

CASE No.

5088

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, October 31, 1973

IN THE MATTER OF:

Application of Amini Oil Company for
Compulsory pooling, Lea County, New
Mexico. Applicant, in the above-styled
cause, seeks an order pooling all mineral
interests from the surface of the ground
down to and including the Pennsylvanian
formation underlying the S/2 of Section
32, Township 20 South, Range 33 East,
South Salt Lake-Morrow Gas Pool, Lea
County, New Mexico, to be dedicated
to a well to be drilled at a standard
location in Unit N of said Section 32.
Also to be considered will be the cost of
drilling and completing said well and
the allocation of such costs, as well as
actual operating costs and charges for
supervision. Also to be considered
is the designation of applicant as
operator of the well and a charge for
risk involved in drilling said well.

Case No. 5088

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF EXAMINER HEARING

1 MR. STAMETS: The hearing will come to order, please.
2 We will call at this time Case 5088.

3 MR. DERRYBERRY: Case 5088, application of Amini
4 Oil Company for compulsory pooling, Lea County, New
5 Mexico.

6 MR. LOSEE: Mr. Examiner, A. J. Losee of Losee &
7 Carson, Artesia, appearing on behalf of the applicant.
8 I have one witness.

9 MR. STAMETS: Are there other appearances in this
10 case?

11 MR. KELLY: Booker Kelly, White, Koch, Kelly &
12 McCarthy, Santa Fe, appearing on behalf of Texaco.

13 MR. STAMETS: Do you have any witnesses?

14 MR. KELLY: Yes.

15 MR. BUELL: Sumner Buell, of Montgomery, Federici,
16 Andrews, Hannahs & Morris, Santa Fe, appearing on
17 behalf of Southern Union Production Company.

18 MR. STAMETS: Do you have any witnesses, Mr. Buell?

19 MR. BUELL: No, sir.

20 MR. STAMETS: You may proceed, Mr. Losee.

21 * * * * *

22 K. K. AMINI

23 a witness having been first duly sworn according to law,
24 upon his oath testified as follows:
25

1 MR. LOSEE: Mr. Examiner, I think for the record
2 we ought to make clear the stipulation which I agreed
3 to on behalf of Mr. Amini this morning, which was that
4 the motion for continuance would be denied. Mr. Amini
5 would put up the testimony in support of his application,
6 and Texaco would put on its testimony its support of
7 the application for spacing of the West half, which is
8 set for November 14. These two matters would be bound
9 by this testimony. Is that your understanding, Mr. Kelly?

10 MR. KELLY: That's correct, Mr. Examiner. However,
11 as to the motion for continuance, we would have no
12 objection to that motion being denied; but, as part of
13 our case, we will present testimony that will cause us
14 to urge the commission to delay entering an order until
15 other matters which we feel are connected with this
16 application are resolved. That is not exactly to the
17 point of continuance. It's just so that there would
18 be no misunderstanding that we are not giving up that
19 position, that there may have to be a delay before an
20 order is entered.

21 MR. STAMETS: In other words, you agree to proceed
22 at this time, but you may move at the end that any order
23 be delayed until after the 14th?

24 MR. KELLY: Well, until after other actions by the
25 commission which will be brought out by testimony.

1 MR. LOSEE: As I understand, any motion for
2 continuence is not going to be on the basis that Texaco
3 hasn't had an opportunity to put on its case as to the
4 spacing, proposed spacing, in the West half?

5 MR. KELLY: It will not go to that.

6 MR. LOSEE: Okay.

7 MR. STAMETS: So what we are hearing today will
8 be Texaco's testimony in its case scheduled for
9 November 14, concerning this same well, and the force
10 pooling, and the direction that the force pooling will
11 take; and, if an order is issued as a result of this
12 case in the Amini case, it will be on this record; if
13 an order is issued subsequent to November 14, it will
14 be on this order.

15 MR. KELLY: That's correct, Mr. Examiner. However,
16 one point does occur to me. We assume at this hearing
17 there will be testimony introduced as to drilling costs,
18 provision costs. Since Amini in either event, whether
19 our application is granted or theirs, will be the
20 operator, we would basically bow to their determination
21 of costs, but we would like to have an opportunity to
22 review their figures, at least, and to advise the
23 commission in some form whether we have any objection.

24 We haven't had the figures to date, so that would
25 be the only thing that I would like to leave open, would

1 be the opportunity to review and to submit in some form
2 or other, any objection to the cost.

3 MR. STAMETS: At this stage, we do need to go ahead
4 with the testimony and then if there are further
5 stipulations to be entered in this case, we will
6 consider them then. We do accept your stipulations as
7 to the testimony and its application at this point.

8 MR. KELLY: All right.

9 * * * * *

10 DIRECT EXAMINATION

11 BY MR. LOSEE:

12 Q State your name, please.

13 A K. K. Amini.

14 Q Where do you live, Mr. Amini?

15 A Houston, Texas.

16 Q What is your occupation?

17 A I'm President of Amini Oil Company.

18 Q Have you previously testified before this commission?

19 A No, I have not.

20 Q Do you have a degree in higher education; and, if so,
21 from what institution?

22 A I have a BS degree in Petroleum Engineering from the
23 University of Kansas, and graduate work at the University
24 of Tulsa.

25 Q Now, since when did you obtain that degree from Kansas?

1 A 1949.

2 Q Since then, what has been your occupation?

3 A I have been a Petroleum Engineer, Reservoir Engineer,
4 and since 1960 to the present I have remained an
5 independent oil operator.

6 Q Have you, since becoming an independent operator, been
7 in the drilling business in Southeastern New Mexico?

8 A Since 1962, I've been active in Southeast New Mexico, yes.

9 MR. LOSEE: Are Mr. Amini's qualifications acceptable
10 Mr. Examiner?

11 MR. STAMETS: Do you have any questions?

12 MR. KELLY: He's being tendered as an expert in
13 the field of Petroleum Engineer?

14 MR. LOSEE: Yes, sir.

15 MR. KELLY: We would not object to his qualifications
16 as Petroleum Engineer.

17 MR. STAMETS: Mr. Losee, are you also tendering
18 Mr. Amini as an expert in getting a well drilled?

19 MR. LOSEE: Yes, in operating.

20 MR. STAMETS: Okay, if you will go ahead.

21 MR. LOSEE: Yes, and to the extent necessary, in
22 Geology and contouring the top of the morrow and the
23 area under consideration.

24 MR. KELLY: Well, we would object to his qualifications
25 as a Geologist.

1 MR. STAMETS: Mr. Losee, have you any thing to
2 substantiate his qualifications as a Geologist?

3 Q (By Mr. Losee) What experience have you had in the
4 field of Geology since your graduation, Mr. Amini?

5 A I have worked as a Reservoir Engineer along with work
6 in Geology for practically since 1956, and I am familiar,
7 quite a bit, with electric logs, interpretation, with
8 reservoir interpretations, and so on; any thing required
9 from a Geologist.

10 Q And your experience has been in that field also since
11 1956?

12 A That's true.

13 MR. STAMETS: In what direction will your geologic
14 testimony be?

15 MR. LOSEE: Exhibit 2, to the extent of the contours.
16 At this point in time, we may have some log interpretations
17 as a rebuttal. But, as far as direct is concerned,
18 it's solely based upon the contours.

19 MR. STAMETS: Has Mr. Amini prepared a number of
20 contour maps in the past?

21 WITNESS: Yes, sir, many.

22 MR. STAMETS: Mr. Kelly, do you have any questions
23 or objections at this stage?

24 MR. KELLY: Could I ask a couple of questions on
25 Voir Dire Examination of Mr. Amini?

1 MR. LOSEE: Certainly.

2 VOIR DIRE EXAMINATION

3 BY MR. KELLY

4 Q You don't have a degree in Geology, is that correct?

5 A It's not necessary to have one, sir, no. I do not have
6 one.

7 Q You haven't taken any courses in Geology?

8 A Yes, definitely, in college and graduate school I have
9 taken courses in Geology.

10 MR. KELLY: I would just submit that under the
11 normal rules that this commission applies, that we
12 qualify a man in his field and not in multiple fields.

13 MR. LOSEE: Well, I submit that the requirement
14 of qualifications as an expert, if the Examiner please,
15 is not one governed by any formal education, and that
16 17 years' experience in a particular field, and in this
17 case in contouring and Geology, qualifies a man by
18 experience. In addition to the fact that as part of a
19 Petroleum Engineering Degree, he is required to take
20 a reasonable number of education courses in Geology.

21 MR. STAMETS: The Examiner will consider that the
22 witness is qualified, with the reservation that possibly
23 individual questions as to expertise on Geology may be
24 brought up as they come up. Nothing I see here would
25 indicate that the witness is not qualified to testify.

1 You may proceed.

2 DIRECT EXAMINATION

3 BY MR. LOSEE:

4 Q Mr. Amini, would you briefly explain to the Examiner
5 the purpose of this application?

6 A The purpose of the application is compulsory pooling of
7 the South half of Section 32, Township 20, Range 33 East,
8 as a regular spacing on a 320-acre spacing, and the well
9 right now being drilled located 990 from the South line
10 and 1980 from the West line of Section 32, which is an
11 orthodox location.

12 Q Now, the well is projected to what zone?

13 A The well is projected to 14,400 foot TD, to test all
14 sections of the Morrow, the top of the Chester
15 Mississippian.

16 Q Now, is this based under the state wide rules at a
17 320-acre spacing?

18 A That's true.

19 Q And is the location 1980 from the West line and 990 from
20 the South line an orthodox location for a well with the
21 South half of the section dedicated to it?

22 A Correct.

23 Q Mr. Amini, is the well already drilled; and, if so, when
24 was it completed?

25 A The well is drilling. It is the New Mexico State SL

1 Number 1, spudded on October 3 and at the present time
2 drilling at 8,730 feet as of this morning.

3 Q Would you please refer to what has been marked as
4 Exhibit 1 and explain what is shown by this Exhibit?

5 A This indicates all the leases surrounding this 320, and
6 all the wells drilled, which, if you wish, I can explain
7 where all the wells are.

8 Q This shows the location of the off set operators and
9 wells?

10 A Yes, sir. Also the operators, which are mainly Texaco
11 operating the Little Eddy Unit, which is Southeast of
12 Section 25, East half of Section 36.

13 Q That is what Township and Range, that would be 20, 33 also?

14 A 20, 32, sir.

15 Q Mr. Amini, isn't the Little Eddy Unit outlined in blue
16 on the map?

17 A Yes, and the unit is outlined in red.

18 Q Your spacing unit?

19 A Yes.

20 Q After your spacing unit, what acreage in that spacing unit
21 do you own?

22 A We own the Southeast of Section 32, also East half of
23 Southwest of Section 32, consisting of 240 acres. The
24 Little Eddy Unit, which is Texaco, owns the West half of
25 South, 80-acre lease.

1 Q Now, Mr. Amini, as far as the acreage you own, isn't
2 it jointly owned with Southern Union Production Company?

3 A Yes, Southern Union Production Company owns a quarter
4 working interest in this.

5 Q Now, you said the Little Eddy Unit is operated by Texaco.
6 Isn't it operated by Perry R. Bass?

7 A Well, we were informed that Perry R. Bass was the unit
8 operator. Last May we went to Perry R. Bass verbally
9 and requested a Farm-out or join in this well and this
10 unit, but then they said that Texaco was the operator,
11 we should talk to Texaco. And since then we've been
12 corresponding with Texaco, any manner or means that we
13 offer to Farm-out the acreage. Also we offered to join
14 us in this well, and as of now --

15 Q They have not done so?

16 MR. STAMETS: Since about what month was that?

17 WITNESS: Since about last May, but the correspondence
18 indicates --

19 MR. LOSEE: We have some exhibits on the
20 correspondence, Mr. Examiner.

21 Q (Mr. Losee) Starting in July?

22 A July 25, sir.

23 Q Actually, you have since learned that Perry R. Bass is
24 the unit operator and that Texaco is designated as agent
25 for the unit operator, have you not?

- 1 A That's true.
- 2 Q Please refer to what has been marked as Exhibit 2 and
- 3 explain what is portrayed by this exhibit.
- 4 A Exhibit 2 is contoured on top of the Morrow Zone, the
- 5 contour intervals are 100 feet, and it indicates all
- 6 the wells drilled in this area as of now, the tops
- 7 of the Morrow Zone, and also the openflow potential,
- 8 and where the 320 acres is located structurally and
- 9 surrounding what acreage.
- 10 Q Now, Mr. Amini, this is actually called the South Salt
- 11 Lake Morrow Field, is it not?
- 12 A That's what it is called.
- 13 Q Starting on the East side of your map, would you briefly
- 14 explain as to those producing wells out of the
- 15 Pennsylvanian, what zones and --
- 16 A Well, the East side of the map is in Section 2, that is
- 17 Amini Oil Company Pubco Federal Number 1, completed in
- 18 the Morrow for a 4.2 Mcf per day as openflow capacity.
- 19 Q When was that completed, Mr. Amini?
- 20 A That was completed 90 days ago, sir.
- 21 Q All right.
- 22 A In Section 1, in the Southwest of Section 1, Kirby
- 23 Petroleum has completed the same in the Morrow,
- 24 approximately the same depth as ours, and we don't know
- 25 what potential they have. They haven't released it yet,

1 but it is producing.

2 Q Just recently completed?

3 A Recently completed.

4 Q Now, go to the Phillips Well in Section 11.

5 A Phillips Well, Hat Mesa Number 1, was drilled in 1957,
6 but it was drilled to the Devonian but plugged back to
7 the Morrow and it was potentialied for absolute openflow
8 of 7.5 million cubic feet per day.

9 Q Do you know approximately what cumulative production has
10 been out of that well?

11 A The well has connected to Llano Pipeline approximately
12 a year ago, and they've been producing, as we understand,
13 about 80 million cubic feet per month. So these are
14 the approximate figures that we have.

15 In Section 14, Brunson & McKnight number 1,
16 completed in Morrow and the well was apparently potentialied
17 for about 14 million cubic feet, but we didn't have any
18 accurate data; I didn't put it in there. And the well
19 is presently shut in and waiting for pipeline connection.

20 Q That's a reentry operation, wasn't it?

21 A No, this is a well that had been drilled, it's a new well
22 drilled.

23 Q Okay. Now, moving on to your well in Section 4 --

24 A The well in Section 4 was drilled about six months ago,
25 completed about six months ago, with an absolute openflow

1 capacity of 16.2 million, and the name of the well is
2 Amini Oil Company New Mexico Fed Number 1. The well in
3 Section 33 --

4 Q Excuse me, Mr. Amini, before you leave that. Is that
5 well connected?

6 A The well has just been recently connected about 10 days
7 ago.

8 Q How much are you delivering?

9 A Delivering about 2 1/2 to 3 million a day.

10 Q Then proceed, if you will.

11 A The well in Section 33 is Amini Oil Company Aztec Fed
12 q Number 1, it was drilled to 14,400 feet; and the Morrow
13 formation, the main Morrow sand, was encountered, which
14 was the thickest pay in the area, after we perforated
15 the zone and acidized the zone, and the well come in
16 flowing approximately 2.85 million cubic feet of gas
17 per day plus 150 barrels water. The well was blown at
18 385 pounds in a 3/4 inch opening and we estimated that's
19 how the rate was. After about 24 to 48 hours, we gradually
20 started making some water, and we decided that we should
21 squeeze the zone and try to isolate the water, which is
22 encountered in the bottom of the formation, and complete
23 the well in the top of the Morrow Zone; but, of course,
24 when you squeeze a morrow formation, I guess we have
25 learned and we knew that it's kind of hard to get it back.

1 After we perforated the top of the Morrow Zone, the
2 well flowed approximately 3/4 million to a million cubic
3 feet a day with some water, but we still wasn't satisfied
4 with it, so we plugged it back to the upper morrow and
5 completed in those two zones, and the well was a small
6 well for about .52 million cubic feet of gas per day.

7 Q Is it connected at this time?

8 A No, sir, it's not. It's shut in waiting for pipe line.

9 Q Then move over to the Texaco Well in Section 31.

10 A The Texaco Well CM Number 1 was completed in 1963, we
11 believe, and has accumulated approximately about 5.8
12 million cubic feet of gas per day, total cumulative.

13 Q 5.8 billion?

14 A 5.8 billion, that's our record from the New Mexico
15 Conservation Books. At present, last month, it delivered
16 about 50 million cubic feet and completed in the Morrow.
17 Then, in the East half of Section 36, Texaco's CH Number
18 1, completed in the Morrow and Atoka, and has accumulated
19 about 2.4 billion, to the best of our recollection.

20 Q In both?

21 A From both zones. In the top of the structure, which is
22 in Section 25, Texaco Richards Number 1, I'd like to say
23 that back -- these two wells were drilled to the Devonian
24 and actually was plugged back to the Morrow, I'm sorry.

25 But they didn't have Morrow in Texaco Richards Number 1,

1 they completed only from the Atoka, to the best of our
2 knowledge, made approximately a billion and a half cubic
3 feet cumulative. And in Section 30, that's right, Belco
4 Fed Number 1 was completed approximately what we say
5 about 9 months ago, and that was a Morrow, actually drilled
6 to the Morrow, and it's been connected in the past 30 days
7 and we understand it is delivering about 4 million a day.

8 Q Now, I notice your structure is very sharp across a
9 portion of Section 36 and Section 33 of 20, 33. Is
10 there a reason for that?

11 A That's the way it's contoured and it's based on a deep
12 fault that cuts into the Devonian, a very large fault,
13 and since Morrow draped over here, it's a steep dip
14 toward the Aztec Federal Number 1.

15 Q What leads you to conclude that there is a fault here?

16 A Well, we have seismic information and that would lead
17 us to believe that there is a fault there.

18 Q What type of production is this? Is this governed solely
19 by structure, is it a stratigraphic trap?

20 A In this particular graph, it's structural and also
21 stratigraphic. The Morrow, actually, is lenticular and
22 unfortunately, when you go to the top of the structure,
23 there is no Morrow present, it's all pinched out:
24 and in this case we went deep in the structure, down
25 base of the structure. We encountered some water, but

1 actually our sand was developed better than any well
2 in this area. We have an exhibit, we have 50 feet of
3 Morrow sand in this zone, we show, and from the logs,
4 and from the mud log and everything, we have approximately
5 30 feet of gas zone on top and remaining looked like it
6 was wet.

7 Q Now, are you talking about your Ajax Federal?

8 A No, Aztec Federal.

9 Q Aztec Federal. Now, let me just momentarily turn to the
10 North half of Section 32, which is the other spacing
11 unit if the well were spaced on the South half. What
12 portion of that acreage do you own with Southern Union?

13 A We own all of that 320 except for the Southwest and
14 Northwest quarter of that section.

15 Q Which is in the Little Eddy Unit?

16 A Well, that 40 acres is in the Little Eddy Unit, yes, sir.

17 Q Do you have anything further on this exhibit, Mr. Amini?

18 A No, sir.

19 Q Let's turn to what has been marked as Exhibit 3, being
20 a series of letters all except the last from Amini Oil
21 Company, most of them to Texaco, which we identify all of
22 these five letters as Exhibit 3. You have a letter dated
23 July 25, 1973, by Mr. Metts. What was his position at
24 the time?

25 A He was our Exploration Manager.

- 1 Q It was addressed to Mr. Bass, his office in Midland, and
2 in the second paragraph or in the first paragraph, it
3 requests a Farm-out from Perry R. Bass of among other
4 acreage, particularly this hearing, the West half, Southwest
5 of 32.
- 6 A That's true.
- 7 Q Then your next letter, also by Mr. Metts to Texaco, is
8 dated August 6 and it refers to a conversation Mr. Metts
9 had with Texaco, written you, proposing to drill the
10 subject well?
- 11 A That's right.
- 12 Q And asked for a Farm-out from Texaco or a counter
13 proposal so that you may proceed; is that a correct
14 summary?
- 15 A That's correct, sir.
- 16 Q Then, the next letter is dated August 29, also from
17 Mr. Metts to Texaco, indicating that he had had no
18 response to his letter of October 6, and also if he
19 doesn't hear from them in two days, you are prepared
20 to commence your proposed Morrow Well?
- 21 A That's true.
- 22 Q Then, the next letter dated September 8, 1973, from
23 Mr. Metts to Texaco, confirms a conversation on
24 September 6 of 73 with Mr. Ferris, in which he indicated
25 an interest in joining in the drilling of the subject test

- 1 and submitted an A.F.E. for a 14,200 foot Morrow test?
- 2 A This is correct.
- 3 Q And also indicated the necessity of starting at the
- 4 earliest possible date?
- 5 A That's true.
- 6 Q The last is a letter from Texaco, from Mr. Ferris, to
- 7 Mr. Metts dated August 2, 1973, in which Texaco says
- 8 they have secured management approval --
- 9 A October 2.
- 10 Q I'm sorry, October 2, 1973.
- 11 A Yes.
- 12 Q To join in the drilling of this well, the 14,400 foot
- 13 test, located 1,980 from the West line and spacing the
- 14 well on the West half, is that a correct summary?
- 15 A That's correct.
- 16 Q And also advising that in view of your majority ownership,
- 17 that is Amini, that Texaco would have no objection?
- 18 A Yes.
- 19 Q You serving as operator?
- 20 A Yes.
- 21 Q I believe you stated earlier that your first conversation
- 22 about drilling this well was with Mr. Bass's organization
- 23 in May of this year, is that correct?
- 24 A Correct.
- 25 Q And you earlier testified that you commenced drilling the

1 well on October 3?

2 A That's correct.

3 Q You obviously, as you mentioned in your letters, had
4 some urgency for commencing the drilling of this well.
5 Would you explain that?

6 A The urgency was that obtaining a drilling rig, which
7 is scarce in that area, for a 14,400 foot well, we had
8 a rig ready to go, and they asked to pay stand by time
9 and we didn't think that was right; and they had another
10 location, if we didn't commence drilling of this well,
11 they were going to move for the other operator, and
12 we didn't think that we wanted to let him loose because,
13 being so close, and under the circumstances, since we
14 spent a lot of tax money, we had to get this well down.
15 It would have been a hardship on us, we had to commence.

16 Q Now, by "tax money" you are saying that you have some
17 other investors?

18 A We have some other investors, yes.

19 Q And they had money committed that needed to be spent
20 during this calendar year?

21 A That's correct.

22 Q How long did it take you to drill this well, approximately?

23 A If everything goes right, we will drill it in about 17 days.
24 We had committed for a string of pipe and we were supposed
25 to take it, move the pipe, because if we didn't, other

1 operators needed pipe, so that was another factor in
2 starting this well. We had to commit ourselves.

3 Q Mr. Amini, please refer to what has been marked as
4 Exhibit 4, being the A.F.E. for the Amini Oil Company
5 New Mexico SL State.

6 A Yes, sir.

7 Q Is this the A.F.E. that was submitted to Texaco on
8 September 8?

9 A That's correct. And this was the time that we didn't
10 know too much about, we were beginning to know how
11 hard it was to get the pipe, and this was done at those
12 prices and this A.F.E. could be a little different if
13 we go about it right now, and this A.F.E. is for an
14 amount of \$517,830 for completed well.

15 Q How much is it for a dry hole?

16 A \$408,730 for dry hole cost.

17 Q And the total completion cost?

18 A Completion cost was \$109,100, making a total of \$517,830.

19 Q Do you have an opinion, from your experience of drilling
20 in Southeastern New Mexico, and in particular the Morrow
21 Wells in this area, if this is a reasonable A.F.E.?

22 A In that area, and we had varied experience, and I think
23 if everything goes right and we don't get in trouble,
24 this should be enough.

25 Q And the charges set forth on this are reasonable?

1 A Pretty reasonable, sir.

2 Q Mr. Amini, in drilling this well, what risk factors do
3 you consider as an operator?

4 A Well, first of all the well is 14,000 deep, it's a pretty
5 deep well, and as we drill these wells, we encounter,
6 in this particular area, some abnormally high pressure-
7 low volume Morrow sands and limes, actually --

8 MR. KELLY: Mr. Examiner, I'm going to object to
9 any testimony concerning risk factors, since the answer
10 to the application specifically states that Texaco is
11 willing to participate in the well; the only issue is
12 what acreage can be dedicated to it.

13 MR. LOSEE: Now, I guess we will delete any
14 testimony with respect to a risk factor if, as I
15 understand the answer, and if the order will so state,
16 that the acreage consisting of the West half of the
17 Southwest will pay its 25 percent share of drilling the
18 well, we will delete any further testimony.

19 MR. KELLY: Well, as I said, the only issue between
20 us here is what acreage would be dedicated. Now, if the
21 commission is going to order force pooling, whether it's
22 the South half or West half, we are agreeing to participate
23 so the testimony concerning risk factor is not relevant
24 to the issue here.

25 MR. LOSEE: I will agree with you, if I make sure I

1 have your answer right, Mr. Kelly. Is your answer that
2 Texaco will pay its 25 percent of drilling the well,
3 regardless of whether it's based on the South half or
4 whether it's based on the West half.

5 MR. KELLY: May I turn around for a moment?

6 MR. LOSEE: Yes, sir.

7 MR. KELLY: I think there is a slight difference
8 in the percentage, depending on --

9 MR. LOSEE: It would be 25 on the South and 37
10 on the West half, and that is Texaco's commitment?

11 MR. KELLY: That is our commitment.

12 MR. STAMETS: The finding in any order issued would
13 indicate that Texaco has agreed.

14 MR. KELLY: That's right.

15 MR. LOSEE: Would the Examiner and Texaco like some
16 testimony on well supervision costs?

17 MR. KELLY: We would.

18 Q (By Mr. Losee) Mr. Amini, do you operate any wells in
19 this area in which you have other partners?

20 A We do.

21 Q What charge do you make to them as an overhead charge
22 for supervision of wells at this depth?

23 A An overhead charge for wells completed, \$150 a month;
24 but when the well is drilling, \$2,000 a month, drilled
25 and completed.

1 Q But your charge is \$150 per well per month?

2 A That's correct.

3 Q Were Exhibits 1, 2, and 4 prepared by you or under your
4 direction?

5 A Correct.

6 MR. LOSEE: We move the introduction of Exhibits
7 1 through 4, Mr. Examiner.

8 MR. STAMETS: Are there objections to the admission
9 of these exhibits?

10 MR. KELLY: No objection.

11 MR. STAMETS: They will be admitted.

12 MR. LOSEE: That's all of the direct testimony we
13 have at this time.

14 MR. STAMETS: Are there questions of this witness?

15 MR. KELLY: Mr. Examiner, in order to save time,
16 there may be some areas that cross-examination may not
17 be necessary. May I have about two or three minutes with
18 our people?

19 MR. STAMETS: Certainly.

20 (Whereupon, a discussion was held off the record.)

21 MR. STAMETS: Mr. Kelly, do you have any questions
22 of the witness?

23 MR. KELLY: Yes, just one or two.

24 CROSS-EXAMINATION

25 BY MR. KELLY:

1 Q Mr. Amini, on your well supervision figures, would you
2 be willing to give Texaco a written breakdown of what
3 this supervision includes so that they could analyze that
4 and discuss that figure with you?

5 A Well, I'd like to get together with my people in the office.
6 Is it that important that I have to do it now?

7 Q I don't mean now, but they just wanted to get an idea of
8 what you include.

9 A Surely.

10 MR. KELLY: That's all I have.

11 MR. STAMETS: Are there any other questions of the
12 witness?

13 (No response.)

14 CROSS-EXAMINATION

15 BY MR. STAMETS:

16 Q Mr. Amini, referring to your Exhibit 2, I heard you
17 discuss a fault in relationship with this exhibit. Now,
18 is that a deep-seated fault below the Morrow?

19 A Yes, sir, the fault, of course, we know in West Texas and
20 New Mexico, never reaches the Pennsylvanian.

21 Q The reason that this sharp structure is here is the reason
22 for that?

23 A That's true.

24 MR. STAMETS: If there are no other questions, the
25 witness may be excused.

1 MR. LOSEE: I reserve the right to recall him.

2 MR. STAMETS: Certainly. Do you have anything
3 further at this time, Mr. Losee?

4 MR. LOSEE: No, that concludes our direct case.

5 MR. KELLY: Mr. Examiner, just by way of background,
6 our first witness, Mr. Hellman, is a senior land man for
7 Texaco, and the basic purpose of his testimony is to show
8 the considerations that are surrounding this area, the
9 particular acreage of Texaco's that is asked to be pooled,
10 that it may not be available at all, and we just think we
11 should bring this to the attention of the Commission so
12 that they would possibly hold up any action until these
13 other matters are resolved.

14 *****

15 B. E. HELLMAN,

16 a witness, having been first duly sworn according to law,
17 upon his oath testified as follows:

18 DIRECT EXAMINATION

19 BY MR. KELLY:

20 Q Would you state your full name, please?

21 A B. E. Hellman.

22 Q What is your position, please?

23 A My title is Chief Contract Man with Texaco in Midland.

24 Q Now, referring to what has been marked Texaco's Exhibit 1,
25 would you explain what is shown thereon?

1 A This exhibit shows, by heavy black hash marks, the
2 exterior boundaries of the Little Eddy Unit, and by
3 color coding, shows the configuration of standard proration
4 units as they are now or may be assigned.

5 Q Now, the portion of Texaco's acreage that is sought to
6 be force pooled in this application is part of that
7 Little Eddy Unit, is that correct?

8 A That's correct.

9 Q Now, can you give the Examiner a little history on that
10 Little Eddy Unit? What did it originally include?

11 A The Little Eddy Unit was created by Richards and Bass,
12 the unit operator, in 1956, and covered a very large
13 amount of acreage, and this acreage delineated on the
14 exhibit is essentially in the exact middle of the larger
15 area that the unit originally contained. Do you want me
16 to go into the history?

17 Q Yes, go ahead, briefly summarize it.

18 A Approximately the same time the unit was created, Texaco
19 joined the unit, and the unit operating agreement for the
20 Little Eddy Unit provided that before any drilling would
21 be accomplished in the unit that the working interest
22 owners proposing to develop would reach an agreement on
23 their basis of participation in the development, and
24 Texaco and other operators in this immediate area entered
25 into what is referred to as the 4,000-acre working interest

1 area to develop this immediate area.

2 At approximately the same time, the unit was created
3 in 1956. The unit is a Federal-type unit primary
4 development providing for drilling each six months until
5 discovery and thereafter, in accordance with approved
6 plans of development and participation in accordance with
7 the participating areas.

8 The initial development by Texaco in the unit was
9 a dry hole north of this area about two miles, which was
10 an Ellenberger well, and the second well that Texaco
11 drilled, which was the well in the 4,000-acre area, and
12 the Richards well in the southeast quarter of Section 25.
13 This deep well was dry in all zones below the
14 Pennsylvanian and was completed in 1956, and had assigned
15 to it a participating area of 360 acres, arbitrarily
16 assigned by the working interest owners and approved by
17 the Government agencies as the area proven to be productive
18 in paying quantities.

19 Q And that 360 acres is shown on Exhibit 1?

20 A That's correct, by a small dotted line.

21 Q That would include the acreage in Section 30 and Section
22 36, and then 40 acres in Section 31?

23 A That's correct.

24 Q Now, is there also pending before this Commission to be
25 heard today an application by Belco for a non-standard

1 proration unit that is shown on Exhibit 1?

2 A The non-standard proration unit proposed by Belco is
3 not shown on Exhibit 1, but encompasses the area
4 immediately northeast of the unit there in Section 30 and
5 Section 31.

6 Q And their application would include all except the west
7 half of the southwest section of 30, is that right?

8 A That's correct.

9 Q And then this top 80 in the northwest of 31?

10 A That's correct.

11 Q Northeast of 31, excuse me. Now, what is Texaco's
12 position on that application?

13 A Texaco believes that a standard unit of the south half
14 of Section 30 should be assigned to the well proposed by
15 Belco, which would include 80 acres in the west half,
16 southwest quarter of Section 30, within the boundaries of
17 the Little Eddy Unit, and the status of that 80 acres is
18 uncertain at this time.

19 Q Now, why is it uncertain?

20 A The field rules of the Commission for Morrow wells in
21 this pool require 320 acres, and this is the result of a
22 recent order, and prior to that time all Morrow wells
23 in this area had spacing of 160 acres, including the
24 Audie Richards, and the Audie Richards is before the
25 Commission at this time on an application for a non-standard

1 proration unit of 160 acres, which would make available
2 for the Belco standard proration unit the 80 acres in the
3 west half of the southwest quarter of Section 30.

4 Q Now, is it correct that the confusion arose because both
5 the Commission and apparently the applicant in this case
6 and Texaco all along, or at least for the last ten or
7 eleven years, thought that the Audie Richards well was
8 an Atoka completion?

9 A Our records were confused. It did not -- when the 320-acre
10 spacing hearing was held recently, the Texaco people
11 involved, in studying that application, observed and
12 studied the records of the Commission which indicated the
13 well was producing from the Atoka and had been since its
14 completion in 1958. It was not until these same people
15 were presented with the fact that the Richards well was
16 indeed a Morrow well at the hearing for the 320-acre
17 spacing that they returned to review more detailed records
18 of Texaco, which did, in fact, confirm that it was in 1961
19 defined as Upper Morrow and has indeed been an Upper Morrow
20 well since that time.

21 Q Well, in answer to my question, for years the Commission
22 and Texaco carried this as an Atoka well, isn't that
23 correct?

24 A That's correct.

25 Q And then when the spacing was changed from 160 to 320 acres,

1 Texaco was not aware of any problem that it had?

2 A That's correct.

3 Q And the rules changing those spacing provisions to 320
4 did provide that anyone that had a 160-acre proration unit
5 could come in within sixty days to get a non-standard unit,
6 right?

7 A Yes.

8 Q And we did not discover the mistake until Belco's hearing
9 in early October for a non-standard unit?

10 A That's correct.

11 Q Now, is there any possibility that Texaco can go outside,
12 say, to the west or to the north in Section 25 to pick
13 up additional acreage if its application for non-standard
14 unit is not granted?

15 A I have reviewed the many agreements involved underneath
16 the Audie Richards well, and discussed that very possibility
17 with the U.S. Geological Survey, and the State Land
18 Commissioner's Office, and it is my opinion and my
19 interpretation of the opinion of both of these Government
20 offices that for an existing well within this type of a
21 unit, a Federal unit, for primary development, that the
22 unit agreement provides no basis upon which acreage outside
23 of the unit can be allowed to participate in the wells
24 within the unit.

25 Q So your answer to my question is that you cannot go outside

1 the unit?

2 A That's correct.

3 Q Now, when is the 160-acre non-standard proration unit
4 application of Texaco coming up for hearing?

5 A I don't think it has been set, but it will probably be
6 late this month or early December.

7 Q All right. Now, does Exhibit 1 show the effect that
8 allowing Texaco to dedicate its 80 acres to the Belco
9 well and therefore creating a standard unit would have
10 on the other spacing units in this area?

11 A Yes.

12 Q Could you explain what effect it would have?

13 A The approval of a non-standard spacing unit, 160 acres for
14 the Richards well, being the southeast quarter of Section
15 25, will release the remainder of the unit area for the
16 Little Eddy Unit to be within standard proration units,
17 either existing or claimed, as color-coded on Exhibit 1.

18 The standard proration unit that exists immediately
19 north of the unit is in light orange, which is the north
20 half of Section 30. The next standard proration unit
21 would be for the Belco well and proceeding south, and
22 also for the well proposed by Amini, which would be as
23 urged by Texaco, the west half of Section 32, or as urged
24 by Amini, the south half of Section 32.

25 Q But your point is that if Texaco can dedicate their

1 80 acres in Section 30, that would allow standard
2 proration units throughout, is that correct?

3 A That's correct. And this will also be allowed under the
4 provisions of the unit agreements, the various agreements
5 affecting that unit, as I interpret them.

6 Q All right. Now, referring to Exhibit 2, what does that
7 show?

8 A Exhibit 2 shows the same unit area boundary of the Little
9 Eddy Unit, and only varies, essentially, from the color
10 coding of Exhibit 1 in that the color coding of Exhibit 2
11 shows the effect upon the unit and immediately surrounding
12 acreage of non-standard proration units as envisioned by
13 Texaco if 320 acres of Little Eddy Unit acreage is
14 required for the Audie Richards well, thereby initiating
15 the remainder of these non-standard proration units in
16 a fashion similar to or like shown here by Texaco, in a
17 fashion to protect the unit area participations and to
18 achieve proration units of 320 acres for Morrow wells.

19 MR. LOSEE: At this time, Mr. Examiner, I propose
20 to object to Mr. Hellman's testimony and his maps, not
21 from the standpoint of not realizing Texaco's predicament,
22 but this case is an application for compulsory pooling of
23 a standard unit consisting of the south half of Section
24 32, to a well that is presently drilling. A question of
25 whether an unorthodox unit should or should not be created

1 by virtue of action in the other parts of the field is
2 not properly before the Commission in either our application
3 for compulsory pooling or in Texaco's application to have
4 this spacing declared as the west half; and the only
5 proper way to bring up any question of unorthodox spacing
6 is going to have to be by separate application.

7 So, I do not feel this testimony is relative to
8 either of the applications that we are considering today.

9 MR. KELLY: Mr. Examiner, anything that is pertinent,
10 in my opinion, is relevant; and what we are showing here
11 is not something that we are hoping will happen, but since
12 all of these applications are pending before the Commission,
13 I think the Commission has to realize that when they do
14 issue an order it can have an effect beyond that case.
15 We are just pointing out to the Commission that there are
16 other cases that may be affected by the decision in this
17 case.

18 We are asking the Commission to look at all of these
19 cases together so that you do not put either ourselves or
20 any --we are not eager for this to happen, in a positive
21 situation, and we are just asking for the Commission to
22 take a consistent view on all of these matters so that
23 a contradictory order would not be issued.

24 MR. STAMETS: Have you nearly completed your
25 testimony on this particular point?

1 MR. KELLY: Yes. I just have a few other questions.

2 (Whereupon, a discussion was held off the record.)

3 MR. STAMETS: Mr. Losee, we will overrule your
4 motion at this time and allow the testimony, this line of
5 testimony, to continue for what information it may be able
6 to furnish the Examiner.

7 MR. LOSEE: Okay.

8 Q (By Mr. Kelly) Mr. Hellman, the line-up of proration units
9 shown on Exhibit 2, Texaco does not claim this would be
10 the only possibility, I assume; but the point of your
11 exhibit is to show that you would end up with a lot of
12 broken proration units and a possible effect on either
13 Amini's or our application for force pooling; is that
14 correct?

15 A That's correct. This particular configuration does
16 utilize the 120 acres involved in the matter before the
17 Commission.

18 MR. KELLY: That's all I have of this witness.

19 MR. STAMETS: Are there questions of the witness?

20 MR. LOSEE: Yes, I have a couple, and by my asking
21 them, I do not assume that Texaco's problems ought to be
22 pushed off on Amini Oil Company.

23 CROSS-EXAMINATION

24 BY MR. LOSEE:

25 Q As I understand your testimony, you have recently learned

1 that your Audie Richards, you believe, is an Atoka or is
2 a Morrow well rather than an Atoka well?

3 A Well, there was a confusion within Texaco. The people
4 that handled the 320-acre spacing hearing recently for the
5 Morrow pool here observed and studied only records
6 furnished by the OCC, and other records in Texaco were
7 available that showed the Audie Richards as a Morrow well
8 but were not found or available to the people who originally
9 handled the 320-acre spacing.

10 Q Well, I think my question was have you determined it was
11 a Morrow well? Has Texaco determined that it is a Morrow
12 well?

13 A Yes.

14 Q There is no confusion in Texaco?

15 A There is no confusion in Texaco.

16 Q When did Texaco make this determination?

17 A Texaco originally made the determination in 1961, and it
18 was approved in applications to the USGS, the Land
19 Commissioner, and the Conservation Commission, and the
20 change in terminology for the participating area from
21 Pennsylvanian participating area to Upper Morrow participating
22 area to cover the 360 acres, and was again reconfirmed after
23 this fact was brought to the attention of the people
24 handling the 320-acre spacing hearing just recently.

25 Q Well, if Texaco was aware of that in 1961 when the statewide

1 rule came in, why didn't they make application to space
2 it on a 320 or as an exception to a 160?

3 A So far as I know, there was no reason to do that.

4 Q Now, is it your testimony that you cannot space this well
5 outside of the unit area so that, for example, you could
6 not space it to include the south half of Section 25?

7 A That's correct.

8 Q Have you submitted any such proposal in writing to the
9 USGS?

10 A No, sir. The provisions of the unit agreement do not
11 encompass such an application, do not provide for it; and
12 the personnel of the U.S. Geological Survey has so
13 indicated that they were in agreement with that interpre-
14 tation, too.

15 Q But you have not submitted anything in writing?

16 A No, sir.

17 Q Who in the USGS did you talk to that confirmed your
18 interpretation that said they couldn't approve a spacing
19 unit encompassing the south half of Section 25?

20 A The facts of this well are shown to a number of USGS
21 personnel, including the area supervisor, Mr. Arbis
22 Frederick, the deputy supervisor, Mr. Carl Traywick, the
23 staff engineer, Mr. Jim Gilliam, and their staff geologist.
24 The determination was expressed to me by Mr. Carl Traywick,
25 who is the senior member of the staff in that office.

1 MR. LOSEE: I have no further questions.

2 CROSS-EXAMINATION

3 BY MR. STAMETS:

4 Q Mr. Hellman, the various configurations you have shown
5 here on Exhibit 2 all represent non-standard proration
6 units, with the exception of that assigned to the Amini
7 well in the north half of Section 4; each one of those
8 would have to come to a hearing before the Commission,
9 would they not?

10 A That's correct.

11 MR. STAMETS: Are there any other questions of
12 this witness?

13 (No response.)

14 MR. STAMETS: He may be excused.

15 MR. KELLY: I have one more witness, Mr. Examiner.

16 *****

17 JACK DOWDY GLENN,

18 a witness, having been first duly sworn according to law,
19 upon his oath testified as follows:

20 DIRECT EXAMINATION

21 BY MR. KELLY:

22 Q Would you state your full name, please?

23 A Jack Dowdy Glenn.

24 Q And by whom are you employed and in what capacity?

25 A I'm senior development geologist for Texaco in Midland,

1 Texas.

2 Q And have you previously qualified as an expert in that
3 field for this Commission?

4 A Yes, sir.

5 MR. KELLY: Are there any questions as to his
6 qualifications as an expert?

7 MR. LOSEE: No, sir.

8 MR. STAMETS: His qualifications are acceptable.

9 Q (By Mr. Kelly) And you were present and heard the
10 testimony of Mr. Amini in this case, have you not?

11 A That is correct.

12 Q Referring to what we have marked as Exhibit 3 --

13 MR. KELLY: Mr. Examiner, I don't think I got in
14 1 and 2. Can I go ahead and just ask for those qualifica-
15 tion questions?

16 MR. STAMETS: Yes.

17 MR. KELLY: Were Exhibits 1 and 2 prepared under
18 your supervision, Mr. Hellman?

19 MR. HELLMAN: Yes.

20 MR. KELLY: I would move the introduction of
21 Texaco's Exhibits 1 and 2.

22 MR. STAMETS: Without objection, they will be so
23 admitted.

24 MR. LOSEE: I renew my same objections, and I assume
25 the Examiner will make the same ruling.

1 MR. STAMETS: Yes.

2 Q (By Mr. Kelly) Would you explain and identify what
3 Texaco's Exhibit 3 is?

4 A Exhibit 3 is a structure map on the Salt Lake South Field
5 contoured on a Morrow marker. The contour interval is
6 100 feet.

7 Q And what are you attempting to show by this exhibit?

8 A Salt Lake South Field is a Strawn southeast plunging nose
9 at Morrow level. It has got a steep northeast flank. We
10 see this as indication of a fault zone in the area of
11 Section 32. To delineate this, we have utilized a portion
12 of our Seismic control in the area. We show three points
13 on the map, one point at the intersection of Sections 30,
14 29, 31 and 32, and another point some 1600 feet east of
15 it, and another point down on the south line of Section
16 32 close to the southeast corner.

17 Utilizing this information, we see a fault zone
18 crossing Section 32. This is based on dip that we see
19 in our Strawn Seismic. Along the north line of Section 32,
20 two points here indicate 1600 feet, some 190 feet of dip.
21 This is a Strawn level. Projecting this to Morrow, this
22 would probably be indicative of dip in the range of in
23 excess of 300 feet. About 7-degree dip at Strawn level;
24 probably 10-degree dip at Morrow level.

25 To get a field for the pressures of this band of

1 steep dip, between the two Amini wells down to the south,
2 the Amini Number 1 New Mexico Federal in Section 4, and
3 their Aztec Federal in Section 33, at Strawn level the
4 dip there is approximately 3 and 1/2 degrees. At Morrow
5 level, it increased to about 5 degrees. We've got twice
6 the rate of dip to the north. What this means is that
7 a well drilled in the north half location here, in any
8 one of three locations that would be standard here, would
9 be in this band of steep dip or faulting.

10 Contrary to what was previously testified here, it
11 is well-documented in New Mexico that you can have faulting
12 in the Pennsylvanian, at least to Strawn level. This is
13 known, that three of the four standard locations in the
14 north half of Section 32 would be in this fault zone; the
15 four locations in there in the southeast of the northwest
16 would be structurally low and would be high-risk. On the
17 contrary, the other side of the coin here, locations for
18 the east half and west half would both be good based on
19 our data, and I might say also based on Amini work here.

20 Q Now, referring to Amini's Exhibit 2, have you had a chance
21 to review that?

22 A Yes, sir.

23 Q Is that consistent with your testimony and your Exhibit 3?

24 A Basically, in outline of the field, where there is known
25 control, they are showing the Strawn southeast plunging

1 nose here. We differ as to where the increments of
2 steep dip are.

3 Q Does their Exhibit 2, red in relation to your data, show
4 that the proposed location of the well that is now being
5 drilled is a good location?

6 A Yes, sir.

7 Q And does it show that a possible location for the east
8 half of 32 would be a good location?

9 A A location in the northwest of the southeast would be a
10 good, safe, legal location. It should be highly profitable.
11 It's got a direct offset to the south there, the Amini
12 Number 1 New Mexico Federal, the one that is now drilling.
13 Their Number 1-SL, we predict, will be a good well.

14 Based on Mr. Amini's testimony about the Aztec
15 Federal, the thickest sand faction seen thus far in the
16 area in that well, a well in the east half here would have
17 structure, it would be up-thrown, it would probably have
18 the thickest sand section of the area.

19 Incidentally, if the operator of that east half
20 doesn't want to drill it, Texaco would like to consider
21 a sublease.

22 MR. AMINI: I'm sure they would, they always do.

23 Q (By Mr. Kelly) My next question is that you would
24 recommend to your management if the operator did not drill
25 the east half that Texaco would consider it?

1 A Yes, sir.

2 Q In your opinion, would the granting of Texaco's application
3 to develop Section 32 on the west half-east half allow all
4 the operators and all interest owners to get more hydro-
5 carbons out of these wells than any other spacing
6 arrangement?

7 A Yes, sir, based on our data, the drilling of the Number
8 1-SL would be a good well. But a south half location
9 there would lead to a development on a north half location,
10 and this would then run the risk of another well comparable
11 to the Aztec Federal in which the main pay sand of the
12 Morrow here has got water. This would be waste.

13 Q Now, was Exhibit 3 prepared by you or under your
14 supervision?

15 A Yes, sir.

16 MR. KELLY: I would move for the introduction of
17 Texaco's Exhibit Number 3.

18 MR. STAMETS: Without objection --

19 MR. LOSEE: No objection.

20 MR. STAMETS: It will be admitted into evidence.

21 CROSS-EXAMINATION

22 BY MR. STAMETS:

23 Q Mr. Glenn, let me ask you a question here. Now, you
24 indicated that the south half is dedicated to the Amini
25 well in question here that that would call for an offset

1 in the north half of Section 32.

2 A This would be normal development, yes, sir.

3 Q And this could, according to your interpretation, result
4 in a poor well or dry hole?

5 A Yes, sir, or at least higher risk than a location in the
6 east half at the location I predict here.

7 Q That was going to be my next question. If the west half
8 is dedicated, it looks to me like on your interpretation
9 there is a goodly section of that that is in that fault
10 zone and subject to be a poor quality well or dry hole
11 well.

12 A Yes. We can delineate this fault zone very close, we
13 believe. The zone I show by my dashed lines here marked
14 fault zone, the point along the south line of Section 32,
15 is definitely up-thrown. The point that I have got in the
16 intersection of Section lines around 30, 29, 31 and 32,
17 this one is definitely up-thrown. The location to the
18 east there, some 1600 feet east, is down-thrown. The
19 Amini well, we say, is down-thrown. So this gives us a
20 range of where this is.

21 Q Well, I'm still a little confused. Let's say we are
22 talking about the east half of Section 32. The standard
23 location there would be 1980 feet from the south line and
24 well, let's see, 1980 from the south and east, and this
25 would locate us very close along the line that we draw

- 1 from the point you showed on your exhibit in the north
2 half of Section 4 up to the corner of Section 29 and 30.
3 Now, if we go the opposite direction and say we are going
4 to dedicate the north half of Section 32, we would locate
5 a well 1980 feet from the north and 1980 feet from the
6 west, and as near as I can tell, that's located almost at
7 the same point, structurally, in this fault zone.
- 8 A Yes, sir. What I am doing here, though, within the limits
9 of field rules which says 330 from the quarter quarter line,
10 a location in the southeast quarter can be 2310 from the
11 east, 1650 from the south. You can do the same thing as
12 far as a north half for the southeast of the northwest, but
13 then if you did that, on the basis of our work here, the
14 location in the southeast quarter would be anywhere from
15 100 to 200 feet high to a north half location.
- 16 Q 2310, now, we are dedicating an east half, hypothetically,
17 here, locating this 2310 feet from which line?
- 18 A From the east line. The field rules permit, as Amini has
19 done here, to move 330 off of the center of the quarter
20 quarter.
- 21 Q That's only when you are discussing the inner quarter
22 quarter line, not an outer quarter quarter. We may be
23 having some confusion in our interpretation. But, going
24 back again, hypothetically dedicating the east half of
25 Section 32, you could locate no closer than 1660 feet to

- 1 the east line or to the center line of the section.
- 2 A All right.
- 3 Q And my interpretation is that the most favorable location
- 4 would be 1980 feet from the south and 1980 feet from the
- 5 east.
- 6 A Right.
- 7 Q As you have drawn in your map?
- 8 A Yes.
- 9 Q Then, conversely, going back, and hypothetically
- 10 dedicating the north half of this section, the most
- 11 favorable appearing location would be 1980 feet from
- 12 the north line and 1980 feet from the west line of the
- 13 section, and just sketching that on your exhibit here, it
- 14 would appear that this falls at about the same point in
- 15 the fault zone; and therefore my question is: Is one of
- 16 these zones better than the other, one of these points
- 17 better than the other, and why?
- 18 A Yes, sir. As you will note, if the southwesternmost line
- 19 marking my fault zone is moved progressively northeast --
- 20 in other words, this is the maximum that the fault can be
- 21 to the southwest. It could be further to the southeast
- 22 within the limit of the other line. If you did that and
- 23 continued the contours, the location in the northwest of
- 24 the southeast would be somewhere 100 to 200 feet high
- 25 to the location to the southeast to the northwest.

1 MR. STAMETS: Are there any other questions of the
2 witness?

3 MR. LOSEE: I have a couple.

4 CROSS-EXAMINATION

5 BY MR. LOSEE:

6 Q Mr. Glenn, what control do you have for these contours
7 in Sections 30 and 32 at 10,100 and 10,099?

8 A Well, they are subsurface there on the Amini New Mexico
9 Federal.

10 Q Down in Section 4?

11 A Yes, sir.

12 Q So that your control in 32 and 30, with these contour
13 lines running into the fault zone, is based on the Amini
14 Federal?

15 A No, sir. My contouring in the southern part of 32 here,
16 on this Strawn nose coming to the southeast is based on
17 the well control from the CM, and the Amini Number 1
18 New Mexico Federal. I have utilized my Seismic control
19 to pick up the steep dip on the northeast flank of the
20 field.

21 Q So that actually that's not a well control, that's based
22 on Seismic?

23 A That is correct.

24 Q And, simply, your testimony is that a location 1980 from
25 the south and east lines would be better than a location

1 1980 from the north and west lines?

2 A I've got 10 degrees dip on two Seismic points up there
3 and this is pretty steep for a normally one- and two-degree
4 dip in the area.

5 Q Do you have your Seismic data here?

6 A No, sir.

7 Q Is it your interpretation or someone else's?

8 A It is a geophysicist's interpretation.

9 Q It is not yours?

10 A No, sir. I might say that it's tied very close to the
11 two new wells drilled here to the south and east, very
12 close to the limits of the Seismic interpretation.

13 Q But at least in the area of the northwest quarter of 32
14 and the southeast quarter of Section 30, it's not tied
15 to any wells, it's just a Seismic interpretation?

16 A This is correct.

17 MR. LOSEE: I think that's all I have.

18 RECROSS-EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Glenn, you've heard Mr. Amini's testimony that gas
21 was found in the Aztec Federal well. Would that indicate
22 to you that the Morrow formation, if it has the permeability
23 and the porosity developed, that this would be productive
24 in the east half of Section 32 and in the north half of
25 Section 32?

1 A North half of 33?

2 Q Two.

3 A Yes, sir.

4 MR. STAMETS: Are there any other questions of
5 the witness?

6 MR. KELLY: Nothing further.

7 MR. STAMETS: He may be excused. Is there any
8 further testimony, Mr. Kelly?

9 MR. KELLY: I have nothing further.

10 MR. STAMETS: Any statements?

11 MR. LOSEE: I want to take a minute with Mr. Amini
12 before I decide whether we want to put him back.

13 (Whereupon, a discussion was held off the record.)

14 MR. STAMETS: Let's go back on the record.

15 MR. LOSEE: Mr. Examiner, I would like to recall
16 Mr. K. K. Amini.

17 MR. STAMETS: Okay.

18 *****

19 K. K. AMINI,

20 a witness, having been previously duly sworn, testified
21 upon his oath as follows:

22 DIRECT EXAMINATION

23 BY MR. LOSEE:

24 Q I hand you what has been marked, Mr. Amini, as your
25 Exhibit 5, and will you explain what is portrayed by

1 this exhibit?

2 A This is a cross section from Texaco's CM to Amini's New
3 Mexico Federal 1, Amini's Aztec Federal 1 to the Phillips
4 Hat Mesa Number 1.

5 MR. LOSEE: Could we have Exhibit 2 at this time, and
6 I would ask him to draw the cross section at this point.

7 MR. STAMETS: Excellent.

8 Q (By Mr. Losee) Would you draw the well cross section?

9 A (Witness complies.)

10 Q Mr. Amini, you have just drawn in in red felt pen the
11 four wells covered by this cross section in the South
12 Salt Lake Morrow. Would you briefly explain what this
13 cross section shows?

14 A This cross section, the horizontal distance is exaggerated
15 so it would save pages.

16 It indicates the correlation between all of these
17 wells. There is not one foot of section missing, so I
18 agree with Mr. Glenn that there is a fault in the north
19 section, we can correlate it all the way across, and you
20 can see foot by foot how they correlate, and you can see
21 in the main sand body in the Aztec Federal, the third well
22 from the left, as you see we have perforated it and we
23 have quite a bit of gas with some water, and the bottom-hole
24 pressure in Aztec and bottom-hole pressure in other wells,
25 New Mexico Federal, indicates the two reservoirs are

1 connected. And you see Phillips Hat Mesa, the same
2 massive zone was perforated and it's producing water and
3 it's only about 86 feet high to our Aztec Federal Number 1.
4 So I feel that if we move back to the west, we probably
5 will be out of water, but it not necessarily means that
6 our structural situation will be as good as if we moved
7 to the north half of that Section 32. We feel that a
8 well in the south half of Section 32, plus a well in the
9 north half of 32, will recover more gas than Mr. Glenn
10 indicates here. I disagree that there is a fault in the
11 Morrow.

12 Q And this exhibit, Mr. Amini, is offered for the purpose
13 of showing the correlation, basically, across the field
14 to show the absence of missing sections in the Morrow, to
15 indicate the absence of a fault?

16 A That's true.

17 MR. LOSEE: I think that's all.

18 CROSS-EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Amini, I believe, according to your Exhibit 2, you
21 are the owner of all, or the operator of all, but 40 acres
22 in the north half of Section 32; is that correct, sir?

23 A That's correct.

24 Q So if a well were drilled, it would likely be drilled by
25 Amini?

1 A That's correct.

2 Q At this time, I presume you would evaluate the drilling
3 of that well based upon the completion of the well here
4 in question?

5 A I'm sure it has a lot to do with it, that's true.

6 Q So you wouldn't be able to say at this time definitely
7 whether you intend to drill that well or not?

8 A Not at this time.

9 MR. STAMETS: Mr. Kelly, do you have any questions?

10 CROSS-EXAMINATION

11 BY MR. KELLY:

12 Q Mr. Amini, do I understand your testimony, you are not
13 telling this Commission that if Texaco's application were
14 granted you would not drill a well on the east half, are
15 you?

16 A On the east half?

17 Q Yes.

18 A Well, it all depends. As I understand it, it says the
19 second well depends on what the outcome of the first well
20 will be. We will drill the first well in the south half
21 and evaluate that and then we get together afterward.

22 Q Regardless of whether you get a south half or west half
23 proration unit, you will evaluate your data and decide on
24 whether to drill another well?

25 A Well, any prudent operator, I'm sure, will do the same as

1 you would do, too. But at the present, the first location,
2 we thought it was proper to drill it in the south half and
3 make the south half as a unit.

4 Q And isn't your testimony that the east half is not
5 productive?

6 A It is productive, but I want to say I disagree with
7 Mr. Glenn, that there is a fault. There is no fault.

8 MR. KELLY: Mr. Examiner, since this is sort of a
9 combined hearing, we would like to have the opportunity
10 to put Mr. Glenn back on just to comment on this new
11 exhibit.

12 THE WITNESS: May I make another point here? I've
13 honored all the points in the area, I've just used
14 subsurface. Of course, I haven't done all of this, as I
15 say, I am not qualified; but it is a consensus of opinion
16 that this structure is supposed to move on the basis of
17 present information, we couldn't use Seismic information
18 on something like this.

19 MR. STAMETS: I think there may be some confusion
20 about what the two witnesses were talking about. I think
21 they may be talking about two different things, and let
22 me tell you how I understand what they have testified to;
23 and if I am not right, perhaps you should put Mr. Glenn
24 back on.

25 I think what Mr. Amini has testified to -- you can

1 certainly correct me on this -- is that the Morrow zone
2 was not faulted during the period of time that the Morrow
3 was being laid down and there is no loss of section in
4 the Morrow. What Mr. Glenn, I believe, testified to, is
5 that there may well be a fault which cuts the Morrow
6 section, but the fault was subsequent to the laying down
7 of the Morrow section.

8 MR. GLENN: Post-Strawn faulting which includes
9 Morrow.

10 MR. STAMETS: So I don't really think there is
11 any disagreement between the two witnesses here. Are there
12 any other questions of this witness?

13 (No response.)

14 MR. STAMETS: He may be excused. Mr. Kelly, do you
15 need to call a witness back?

16 MR. KELLY: No, I don't.

17 MR. STAMETS: Are there any other witnesses in this
18 case?

19 (No response.)

20 MR. STAMETS: Are there any statements in this
21 case?

22 MR. BUELL: Mr. Examiner, on behalf of Southern
23 Union Production Company, we would strongly support the
24 application and urge a favorable consideration.

25 MR. KELLY: I would just like to point out our

1 request of the Examiner. Our application, as hopefully
2 published, includes permission for an unorthodox location,
3 which the present location would be slightly unorthodox
4 if the west half is dedicated. I just wanted to make sure
5 that that is the case. That wasn't specifically covered
6 before, I believe.

7 MR. STAMETS: It certainly wasn't, and your case
8 is 5114.

9 MR. KELLY: 5114. But that was conveyed to the
10 Commission, I assume.

11 MR. STAMETS: I think everybody is here at this
12 time who would be concerned with that case. Are there
13 any objections to the current location of the Amini well,
14 should the west half of Section 32 be dedicated to this
15 well by Commission order?

16 MR. KELLY: There are no objections.

17 MR. STAMETS: Mr. Losee, do you have a statement?

18 MR. LOSEE: Yes, Mr. Examiner. Hopefully, we've
19 got all the testimony on the board. This seems rather
20 simple, Texaco's willing to participate in the cost of
21 the well. Mr. Amini has most of the acreage in Section 32
22 13/16ths of it to be exact, and he proposed long ago a
23 standard location for spacing in the south half of the
24 section. It wasn't until a letter dated one day before
25 the well actually started down that Texaco indicated to

1 him --actually there was a conversation on the same day
2 as the date of the letter by Mr. Ferris, that they wanted
3 to space the west half.

4 He felt like in spacing the well on the south half
5 that it would present two better locations, both in the
6 west half of the section, which he thought would be
7 superior. He was prompt in giving them an opportunity
8 to participate with him in the well, to raise any
9 objections about spacing, and the first thing he heard
10 was on October 2, one day -- really, he didn't get the
11 letter until the next day, and it seems that if priority
12 and testimony has anything to do with a standard location.
13 the majority in ownership, no evidence indicating to the
14 contrary, it seems to me that as much gas, if not more
15 gas, would be recovered on the north half-south half
16 spacing by two wells in the west half, and I think the
17 application should be approved.

18 As I earlier said, I don't think the problems with
19 the Little Eddy Unit ought to affect Amini, and I don't
20 really think they are even before the Commission to even
21 imply an unorthodox location. If that comes to pass, there
22 is ample time to file an application to reopen and change
23 the spacing; but I think at this point in time, the
24 spacing of the south half should be used.

25 MR. KELLY: Mr. Examiner, the jurisdiction of this

1 Commission is called upon basically for two reasons: To
2 prevent waste and to protect correlative rights. Now, the
3 basic argument that is made here is that they filed their
4 application first, and they didn't hear from us until the
5 day before they spud in. Well, actually, I contend that's
6 not true. There were conversations up to nine days before
7 when this west half location was discussed. I don't think
8 that's a relevant consideration, though.

9 The consideration here is whether this whole unit,
10 this whole section, should be developed on west half-east
11 half or north-south locations, and the testimony that
12 Mr. Amini presented was that he felt that it was productive
13 whichever way it went. The testimony that we presented,
14 and was not contradicted, was that it would not be a good
15 idea, it would be a high risk, to develop it the way
16 Mr. Amini wants, north and south; and it seems to me that
17 that is the only consideration that this Commission should
18 concern itself with.

19 We've had a stipulation that both of these
20 applications be heard today and there certainly is no
21 correlative rights problem and no injustice being done
22 to either party just because one got their application in
23 first, and it should be based on the technical evidence
24 that was submitted and the technical evidence shows that
25 it would be the best operation to divide it the way Texaco

1 has suggested.

2 MR. STAMETS: You don't wish a responding statement?

3 MR. LOSEE: Well, I think I disagree with Mr. Glenn's
4 testimony and that his exhibit would show, as the Examiner
5 has pointed out, the only orthodox east location in his
6 exhibit that's any good is 1980 from the south and east
7 lines, and 1980 from the north and west lines; and they
8 both place themselves at relatively the same position in
9 relation to the fault line. I don't understand that. He
10 said that would be upstructure and that's based upon not
11 well control data, but on Seismic data not before the
12 Commission.

13 MR. STAMETS: If there is nothing further in this
14 case, we will take the case under advisement.

15 *****

16 C E R T I F I C A T E

17 I, JOHN DE LA ROSA, a Court Reporter, in and for the
18 County of Bernalillo, State of New Mexico, do hereby certify
19 that the foregoing and attached Transcript of Hearing before
20 the New Mexico Oil Conservation Commission was reported by me;
21 and that the same is a true and correct record of the said
22 proceedings to the best of my knowledge, skill and ability.

23 I hereby certify that the foregoing is
24 a true and correct record of the
proceedings before me on

5088
73
COURT REPORTER

Richard J. Stamets
New Mexico Oil Conservation Commission

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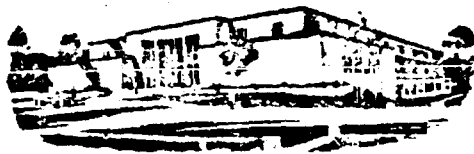
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State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands
February 23, 1979

P. O. Box 1148
SANTA FE, NEW MEXICO

Grace Petroleum Corporation
P. O. Drawer 2358
Midland, Texas 79702

*File
Cox No. 5088*

Re: N.M. "SL" State Com Well No. 1
S/2 Sec. 32-T20S-R33E
Lea County, New Mexico
(FORCE POOLING ORDER NO. R-4666)

Gentlemen:

By Order No. R-4666, dated November 16, 1973, the New Mexico Oil Conservation Division force pooled all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, Lea County, New Mexico, for production from the subject well. This well has been plugged and abandoned.

In view of no production from the subject well, we no longer consider the Force Pooling order in effect, therefore, we have terminated our file on this force pooling order. Both your leases on this production unit are in good standing. Your lease E-9052 is perpetuated by acreage committed to the Little Eddy Unit and Lease L-6725 has an expiration date of November 1, 1981.

Please advise all interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

RV:
RAY D. GRAHAM, Director
Oil and Gas Division

AJA/RDG/s
cc:

OCD-Santa Fe, New Mexico /

*File Case
M. 5088*

Amini Oil Company
405 Wall Towers East
Midland, Texas 79701
December 14, 1973

(915) 683-4700

Texaco Inc.
P.O. Box 3169
Midland, Texas 79701

Attn: Mr. G.M. Patterson
Division Landman

Gentlemen:

Attached is the operating agreement for our New Mexico "SL" State No. 1 well, which you have agreed to join in the drilling of said well and which the New Mexico Oil Conservation Commission, by order number R-4666 has pooled all mineral interest in the S/2 of Section 32, T-20-S, R-33-E, NMPM, South Salt Lake - Morrow Gas Pool, Lea County, New Mexico.

Also attached is an AFE for the amount of \$517,830 for a completed well. This AFE was prepared several months ago and does not reflect the recent increases in drilling and completion costs. We estimate the costs will be approximately 10% higher than indicated on the AFE.

In order that we may properly operate the subject well as a joint operation, please sign and return two copies each of the operating agreement and AFE.

Respectfully yours,

Fred G. Brown
Vice President

FGB/ww



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

November 16, 1973

L. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

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

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

Re: CASE NO. 5088
ORDER NO. R-4666

Applicant:
Amini Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC
Artesia OCC
Aztec OCC

Other: Texaco Inc., Midland, and Richardson & Bass, Fort Worth
Bank Bldg., Ft. Worth, Texas 76101
Mr. Booker Kelly

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
AMINI OIL COMPANY FOR COMPULSORY)
POOLING, SOUTH SALT LAKE MORROW GAS)
POOL, LEA COUNTY, NEW MEXICO)

CASE NO. 5088

MOTION FOR POSTPONEMENT

COME NOW Perry R. Bass, individually and as operator of the Little Eddy Unit, and Texaco Inc., individually and as agent for said unit operator, and move the Commission for its order postponing the hearing of the above entitled case set for October 31, 1973, and as cause therefor respectfully state:

1. That upon information and belief of the Movants, the Applicant has not contacted all of the owners of separate interests in the proposed proration unit (South Half of Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico) and by statute is prohibited from proceeding with application for forced pooling unless and until all of the separate owners in the proposed proration unit have had an opportunity to accept or reject the proposal.

2. That Bass and Texaco are proceeding with independent efforts to obtain agreement for pooling of the west Half of Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico to designate as a proration unit for the well which is the subject of this application, and if voluntary agreement is not obtained, movants intend to file a separate application for forced pooling of the West Half of Section 32, as aforesaid to be heard at the regular hearing of the Commission to be held on Wednesday, November 14, 1973, and in the interest of the just administration of the Commission's rules, both the cases should be heard jointly.

WHEREFORE, movants pray:

A. For the Commission's order postponing the above
entitled case until its hearing scheduled for November 14,
1973.

PERRY R. BASS, Individually and
as Unit Operator of Little Eddy
Unit; and

TEXACO INC., Individually and
as Agent for Unit Operator of
Little Eddy Unit

By: Kenneth Bateman

of

WHITE, KOCH, KELLY & MC CARTHY
P. O. Box 787
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANTS

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
AMINI OIL COMPANY FOR COMPULSORY)
POOLING, SOUTH SALT LAKE MORROW GAS)
POOL, LEA COUNTY, NEW MEXICO)

CASE NO. 5088

ANSWER TO APPLICATION

NOW COME Perry R. Bass ("Bass"), individually and as operator of the Little Eddy Unit, and Texaco Inc. ("Texaco"), individually and as agent for said unit operator, and in response to the application of Amini Oil Company ("Amini") for compulsory pooling, respectfully state:

I

The Little Eddy Unit includes, among other lands, the West Half of the Southwest Quarter (W/2 SW/4) and the Southwest Quarter of the Northwest Quarter (SW/4 NW/4) of Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

Bass, as unit operator, and Texaco, as agent for said unit operator, are authorized only to operate said unit under and according to the terms of the Unit Operating Agreement, and are not agents for other royalty, mineral or working interest owners for the purpose of negotiating a pooling agreement with Amini.

Article 65-3-14 N.M.S.A., as amended, provides for forced pooling in the event, interalia, the owners of separate interests in the proposed proration unit "cannot agree" to pool their interests voluntarily. Upon information and belief, Bass and Texaco state that Amini has not contacted all those who own separate interests in the proposed proration unit, specifically that portion which lies within the Little Eddy Unit. Accordingly, the New Mexico Oil Conservation Commission, has no jurisdiction to proceed until all of the owners of separate interests in the proposed proration unit have been given the opportunity to accept or reject the proposal of Amini.

WHEREFORE, Bass and Texaco say that the hearing on the application of Amini should be postponed until Amini shows evidence satisfactory to the Commission that it has complied with the requirements of Article 65-3-14 N.M.S.A.

II

Bass and Texaco desire, in any event, to participate in the costs of drilling the New Mexico State "SL" No. 1 Well being drilled by Amini to test the Morrow sand of Pennsylvanian formation at a location 1980 feet from the west line and 990 feet from the south line of the said Section 32.

III

However, Bass and Texaco do not agree that the South Half (S/2) of Section 32 is a proper gas drilling and spacing unit for said New Mexico State "SL" No. 1 Well, and contend that the gas drilling and spacing unit dedicated to said well should be the West Half (W/2) rather than the South Half (S/2) of said Section 32; and that a gas drilling and spacing unit comprising the West Half (W/2) is necessary to avoid the drilling of unnecessary wells, to protect correlative rights and to afford the owner of each interest the opportunity to recover or receive his just and fair share of the gas in said formations underlying said drilling and spacing unit.

WHEREFORE, Bass and Texaco pray that upon hearing the Commission enter its order pooling all mineral, royalty and working interests from the surface through the Pennsylvanian formation underlying the West Half (W/2) of said Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, to form a standard spacing and drilling unit to be dedicated to the New Mexico State "SL" No. 1 Well at a location 1980 feet from the west line and 990 feet from the south line of said Section 32.

In the alternative only, Bass and Texaco consent, only so far as their interests are concerned, to an order pooling from the surface through the Pennsylvanian formation underlying the South Half (S/2) of Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, to form a standard gas spacing and drilling unit to be dedicated to the "SL" No. 1 Well at a location 1980 feet from the west line and 990 feet from the south line of said Section 32.

Accordingly, Bass and Texaco pray that Amini be denied any charges for supervision and risk in connection with the drilling and completing of the said New Mexico State "SL" No. 1 Well.

PERRY R. BASS, Individually and
as Unit Operator of Little Eddy
Unit; and

TEXACO INC., Individually and
as Agent for Unit Operator of
Little Eddy Unit

By:



of

WHITL, KOCH, KELLY & MC CARTHY
P. O. Box 787
Santa Fe, New Mexico 87501

ATTORNEYS FOR UNIT OPERATOR
AND FOR AGENT FOR UNIT OPERATOR

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 31, 1973

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

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

CASE 5076: (Continued from the October 17, 1973, Examiner Hearing)

Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well at an unorthodox location 1980 feet from the North line and 660 feet from the West line of Section 7, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 7 to be dedicated to the well.

CASE 5086: Application of Skelly Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Myers Langlie-Mattix Unit Area comprising 9924 acres, more or less, of Federal, State, and Fee lands in Townships 23 and 24 South, Ranges 36 and 37 East, Lea County, New Mexico.

CASE 5087: Application of Skelly Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Myers Langlie-Mattix Unit Area, Langlie-Mattix Pool, Lea County, New Mexico, by the injection of water into the Queen formation through 84 injection wells in said unit area.

CASE 5088: Application of Amini Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit N of said Section 32. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5089: (This case will be dismissed)

Application of Coquina Oil Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed Cities Service State Well No. 3, at an unorthodox location 1325 feet from the South line and 660 feet from the East line of Section 27, Township 14 South, Range 34 East, High Plains-Pennsylvanian Pool, Lea County, New Mexico.

- CASE 5090: Application of Atlantic Richfield Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 309-A to permit the commingling of unitized and non-unitized production within applicant's Seven Rivers-Queen Unit Area, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 5091: Application of Superior Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 of Section 2, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well presently being drilled at a point 2080 feet from the South line and 660 feet from the East line of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5092: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 9, Township 16 South, Range 35 East, Townsend-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to its Hulda Townsend Well No. 2 located in Unit I of said Section 9. Also to be considered will be the present value of said well and the cost of deepening and completing same and the allocation of such values and costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in deepening said well.
- CASE 5093: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 17, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit B of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5094: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Azotea Mesa Unit Area comprising 5686 acres, more or less, of Federal and State lands in Township 23 South, Range 24 East, Eddy County, New Mexico.
- CASE 5095: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Loafer Draw Unit Area comprising 5844 acres, more or less, of Federal, Fee, and State lands in Township 21 South, Ranges 21 and 22 East, Eddy County, New Mexico.

CASE 5096: Application of H. L. Brown, Jr. for a non-standard gas proration unit and unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the SE/4 of Section 15 and the E/2 NE/4, SW/4 NE/4, and NE/4 SE/4 of Section 22, all in Township 17 South, Range 29 East, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox gas well location 330 feet from the South and East lines of said Section 15.

CASE 5097: Application of Dorchester Exploration Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Wolfcamp production for its well located in Unit F of Section 35, Township 19 South, Range 28 East, and the promulgation of special rules therefor including a provision for 320-acre spacing and standard 320-acre well locations.

CASE 5073: (Continued and Readvertised)

Application of Belco Petroleum Corporation for a non-standard gas proration unit and unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 SW/4 and SE/4 of Section 30 and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33 East, South Salt Lake Field, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5028
Order No. 7-4666

APPLICATION OF AMINI OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 31, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of November, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Amini Oil Company, seeks an order pooling all mineral interests from the surface of the ground down to and including the Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, NME4, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and is drilling a well at a standard location in Unit X of said Section 32.

(4) That there are interest owners in the proposed proration unit who desire that the West half of said Section 32 be pooled and dedicated to said well.

(5) That said interest owners have agreed to join in the drilling of said well upon the entry of an order by the Commission pooling either the S/2 or the W/2 of said Section 32 for dedication thereto.

(6) That the location of said well would be a standard location for the dedication of the S/2 and would be an unorthodox location for the dedication of the W/2 of said Section 32.

(7) 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 conserve without unnecessary expense

-4-

CASE NO. 5088
Order No. R-4605

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 the S/2 of said Section 32.

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

(9) That \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each 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.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, N14E, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well drilling at a standard location in Unit N of said Section 32.

PROVIDED HOWEVER, that the operator of said unit shall continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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 Commission and show cause why Order (1) of this order should not be rescinded.

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

(3) That \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each 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 working interest.

(4) That any uncovered 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 proceeds under the terms of this order.

-3-

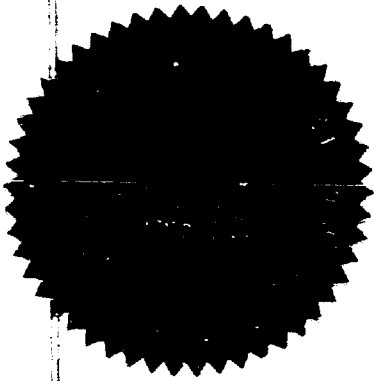
CASE NO. 5088
Order No. R-4666

(5) 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.

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

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

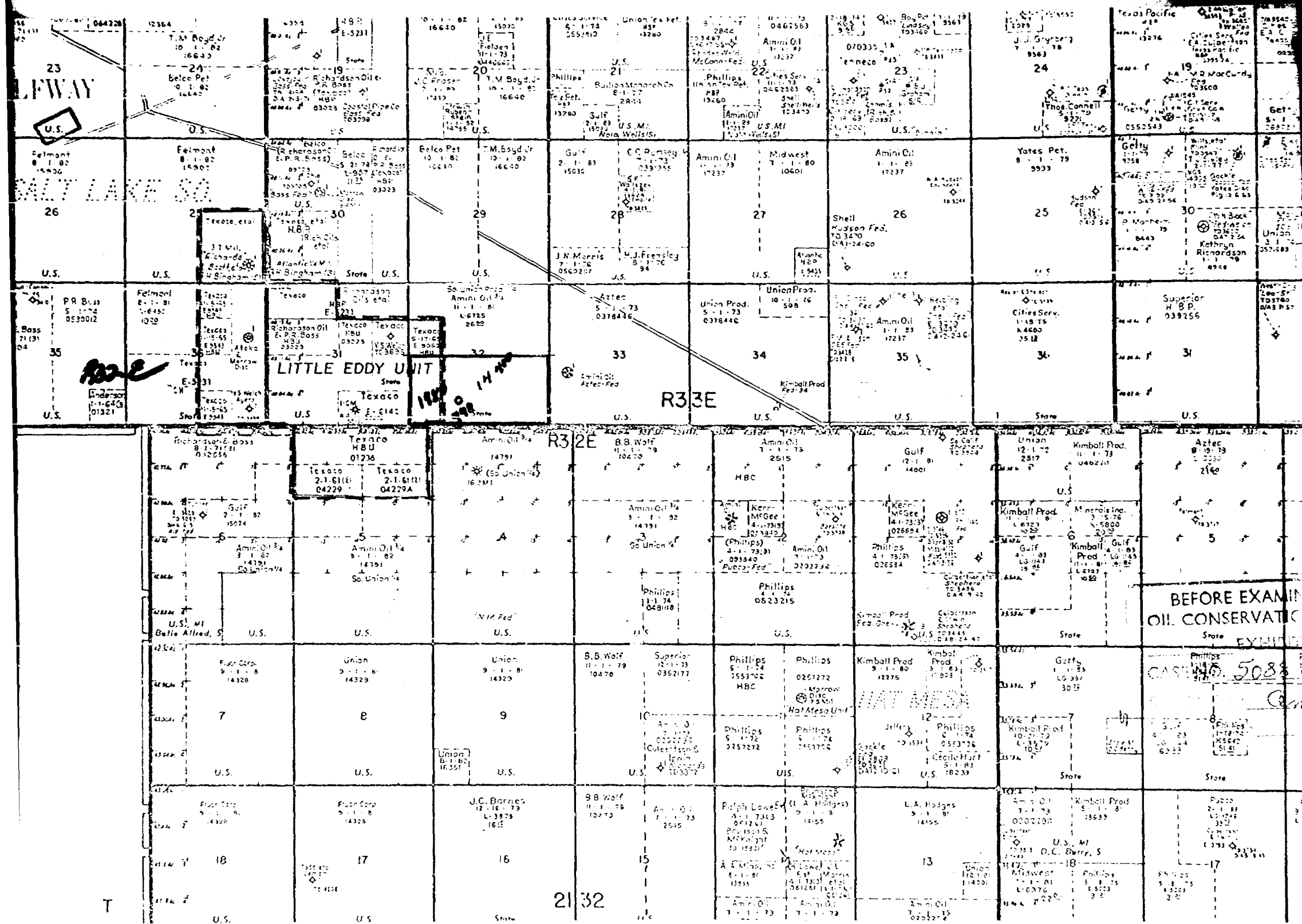
I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMSTRONG, Member

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

SEAL

ja/



[illegible]

Amini Oil Company

405 Wall Towers East

Midland, Texas 79701

July 25, 1973

(915) 683-4793

Perry R. Bass'
P.O. Box 171
Midland, Texas 79701

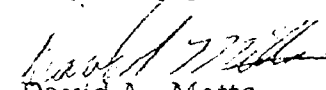
Attn: Bill Seltzer
Gentlemen:

As I stated in earlier conversations with you Amini Oil Company is interested in drilling two 14,200' Morrow tests on proration units in which you own acreage. The leases I am referring to are the W/2 SW/4, SW/4 NW/4 Section 32-20S-33E and Lots 9 through 12 Section 5-21S-32E Lea County, New Mexico.

The two-well proposal is as follows: Amini Oil Company will drill the first Morrow test 1980'FWL and 660'FSL Section 32-20S-33E and upon completion of drilling operations Amini Oil Company will commence the second Morrow test in Lot 10 Section 5-21S-32E. Perry R. Bass will retain 1/8 ORR proportionately reduced to your interest of 320 acre proration units. Upon payout of each well Bass will have the option to convert the 1/8 ORR to a 1/3 WI, again proportionately reduced to your interest.

Your attention to this matter will be appreciated.

Very truly yours,


David A. Metts
Vice President

DAM/ww

cc: K.K. Amini

BEFORE EXAMINED AND
CONSERVED

3
DC 88

Amini

Amini Oil Company

405 Wall Towers East
Midland, Texas 79701

August 6, 1973

(915) 682-4793

Texaco Incorporated
3109, 7th Floor, Midland Savings Bldg.
Midland, Texas 79701,

Attn: Bernie Scott

Gentlemen:

As I stated in our conversation on 8-06-73, Amini Oil Company proposes to drill a 14,200' Morrow test to be located 1980' FWL and 660' FSL Section 32, T-20-S, R-33-E, Lea County, New Mexico.

It appears that Texaco Incorporated owns or controls the W/2 SW/4 and SW/4 NW/4 Section 32, T-20-S, R-33-E. Amini Oil Company hereby requests a farm-out of the acreage outlined above. Texaco will retain a 1/8 ORR proportionately reduced to Texaco's interest in the proration unit and will have the option to convert the ORR to a 1/3 WI at pay-out of the subject well again proportionately reduced.

In the event this request is unacceptable, please make a counter proposal so that we may proceed with the development of the area.

Your attention to this matter will be greatly appreciated.

Very truly yours,



David A. Metts
Vice President

DAM/ww

Amini Oil Company
405 Wall Towers East
Midland, Texas 79701
August 29, 1973

(915) 683-4793

Texaco Incorporated
3109, 7th Floor, Midland Savings Bldg.
Midland, Texas 79701

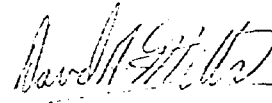
Attn: Bernie Scott

Re: Section 32, T-20-S, R-33-E
Lea County, New Mexico

Gentlemen:

Our files indicate that we have had no response from you concerning our letter dated August 6, 1973 on the subject farm-out or the requested counter proposal. If we do not hear from you within the next 2 days, we are prepared to commence the proposed Morrow well at the previously stated location and we will begin force-pooling proceedings immediately.

Very truly yours,



David A. Metts
Vice President

DAM/ww
xc: Amini Oil Company
Houston, Texas

Amini Oil Company
405 Wall Towers East
Midland, Texas 79701
September 8, 1973

(915) 683-4793

Texaco Incorporated
3109, 7th Floor, Midland Savings Bldg.
Midland, Texas 79701

Attn: D.D. Ferris

Re: Morrow Test 14,200'
1980' FWL & 660' FSL
Section 32, T-20-S, R-33-E
Lea County, New Mexico

Gentlemen:

This letter will confirm the telephone conversation with D.D. Ferris on 9-06-73, in which he indicated interest in joining in the drilling of the subject Morrow test. Mention was also made in the conversation that Texaco has several partners in the captioned lease. Therefore, I am submitting herewith a copy of an A.F.E. for the 14,200' Morrow test. I am also making available the logs and test data of our wells in the area to a qualified representative of Texaco in hopes it will help you make your decision expeditiously. The logs and test data may be examine in our office at 405 Wall Towers East.

Our drilling budget and partners dictate that we commence the subject test at the earliest possible date. The location has been officially staked and bids for construction of the drilling pad have been mailed to local construction companies. Therefore, we are requesting that you notify us as to Texaco's intentions regarding this matter at the earliest possible date.

Very truly yours,

David A. Metts /ww

David A. Metts
Vice President

DAM/ww

encl.

Amini Oil Company

405 Wall Towers East

Midland, Texas 79701

September 8, 1973

(915) 683-4793

Texaco Incorporated
3109, 7th Floor, Midland Savings Bldg.
Midland, Texas 79701

Attn: D.D. Ferris

Re: Morrow Test 14,200'
1980' FWL & 660' FSL
Section 32, T-20-S, R-33-E
Lea County, New Mexico

Gentlemen:

This letter will confirm the telephone conversation with D.D. Ferris on 9-06-73, in which he indicated interest in joining in the drilling of the subject Morrow test. Mention was also made in the conversation that Texaco has several partners in the captioned lease. Therefore, I am submitting herewith a copy of an A.F.E. for the 14,200' Morrow test. I am also making available the logs and test data of our wells in the area to a qualified representative of Texaco in hopes it will help you make your decision expeditiously. The logs and test data may be examine in our office at 405 Wall Towers East.

Our drilling budget and partners dictate that we commence the subject test at the earliest possible date. The location has been officially staked and bids for construction of the drilling pad have been mailed to local construction companies. Therefore, we are requesting that you notify us as to Texaco's intentions regarding this matter at the earliest possible date.

Very truly yours,

David A. Metts /ww

David A. Metts
Vice President

DAM/ww

encl.



PRODUCING DEPARTMENT
CENTRAL UNITED STATES
MIDLAND DIVISION

PETROLEUM PRODUCTS

TEXACO INC.
P. O. BOX 3100
MIDLAND, TEXAS 79701

October 2, 1973

177445 - STATE OF NEW MEXICO
177700 - LITTLE EDDY UNIT
LEA COUNTY, NEW MEXICO
SALT LAKE SOUTH FIELD AREA
YOUR PROPOSED NEW MEXICO STATE
"SL" COM WELL NO. 1

Amini Oil Company
405 Wall Towers East
Midland, Texas 79701

Attn: Mr. David Metts

Gentlemen:

This is to advise that Texaco has secured final management approval to join with you in the drilling of a Lower Morrow test to approximately 14,400' located on Section 32, T-20-S, R-33-E, provided you can agree to the following:

1. The well would be located 1980' FS&WL of said Section 32.
2. The W/2 of Section 32 will be communitized to form a 320-acre proration unit dedicated to the proposed well.

The foregoing is, of course, subject to mutually acceptable operating agreement and communitization agreement and approval by all regulatory agencies. In view of your majority ownership, Texaco would have no objections to Amini Oil Company being operator of the proposed test.

If the foregoing meets with your approval, we assume you will, in due course, submit appropriate contracts for our consideration.

Yours very truly,

E. H. Watkins
Division Landman

By


D. D. Farris

DDF-ES

Amini Oil Company - New Mexico "SL" State
Lea County, New Mexico
Morrow Test

Location: Section 32, T-20-S, R-33-E
1980' FWL & 990' FSL

DRY HOLE COST: At 14,400 Feet

<u>Item</u>	<u>Intangible</u>	<u>Tangible</u>
Road and Location	6,500	
Contract Drilling		
14,400' @ 12.00	172,800	
Daywork	15,000	
Drilling Fluids		
Mud Service	24,000	
Water	20,000	
Geological Service		
Electric Logging	7,200	
Mud Logging	6,500	
Cementing	14,500	
Tubular Goods		
400' 20" Casing		8,800
4141' 13-3/8" Casing		50,600
7677' 9-5/8" Casing		82,830
	266,500	142,230

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4

FILE NO. 5088

BY Amini

DATE

Total Dryhole Cost: \$408,730

COMPLETION COST

<u>Item</u>	<u>Intangible</u>	<u>Tangible</u>
Location	1,200	
Rig Time	10,000	
Logging and Perforating	12,500	
Well Head Equipment		8,550
Stimulation	15,000	
Liner Hanger		3,200
Tubular Goods		
3,452' 5-1/2" Casing		17,500
14,000' 2-1/2" Tubing		22,400
Cementing	5,250	
Surfacing Producing Equipment		13,500
	43,950	65,150

Total Completion Cost: \$109,100

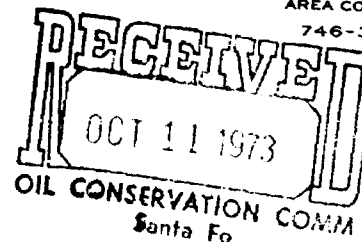
Grand Total: Drilling and Completion \$517,830

A. J. LOSEE
JOEL M. CARSON

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

9 October 1973

AREA CODE 505
746-3508



Mr. Daniel S. Nutter
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

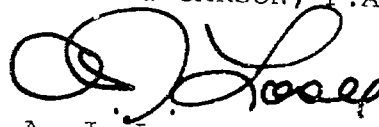
Dear Mr. Nutter:

Enclosed, you will please find three copies of the Application of Amini Oil Company for compulsory pooling South Salt Lake Morrow Gas Pool, Lea County, New Mexico. I understand that this matter has been set for hearing on October 31, 1973.

With copies of this letter, we are furnishing the unit operator and agent for unit operator with copies of the application.

Very truly yours,

LOSEE & CARSON, P.A.

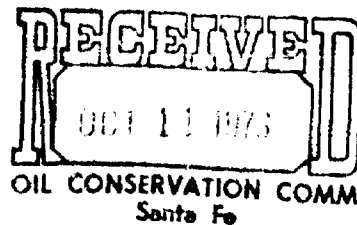

A. J. Losee

AJL:jw
Enclosures

cc w/enclosures:
Perry R. Bass
Texaco Inc.
Amini Oil Company, Houston
Amini Oil Company, Midland

RECEIVED MAILED

OCT 11 1973



BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
AMINI OIL COMPANY FOR COMPULSORY)
POOLING, SOUTH SALT LAKE MORROW GAS)
POOL, LEA COUNTY, NEW MEXICO)

Case No. 5088

APPLICATION

COMES AMINI OIL COMPANY by its attorneys, and in support hereof, respectfully states:

1. Applicant is the owner of the entire working interest from the surface through the Pennsylvanian formation underlying the SE/4 and E/2 SW/4 Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

2. Applicant has commenced drilling operations on its New Mexico State "SL" No. 1 Well to test the Morrow sand of the Pennsylvanian formation at a location 1,980 feet from the West line and 990 feet from the South line of said Section 32, and has dedicated the entire S/2 of said Section 32 as the gas drilling and spacing unit for said well.

3. The W/2 SW/4 of said Section 32 is located within the Little Eddy Unit Area and the working interest owners of this separately-owned tract within the proposed gas drilling and spacing unit have not agreed to pool their interests with applicant. Perry R. Bass, Fort Worth National Bank Building, Fort Worth, Texas, 76101, is the unit operator, and Texaco Inc., P. O. Box 3109, Midland, Texas, 79701, is agent for unit operator.

4. That all mineral, royalty and working interests, whatever they may be, from the surface through the Pennsylvanian formation underlying the above described gas drilling and spacing unit dedicated to the "SL" No. 1 Well should be pooled to avoid the drilling of unnecessary wells, to protect correlative rights and to afford the owner of each such interest the opportunity to recover or receive their just and fair share of the gas in said formations underlying said drilling and spacing unit.

5. Applicant desires that Perry R. Bass and Texaco Inc., as unit operator and agent for unit operator of the Little Eddy Unit, be afforded a reasonable opportunity to participate in the cost of drilling said well, failing in which the order pooling said gas drilling and spacing unit should provide that the proportionate cost of drilling, completing and operating said well, which would normally be borne by said parties, be paid solely out of production to applicant, and that allowance be made for reasonable charges for supervision as well as a charge of 200% of said costs for the risk involved in the drilling of said well as permitted by law.

WHEREFORE, applicant prays:

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

B. That upon hearing, the Commission enter its order pooling all mineral, royalty and working interests, whatever

they may be, from the surface through the Pennsylvanian formation underlying the S/2 Section 32, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, to form a standard gas spacing and drilling unit to be dedicated to the "SL" No. 1 Well at a location 1,980 feet from the West line and 990 feet from the South line of said Section 32.

C. That upon hearing, the Commission enter its order establishing the reasonable charge for supervision and a risk charge of 200% of the non-consenting working interest owners' pro rata share of the cost of drilling and completing the well.

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

AMTNT OIL COMPANY

By:


A. J. Losee, for

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

Attorneys for Applicant

Expedite

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5088Order No. R-4666

APPLICATION OF AMINI OIL COMPANY FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSIONBY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 31, 1973
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of November, 1973, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Amini Oil Company,
seeks an order pooling all mineral interests from the surface of the
ground down to and including the Pennsylvanian
formation underlying the S/2
of Section 32, Township 20 South, Range 33 East,
NMPM, South Salt Lake-Morrow Gas Pool, Lea County, New
Mexico.

(3) That the applicant has the right to drill ^{and is drilling} ~~and proposes~~
~~to drill~~ a well at a standard location in Unit N of said Section 32.

(4) That there are interest owners in the proposed proration unit who ~~have not agreed to pool their interests.~~ ^{desire that the west half of said Section 32 be pooled and dedicated to said well.}

(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. ^{The South 1/2 of said Section 32.}

(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 given the opportunity to pay his share of estimated well~~

(5) That said interest owners have agreed to join in the drilling of said well upon the entry of an order by the Commission pooling either the ~~South half~~ ^{South half} or the ~~West half~~ ^{West half} of said Section 32 for dedication There to.

(6) That ~~upon~~ ^{would be} the location of said well ~~will~~ ^{would be an} be a standard location for the dedication of the ~~South half~~ ^{South half} and ~~an~~ ^{would be an} ~~unorthodox~~ ^{unorthodox} non-standard location for the dedication of the ~~West half~~ ^{West half} of said Section 32.

(9) That \$150⁰⁰ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each ~~non-consenting~~ working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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 _____, 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 Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, NMPM, South Salt Lake-Morrow Gas Pool, Lea 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~~ *drilling* at a standard location in Unit N of said Section 32.

PROVIDED HOWEVER, that the operator of said unit shall ~~commence the drilling of said well on or before the _____ day of _____, 1973, and shall thereafter~~ continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the _____ day of _____, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Commission and show cause why Order (1) of this order should not be rescinded.

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

~~(3) That after the effective date of this order and at least 30 days prior to commencing said well, the operator shall furnish the Commission 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 Commission 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 Commission and the Commission 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 Commission 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 that has paid his share of estimated costs in advance as provided~~

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

(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, _____ 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 \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each ~~non-~~ ~~consenting~~ working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each ~~non-~~ ~~consenting~~ working interest.

-6-

Case No.

Order No. R-

(4) 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.

(5) 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.

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

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

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

Memo

From

D. S. NUTTER
CHIEF ENGINEER

To Force Pooling

Amoco Oil Co.

Comp pooling

S. Salt Lake - Morrison

1/2 Sec 32 - 200 - 30E Rec

Surf through the River

990' FEL

1980' 100L

Jerry Lov...