet to 5952 feet and the aforesaid intervals dually completed with Lower Atoka perforations from 6008 feet to 6048 feet and produced through parallel strings of tubing.

Damon L. Weems
William C. Birdsall
F. Chester Miller, III
Regina A. Ryzanczak

WEEMS, BIRDSALL & ASSOCIATES, P.A.
ATTORNEYS AT LAW
2901 East 20th
Farmington, New Mexico 87401
(505) 327-4469

RECEIVED

AUG 16 1982

82AUG16 AM 10:43 BUREAU OF MINE INSPECTION

August 13, 1982

STATE ENGINEER OFFICE
DISTRICT I
ALBUQUERQUE, N. MEX.

State of New Mexico
Department of Energy and Minerals
Oil Conservation Division
2340 Menaul Blvd. N.E.
Albuquerque, New Mexico 87103

MINERALS DIVISION

AUG 16 1982

RE: Application of S&I Oil Company for Compulsory Pooling
of the E/2 of the SE/4, 6 and 12, Township 29 North,
Range 15 West, N.M.P.M., San Juan County, New Mexico

RECEIVED

Dear Sirs:

Enclosed please find the above referenced corrected Application. The tract of land involved encompasses the Barbara #1 well of S & I Oil Company. Please replace this Application with the incorrect Application sent August 10, 1982.

If there are any questions or problems in regard to the Application, please contact me.

Sincerely,


Damon L. Weems

Enclosure
DLW/co

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

82 AUG 16 AIO: 43
STATE ENGINEER OFFICE
DISTRICT I
ALBUQUERQUE, N. MEX.

APPLICATION OF S&I OIL COMPANY
for COMPULSORY POOLING of the
E/2 of the SE/4, Section 12,
Township 29 North, Range 15
West, N.M.P.M., San Juan County,
New Mexico.

NO. _____

APPLICATION FOR COMPULSORY POOLING

S&I Oil Company, a partnership, by and through its counsel, Weems, Birdsall & Associates, P.A., respectfully requests that the Division compulsory pool the above captioned acreage for the operation of an oil well which is heretofore been drilled in the Cha Cha-Gallup Pool.

Further, Applicant respectfully requests that such order be issued to designate Applicant as operator and establish a risk factor of 200% of the non-consenting working interest owners pro rata share of the cost of drilling and completing the well.

The tracts to be compulsory pooled are as follows:

- A. 1.5 acres belonging to the heirs of T. E. Crutchfield, which after diligent and careful search remain unfound;
- B. .77 acres for which legal title is confused due to property description errors for a period of over 50 years.

WEEMS, BIRDSALL & ASSOCIATES, P.A.
Attorneys at Law
2901 East 20th Street
Farmington, New Mexico 87401


Damon L. Weems
Attorney for S&I Oil Company

WEEMS, BIRDSALL & ASSOCIATES, P.A.

ATTORNEYS AT LAW

2901 East 20th
Farmington, New Mexico 87401
(505) 327-4469

Damon L. Weems
William C. Birdsall
F. Chester Miller, III
Regina A. Ryancaok

OIL CONSERVATION DIVISION

August 10, 1982

RECEIVED

State of New Mexico
Department of Energy and Minerals
Oil Conservation Division
2340 Menaul Blvd. N.E.
Albuquerque, New Mexico 87103

RE: Application of S&I Oil Company for Compulsory Pooling
of the E/2 of the SE/4, 6 and 12, Township 29 North,
Range 15 West, N.M.P.M., San Juan County, New Mexico

Dear Sirs:

Enclosed please find the above referenced Application which is submitted at the suggestion of the Oil Conservation Division. The tract of and involved encompasses the Barbara #1 well of S & I Oil Company.

If there are any questions or problems in regard to the Application, please contact me.

Sincerely,



Damon L. Weems

Enclosure
DLW/co

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

APPLICATION OF S&I OIL COMPANY
for COMPULSORY POOLING of the
E/2 of the SE/4, Township 29 North,
Range 15 West, Section 12, N.M.P.M.,
San Juan County, New Mexico

NO. 1581

APPLICATION FOR COMPULSORY POOLING

S&I Oil Company, a partnership, by and through its counsel, Weems, Birdsall & Associates, P.A., respectfully requests that the Division compulsory pool the above captioned acreage for the operation of an oil well which is heretofore been drilled in the Cha Cha-Gallup Pool.

Further, Applicant respectfully requests that such order be issued to designate Applicant as operator and establish a risk factor of 200% of the non-consenting working interest owners pro rata share of the cost of drilling and completing the well.

The tracts to be compulsory pooled are as follows:

A. 1.5 acres belonging to the heirs of T. E. Crutchfield, which after diligent and careful search remain unfound;

B. .77 acres for which legal title is confused due to property description errors for a period of over 50 years.

WEEMS, BIRDSALL & ASSOCIATES, P.A.
Attorneys at Law
2901 East 20th Street
Farmington, New Mexico 87401


Damon L. Weems
Attorney for S&I Oil Company

CASES

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:

RLH

[Signature]

CASE NO. 7683
Order No. R-7091

[Handwritten initials]

APPLICATION OF S & I OIL COMPANY FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 15,
1982, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets.

NOW, on this _____ day of September, 1982, 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, S & I Oil Company, seeks an order pooling all mineral interests in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the ~~gas~~ ^{oil and 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 \$ 2500.00 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 January 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, NMPM, ^{Cha Cha - Gallup Oil Pool} San Juan County, New Mexico, are hereby pooled to form a standard 80-acre ^{oil} spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of ^{January, 1983,} ~~September, 1982,~~ and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of ^{January, 1983,} ~~September, 1982,~~ 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 S & I Oil 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 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 \$ 2500.00 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 interest's 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 San Juan 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 E A L

DOCKET MAILED

Date 9/13/82