

CASE NO. 10011. of 10011.
LAW CO. for compulsory process,
Los County.

CASE No.

5300

Application,
Transcripts,
Small Exhibits

ETC.

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

August 21, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Petroleum
Company for compulsory pooling,
Lea County, New Mexico.

Case No. 5300

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For New Mexico Oil

Conservation Commission:

William Carr, Esq.

Legal Counsel for the
Commission

State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Paul Eaton, Esq.

HINKLE, BONDURANT, COX &
EATON

Hinkle Building
Roswell, New Mexico

CASE 5300

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I N D E X

PAGE

ROBERT H. NORTHINGTON

Direct Examination by Mr. Eaton

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Cross Examination by Mr. Stamets

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E X H I B I T S

Applicant's Exhibit No. 1

10

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

NORTHINGTON-DIRECT

MR. STAMETS: Case 5300.

MR. CARR: Case 5300. Application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico.

MR. EATON: Paul Eaton of Hinkle, Bondurant, Cox and Eaton, representing the Applicant. We have one witness.

MR. STAMETS: Will the witness stand and be sworn?

(Witness sworn.)

ROBERT H. NORTHINGTON

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name, by whom you are employed and in what capacity?

A Robert H. Northington. I am employed by Mesa Petroleum Company in Midland, Texas as their Land Manager.

Q Have you graduated from college?

A I have a degree, a Bachelor's Degree from Texas Tech.

Q In what?

A In Economics.

Q What has been your work experience since your graduation?

A I spent some time in the First National Bank in Albuquerque, some 9 years with Phillips Petroleum Company in various land capacities. The last job I had with them was Division Landman in Corpus Christi. Then, some 7 years as an independent land man, and for the last 4 years, with Pubco Petroleum Corporation. Then after the merger of May 1 of '73, Mesa Petroleum Company.

Q And you are now Landman for Mesa?

A Right.

MR. EATON: Are his qualifications satisfactory?

MR. STAMETS: Yes. We would agree that the witness is qualified to speak as a land man in this case.
BY MR. EATON:

Q I refer you to Exhibit No. 1 and ask you to state what that exhibit portrays?

A This is a map prepared by Mesa. Actually, it is a plat of an area in Lea County, 16 South, 35 East and 16 South, 36 East, and specifically, it shows acreage owned by Mesa Petroleum Company, the leasehold interest. The shaded areas are 100 percent Mesa. The other outlined areas are less than 100 percent Mesa.

NORTHINGTON-DIRECT

Q The area outlined in green is what?

A The area outlined in green is the southeast quarter of Section 7, 16 South, 36 East which is the acreage dedicated to our No. 1 Chambers Well.

Q Has that well been drilled and completed?

A Yes, sir, it has.

Q Is it presently producing in the Wolfcamp formation?

A Yes, it is.

Q Does Mesa own the entire working interest in the southeast quarter of Section 7?

A We own it all except some minor unleased mineral interests that are set out in your Application -- our Application.

Q All right. And those unleased mineral interests total approximately 1.4 percent, is that correct?

A Yes, sir.

Q Are those unleased mineral interests only under the south half of the southeast quarter as opposed to the entire southeast quarter?

A Yes, they are.

Q What attempts have been made to secure the leases on those mineral interests?

A Chronologically speaking, these attempts were back to 1969, prior to the time that I was with Pubco or Mesa, but the land man with Pubco at that time, Oren Grain, made numerous attempts to bring this interest under lease. He was successful in leasing all of the mineral interests except this. The difficulty lay primarily in correct addresses and response. These efforts were renewed after we discovered oil and gas in this area on this prospect and as it looked like we were moving in that direction to drill, the efforts accelerated. Then I, or people under my direction, continued trying to locate these people and were unsuccessful.

Q Do all of these people with the exception of Elizabeth Guest live in the Country of Greece?

A This is what we have been told by their relatives.

Q Have you attempted to correspond with them in Greece?

A Yes, sir.

Q I assume you have been unsuccessful in obtaining any leases from these people?

A Yes, that's correct.

Q And you have offered leases to them, is that correct?

NORTHINGTON-DIRECT

A We have offered leases, yes.

Q Elizabeth Guest is another party. Have you been able to locate her?

A We have not been able to locate Mrs. Guest.

Q Your Application shows that she has an unleased mineral interest under this tract; is that a true statement?

A It is. There is some question as to whether -- in my opinion, there is some question as to whether Mrs. Guest has any interest remaining. It is a title question.

Q In view of the uncertainty, she is named as one of the owners of the unleased interest?

A Correct.

Q What was the cost of drilling your well?

A The cost, actual cost to drill and complete this well, including tank battery, \$285,504.

Q What was that figure, again, please?

A \$285,504.

Q Will you furnish this Commission a schedule or statement of those actual costs?

A Yes, sir.

Q What is a reasonable charge, in your opinion, for the supervision of the well?

A Well, I will rely on the actual cost figures which were furnished to me by our Accounting Section in Amarillo, and the actual cost allocated to this well on a monthly basis was \$540.

MR. STAMETS: For the operation or supervision?

THE WITNESS: Monthly operating expense including supervision.

MR. STAMETS: This is as a drilling well?

THE WITNESS: No, this is as a producing well.

MR. STAMETS: \$540?

THE WITNESS: That is what we spent. I will furnish details on that also.

BY MR. EATON:

Q The Application requests a charge --

THE WITNESS: (Interrupting) Mr. Examiner, there is no definite information on the correspondence I received from the Amarillo Accounting. They simply said, "Monthly Operating Expense, \$540." This could be monthly operating expense during the drilling of the well, but it doesn't say, but I will get that.

BY MR. EATON:

Q Your Application, Mr. Northington, requests a risk award. In view of the fact that the well has already

NORTHINGTON-DIRECT

been drilled and completed, and in view of the small interests involved, does Mesa desire to delete that request from its Application?

A I would, although I wouldn't want that to be implied that there is no risk involved up there because we have drilled five producers and five dry holes so far.

Q Mesa is the operator of this well?

A Yes.

MR. EATON: Does the Examiner have any questions?

CROSS EXAMINATION

BY MR. STAMETS:

Q On Exhibit 1, the well in question is not shown, is that correct?

A Yes, it is.

Q It is not shown?

A It is shown. It is the black spot in the southwest corner of that 160 acres, where it says "Chambers" right beside it.

Q All right. I've got the picture now. I was looking at each of these blocks as being a section rather than a quarter section.

A There is a quarter, and then that south half there, Mr. Examiner, is the south half of the southeast

NORTHINGTON-CROSS

quarter where the unleased mineral interests are, the white circles.

Q The total unleased mineral acreage is about 14/100 of 1 percent?

A 1.14 net acres under the 80 acres. The percentage is 1.4286.

Q Of 80 acres?

A Of 80 acres, yes, sir.

Q This combined fixed rate seems completely out of line with many of those that we receive here regularly, and I think it would be a good idea to submit an adjusted figure for this combined fixed rate.

A Yes, we will.

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

MR. STAMETS: Is there anything further in this case?

MR. EATON: I offer Exhibit 1 into evidence.

MR. STAMETS: Exhibit 1 will be admitted into evidence.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification and admitted into evidence.)

NORTHINGTON-CROSS

BY MR. STAMETS:

Q I have one additional question: Is this well a good well?

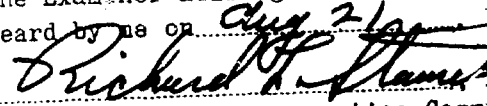
A Yes, sir, it appears to be a good well.

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

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

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.

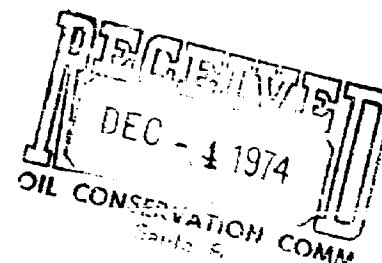
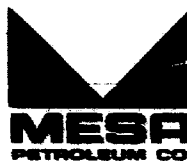

COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5300 heard by us on Aug 21st 1974.

Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Robert H. Northington, division landman
permian basin division

December 2, 1974



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

Attention: Mr. A. L. Porter, Jr.
Member and Secretary

Re: Case 5300, Docket 24-74
Compulsory Pooling Order R-4852
Lea County, New Mexico
Mesa OP 855-7

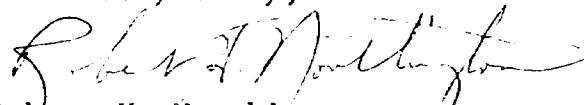
Gentlemen:

With reference to the captioned, this is to advise the following:

1. Itemized schedule of actual well costs of Mesa Petroleum Co. #1 Chambers was furnished to you August 27, 1974.
2. All proceeds from our #1 Chambers production attributable to the uncommitted interest have been (in accordance with the captioned order) placed in escrow in Mesa Petroleum Co. account #01-01932-5 at New Mexico Bank and Trust Company, Hobbs, New Mexico. This account was opened approximately November 22, 1974.

Please advise if additional information is needed in connection with this matter.

Yours very truly,


Robert H. Northington

RHN:hh

Case 5300

Mesa Pet. Co.

Computing Pooling
Secy 7-16⁵ 36⁰ sea

1. Helen Homonides
Akrotas, Agaleas, Greece

2. Demetrios Peppadopoulos - same address as No. 1

3. Erikles " " " "

4. Sotirios " " " "

5. Letas Lapis
c/o Sotirios Rallis
Krothom, Agaleas, Greece

6. Koyla Katsas
c/o Sotirios Rallis
same address as No. 5

7. Anna Kostantakopoulou
c/o Sotirios Rallis
same address as No. 5

8. Andrei Rallis
Same address as No. 5

9. Sotirios Rallis
same address as No. 5

10. Elizabeth Guest
no address

~~DOCKET MAILED~~

~~Date 8-8-74~~

for

for



OIL CONSERVATION COMMISSION

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

September 10, 1974

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMUJO
MEMBER

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

Mr. Paul Eaton
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: CASE NO. 5300

ORDER NO. R-4852

Applicant:

Mesa Petroleum 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.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other _____

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. 5300
Order No. R-4952

APPLICATION OF MESA PETROLEUM
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 August 21, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 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, Mesa Petroleum Company, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and has drilled its Chambers Well No. 1 at a location 555 feet from the South line and 2065 feet from the East line of said Section 7.

(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 hydrocarbons 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.

Case No. 5300
Order No. R-4852

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

(8) That any non-consenting working interest owner that does not pay his share of reasonable well costs should have withheld from production his share of the reasonable well costs.

(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 \$230.00 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 non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico, are hereby pooled to form a standard 160-acre oil spacing and proration unit to be dedicated to applicant's Chambers Well No. 1 located 555 feet from the South line and 2085 feet from the East line of said Section 7.

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

(3) That the operator shall furnish the Commission and each known working interest owner 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.

-3-

Case No. 5300
Order No. R-4852

(4) That the operator is hereby authorized to withhold from production the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of reasonable well costs.

(5) That \$230.00 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.

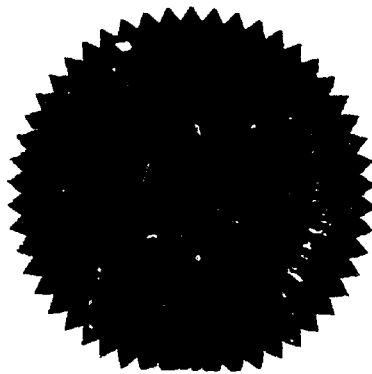
(6) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(7) 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.

(8) 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.

(9) 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

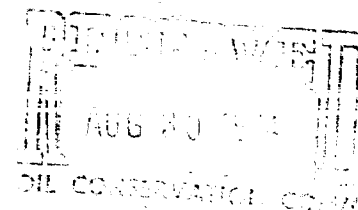
ALEX J. ARMIJO, Member

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

S E A L

dr/

Robert H. Northington, division landman
permian basin division



August 27, 1974

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

Attention: Mr. Richard L. Stamets, Examiner

Re: Case 5300, Docket No. 24-74
Compulsory Pooling Application
North Shoe-Bar Wolfcamp Pool
Lea County, N.M.

Gentlemen:

At your request and in connection with our hearing August 21, 1974 in the captioned, we are pleased to furnish cost information on Mesa Petroleum Co. #1 Chambers, completed oil well in SE $\frac{1}{4}$ Section 7-16S-36E, Lea County, N.M. The figures quoted by me in the hearing were not complete, and we are therefore submitting a detailed schedule which is attached hereto.

A recapitulation of our direct costs attributable to the #1 Chambers follows:

1. Abstracts of Title	316.00
2. Title Examination	300.00
3. Surface damages	500.00
4. Drilling, Completing & Equipping	306,932.12
5. Lease Operating Expense (thru July, 1974)	18,179.76
Total	\$326,227.88

The overhead estimate for this well is \$230.22 per month, including allocated amount for foreman's time and expense.

If additional information is required, please advise.

Yours very truly,

A handwritten signature in cursive script, reading 'Robert H. Northington'.

Robert H. Northington

RHN:hh

copy: Paul W. Eaton, Jr., Attorney



Schedule I
August 23, 1974

The Cost of Drilling, Completing and Equipping the #1 Chambers Well.

	Booked @ 7-31-74	AFE Amount	Over (Under)
Casing, Liners and Tubing	\$ 60,257.49	\$116,800.00	\$ (56,542.51)
Wellhead	3,068.96	8,000.00	(4,931.04)
Sub-Surface Equipment	1,288.05	1,800.00	(511.95)
Surface Well Equipment	3,468.84	300.00	3,168.84
Battery & Lease Facilities	20,200.05	16,800.00	3,400.05
Total Tangible Equipment	\$ 88,283.39	\$143,700.00	\$ (55,416.61)
Drilling & Completion	\$126,850.32	\$126,550.00	\$ 300.32
Cement & Cement Services	17,764.67	10,000.00	7,764.67
Chemicals, Mud & Services	20,373.28	11,100.00	9,273.28
Roads & Location	8,111.05	4,800.00	3,311.05
Well Survey & Services	18,977.47	16,200.00	2,777.47
Labor & Supervisor	4,011.67	2,100.00	1,911.67
Rental Equipment	431.60	800.00	(368.40)
Miscellaneous	-0-	5,000.00	(5,000.00)
Casing, Liners & Tubing	7,462.75	-0-	7,462.75
Wellhead	393.46	-0-	393.46
Surface Well Equipment	232.47	-0-	232.47
Battery & Lease Facilities	14,039.99	-0-	14,039.99
Total Intangible Equipment	\$218,648.73	\$176,550.00	\$ 42,098.73
Total	\$306,932.12	\$320,250.00	\$ (13,317.88)

Lease Operating Expense

April 1974	\$ 68.16
May 1974	77.75
June 1974	535.36
July 1974	17,498.49 *
Total	\$ 18,179.76

* Includes \$15,670.03 production taxes since first production.

Advalorem taxes will be approximately .025 times 9% of gross revenue.



- M E M O R A N D U M -

August 23, 1974

Bob Northington - Midland
Duane Staley - Amarillo

RE: #1 Chamber - Southwest Lovington Prospect
Lea County, New Mexico OP 855-7 10-818-01 N

As of July 31, 1974 Mesa has booked a total of \$306,932.12 for the drilling, completion and lease and well equipment for this well. Lease operating expenses have come to \$18,179.76 total. A summary of the costs and expenses are set out on the attached schedule I.

In the Southwest Lovington Prospect, we are charging the Skelly State #1, #1 Hilburn, #1 Lister and #1 Wiser producing overhead at the rate of \$169.64 per month. This rate is subject to escalation April 1 each year. We also charge each well for Field Payroll and Transportation expense, which is an allocation of the production foremans time and expenses. The average charge for each month this year has been \$60.58

If we can be of any further help please advise.

Duane Staley,

A handwritten signature in cursive script that reads 'Duane Staley'.

Property/Plant/Equipment

DS:ch

Enc;

169.64
60.58
#230.22

Dockets Nos. 25-74 and 26-74 are tentatively set for hearing on September 4 and September 18. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 21, 1974

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 5294: Application of Shenandoah Oil Corporation for a buffer zone allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of a special buffer zone allowable to its Gissler "A" Wells Nos. 1 and 3, located 430 feet from the North line and 1720 feet from the West line, and 1320 feet from the North line and 2310 feet from the West line, respectively, of Section 23, Township 17 South, Range 30 East, Grayburg Jackson Pool, Eddy County, New Mexico. These wells offset an active waterflood project and have received an apparent response to water injection.
- CASE 5295: Application of Amoco Production Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Gillully Federal Gas Com Well No. 4 and its Gillully "A" Federal Well No. 7 located in Units B and O, respectively, of said Section 24.
- CASE 5296: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Vacuum-Upper Pennsylvanian production with the presently commingled North Vacuum-Abo and North Vacuum-Wolfcamp production in the wellbore in its New Mexico "Q" State Well No. 4 located in Unit P of Section 25, Township 17 South, Range 34 East, Vacuum Field, Lea County, New Mexico.
- CASE 5297: Application of Exxon Corporation for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 35, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Eumont Gas Com 3 Well No. 1 and its Fopeano Federal A/C Well No. 7, located in Units A and G, respectively, of said Section 35.
- CASE 5298: Application of General American Oil Company of Texas for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, Township 17 South, Range 29

Docket No. 23-74

DOCKET: COMMISSION HEARING - MONDAY - AUGUST 19, 1974

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

CASE 5262: (DE NOVO)

Application of Petro-Lewis Corporation for pool contraction, creation, and special pool rules, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Media-Entrada Oil Pool by the deletion of the NW/4 of Section 22, Township 19 North, Range 3 West, Sandoval County, New Mexico, and the creation of a new pool for Entrada production comprising said lands. Applicant further seeks the promulgation of special rules for said pool, including a provision for 160-acre proration units and the establishment of a special depth bracket allowable for said pool of up to 750 barrels per day.

Upon application of Petro-Lewis Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5152: (Reopened) Continued from July 24, 1974 Examiner Hearing

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.

ir/

(Case 5298 continued from Page 1)

East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. 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 5299: Application of Coquina Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 23, Township 22 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. 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 5300: Application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico, to be dedicated to a well to be drilled 555 feet from the South line and 2085 feet from the East line of said Section 7. 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 5301: Application of Cleary Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Quarry Unit Area comprising 5177 acres, more or less, of Fee and Federal lands in Township 22 South, Range 32 East, Lea County, New Mexico.

[illegible]

RECEIVED

JUL 31, 1974

OIL CONSERVATION COMMISSION

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Case 5300

APPLICATION OF MESA PETROLEUM CO.
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO

Mesa Petroleum Co., by its undersigned attorneys, hereby makes application for an order pooling all mineral interests in the Wolfcamp formation underlying the SE $\frac{1}{4}$ of Section 7, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show:

1. Applicant is the owner of oil and gas leases covering the SE $\frac{1}{4}$ Section 7, Township 16 South, Range 36 East, N.M.P.M., except unleased 1.4286% mineral interests in the S $\frac{1}{4}$ SE $\frac{1}{4}$ Section 7, Township 16 South, Range 36 East, N.M.P.M. There is attached hereto as Exhibit "A" a list of the owners of the unleased mineral interests underlying said S $\frac{1}{4}$ SE $\frac{1}{4}$ Section 7 insofar as known to applicant.

2. Applicant has drilled a well 2085 feet from the east line and 555 feet from the south line of said Section 7 to a depth of 11,600 feet and has completed it in the Wolfcamp formation capable of producing oil in paying quantities. Applicant has dedicated the SE $\frac{1}{4}$ of said Section 7 to the well.

3. Applicant has contacted or has made diligent efforts to contact the owners of the unleased interests to lease their interests, but has been unsuccessful. The pooling of the unleased mineral interests in the SE $\frac{1}{4}$ of said Section 7 will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

4. Applicant requests that the Oil Conservation Commission consider the cost of drilling and completing said well, the proper

allocation of said costs as well as actual operating costs, charges for supervision and charges for the risk involved in drilling the well. Applicant also requests that it be designated as operator of the well.

5. Applicant requests that this matter be heard at the last examiner's hearing in August 1974.

HINKLE, BONDURANT, COX & EATON

By Paul S. Eaton, Jr.
P. O. Box 10
Roswell, New Mexico 88201
Attorneys for Mesa Petroleum Co.

EXHIBIT A

Unleased Mineral Interests in S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 7,
Township 16 South, Range 36 East, N.M.P.M.

<u>Owner</u>	<u>Net Unleased Mineral Interest</u>
Elizabeth Guest	.001786%
Helen Homanedes	.0015625%
Demetrios Pappadopoulos	.0015625%
Erikles Pappadopoulos	.0015625%
Sotirios Pappadopoulos	.0015625%
Letsa Lafis	.00125%
Koyla Kaetsas	.00125%
Anna Kostantakopoylos	.00125%
Andreï Rallis	.00125%
Satirios Rallis	<u>.00125%</u>
TOTAL	.014286%

DRAFT

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. 5300

Order No. R-4852

APPLICATION OF MESA PETROLEUM 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 August 21, 1974
at Santa Fe, New Mexico, before Examiner Richard I. 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, Mesa Petroleum Company,
seeks an order pooling all mineral interests in the
Wolfcamp formation underlying the SE/4
of Section 7, Township 16 South, Range 36 East,
NMPM, North Shoe Bar-Wolfcamp Pool, Lea County, New
Mexico.

Case No.
Order No. R-

(3) That the applicant has the right to drill and ^{has} ~~propose~~
~~drilled its Chambers Well No 1 at a location~~
~~to drill a well~~ 555 feet from the South line and 2085 feet from the/
East line of said Section 7

(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 ^{hydrocarbon} ~~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 ^{reasonable} ~~estimated~~ well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of ^{reasonable} ~~estimated~~ well costs should have withheld from production his share of the reasonable well costs, ~~plus an additional _____ 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.~~

Case No.
Order No. R

(10) That \$230.00 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 non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(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 Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, NMPM, North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico, are hereby pooled to form a standard 160-acre ^{oil} gas spacing and proration unit to be dedicated ^{to applicant's Chambers} ~~to a well to be drilled~~ Well No. 1 located 555 feet from the South line and 2085 feet from the East line of said Section 7.

~~PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, 1972, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp formation;~~

~~PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the _____ day of _____, 1972, Order (1) of this order shall be null and void and of no effect whatsoever;~~

Case No.
Order No. R-

~~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 Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

~~(3) That after the effective date of this order and ^{within} 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.~~

(3) 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.

(4) 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

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Order No. R-

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

4) That the operator is hereby authorized to withhold ~~the following costs and charges from production,~~

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

No
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~~(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.

5) That \$230⁰⁰ 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.

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Case No.
Order No. R-

(6) 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) 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.

(8) 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.

(9) 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.