

CASE 5283: Application of BELCO  
PETROLEUM FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE No.  
5283

Application,  
Transcripts,  
Small Exhibits  
ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 24, 1974

EXAMINER HEARING

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IN THE MATTER OF: )  
 )  
 )

Application of Belco Petroleum Corpor- )  
ation for compulsory pooling, Eddy )  
County, New Mexico. )  
----- )

Case No.  
5283

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission

Thomas Derryberry, Esq.  
Legal Counsel for the  
Commission  
State Land Office Bldg.  
Santa Fe, New Mexico

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico

I N D E X

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J.L. SCHNEIDER, JR.

Direct Examination by Mr. Kellahin

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LEE G. NERING

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Stamets

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E X H I B I T S

Marked

Admitted

Applicant's Exhibits Nos. 1  
through 7

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SCHNEIDER-DIRECT

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MR. STAMETS: Call the next Case, 5283

MR. DERRYBERRY: Case 5283. Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

MR. STAMETS: I ask for appearances in Case 5283.

MR. KELLAHIN: Tom Kellahin of Kellahin & Fox appearing on behalf of the Applicant, Belco Petroleum Corporation, and I have two witnesses to be sworn.

MR. STAMETS: Are there any other appearances? These two Witnesses will stand and be sworn please.

(Witnesses sworn.)

MR. KELLAHIN: If the Examiner please, my first Witness is a landman for Belco and will testify as to the efforts to obtain voluntary commitment to the Unit. The second Witness will present the technical data concerning the geology, the risk factor, AFE costs of supervision.

J.L. SCHNEIDER, JR.

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Please state your name, by whom you are employed

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and in what capacity?

A My name is J.L. Schneider, Jr., I am Land Manager for Belco Petroleum Corporation, Houston, Texas.

Q Mr. Schneider, have you previously testified before this Commission?

A No, sir, I have not.

Q Would you state briefly your educational and employment background for the Examiner?

A I am a graduate of Louisiana State University in Geology and have been in the land business, after having been in geology and production for a couple of years, in the land business for about 15 years and am the Land Manager, as I just said, for Belco Petroleum Corporation. I testified before other bodies of this type, principally in Mississippi and Louisiana.

Q Are you familiar with the facts surrounding this particular Application by Belco?

A Yes, sir, I am.

MR. KELLAHIN: If the Examiner please, are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. KELLAHIN:

Q Mr. Schneider, will you refer to what has been

marked as Applicant's Exhibit No. 1 and identify for us the proposed unit area?

A Yes, sir. This is an exhibit reflecting the mineral-lease ownership of the west half of Section 5, being the proration unit under consideration here. It indicates in yellow the Belco, et al., acreage, the pink as the Cities Service acreage in that area. The orange-colored acreage is that acreage which has been unwilling to join other than by leasing their interest to our Company or others. Part of the acreage is unleased and part of it is leased. Mr. Michael P. Grace's interest is leased and he refuses to join us.

Q How many acres comprise the west half of Section 5?

A 320.47 acres.

Q And out of that acreage how much does Belco own?

A Approximately -- at Belco, et al., we have a coparticipant in the Personages of Baron Corporation -- about 92.33 percent. 295.89 acres to be exact.

Q And Cities Service Oil Company has some acreage in this unit, don't they?

A 23.59 acres comprising of the total 7.63 percent.

Q Has Cities Service joined you voluntarily in

participating with this well?

A Yes, sir. They are participating in the well, have signed an AFE and agreed to participate in the drilling of this Morrow well.

Q What amount of acreage is uncommitted to your unit?

A .31 percent or less than 1 percent, which is a total of .99 acres, less than 1 acre. I can break it down for you if you would like?

Q I will ask you to do that in just a second.

A Excuse me.

Q Please refer to what has been marked as Exhibit No. 2 and identify it. Would you describe what Exhibit 2 is please?

A This is the last in a series of written attempts to encourage the unleased or leased to join with us in the drilling of the subject well. I think it is self-explanatory on its face. It is a letter from our District Landman in Midland to the four parties nonjoinder. We began as early as August of 1973 either verbally or in written fashion to encourage these people to either lease to our Company or to join with us in the drilling of the well all to no avail, and as I said, this is the last in a series of written documentations of our efforts to enroll



these people. This was sent by registered mail.

Q Beginning with the first addressee on Exhibit 2, would you describe what percentage interest he holds in your proposed unit?

A Mr. Grace has .5 acres or .156 percent of the total.

Q Mr. Biggs?

A Mr. Biggs, .23 acres, or .07 percent of the total.

Q Mr. Hanes?

A .20 acres or .06 percent of the total.

Q And the last addressee?

A Mr. Callatine, .06 acres or .019 percentage of the total.

Q Please refer to what has been marked as Exhibit No. 3 and identify it.

A Yes, sir. Return receipts, the letter of the 3rd, January the 3rd, was sent registered mail return receipt requested. Item No. 3 is the reproduction thereof, I have the originals in my possession should they be needed.

Q Mr. Schneider, as of this date none of those four addressees on Exhibit 2 have affirmatively responded

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and voluntarily joined in the unit?

A No, affirmatively nor negatively.

MR. KELLAHIN: That completes my questions of Mr. Schneider.

MR. STAMETS: Are there any questions of this Witness? He may be excused.

(Witness previously sworn.)

LEE G. NERING

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Nering, would you please state your name, occupation, and by whom you are employed?

A My name is Lee Nering, I'm employed as Administrative Geologist for Belco Petroleum Corporation for Belco's North American producing operations. I live in Houston, Texas.

Q Have you previously testified before this Commission and had your qualifications as an expert accepted and made a matter of record?

A No I have not.

Q Would you please state briefly your educational

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background and employment experience?

A I'm a graduate of Washington State University; I have approximately 20 years of experience in petroleum operations; I've been employed by Belco Petroleum Corporation over 10 years in all facets of Belco's operations.

Q Where did you obtain your degree?

A Washington State University.

Q When was that, and in what field?

A In Geology.

MR. STAMETS: Could you give us a year on this, please?

MR. NERING: 1952.

BY MR. KELLAHIN:

Q Mr. Nering, have you made a study of the facts surrounding this particular Application by Belco Petroleum Corporation?

A I have.

MR. KELLAHIN: please, are the Witness' qualifications?

MR. STAMETS: what area are we qualifying Mr. Nering here, in the general field of petroleum operations, drilling completion and production?

MR. KELLAHIN: Yes, specifically with regard to

the geology prepared with regard to this unit inasmuch as his opinion with regard to the risk factor.

MR. STAMETS: Okay, the Witness is qualified.

BY MR. KELLAHIN:

Q Mr. Nering, would you please refer to what has been marked as Exhibit No. 4 and identify it please?

A This is Belco's AFE for the subject well in the 11,600 foot Morrow test located in Section 5 of Township 22 South, Range 27 East, of Eddy County, New Mexico. We have estimated expenditure for completed well at \$403,400. This is in keeping with the previous estimates and costs of our other wells in the vicinity.

Q Has this AFE been submitted to Cities Service and is this the same AFE that they accepted?

A That is correct.

Q Does Belco desire to be designated the operator of this unit?

A Belco desires to be designated as operator.

Q Would you please refer to what has been marked as Exhibit No. 5 and identify it?

A Exhibit No. 5 is a geological structure map contoured on the top of the lower Morrow essentially at the level of anticipated producing reservoirs. This is

the geological picture that we have presented as our drilling estimate.

Q Would you please refer to Exhibit No. 6 and identify it?

A Exhibit No. 6 is the same structure map, however, in this instance superimposed on the original contour as anticipated are contours that we now estimate to depict the proper structural position of the well which is in progress. These particular contours are based on tops picked as low as the Strawn level. It indicates that the well previously had been anticipated to be 50 feet higher structurally to our off-setting Belco No. 3 Mead Well and it appears now as though the well will be 50 feet low to such well and in general, in contrast to what is expected from regional dip.

Q What effect will this have on your opinion with regard to the proposed risk factor?

A This, I think, is a demonstration of the eccentricities of Morrow drilling and I think what is occurring, perhaps not as severe, but I would like to draw the Examiner's attention to the well that is shown in Section 29 of 21 South, 27 East, the Cities Service No. 1 Simpson, a well that found itself to be considerably lower than was

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anticipated and in some ways it resembles what may be happening to Belco in the case of our John Joyce No. 1. The Cities well, in fact, was unable to make a Morrow completion and has, as I understand it, been completed as a Wolfcamp well. I think the Exhibit 6 rather dramatically demonstrates the risk attendant to drilling Morrow tests, particularly in the Carlsbad area.

Q Based upon your study, Mr. Nering, do you have an opinion with regards to a recommended risk factor?

A I would recommend the maximum allowable, and in this Case, 200 percent.

Q Please refer to what has been marked as Exhibit 6 and identify it?

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

BY MR. KELLAHIN:

Q Referring to Exhibit No. 7, Mr. Nering, would you explain for the benefit of the Examiner what Belco proposes in the way of supervisory operating costs to be charged to these owners?

A We would like to see an operating charge of \$205 per month to be fixed as a reasonable charge of supervision, this figure to be adjusted on the first day of April each

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year. This is in keeping with previous Commission standards I believe in reading through this.

Q Let me simply submit this to the Examiner.

MR. KELLAHIN: If the Examiner please, Exhibit 7 is a similar one to those proposed by Cities Service and approved by this Commission in this area. It allows flexibility in the assessment of the supervisory and operating costs. We propose to have that entered as part of the order.

BY MR. KELLAHIN:

Q Mr. Nering, were Exhibits 5 and 6 either prepared by you directly or under your direction and supervision?

A They were.

Q In your opinion, Mr. Nering, will the approval of this Application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A Yes, indeed.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 1 through 7.

MR. STAMETS: Exhibits 1 through 7 will be admitted.

(Whereupon, Applicant's Exhibits  
Nos. 1 through 7 were admitted into  
evidence.)

MR. KELLAHIN: That concludes our direct examination.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Nering, in the Morrow zone, is structure the controlling factor in finding gas, or stratigraphy more important?

A I think in this instance it is largely a combination, Morrow production, normally one has to favor stratigraphy as being a more important factor, however, the stratigraphy in this particular instance, I draw the Examiner's attention to the fact that these wells are not shown on the structural map as to which are Morrow and which are Strawn and which are Wolfcamp, but it becomes rather apparent that the east flank of this line of structures is the area of Morrow production and I don't believe that we can say with certainty that the structure influenced the deposition. However, it is apparent that structure does have a significant bearing on it and that in one instance we know where the Cities Service Simpson



Well, as we say, went over on the back side, the west side, the asymmetric side of this fold, was unsuccessful in the Morrow and largely because sand developments were poor. We also see from the information that we have that proceeding somewhat to the east, such as in the Union Wells in Sections 4 and 9 of 22 South, 27 East, sand conditions also deteriorate and it would appear that there is a band of better Morrow conditions lying on the immediate east flank of this line of folds. I can't say with certainty this structure is 90 percent determinate, but I do think it has a significant bearing.

Q Your Exhibit does not predict any stratigraphy in here, only the structure?

A That is correct. The stratigraphy is relatively difficult to portray. The Morrow zones are perforated in a series of sands. In the area of Section 5 and 8 Belco is able to identify one zone that is reasonably continuous and does occupy areally this area, however our correlations for that particular zone do not carry much further than that. Whether or not it is related to the fold that's present in the west half of these areas one can't say with any certainty until we see the Joyce No. 1 at TD.

Q What is the quality of the Union Mead Well No. 3

in Section 5?

A Union Mead No. 3 in May was producing an average of three-and-a-half million a day in single zone Morrow completion; a commercial success. I would classify that as a commercial success.

Q How about the No. 1 Union Mead in Section 8?

A Section 8, Belco No. 1 Mead in May averaged 4.2 million a day in the Morrow, it's a dual in the Strawn. The Strawn averages 1.2 million a day; the condensate ratio in the Morrow is extremely low; the Strawn the condensate production is somewhat higher.

Q How about the No. 1 Paisley A in that same Section?

A The Paisley A--I would like to point out again that these are the three wells which we do identify this zone--is presently, as of May, the production recorded 4 May, it dually, 13 million a day in the Morrow and 3 million a day in the Strawn. In keeping an evaluation from production rates, it is our experience in this area--we get indications up the hole in the Wolfcamp and in the Strawn as to the relative richness of the section and in the Joyce No. 1 we have not had the responses from gas kicking that we have had in our previous wells.

And, it doesn't necessarily determine that we will not have our Morrow completion, but it is not encouraging to us, particularly since the well is running 100 feet below where we anticipated it to be.

Q Nonetheless, the three closest wells to this location are all commercial successes, all completed in the Morrow?

A That is correct, and I again refer to the Cities No. 1 Simpson in Section 29 which was a failure in the Morrow and the immediately off-setting wells are producing from the Morrow at rates approximating 2 million a day apiece. I don't think one can say that proximity necessarily determines that you will indeed have a Morrow completion.

Q The Morrow is risky. Is this Morrow well any riskier than the average Morrow well?

A I would say it's slightly a less risk than a Wildcat Morrow well.

Q Maybe I should have said any Field Morrow well.

A I think in terms of what we are dealing with right now, and the fact that we have been so terribly disappointed that the well has gotten this much lower, then without the kicks in the Strawn and Wolfcamp, we feel it is a high-risk position right now.

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Q You do not have any indication that there will be production in the shallower formations at this point?

A No. Nothing definitive.

MR. STAMETS: Are there other questions of this Witness?

MR. KELLAHIN: We have nothing further.

MR. STAMETS: He may be excused. If there is nothing further in the Case we will take the Case under advisement.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

*Richard L. Nye*  
RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5283 heard by me on July 31, 1974.  
*Richard L. Nye*  
Examiner  
New Mexico Oil Conservation Commission

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## OIL CONSERVATION COMMISSION

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

August 13, 1974

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER

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

Mr. Tom Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 5283

ORDER NO. R-4839

Applicant:

Belco Petroleum Corporation

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.*

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC       

Other Michael P. Grace, M. B. Biggs, Vaughn Haynes & W. W. Calentine

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. 5283  
Order No. R-4839

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 24, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of August, 1974, 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, Belco Petroleum Corporation, seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the W/2 of Section 5, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a gas well at a standard location in Unit F of said Section 5.

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

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

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well

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CASE NO. 5283  
Order No. R-4839

costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 175 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$205 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1974, 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 formation of Pennsylvanian age or older underlying the W/4 of Section 5, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit F of said Section 5.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day



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CASE NO. 5283  
Order No. K-4839

of November, 1974, 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 15th day of November, 1974, 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 Belco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 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, 175 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$205.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates), provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; 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.

(10) That the adjusted charge for supervision (combined fixed rates) shall be filed with the Commission on or before the first day of May of each year.

(11) 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.

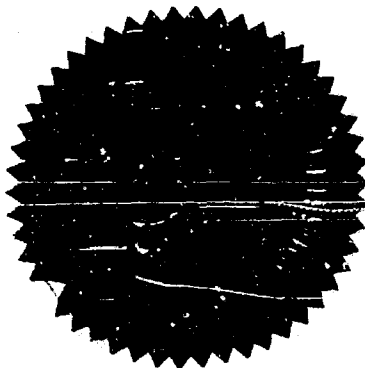
(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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CASE NO. 5283  
Order No. R-4839

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

(14) 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 herein-  
above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

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

ALEX J. ARMIJO, Member

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

S E A L

jr/

Docket No. 21-74

Dockets Nos. 22-74 and 24-74 are tentatively set for hearing on August 7 and August 21. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 24, 1974

2 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 4954: (Reopened)

In the matter of Case 4954 being reopened pursuant to the provisions of Order No. R-4555, which order established temporary special pool rules for the South Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, including a provision for 160-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing.

CASE 5277: Application of Pierce & Dehlinger for the amendment of Order No. R-4560, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an extension of time in which to commence the drilling of the third well covered by Order No. R-4560, to be drilled in the NE/4 of Section 24, Township 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant further seeks the establishment of an administrative procedure for additional extension of time in which to comply with the drilling schedule as set forth in the subject order. Applicant further seeks the amendment of Orders Nos. 4 and 5 of Order No. R-4560 to provide certain changes in the time schedules outlined therein for the furnishing of estimated well costs and the payment of proportionate shares of well costs by all parties.

CASE 5278: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry, Drinkard, and Tubb production in the wellbores of its A. H. Blinebry Federal Wells Nos. 23 and 26, located in Units C and B, respectively, of Section 29, and its C. H. Lockhart Federal Well No. 5, located in Unit C of Section 18, all in Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 5279: Application of Tom L. Ingram for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware Sand in the perforated interval from 5012 feet to 5033 feet in his State "O" Well No. 2 located in Unit E of Section 7, Township 24 South, Range 33 East, Triple X-Delaware Pool, Lea County, New Mexico.

CASE 5280: Application of Coastal States Gas Producing Company for an unorthodox location and the amendment of Order No. R-4715, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to Order No. R-2746, approval for the unorthodox oil well location for its

(Case 5280 continued from Page 1)

McGuffin Well No. 3 to be drilled 660 feet from the North line and 1980 feet from the West line of Section 29, Township 9 South, Range 33 East, Flying "M" San Andres Pool, Lea County, New Mexico, the N/2 NW/4 of said Section 29 to be dedicated to the well. Applicant further seeks the amendment of Order No. R-4715 which dedicated the W/2 NW/4 of Section 29 to its McGuffin Well No. 2 located 1980 feet from the North line and 660 feet from the West line of said Section 29. Applicant proposes that the N/2 NW/4 of said Section 29 be dedicated jointly to said McGuffin Well No. 2 and to its McGuffin Well No. 1 located in Unit F of said Section 29.

CASE 5281: Application of Morris R. Antweil for an extension of time, Order No. R-4772, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a 90-day extension of the July 15 deadline for the commencement of drilling operations in the S/2 of Section 17, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, which lands were pooled to form a standard 320-acre gas spacing and proration unit by Order No. R-4772.

CASE 5282: Application of Union Texas Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie-Mattix production in certain of its wells in the Langlie-Jal Unit Area, currently being waterflooded under authority of Commission Order No. R-4051.

CASE 4969: (Reopened)

In the matter of Case No. 4969 being reopened pursuant to the provisions of Order No. R-4557-A, which order continued the special depth bracket allowable for the Tecito Dome-Pennsylvanian "D" Pool, San Juan County, New Mexico, for an additional six months. All interested parties may appear and show cause why said special depth bracket allowable should not be rescinded.

CASE 5283: Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in formations Pennsylvanian age or older underlying the W/2 of Section 5, Township 22 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit in Unit F of said Section 5. 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 5284: Application of Champlin Petroleum Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Nix-Yates Well No. 1 located in Unit G of Section 2, Township 22 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from the Morrow formation through tubing and from the Wolfcamp formation through the casing-tubing annulus.

CASE 5152: (Reopened)

In the matter of Case No. 5152 being reopened pursuant to the provisions of Order No. R-4713, which order established a special depth bracket allowable for the Media-Entrada Oil Pool, Sandoval County, New Mexico. All interested parties may appear and show cause why said special depth bracket allowable should not be rescinded.

CASE 5285: Application of Texas Pacific Oil Co. for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its Phantom Draw Unit Well No. 1 to be located at a point 800 feet from the South line and 1000 feet from the West line of Section 20, Township 26 South, Range 31 East, Eddy County, New Mexico, the W/2 of said Section 20 to be dedicated to the well.

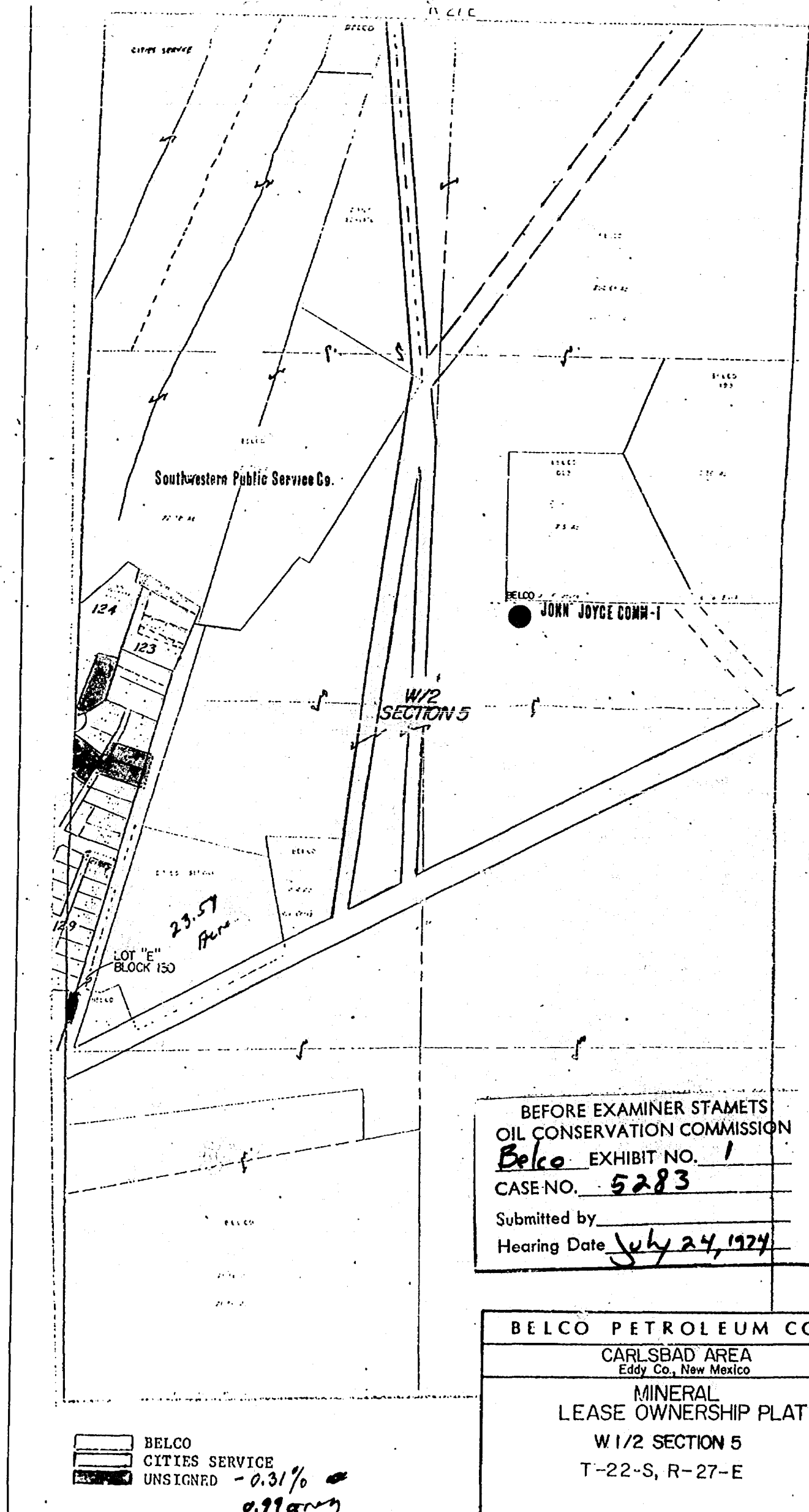
CASE 5286: Application of Texaco Inc. for a Special Allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an injection response allowable increase for its Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, Lea County, New Mexico. Applicant seeks an additional 2320 barrels of oil per day to be added incrementally to the current 4640 barrel per day allowable as injection response occurs. Applicant further seeks the establishment of an allowable of up to 240 barrels per day for lease line wells which have demonstrated a substantial response to water injection.

Case 5283

Belco Compulsory pooling

OK

175% risk factor  
#205 month combined fixed  
rates WITH Cities Service  
escalation clause.





January 3, 1974

Michael P. Grace  
P. O. Box 1418  
Carlsbad, New Mexico

Mr. M. B. Biggs  
209 Moore Drive  
Carlsbad, New Mexico

Vaughn F. Haynes  
400 W. 30th  
Farmington, New Mexico

W. W. Calentine  
P. O. Box 898  
Winkelman, Arizona

Re: Avalon Area  
W/2 Section 5, T22S, R27E  
Eddy County, New Mexico

Gentlemen:

Belco Petroleum Corporation proposes to drill an 11,400' Morrow test to be located in the NW/4 of Section 5. Michael P. Grace owns an oil and gas lease covering Lot 9, Block 125; W. W. Calentine owns the minerals which are presently unleased under Lot 13 of Block 125, M. B. Biggs owns the minerals which are presently unleased under Lot 23, Block 125 and Vaughn F. Haynes owns the minerals which are presently unleased under Lot 24 of Block 125. All of the above lands are located within the Amended Riverview Terrace Addition to the City of Carlsbad and at least a portion of these four lots fall within the W/2 Section 5.

Belco is desirous of commencing this test within the next two months and we herein offer to purchase an oil and gas lease covering the three unleased tracts and Assignment of the oil and gas lease owned by Michael P. Grace for a consideration of \$500 per net mineral acre. You may, of course, if you so desire, join with Belco in drilling this test and pay your proportionate share of the cost of drilling said test.

We will greatly appreciate it if we may hear from you in the very near future advising whether you wish to lease or whether you wish to join in this proposed test. If you should have any questions, please do not hesitate to contact me.

Yours very truly,

OLB/MW

Omar L. Brown  
District Landman

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Belco	EXHIBIT NO. 2
CASE NO.	5283
Submitted by	
Hearing Date	24 July 74



HEX ID		6-28-74		AUTHORIZATION FOR EXPENDITURE				ALT ID	
SO	CHG	PROPERTY NAME	WELL (22)	DATE (4)	LOCATION (22)				
18		JOHN JOYCE COM. #1		022574	Section 5, T-22-S, R-27-E				
		TYPE OF WORK (22)	P. DEPTH (2)	FORMATION	FIELD NAME	CONTRACTOR	WELL TYPE		
		Drill & Complete	11,600'	Morrow			Rotary		
SO	CHG	PROSPECT NAME (22)	STATE (15)	COUNTY / PARISH (15)	CORP. W.I.				
19		Avalon	New Mexico	Eddy					

NO MORE THAN NINE DIGITS PER COLUMN WHOLE DOLLARS ONLY					
SO	CHG	PROPERTY NO.	CSG. PT. COST	COMPL. COST	TOTAL COST
20		INTANGIBLE EXPENSE	730	734	
18	20	Rig Expenditure			
		Move In & Out = \$ 10,000			
		Drilling Ft. @ \$ /Ft.			
		Daywork 55 Days @ \$2000 (WDP) = 110,000			
		Completion/W.O. Unit 15 Days @ \$1100/Day = 16,500			
218		Total Rig Expenditure	\$ 120,000	\$ 16,500	\$ 136,500
612		Location - Roads, Row & Damages	5,000		5,000
204		Contract Professional Services	10,500		10,500
210		Misc. Contract Labor		2,000	2,000
418		Mud & Additives	17,000		17,000
220		Mud Logging	20,000		20,000
424		Bits	5,000		5,000
228		Tubular Testing/Inspection	17,000	4,000	21,000
422		CSG/TBG Crews/Tools	12,000	3,000	15,000
420		Float Eq., Cent & Scratchers	2,500	2,500	2,500
236		Cement & Additives	2,500		2,500
222		Pump Truck/Skid Unit Serv. & Cmt. Tools	10,000		10,000
224		Coring & Analysis		6,000	6,000
226		Elec. Line - Logs, Perf, Production, Etc.	22,000	4,000	26,000
512		Well Testing - DST, Wireline, Etc.			
950		Eq. Rntls. - Surface/Downhole			
234		Directional Drilling Expense			
410		Transportation - Land - Marine			
930		Fuel, Power & Water			
808		Well Stimulation			
808		Insurance & Bonds			
920		Misc. & Contingency			
TOTAL INTANGIBLE EXPENSE			\$ 241,000	\$ 38,000	\$ 279,000

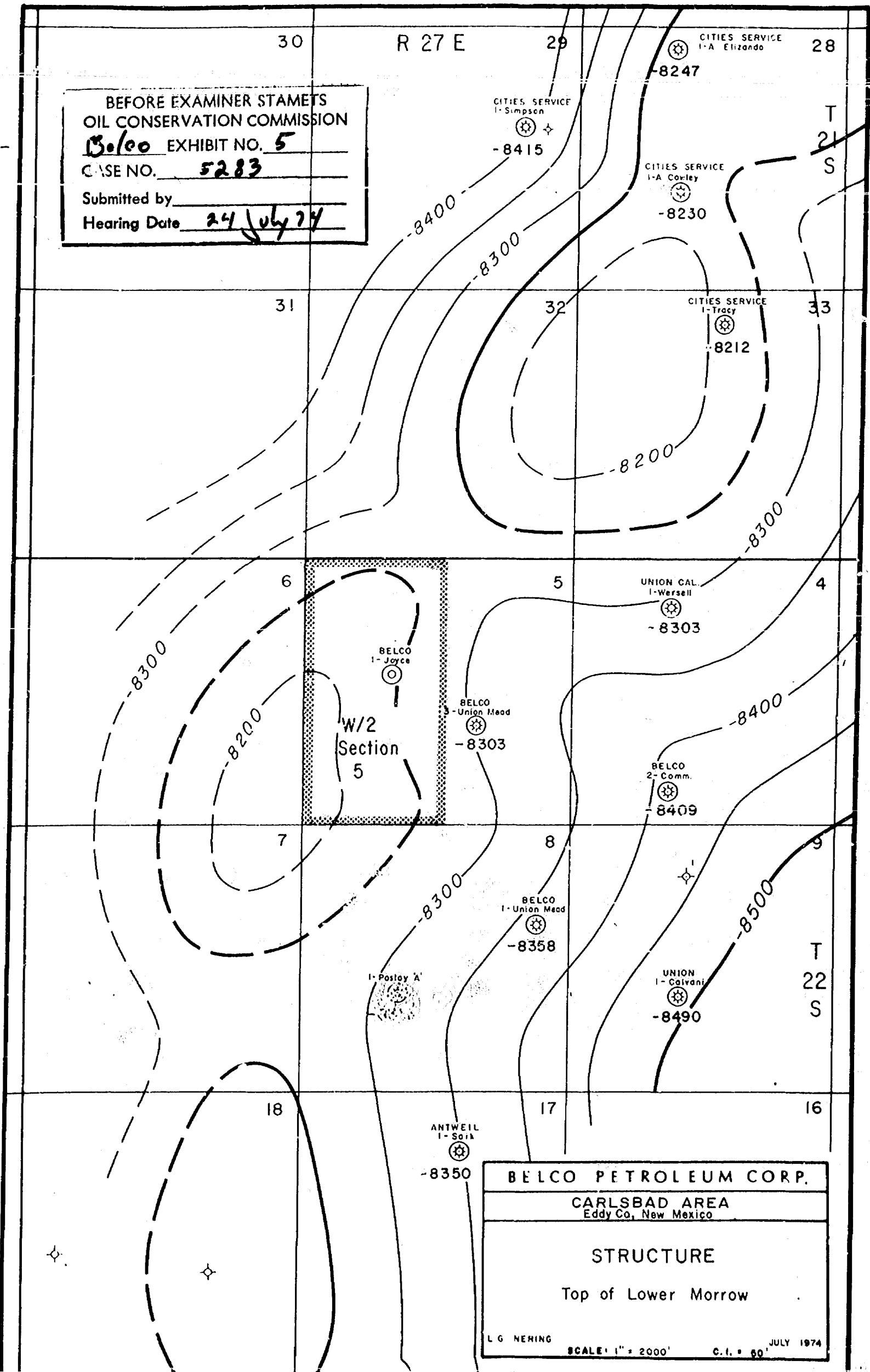
SO	CHG	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
20		TANGIBLE EXPENSE	732	736	
		CSG. & LINER			
		Drive 30 Ft. 20" O.D. @ \$ 22.00 /Ft. = 660			
		Cond. 350 Ft. 13-3/8" O.D. @ \$ 9.50 /Ft. = 3,325			
		Surf. 2000 Ft. 10-3/4" O.D. @ \$ 7.00 /Ft. = 14,000			
		Intr. 9000 Ft. 7-5/8" O.D. @ \$ 6.50 /Ft. = 58,500			
		Prod. 3000 Ft. 5-1/2" O.D. @ \$ 5.50 /Ft. = 16,500			
428		TOTAL	\$ 76,485	\$ 16,500	\$ 92,985
432		TUBING 11,400 Ft. 2-7/8" O.D. @ \$ 1.75 /Ft. = 19,950		19,950	19,950
430		WELLHEAD EQUIPT.	7,050		7,050
438		WELL PROD. EQUIPT. - SURFACE		4,000	4,000
440		WELL PROD. EQUIPT. - DOWNHOLE		25,000	25,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES			
450		MARINE PLATFORMS			
452		OFFSHORE PROD. FACILITIES			
TOTAL TANGIBLE EXPENSE			78,900	72,500	151,400
TOTAL WELL COST			\$ 319,900	\$ 110,500	\$ 430,400

WORKING INTEREST	PER CENT	CASING POINT	COMPLETED WELL
BELCO 1972 FUND	83.3545	\$266,651.04	\$358,757.76
EREN CORPORATION	9.2616	29,627.86	39,861.93
CITIES SERVICE	7.3839	23,621.10	31,780.31
	100.0000	\$319,900.00	\$430,400.00

BELCO APPROVAL	
ENGINEERING	DATE 2/19/74
DIVISION	DATE 2/25/74
MANAGEMENT	DATE

JOINT INTEREST APPROVAL	
COMPANY	DATE
BY	

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION COMMISSION  
 B.100 EXHIBIT NO. 5  
 CASE NO. 5283  
 Submitted by \_\_\_\_\_  
 Hearing Date 24 July 74



BELCO PETROLEUM CORP.  
 CARLSBAD AREA  
 Eddy Co., New Mexico  
 STRUCTURE  
 Top of Lower Morrow  
 L G NERING  
 SCALE: 1" = 2000'  
 C.I. = 50'  
 JULY 1974

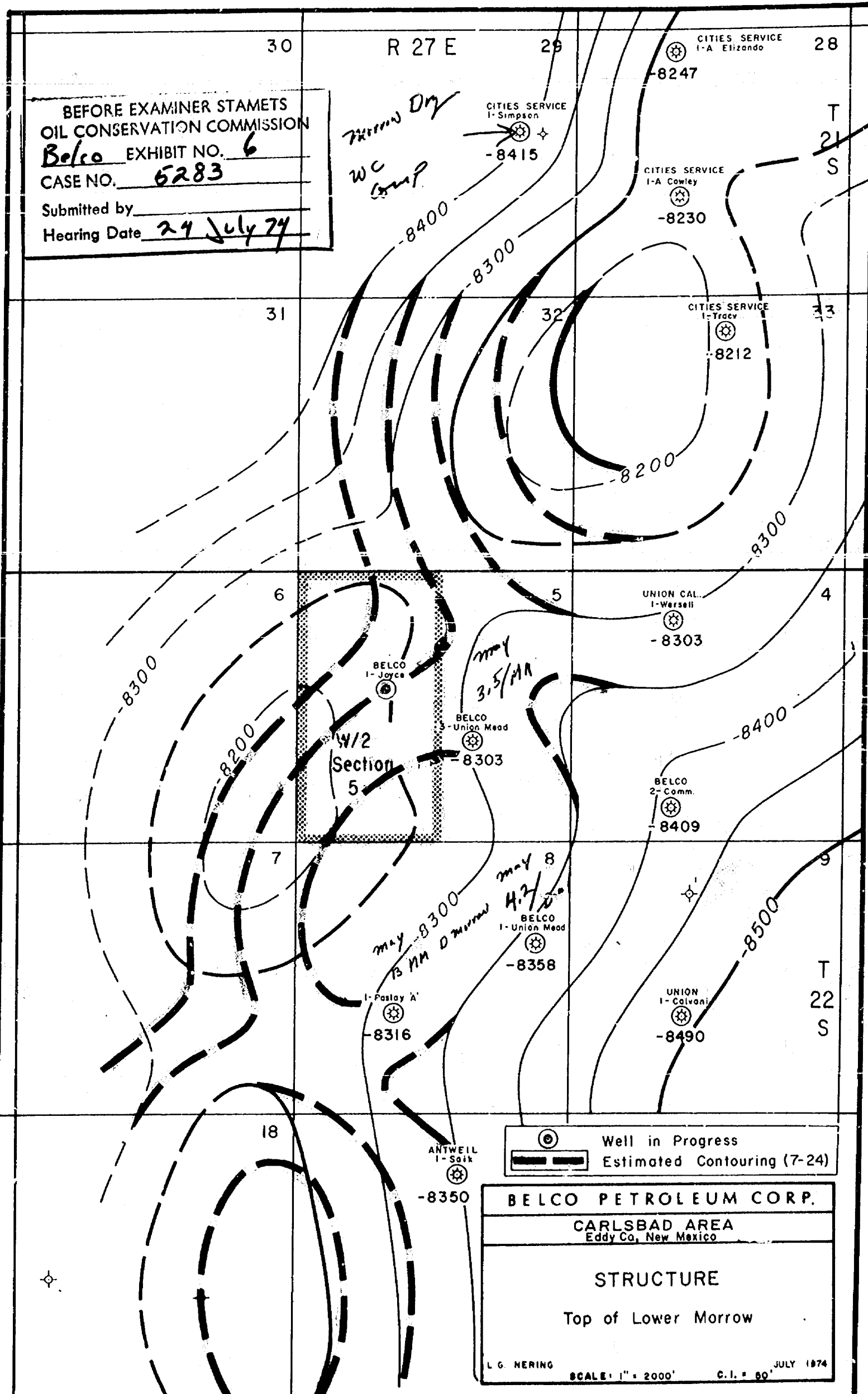
BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

Belco EXHIBIT NO. 6

CASE NO. 6283

Submitted by

Hearing Date 24 July 74



That \$ 205<sup>00</sup> per month is hereby fixed as a reasonable charge for supervision (combined fixed rates), provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; 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.

BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION	
Belco	EXHIBIT NO. <u>147</u>
CASE NO. <u>5283</u>	
Submitted by _____	
Hearing Date <u>24 July 74</u>	

Volume 27, 1974

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

Case 5283

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

A P P L I C A T I O N

COMES NOW, Belco Petroleum Corporation, as provided by Section 65-31-4, New Mexico Statutes, 1953, as amended, applies to the Oil Conservation Commission of New Mexico for an order pooling all the mineral interests in and under the W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, in formations of Pennsylvanian age or older, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the following described acreage: W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M.,

2. Applicant has obtained voluntary agreement for pooling from all but the persons named below, whose addresses, and the interests owned according to applicant's information and belief are as follows:

DOCKET MAILED

Date 7-12-74

See page 2

DOCKET MAILED

Michael P. Grace  
P. O. Box 1418  
Carlsbad, New Mexico

Date 7-12-74

Lot E, Block 130  
Lots 9, 12, Block 125 .50 acres

M. B. Biggs  
209 Moore Drive  
Carlsbad, New Mexico

Lot 23, Block 125 .23 acres

Vaughn Haynes  
400 West 30th  
Farmington, New Mexico

Lot 25, Block 125 .20 acres

W. W. Calentine  
P. O. Box 898  
Winkelran, Arizona

Lot 13, Block 125 .06 acres

.99 acres

3. As required by the provisions of Commission Rule 104, applicant proposes to dedicate the W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico to a well to be drilled at a standard location in Unit F of said Section and designated the Belco Petroleum Corporation's No. 1 John Joyce Com.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interests indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells to protect correlative rights, and to prevent waste, the Commission should pool all interests in the spacing or proration unit as a unit.

WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's



duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all interest underlying the W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and designating applicant operator of the pooled unit, together with provision for applicant to recover its costs out of production including a risk factor to be determined by the Commission and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for further orders as may be proper in the premises.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

By Jason W. Kellahin  
KELLAHIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT.

jr/

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. 5283

Order No. R- 4839

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 24, 1974,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this        day of August, 1974, 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, Belco Petroleum Corporation,  
seeks an order pooling all mineral interests in formations of  
Pennsylvanian age or older underlying the W/2 of Section 5,  
Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

1 -2-  
2 CASE NO. 5283  
3 Order No. R-

4 (3) That the applicant has the right to drill and proposes  
5 to drill a well at a standard location in Unit F of said Section 5.

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

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

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

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

21 (8) That any non-consenting working interest owner that  
22 does not pay his share of estimated well costs should have with-  
23 held from production his share of the reasonable well costs  
24 plus an additional 175 percent thereof as a reasonable charge  
25 for the risk involved in the drilling of the well.

26 (9) That any non-consenting interest owner should be  
27 afforded the opportunity to object to the actual well costs but  
28 that actual well costs should be adopted as the reasonable well  
29 costs in the absence of such objection.  
30  
31  
32

1 -3-  
2 CASE NO. 5283  
3 Order No. R-

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

10 (11) That \$205 per month should be fixed as a reasonable  
11 charge for supervision (combined fixed rates); that this charge  
12 should be adjusted annually based upon the percentage increase  
13 or decrease in the average weekly earnings of crude petroleum  
14 and gas production workers; that the operator should be authorized  
15 to withhold from production the proportionate share of such super-  
16 vision charge attributable to each non-consenting working  
17 interest, and in addition thereto, the operator should be authorized  
18 to withhold from production the proportionate share of actual  
19 expenditures required for operating the subject well, not in  
20 excess of what are reasonable, attributable to each non-consenting  
21 working interest.

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

26 (13) That upon the failure of the operator of said pooled  
27 unit to commence drilling of the well to which said unit is  
28 dedicated on or before November 15, 1974, the order pooling said  
29 unit should become null and void and of no effect whatsoever.  
30  
31  
32

1 -4-  
2 CASE NO. 5283  
3 Order No. R-

4 IT IS THEREFORE ORDERED:

5 (1) That all mineral interests, whatever they may be,  
6 in formation of Pennsylvanian age or older underlying the W/2  
7 of Section 5, Township 22 South, Range 27 East, NMPM, Eddy County,  
8 New Mexico, are hereby pooled to form a standard 320-acre gas  
9 spacing and proration unit to be dedicated to a well to be  
10 drilled at a standard location in Unit F of said Section 5.

11 PROVIDED HOWEVER, that the operator of said unit shall  
12 commence the drilling of said well on or before the 15th day  
13 of November, 1974, and shall thereafter continue the drilling  
14 of said well with due diligence to a depth sufficient to  
15 test the Pennsylvanian formation;

16 PROVIDED FURTHER, that in the event said operator does not  
17 commence the drilling of said well on or before the 15th day  
18 of November, 1974, Order (1) of this order shall be null and  
19 void and of no effect whatsoever;

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

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

26 (3) That after the effective date of this order and within  
27 30 days prior to commencing said well, the operator shall furnish  
28 the Commission and each known working interest owner in the subject  
29 unit an itemized schedule of estimated well costs.

30 (4) That within 30 days from the date the schedule of  
31 estimated well costs is furnished to him, any non-consenting  
32 working interest owner shall have the right to pay his share  
of estimated well costs to the operator in lieu of paying his

1 -5-  
2 CASE NO. 5283  
3 Order No. R-

4 share of reasonable well costs out of production, and that any  
5 such owner who pays his share of estimated well costs as pro-  
6 vided above shall remain liable for operating costs but shall  
7 not be liable for risk charges.

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

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

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

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

1 -6-  
2 CASE NO. 5283  
3 ler No. R-

4 (B) As a charge for the risk involved in the  
5 drilling of the well, 175percent of the pro rata  
6 share of reasonable well costs attributable  
7 to each non-consenting working interest  
8 owner who has not paid his share of estimated  
9 well costs within 30 days from the date the  
10 schedule of estimated well costs is furnished  
11 to him.

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

(9) That \$20<sup>5</sup>.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates), provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; 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.

(10) That the adjusted charge for supervision (combined fixed rates) shall be filed with the Commission on or before the first day of May of each year.

(11) 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.

-7-  
Case No.  
Order No. R-

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

(12) 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.

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

(14) 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.