

CASE 5309: Appl. of C. & K.  
PETROLEUM, INC. for compulsory  
pooling, Lea County

CASE No.

5309

Application,  
Transcripts,  
Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 4, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of C. & K.  
Petroleum, Inc., for compul-  
sory pooling, Lea County,  
New Mexico.

Case No. 5309

BEFORE: Daniel S. Nutter, 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 Building  
Santa Fe, New Mexico

For the Applicant:

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

CASE 5309

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I N D E X

EDWARD W. HOOPER

Direct Examination by Mr. Kellahin  
Cross Examination by Mr. Nutter

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E. B. WHITE, JR.

Direct Examination by Mr. Kellahin  
Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant's Exhibits Nos. 1 through 7  
Applicant's Exhibits Nos. 9 through 17

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MR. NUTTER: Case 5309.

MR. DERRYBERRY: Case 5309. Application of  
C. & K. Petroleum, Incorporated, for compulsory pooling,  
Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Tom  
Kellahin, Kellahin and Fox, Santa Fe, New Mexico, appearing  
on behalf of the Applicant, C. & K. Petroleum, Inc., and  
I have two witnesses to be sworn.

(Witnesses sworn.)

EDWARD W. HOOPER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A Edward W. Hooper, C. & K. Petroleum, Exploration  
Manager.

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

A I have.

Q And have your qualifications as an expert been  
accepted and made a matter of record?

HOOPER-DIRECT

A They have.

Q What is your educational background? What do you hold your degree in?

A Geology.

Q Have you examined, and are you familiar with the facts surrounding this particular Application by C. & K. Petroleum?

A I am.

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

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Hooper, would you please refer to what has been marked as Applicant's Exhibit No. 1, identify it, and state briefly what C. & K. is seeking?

A The first exhibit is a land plat of the Lovington to East Lovington area with the subject tract colored in yellow in Section 27 which is the southwest, southeast of that Section, Township 16 South, Range 37 East. The color coding on this particular plat shows the number of Strawn producers and the number of wells that have been drilled to the Strawn and found the Strawn dry even though they may have subsequently been completed in another zone.

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Q The closest offset Strawn wells appear to be in Section 22, 21 and 28, is that correct?

A That's correct. That's known as the Northeast Lovington Field.

Q And all of those Strawn wells have been dry holes?

A Correct.

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

A This is a structural map contoured on top of the -- what is known as the Strawn Limestone. That has been marked on several Xerox copies of electric logs, permanent wells in the area, to identify the map in the horizon, indicating that the accumulation of oil in the Strawn porosity is a stratigraphic function rather than a structural one.

Q Would you please refer to what has been marked as Exhibit No. 3 and identify it?

A No. 3 is a Xerox copy of the nearest subsurface control to the subject tract in the southwest, southwest of Section 28, and identifies the Strawn Limestone that would be objective horizon on the subject location, showing the lack of porosity development and the reason why the well was dry in the Strawn.

HOOPER-DIRECT

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MR. NUTTER: I believe that is in Section 32, isn't it, Mr. Hooper, rather than 28?

THE WITNESS: Wait a minute. I have Exhibit 3 in front of me, marked "3" and this well is in the -- 660 from the south and west of Section 23.

MR. NUTTER: Well, I've got this exhibit and it is marked wrong, then?

MR. KELLAHIN: We have them transposed.

THE WITNESS: You have the producing well and it would be another older log that --

MR. NUTTER: (Interrupting) I don't have a log on any well in 28.

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

THE WITNESS: There again, in the southwest, southwest of Section 28 is a Xerox copy of the well that was drilled there, the Shell Oil Company No. 1 Homestake during the Strawn Limestone development, and the reason for the lack of porosity within the limestone had caused this well to be dry in the Strawn horizon.

MR. KELLAHIN:

Well, you see, there has been marked on the log --



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A Exhibit 3-A is a Xerox copy of the electric log conducted in the Tidewater Oil Company No. 1-D State P Well located in the southeast, southeast of Section 32 within the Lovington Field limits, showing the development of the Strawn Limestone where it is productive, said potential of well being indicated opposite the perforations in the Strawn horizon.

Q All right. Would you refer to what has been marked as Exhibit 5?

A Let's see. Exhibit 5 is the Xerox copy of the electric log run on the Harding Oil No. 5 Ship in the Humble City Strawn Field, illustrating the reservoir development of the Strawn Limestone in that field area.

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

A This is a subsurface map prepared by utilizing seismic data in the area illustrating the configuration of the Devonian dolomite below the prospective acreage in Section 27.

Q Based upon your study of the geology and the information supplied in Exhibits 1 through 5, have you been able to reach any conclusions with regard to the risk involved in drilling to either the Strawn or the Devonian

HOOPER-DIRECT

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formations?

A The inherent risk factors of seeking the stratigraphic entrapment of oil in the Strawn reservoir is quite apparent on the exhibits presented, especially as noted in the newly found Humble City Strawn development which is comparable to that in the area that we would be drilling in, and that in this area, five producers were found, but nine dry holes were drilled, many of which were direct offsets to producing wells. The nature of the Strawn is such that the porosity development or reservoir quality rock is very erratic and is difficult to predict over any aerial distance.

Q Do you have a recommended risk factor to be assessed in this forced pooling case?

A Tom, I don't know whether you want this in percentages or ratios?

Q If you would give me --

A (Interrupting) I would have to give it on a ratio basis of at least 10 to 1 risk factor.

Q The Commission is authorized to assess a risk factor up to a maximum of 200 percent, contingent upon the varying degrees of risk involved in drilling this type of well. In the form of a percentage, would you give me your

HOOPER-DIRECT

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recommended risk factor?

A In light of the wildcat nature of this proposed drilling objective and the high drilling cost to be incurred by such drilling, I would seek the maximum 200 percent.

Q Now refer to what has been marked as Exhibit No. 6 and identify it?

A No. 6 is an authority for expenditure prepared by our Drilling Department, C. and K. Drilling Department, the engineer in charge of that Department, and this is based on a 11,700-foot Strawn wildcat.

Q In connection with this exhibit, would you now refer to what has been marked as Exhibit No. 7 and identify it?

A The second authority for expenditure was prepared because we felt that if the well was running sufficiently high on the deeper correlative markers in the area, we would take the well down to the Devonian formation at an approximate depth of 12,500 feet.

Q In your opinion, Mr. Hooper, will a monthly charge of supervision of \$205 per month as your combined fixed rate for supervision be a reasonable charge to be assessed to this hearing?

I think it would be a reasonable charge.

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MR. KELLAHIN: If the Examiner please, that concludes my examination of this witness with regard to Exhibits 1 through 7.

BY MR. KELLAHIN:

Q Let me ask you, Mr. Hooper: were Exhibits 1 through 7 either prepared by your or under your direction and supervision?

A They were.

MR. KELLAHIN: We move the introduction of Exhibits 1 through 7.

MR. NUTTER: Exhibits 1 through 7 will be admitted in evidence.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hooper, what are you pooling here? Do you own the working interest here and you are pooling royalties or overriding royalties, or just what is it that you are pooling?

A I think I would rather --

MR. NUTTER: (Interposing) I have a second

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witness who will testify as to the land problems.

MR. NUTTER: I am sorry.

MR. KELLAHIN: Mr. Hooper was provided just for the geology and risk factor.

MR. NUTTER: I don't believe I have anymore questions. Does anyone have any questions of Mr. Hooper? You may be excused.

(Witness dismissed.)

E. B. WHITE, JR.

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A E. B. White, Jr. I am an independent land man. I am representing G. and K. Petroleum in relationship with principal and agent.

Q Have you previously testified before this Commission?

A Yes, I have.

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

WHITE-DIRECT

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A Yes.

Q Have you been directly involved in soliciting ownership and attempting to get voluntary agreement from all the owners involved in this pooling application?

A Yes, I have.

MR. KELLAHIN: If the Examiner please, is this witness' qualifications acceptable with regard to the matters of efforts made to get voluntary pooling?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. White, will you please refer to what has been marked as Exhibit No. 8 and identify it, please?

A Exhibit 8 is a tabulation of uncommitted parties to the proposed drilling of the well in the southwest, southeast of Section 27, 16 South, 37 East, uncommitted as of this date.

Q In addition to the information contained on this exhibit, and the percentage of interests contained thereon, are there any other parties which have not as of this date voluntarily committed themselves to this well?

A Yes, there are two other parties.

Q What are those parties?

A They are reflected on the letter, Exhibit 9,

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Petroleum Corporation of Texas and Heritage Resources,  
Incorporated.

Q Are those addresses contained on Exhibit 9,  
their current and a correct addresses?

A That is correct.

Q All right, sir. Would you please refer now  
to Exhibit No. 9 and identify it?

A Exhibit No. 9 is a letter dated May 23, 1974  
under my signature addressed to Petroleum Corporation  
of Texas and Heritage Resources wherein I proposed the  
drilling of the well by C. and K. and asked that they farm  
out under certain conditions expressed in the letter.

Q Would you refer to Exhibit No. 10 and identify it?

A Exhibit 10 is a letter from Petroleum Corporation  
of Texas, addressed to me, indicating that they were holding  
up the actual preparation of their written farm-out  
agreement until we had a firm commitment from Texaco.

Q All right, sir. And Exhibit No. 11?

A Exhibit No. 11 is a letter dated August 30, 1974  
from Petroleum Corporation of Texas, addressed to me,  
indicating that they would proceed with the preparation of  
the proposed farm-out agreement, but the farm-out agreement  
would contain a clause to the effect that if the well was

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not drilled, C. and K. would be libel for damages to Petroleum Corporation and Heritage in an amount equal to those companies' participation in the cost of drilling the well had they participated.

Q Is Petroleum Corporation of Texas also representing Heritage Resources, Inc.?

A Yes.

Q Have either or both of those parties agreed to pooling their interests as of this date?

A No.

Q Please refer to what has been marked as Exhibit No. 12 and identify it?

A Exhibit 12 is a letter dated August 23, 1974 under my letterhead addressed to J. Hiram Moore, et al, Trustees of Midland, Texas and June Danglade Speight of Lovington, New Mexico, and the content of the letter is asking them to participate in the drilling of this well to the extent of their working interest or farm out under certain conditions.

Q As of this date, Mr. White, have either or both of those parties agreed to pool their interests?

A No, they haven't.

Q Please refer to what has been marked as Exhibit



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No. 13 and identify it?

A Exhibit 13 is a letter dated August 27th, 1974 under my signature, addressed to Mrs. Ann W. Marshall, Executrix of the Estate of J. Norman Morris in Topeka, Kansas, asking Mrs. Marshall and the Estate to join in the drilling of the well to the extent of their interest or farm out.

Q And as of this date, has this party agreed to pool their interest in the well?

A No, they haven't.

Q Now, with regard to other parties listed upon Exhibit No. 8, what if any action was taken with regard to notifying those individuals?

A With regard to Ruth Armstrong, we were unable to locate this person. There was no known address. The same with Luther Emery, no known address. And the same with the heirs of S. R. Parke, no known address. And the same with the Estate of M. P. Carrow, J. V. Ringold, J. D. Perks, H. M. Perks, C. W. Parks, George L. Seamer, addresses unknown and unable to locate.

Q Did you obtain an Abstract of Title and a Title Opinion with regard to the mineral interests in this area?

A Yes.

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

WHITE-DIRECT

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Q And it was from that Title Opinion that you indicated the ownership as it appears on Exhibit 8 with the addition of the other two parties, Petroleum Corporation of Texas and Heritage Resources?

A That's correct.

Q What is the specific acreage in which C. and K. Petroleum desires a forced pooling order?

A The southwest quarter of the southeast quarter of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico.

Q And that is to affect all mineral interests of Pennsylvanian age or older underlying that acreage?

A That's correct.

Q Does the Applicant, C. and K. Petroleum, desire to be designated the operator?

A Yes.

Q Would you please refer to what has been marked as Exhibit No. 14 and identify it?

A Exhibit No. 14 is a letter dated May 22, 1974 under my signature, addressed to Texaco, Incorporated, Midland, Texas, wherein I requested that they join in the drilling of the well to the extent of their working interest or farm out to C. and K. under certain conditions.

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Q Sir, would you refer now to what has been marked as Exhibit No. 15?

A Exhibit No. 15 is a letter from Texaco addressed to me dated June 5, 1974 wherein Texaco acknowledged receipt of my letter of May 22, and indicated that their organization would not be able to give us a decision for approximately 90 days.

Q Refer to Exhibit No. 16?

A Exhibit No. 16 is a letter from Texaco dated July 26th, 1974 addressed to me wherein referred to our prior correspondence and indicated that they would endeavor to give us, C. and K., a decision by October 1, 1974.

Q Sir, would you refer to what has been marked as Exhibit No. 17?

A Exhibit No. 17 is a letter under my signature addressed to Texaco, Midland, Texas, wherein I re-requested the farm-out from Texaco or invited them to participate in the drilling of the well on the basis of their action, or lack of their interest, and also enclosed an AFE for their consideration.

Q And of this date, Texaco has not agreed to pool their interest?

WHITE-DIRECT

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Q Do you know the specific percentage of this acreage in which C. and K. Petroleum control?

A Yes. Just a minute. I have that. C. and K. controls approximately 65 percent of the leasehold interest in this 40 acres by virtue of the farm-out agreements with other companies who have committed.

Q You are talking about 65 percent of total interest or 65 percent of working interest?

A 65 percent of total interest. I had better correct that, Mr. Rutter. That would be 65 percent of the working interest.

Q Mr. White, C. and K. Petroleum would seek in the forced pooling order also provisions for the Applicant to recover the cost of drilling and completing the well and actual cost of operation and supervision costs and a provision for the assessment of a risk factor, is that correct?

A That's right.

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

A Yes, I will.

Q Now the proposed lease and habitation 3 through 17

WHITE-DIRECT

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conducted under your direction and supervision?

A Yes, they were.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 9 through 17.

MR. NUTTER: C. and K. Exhibits 9 through 17 will be admitted.

(Whereupon, Applicant's Exhibits Nos. 9 through 17 were marked for identification, and admitted into evidence.)

BY MR. KELLAHIN:

Q Would you reiterate for the Examiner C. and K. Petroleum's position specifically with regard to Texaco? Now, they have indicated that they will be able to give you a decision one way or another as of October 1st, 1974. Is it C. and K. Petroleum's intention by this Application to have the order entered and that if for some unforeseen reason you and Texaco are unable to make an agreement, that you would have the benefit of the order to go ahead and continue drilling of the well under the benefit of the forced pooling?

A That correctly states C. and K.'s position.

Q By that order, you are not precluding the possibility of working out the farm-out or whatever

WHITE-DIRECT

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agreement with Texaco within the limits proscribed by the Order?

A That's correct.

MR. KELLAHIN: That concludes our direct examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. White, the Application for this Hearing listed several parties that aren't covered on your Exhibit No. 8. Maybe you can clarify what has happened to them. Now, there is a Coll Production Company listed, but I notice that down here under this Ann Marshall interest that you state that it was originally thought to be owned by Coll Production Company. Is Coll not involved?

A They have no interest.

Q Coll has no interest?

A Right.

Q Then we have a group of Markhams listed on this application: Jack Markham, Fanny Gae Markham Ratcliff, C. B. Markham, Jr., and so forth?

A I made an agreement with them to participate.

Q So they are participating?

A Right.

WHITE-CROSS

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Q Then we have Petroleum Landowners Corporation listed on the Application?

A We have an agreement with them for participation.

Q Perpetual Royalty Company?

A Our title examination determined that Perpetual Royalty has no interest in this property.

Q And Harry Seeborn of Quincy, Illinois?

A Our title examination determined that this interest was leased to Lone Star who is farming out to C. and K.

Q So his interest is participating?

A That's correct.

Q So the only outstanding interests you have now are the ones that are listed on Exhibit No. 8?

A With the addition of the Petroleum Corporation of Texas and Heritage Resources, Incorporated.

Q Right.

MR. NUTTER: Are there any further questions of Mr. White? You may be excused.

(Witness dismissed.)

MR. NUTTER: Is there anything further, Mr. Kellie?

MR. KELLIE: No, sir.

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MR. NUTTER: Does anyone have anything they wish to offer in Case 5309?

MR. BATEMAN: If the Chairman please, my name is Ken Bateman of White, Koch, Kelly and McCarthy, representing Texaco. I would like to make a statement in this case.

MR. NUTTER: Yes, sir.

MR. BATEMAN: Texaco has authorized me to request that in the event that the Commission grants the Application of C. and K. Petroleum, that the pooling of interest be denied for the Pennsylvanian age or older. Rather, Texaco requests that the Order be to pool the interests in the Strawn if that is the total depth of the well, or the Devonian if that is the total depth, and that the interest for any strata below the total depth not be pooled.

MR. NUTTER: So that Texaco would limit it to Strawn or Devonian?

MR. BATEMAN: Depending on the --

MR. NUTTER: (To counsel) How about other zones in the Pennsylvanian?

MR. BATEMAN: Well, any zone above the total depth would be agreeable in the Pennsylvanian.

MR. NUTTER: Anything down to TD?



MR. BATEMAN: That's correct.

MR. NUTTER: As long as TD isn't greater than  
Devonian?

MR. BATEMAN: That's correct.

MR. NUTTER: What does Tom Kellahin have to say  
about that?

MR. KELLAHIN: That is consistent, yes, sir.

MR. NUTTER: Thank you, Mr. Bateman.

Does anyone else have anything to offer in  
Case 5309?

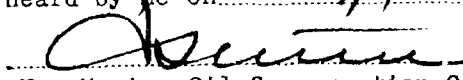
We will take the case under advisement.

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

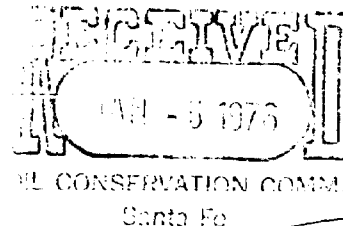
I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5309, heard by me on 9/4, 19 74.

 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



December 30, 1975



New Mexico Oil Conservation Commission  
P. O. Box 1088  
Santa Fe, New Mexico 87501

Re: Order No. R4857

Gentlemen:

By letter dated June 9, 1975, we furnished a tabulation of the well costs for the drilling of our Shipp 27 No. 1 well as required by the above subject order, and by letter dated July 24, 1975, we revised our estimate downward by approximately \$20,000 to adjust for non-risk equipment beyond the wellhead. By the terms of the subject order we are entitled to recover these costs plus 200%

The order required that costs be submitted within 30 days. In so short a time it is not possible to have all invoices in hand.

After receiving all invoices and reviewing the matter we find that we have underestimated our cost of drilling and completing this well by approximately \$40,000. We are therefore submitting an amended Cost Summary for the drilling of our Shipp 27 No. 1 well and ask that this revised estimate be substituted for the initial estimate.

Yours very truly,

C & K PETROLEUM, INC.

*G. C. Thompson*  
G. C. Thompson  
Manager of Production

GCT:gb

cc: Mr. Jason W. Kellahin

Parties Indicated on Attached List

*File*  
*Man nutter*  
*Case 5309*

Address List -  
Non-Consent Working Interest & Mineral Owners  
Shipp "27" #1

---

Texaco, Inc.  
P. O. Box 3109  
Midland, Texas 79701

Ann Morris Marshall, Individually and as  
Independent Executrix of Estate of J. Norman  
Morris, deceased  
2865 MacVicar Avenue  
Topeka, Kansas 66611

Ruth Armstrong  
address unknown

Luther Emery  
address unknown

Lenora Parke, widow, for life  
with remainder to Mrs. Robert L. Christopher  
address unknown

J. V. Ringold  
address unknown

J. D. Parks  
Address unknown

H. M. Parks  
address unknown

C. W. Parks  
address unknown

# Recap of Drilling and Completion Costs

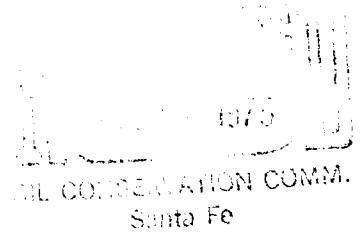
Shipp 27 No. 1

	<u>Total Cost</u>
Surveying	\$ 121.68
Roads and Location	7,661.63
Damages	1,404.85
Contract Drilling	210,762.93
Cement and Cementing Services	15,097.45
Drilling Fluids	35,034.64
Drill Stem Testing	4,570.54
Electric Logs and Surveys	20,292.54
Perforating	1,547.47
Acidizing and Fracturing	2,975.85
Completion Unit	5,030.26
Trucking	6,366.62
Equipment and Tool Rentals	9,930.11
Bits	11,034.99
Geology	4,364.71
Miscellaneous Outside Labor	14,958.07
Overhead	3,965.00
Supervision	2,703.48
Well Control Insurance	17,374.20
Miscellaneous	3,008.30
Casing	177,392.06
Tubing	14,578.49
Guide Shoe, Float and Centralizers	1,179.47
Packer	2,359.81
Well Head Equipment	7,602.92
Tanks, Separators and Treaters	16,626.70*
Flow Lines	592.24*
Valves and Fittings	<u>4,283.44*</u>
Total	\$602,820.45
Less: Nonrisk Items	<u>(21,502.38)</u>
Drilling and Completion Costs to be Recovered	<u>\$581,318.07</u>

\* These are nonrisk items.



July 24, 1975



New Mexico Oil Conservation Commission  
P. O. Box 1088  
Santa Fe, New Mexico 87501

Re: Order R-4857

Gentlemen:

The above subject order required that we submit an itemized list of the drilling and completion costs for the drilling of our Shipp 27 #1 well, the discovery well in the Casey Strawn Field, Lea County, New Mexico. Such a list was furnished with our letter of June 9, 1975.

Texaco, Inc., one of the non-consent parties, has called to our attention the fact that our list includes certain equipment beyond the wellhead, and that such equipment is normally recognized as being part of the operating costs and not subject to the risk charge. I do not know what has been customary in similar situations governed by the Oil Conservation Commission, but we do feel that Texaco has a valid complaint and we would propose to reduce our statement of costs \$16,626.70 for tanks, separators, and treaters; \$339.51 for flow lines; \$3,111.87 for valves and fittings. This is a total of \$20,078.08 which would reduce the total claimed to \$541,852.12. It would be our intention to treat the amount deducted as a non-risk item and we would propose to recover 100% of this amount.

If you concur we will base our cost recovery on these revised figures.

Yours very truly,

C & K PETROLEUM, INC.

*G. C. Thompson*  
G. C. Thompson  
Manager of Production

GCT:gb

cc: Texaco, Inc.  
P. O. Box 3109  
Midland, Texas 79701

Attention: Mr. E. H. Watkins



June 9, 1975

*Case 5309  
Nutter*

New Mexico Oil Conservation Commission  
P. O. Box 1088  
Santa Fe, New Mexico 87501

Re: Order No. R-4857

Gentlemen:

As required in the above subject order we are furnishing a tabulation of actual well costs for the drilling of our Shipp 27 #1 well. We propose to recover these costs plus 200% of these costs for the risk involved as provided in the subject order.

Attached is a list of the parties who did not participate in the drilling of this well. By copy of this letter we are furnishing these costs to those parties not participating for whom we have an address.

Yours very truly,

C & K PETROLEUM, INC.

*G. C. Thompson*

G. C. Thompson  
Manager of Production

GCT:gb  
cc:  
Mr. Jason W. Kellahin  
Kellahin and Fox  
P. O. Box 1769  
Santa Fe New Mexico 87501

Address list attached to letter dated June 9, 1975  
Non-Consent Working Interest & Mineral Owners  
Shipp "27" #1

Texaco, Inc.  
P. O. Box 3109  
Midland, Texas 79701

Ann Morris Marshall, Individually and as  
Independent Executrix of Estate of J. Norman  
Morris, deceased  
2865 MacVicar Avenue  
Topeka, Kansas 66611

Ruth Armstrong  
address unknown

Luther Emery  
address unknown

Lenora Parke, widow, for life  
with remainder to Mrs. Robert L. Christopher  
address unknown

J. V. Ringold  
address unknown

J. D. Parks  
address unknown

H. M. Parks  
address unknown

C. W. Parks  
address unknown



Shipp 27 No. 1 Well  
Recap of Drilling and Completion Costs

<u>Surveying</u>	121.68
<u>Roads and Locations</u>	9,152.48
<u>Damages</u>	650.00
<u>Contact Drilling</u>	210,762.93
<u>Cement and Cementing Services</u>	15,097.45
<u>Drilling Fluids</u>	25,309.05
<u>Drill Stem Testing</u>	4,570.54
<u>Electric Log</u>	7,541.46
<u>Perforating</u>	1,547.47
<u>Acidizing and Fracturing</u>	2,975.85
<u>Pulling Units</u>	5,030.26
<u>Trucking</u>	6,169.29
<u>Geology</u>	13,412.71
<u>Miscellaneous</u>	11,003.50
<u>Tool Rentals, Special Services</u>	2,856.91
<u>Contract Labor</u>	9,261.41
<u>Contract Overhead</u>	3,240.00
<u>Supervisor</u>	2,502.22
<u>Contingencies</u>	8,747.72
<u>Casing</u>	191,384.17
<u>Guide Shoes, Float, &amp; Centralizers</u>	1,179.47
<u>Well Head</u>	7,064.42
<u>Tanks, Separators, &amp; Treaters</u>	16,626.70
<u>Flow Lines</u>	339.51
<u>Valves &amp; Fittings, Production Packer</u>	5,471.68
<u>Other</u>	<u>88.62</u>
<u>TOTAL</u>	561,930.20

Dockets Nos. 27-74 and 29-74 are tentatively set for hearing on September 18 and October 2. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 4, 1974

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

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

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- In the matter of Case No. 4548 being reopened pursuant to the provisions of Order No. R-4157-A, which order continued in effect for one year the special temporary rules and regulations for the Catclaw-Draw Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said gas pool should not be developed on 320-acre spacing.
- CASE 5311: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extension of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and present geological and engineering data to show whether the boundaries of the Catclaw Draw-Morrow Gas Pool should be extended to the East in Township 21 South, Range 26 East, Eddy County, New Mexico, and if so, to what extent.
- CASE 5303: Southeastern nomenclature case calling for the extension of certain pools in Lea, Eddy and Chaves Counties, New Mexico.

(Case 5303 continued from Page 2)

- (a) Extend the North Benson-Queen Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 33: NE/4 NW/4

- (b) Extend the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM  
Section 13: S/2  
Section 24: N/2

- (c) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 6: All

- (d) Extend the Dos Hermanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 21: All

- (e) Extend the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 28: SE/4 SE/4

- (f) Extend the Field Ranch-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 38 EAST, NMPM  
Section 34: S/2 and NE/4

- (g) Extend the West Jal-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM  
Section 20: E/2

- (h) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 22 EAST, NMPM  
Section 23: SE/4

Examiner Hearing - Wednesday - September 4, 1974

Docket No. 26-74

-4-

(Case 5303 continued from Page 3)

(i) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 1: SW/4

(j) Extend the Winchester-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 3: E/2



## 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. ARMijo  
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. 5309  
ORDER NO. R-4857  
Applicant:  
C & K Petroleum Inc.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC       X        
Artesia OCC             
Aztec OCC           

Other Ken Bateman, June Danglade Speight, J. Hiram Moore,  
Ann Morris Marshall, Exec. of Estate of J. Norman Morris

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. 5309  
Order No. R-4857

APPLICATION OF C. & K. PETROLEUM,  
INC. 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 September 4, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

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, C. & K. Petroleum, Inc., seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well to the Strawn and possibly to the Devonian formation, at an orthodox location for said spacing unit.

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

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

(6) That no formation of greater age than the formation in which the subject well is completed should be pooled by this order.

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

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

(9) 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) 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.

(11) 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.

(12) That \$205.00 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.

(13) 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.

(14) 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 December 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 the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40 acre oil



spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit.

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

PROVIDED FURTHER, that in the event that the subject well is completed in the Devonian formation, said formation, as of the date of such completion, shall also be deemed to be pooled by this order.

(2) That C. & K. Petroleum, Inc., 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, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$205.00 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.

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

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

-5-

Case No. 5309

Order No. R-4857

(12) 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.

(13) 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



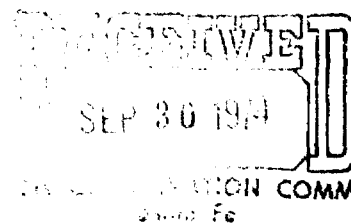
*I. R. Trujillo*  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/



*File*  
*Case 5309*

September 30, 1974

Re: NEW MEXICO OIL CONSERVATION'S ORDER NO R-4857,  
C & K's proposed test well in SW/4 SE/4 of Section 27,  
Township 16 South, Range 37 East, NMPM, Lea County,  
New Mexico.

Gentlemen/or Mr. or Mrs. as the case may be

Pursuant to the subject order enclosed is an itemized  
schedule of estimated well costs for the subject well.

Sincerely,

C & K PETROLEUM, INC.

encl.

By.

A handwritten signature in cursive script, appearing to read 'C. K.', is written over the 'By.' line.

Lease East Lovington Well No. 1 Field Wildcat Depth 12,500'  
 Location SW/4 of SE/4 Sec. 27, T-16-S, R-37-E, Lea County, New Mexico  
 Reason for Request To drill and complete in Devonian

			ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
<b>INTANGIBLE DRILLING &amp; DEVELOPMENT</b>				
1. Surveying			\$ 300	\$
2. Roads and Location			5,000	
3. Damages			1,000	
4. Contract Drilling: MI-RU @ \$			10,000	
Day work: 60 days @ \$ 2,600 w/dp			156,000	
5. Cement & Cementing Services:				
Surface	slm @ \$		1,700	
Intermediate	sax @ \$		6,500	
Oil String	sax @ \$			3,800
6. Drilling Fluids			25,000	500
7. Drill Stem Testing: Tests @			4,800	
8. Coring & Analysis				
9. Electric Log			6,000	500
10. Perforating				1,500
11. Acidizing & Fracturing				5,000
12. Pulling units				5,000
13. Plugging * Not included in total for producer			4,000	
14. Trucking			500	500
15. Geology including logging unit			11,000	
16. Miscellaneous including bits			20,000	
17. Tool Rentals, Special Services			1,500	2,500
18. Contract Labor				2,000
19. Contract Overhead			3,000	750
20. Engineering				
21. Supervision			2,000	1,500
22. Insurance				
23. Contingencies			25,700	2,450
TOTAL INTANGIBLE DRILLING & DEVELOPMENT			\$ 284,000	\$ 26,000
<b>EQUIPMENT (Itemized)</b>				
24. Casing - Surface			6,000	
Intermediate			55,000	
Production				93,750
25. Tubing				40,600
26. Guide Shoes, Float, & Centralizers			1,000	1,500
27. Well Head			4,000	5,000
28. Tanks				12,000
29. Flow Lines				
30. Valves & Fittings				
Production Packers				1,500
31. Pumping Equipment				
Rods				
32. Other			3,000	7,650
TOTAL EQUIPMENT			\$ 69,000	\$ 162,000
TOTALS			\$ 353,000	\$ 188,000
TOTAL DRILLING & COMPLETION COSTS				\$ 537,000

ACCEPTED: \_\_\_\_\_ Date \_\_\_\_\_  
 Company \_\_\_\_\_  
 By \_\_\_\_\_  
 Your Interest \$ \_\_\_\_\_

APPROVED:

*Chambers & Kennedy* C & K Petroleum.

By \_\_\_\_\_  
 Operator's Interest \$ \_\_\_\_\_

*Chambers & Kennedy*  
AUTHORITY FOR EXPENDITURE

No. \_\_\_\_\_  
Date Sept. 30, 1974

Lease East Lovington Well No. 1 Field Wildcat Depth 11,700'  
Location SW/4 of SE/4 Sec 27, T-16-S, R-37-E  
Reason for Request To drill & complete in Strawn

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
<u>INTANGIBLE DRILLING &amp; DEVELOPMENT</u>		
1. Surveying	\$ 300	\$
2. Roads and Location	5,000	
3. Damages	1,000	
4. Contract Drilling: MI-RU @ \$	10,000	
Day work: 55 days @ \$ 2,600 w/dp	143,000	
5. Cement & Cementing Services:		
Surface sax @ \$	1,700	
Intermediate sax @ \$	6,500	
Oil String sax @ \$		3,800
6. Drilling Fluids	22,000	500
7. Drill Stem Testing: 3 Tests @ 1200 each	3,600	
8. Coring & Analysis		
9. Electric Log	6,000	500
10. Perforating		1,500
11. Acidizing & Fracturing		5,000
12. Pulling units		5,000
13. Plugging * Not included in total for producer	4,000	
14. Trucking	500	500
15. Geology including logging unit	10,000	
16. Miscellaneous including bits	18,000	
17. Tool Rentals, Special Services	1,500	2,500
18. Contract Labor		2,000
19. Contract Overhead	3,000	750
20. Engineering		
21. Supervision	2,000	1,500
22. Insurance		
23. Contingencies	21,900	2,450
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 260,000	\$ 26,000
<u>EQUIPMENT (Itemized)</u>		
24. Casing - Surface	6,000	
Intermediate	55,000	
Production		87,750
25. Tubing		38,000
26. Guide Shoes, Float, & Centralizers	1,000	1,500
27. Well Head	4,000	5,000
28. Tanks & other lease facilities		12,000
29. Flow Lines		
30. Valves & Fittings		
Production Packers		1,500
31. Pumping Equipment		
32. Misc		
33. Other	3,000	7,250
TOTAL EQUIPMENT	\$ 69,000	\$ 153,000
TOTALS	\$ 329,000	\$ 179,000
TOTAL DRILLING & COMPLETION COSTS		\$ 504,000

ACCEPTED: \_\_\_\_\_ Date \_\_\_\_\_  
Company \_\_\_\_\_  
By \_\_\_\_\_  
Your Interest \$ \_\_\_\_\_

APPROVED:  
*Chambers & Kennedy* C & K PETROLEUM,  
By \_\_\_\_\_  
Operator's Interest \$ \_\_\_\_\_

Dockets Nos. 27-74 and 29-74 are tentatively set for hearing on September 18 and October 2. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 4, 1974

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

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- CASE 4548: (Reopened)
- In the matter of Case No. 4548 being reopened pursuant to the provisions of Order No. R-4157-A, which order continued in effect for one year the special temporary rules and regulations for the Catclaw-Draw Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said gas pool should not be developed on 320-acre spacing.
- CASE 5311: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extension of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and present geological and engineering data to show whether the boundaries of the Catclaw Draw-Morrow Gas Pool should be extended to the East in Township 21 South, Range 26 East, Eddy County, New Mexico, and if so, to what extent.
- CASE 5303: Southeastern nomenclature case calling for the extension of certain pools in Lea, Eddy and Chaves Counties, New Mexico.



(Case 5303 continued from Page 2)

- (a) Extend the North Benson-Queen Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM  
Section 33: NE/4 NW/4

- (b) Extend the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM  
Section 10: S/2  
Section 24: N/2

- (c) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 6: All

- (d) Extend the Dos Hermanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 21: All

- (e) Extend the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 28: SE/4 SE/4

- (f) Extend the Field Ranch-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 38 EAST, NMPM  
Section 34: S/2 and NE/4

- (g) Extend the West Jal-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM  
Section 20: E/2

- (h) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 23: SE/4

Examiner Hearing - Wednesday - September 4, 1974

Docket No. 26-74

-4-

(Case 5303 continued from Page 3)

(1) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 1: SW/4

(2) Extend the Winchester Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 3: E/2

Dockets Nos. 27-74 and 29-74 are tentatively set for hearing on September 18 and October 2. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 4, 1974

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

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

CASE 5038: (Reopened)

In the matter of Case No. 5038 being reopened pursuant to the provisions of Order No. R-4620, which order authorized the temporary disposal of produced water in unlined surface pits in the Twin Lakes Field, Chaves County, New Mexico, for a period of one year. All interested parties may appear and show cause why Commission Order No. R-3221 should not apply to this area.

CASE 5304: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Mercury Production Company, American Employers' Insurance Company and all other interested parties to appear and show cause why the Mercury State Well No. 1 located in Unit E of Section 27, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5305: Application of Continental Oil Company for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving the simultaneous dedication of its Britt B Well No. 17 located in Unit P of Section 10 and its Skaggs B Well No. 7 located in Unit K of Section 11, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, said wells to be dedicated to a 320-acre non-standard proration unit comprising the SE/4 of said Section 10 and the SE/4 of said Section 11, said unit having previously been approved by Commission Order No. R-908.

CASE 5306: Application of Franklin, Aston & Fair for directional drilling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Lightcap Well No. 2, the surface location of which is 660 feet from the North line and 1980 feet from the East line of Section 25, Township 17 South, Range 29 East, Chaves County, New Mexico, by setting a whipstock at approximately 5800 feet and bottoming in the Siluro-Devonian formation within a 50-foot radius of a point 361 feet south of the surface location.

CASE 5307: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Eumont Gas Pool and the Eunice Monument Grayburg-San Andres Pool in the wellbore of its Reed "B" Well No. 2 located in Unit H of Section 23, Township 20 South, Range 36 East, Lea County, New Mexico.

- CASE 5308: Application of Continental Oil Company for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving the simultaneous dedication of its Lynn B-25 Wells Nos. 1 and 2 located in Units J and M, respectively, of Section 25, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, said wells to be dedicated to a 120-acre non-standard proration unit comprising the S/2 of said Section 25, said unit having been previously been approved by Commission Order No. R-2088.
- CASE 5309: Application of C. & K. Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to be dedicated to a wildcat oil well to be drilled to the Strawn, and possibly the Devonian formation, at an orthodox location for said proration 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 5310: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
- CASE 4548: (Reopened)
- In the matter of Case No. 4548 being reopened pursuant to the provisions of Order No. R-4157-A, which order continued in effect for one year the special temporary rules and regulations for the Catclaw-Draw Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said gas pool should not be developed on 320-acre spacing.
- CASE 5311: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extension of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico. All interested parties may appear and present geological and engineering data to show whether the boundaries of the Catclaw Draw-Morrow Gas Pool should be extended to the East in township 21 South, Range 26 East, Eddy County, New Mexico, and if so, to what extent.
- CASE 5303: Southeastern nomenclature case calling for the extension of certain pools in Lea, Eddy and Chaves Counties, New Mexico.

(Case 5303 continued from Page 2)

- (a) Extend the North Benson-Queen Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 33: NE/4 NW/4

- (b) Extend the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM  
Section 13: S/2  
Section 24: N/2

- (c) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 6: All

- (d) Extend the Dos Hermanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 21: All

- (e) Extend the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 28: SE/4 SE/4

- (f) Extend the Field Ranch-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 38 EAST, NMPM  
Section 34: S/2 and NE/4

- (g) Extend the West Jal-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM  
Section 20: E/2

- (h) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 23: SE/4

Examiner Hearing - Wednesday - September 4, 1974

Docket No. 26-74

-4-

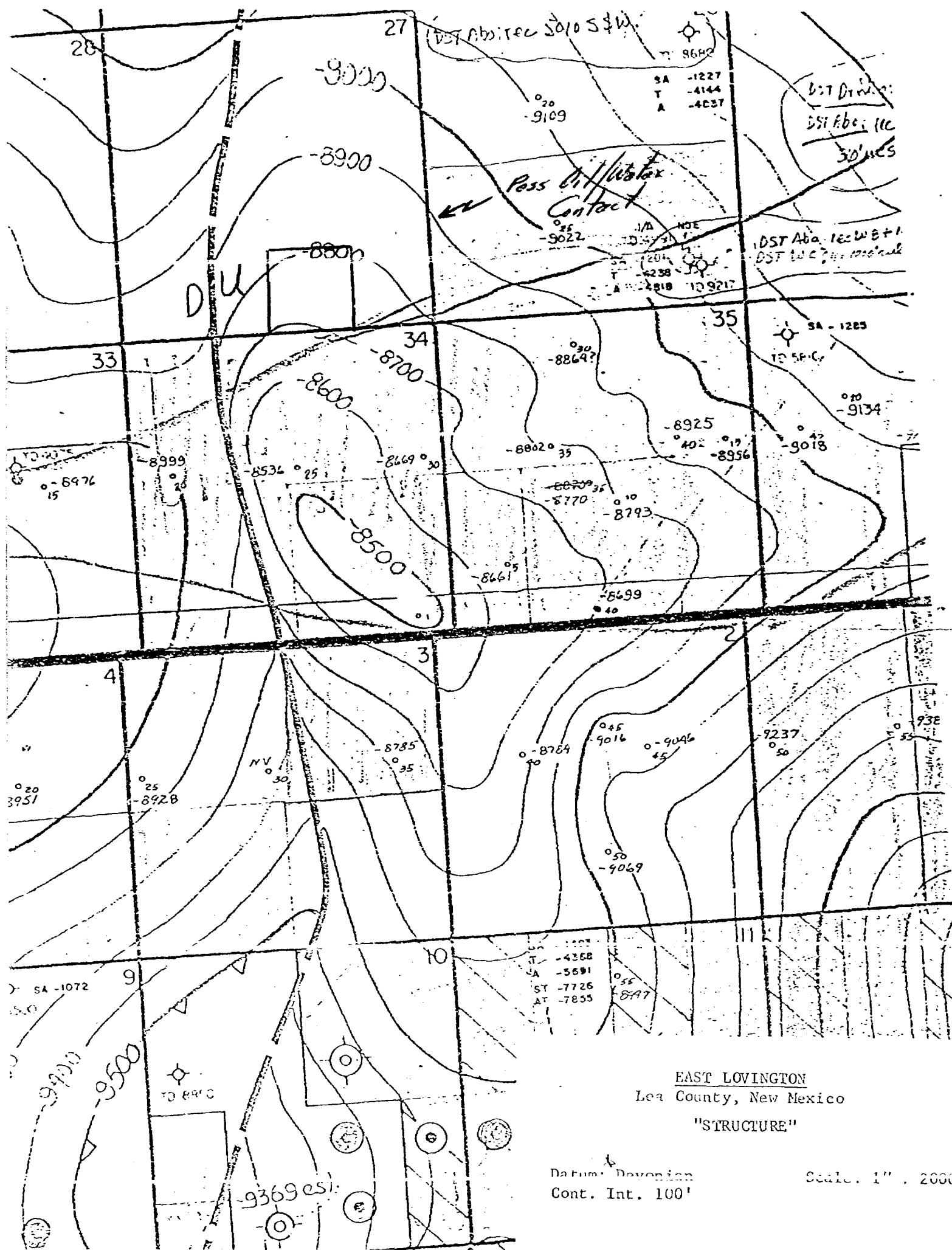
(Case 5303 continued from Page 3)

(i) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico,  
to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 1: SW/4

(j) Extend the Winchester-Strawn Gas Pool in Eddy County, New Mexico,  
to include therein:

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM  
Section 3: E/2



EAST LOVINGTON  
Lea County, New Mexico  
"STRUCTURE"

Datum: Devonian  
Cont. Int. 100'

Scale: 1" = 2000'

Lease East Lovington Well No. 1 Field Wildcat Depth 11,700'  
 Location SW/4 of SE/4 Sec 27, T-16-S, R-37-E  
 Reason for Request To drill & complete in Strawn

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
<b>INTANGIBLE DRILLING &amp; DEVELOPMENT</b>		
1. Surveying	\$ 300	\$
2. Roads and Location	5,000	
3. Damages	1,000	
4. Contract Drilling: MI-RU @ \$	10,000	
Day work: 55 days @ \$ 2,600 w/dp	143,000	
5. Cement & Cementing Services:		
Surface sax @ \$	1,700	
Intermediate sax @ \$	6,500	
Oil String sax @ \$		3,800
6. Drilling Fluids	22,000	500
7. Drill Stem Testing: 3 Tests @ 1200 each	3,600	
8. Coring & Analysis		
9. Electric Log	6,000	500
10. Perforating		1,500
11. Acidizing & Fracturing		5,000
12. Pulling units		5,000
13. Plugging * Not included in total for producer	4,000	
14. Trucking	500	500
15. Geology including logging unit	10,000	
16. Miscellaneous including bits	18,000	
17. Tool Rentals, Special Services	1,500	2,500
18. Contract Labor		2,000
19. Contract Overhead	3,000	750
20. Engineering		
21. Supervision	2,000	1,500
22. Insurance		
23. Contingencies	21,900	2,450
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 260,000	\$ 26,000
<b>EQUIPMENT (Itemized)</b>		
24. Casing - Surface	6,000	
Intermediate	55,000	
Production		87,750
25. Tubing		38,000
26. Guide Shoes, Float, & Centralizers	1,000	1,500
27. Well Head	4,000	5,000
28. Tanks & other lease facilities		12,000
29. Flow Lines		
30. Valves & Fittings		
Production Packers		1,500
31. Pumping Equipment		
Rods		
32. Other	3,000	7,250
TOTAL EQUIPMENT	\$ 69,000	\$ 153,000
TOTALS	\$ 329,000	\$ 179,000
TOTAL DRILLING & COMPLETION COSTS		\$ 504,000

ACCEPTED: \_\_\_\_\_ Date \_\_\_\_\_  
 Company \_\_\_\_\_  
 By \_\_\_\_\_  
 Your Interest \$ \_\_\_\_\_

APPROVED: Chambers & Kennedy C & K PETROLEUM, INC.  
 By \_\_\_\_\_  
 Operator's Interest \$ \_\_\_\_\_

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 C & K EXHIBIT NO. 6  
 5309



## AUTHORITY FOR EXPENDITURE

Date Sept. 3, 1974Lease East Lovington Well No. 1 Field Wildcat Depth 12,500'Location SW/4 of SE/4 Sec. 27, T-16-S, R-37-E, Lea County, New MexicoReason for Request To drill and complete in Devonian

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
<b>INTANGIBLE DRILLING &amp; DEVELOPMENT</b>		
1. Surveying	\$ 300	\$
2. Roads and Location	5,000	
3. Damages	1,000	
4. Contract Drilling: MI-RU @ \$	10,000	
Day work: 60 days @ \$ 2.600 w/dp	156,000	
5. Cement & Cementing Services:		
Surface sax @ \$	1,700	
Intermediate sax @ \$	6,500	
Oil String sax @ \$		3,800
6. Drilling Fluids	25,000	500
7. Drill Stem Testing: Tests @	4,800	
8. Coring & Analysis		
9. Electric Log	6,000	500
10. Perforating		1,500
11. Acidizing & Fracturing		5,000
12. Pulling units		5,000
13. Plugging * Not included in total for producer	4,000	
14. Trucking	500	500
15. Geology including logging unit	11,000	
16. Miscellaneous including bits	20,000	
17. Tool Rentals, Special Services	1,500	2,500
18. Contract Labor		2,000
19. Contract Overhead	3,000	750
20. Engineering		
21. Supervision	2,000	1,500
22. Insurance		
23. Contingencies	25,700	2,450
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 284,000	\$ 26,000
<b>EQUIPMENT (Itemized)</b>		
24. Casing - Surface	6,000	
Intermediate	55,000	
Production		93,750
25. Tubing		40,600
26. Guide Shoes, Float, & Centralizers	1,000	1,500
27. Well Head	4,000	5,000
28. Tanks		12,000
29. Flow Lines		
30. Valves & Fittings		
Production Packers		1,500
31. Pumping Equipment		
Rods		
32. Other	3,000	7,650
TOTAL EQUIPMENT	\$ 69,000	\$ 162,000
TOTALS	\$ 353,000	\$ 188,000
TOTAL DRILLING & COMPLETION COSTS		\$ 537,000

ACCEPTED: \_\_\_\_\_ Date \_\_\_\_\_

Company: \_\_\_\_\_

By: \_\_\_\_\_

Your Interest \$ \_\_\_\_\_

APPROVED: \_\_\_\_\_

~~Chambers & Kennedy~~ C & K Petroleum, Inc.

By: \_\_\_\_\_

Operator's Interest \$ \_\_\_\_\_

UNCOMMITTED PARTIES-SW $\frac{1}{4}$ SE $\frac{1}{4}$  Section 27, 16 South, 37 East, Lea Co., N.M.

PARTY AND ADDRESS	INTEREST	REMARKS
Texaco Inc. Box 3109 Midland, Texas 79701	Leasehold (16.67% W.I.)	5-22-74, requested them to join or farmout. 6-26-74 and 7-26-74, Texaco said would have decision by 10-1-74. 8-23-74, sent them AFE, asked them to join or farmout.
June Danglade Speight Box 1687 Lovington, New Mexico 88260	Unleased M. I. (103/640 or 16.09375%)	8-23-74, asked to join or farmout.
Ruth Armstrong address unknown	Unleased M. I. (1/384 or .26041%)	<u>Cannot locate.</u> Neither could Lone Star.
J. Hiram Moore et al, Trustees Box 1713 Midland, Texas 79701	Unleased M. I. (3/256 or 1.17187%)	8-23-74, asked to join or farmout.
Luther Emery address unknown	Unleased M. I. (1/256 or .39062%)	<u>Cannot locate.</u> Neither could Lone Star.
Heirs of S. R. Parke address unknown	Unleased M. I. (1/320 or .3125%)	<u>Cannot locate.</u> Neither could Lone Star.
Estate of M. P. Carrow; J. V. Ringold; J. D. Parks; H. M. Parks; C. W. Parks; George E. Senner addresses unknown	Unleased M. I. (1/128 or .78125%)	Subsequent title examination disclosed the interest of these parties. <u>Cannot locate.</u>
Ann Morris Marshall, Indv. and Indpt. Exec. of Estate of J. Norman Morris, deceased, 2865 MacVicar Ave. Topeka, Kansas 66611	Unleased M. I. (1/3840 or .02604%) AND Leasehold Interest (116/15360 or .007552% W.I.)	Subsequent title examination disclosed this interest. Originally thought to be owned by Coll Prod. Co. 8-27-74, requested her to join or farmout.

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C & K EXHIBIT NO. 8  
CASE NO. 5309

E. B. WHITE, JR.

P. O. BOX 4936-2052

MIDLAND, TEXAS 79701

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C&K EXHIBIT NO. 7

CASE NO. 5309

OFFICE PHONE  
682-4434

RESIDENCE PHONE  
683-1593

Petroleum Corporation of Texas  
Box 911  
Breckenridge, Texas 76024  
Attention: Mr. Jimmy Phillips

Heritage Resources, Inc.  
Box 777  
Davis, Oklahoma 73030  
Attention: Mr. Burke Healey

Re. Proposed 11,700' Strawn test in SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27,  
16 South, 37 East, Lea County, New Mexico (East Lovington  
Propect)

Gentlemen:

I am representing C&K Petroleum, Inc., Midland, Texas,  
in connection with the subject matter herein.

C&K has negotiated a farmout from Lone Star Producing Company  
on their leasehold interests outlined in yellow on the attached  
land plat, for the drilling of the captioned test well. The  
terms of the farmout are as follows:

1. As to the proration unit for the initial test well,  
C&K will earn all of Lone Star's interest 100' below  
total depth attained, with Lone Star retaining a 1/16  
override (proportionately reduced) during payout.  
At payout, Lone Star will have the option to convert  
the override to a 1/4 working interest (proportionately  
reduced).
2. As to the balance of the Lone Star acreage, on each  
subsequent well drilled, Lone Star will (1) have the  
option to retain a 1/16 override (proportionately  
reduced), in which event C&K will have earned all  
of Lone Star's leasehold interest in the proration  
unit for such well; or (2) have the option to partici-  
pate in the drilling of said well to the extent of  
a 50% working interest (proportionately reduced), in  
which event C&K will have earned 50% of Lone Star's  
leasehold interest in the proration unit for said well.

*6/10/73  
C&K Phillips with Petco  
Sandy & Co. & Heritage  
C&K on the deal -  
WILL WRITE FARMOUT  
He will write  
Agreement.*

page 2  
Petroleum Corp of  
Texas, and Heritage  
5-23-74

Petroleum Corporation owns unleased minerals of 2.67 net acres in the SW $\frac{1}{4}$  of Section 26, 10 net acres in the S $\frac{1}{2}$  and NE $\frac{1}{4}$  of Section 27, 2.67 net acres in the SE $\frac{1}{4}$  of Section 28, and 10.67 net acres in the N $\frac{1}{2}$  of Section 34. Heritage owns 2 net acres in the SW $\frac{1}{4}$  of Section 26, 7.5 net acres in the S $\frac{1}{2}$  and NE $\frac{1}{4}$  of Section 27, 2 net acres in the SE $\frac{1}{4}$  of Section 28, and 8 net acres in the N $\frac{1}{2}$  of Section 34.

It is requested that Petroleum Corporation and Heritage farmout their interests under the same terms agreed to by Lone Star. It would be deemed that your minerals are subject to a leases providing for a 3/16 royalty and any overrides to you would be in addition to the 3/16 royalty. In the event either of you do not wish to farmout, then you are invited to participate in the drilling of the proposed test well to the extent of your respective interests, and under a joint operating agreement covering the lands last described above.

Thanking you for your consideration and reply, I am,

Sincerely,

EBW:w  
Land Plat attached

E. B. White, Jr.

CC: C&K Petroleum, Inc.  
607 Midland National Bank Bldg.  
Midland, Texas 79701  
Attention: W. D. Kennedy

PETROLEUM CORPORATION OF TEXAS

P. O. BOX 911  
BRECKENRIDGE, TEXAS 76024

June 20, 1974

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C+K EXHIBIT NO. 10  
CASE NO. 5309

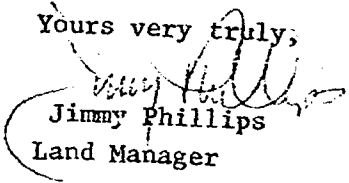
Mr. E. B. White, Jr.  
P. O. Box 2052  
Midland, Texas 79701

Re: Minerals 3254, 55, 56 and 57  
Proposed 11,700' Strawn test in  
SE/4 SW/4 Sec. 27  
Lea County, New Mexico

Dear Mr. White:

I have decided to hold up on preparing the farmout agreement until you have a firm commitment from Texaco. Please advise me when this decision on Texaco's part is made and I will then prepare then prepare the agreements for Petco and Heritage Resources, Inc.

Yours very truly,

  
Jimmy Phillips  
Land Manager

PCT/JP:wg

cc: Mr. Burke Healey  
Heritage Resources, Inc.  
P. O. Box 777  
Davis, Oklahoma 73030



**PETROLEUM CORPORATION OF TEXAS**

P. O. BOX 911

BRECKENRIDGE, TEXAS 76024

August 30, 1974

817-559-9354

<b>BEFORE EXAMINER NUTTER</b>	
OIL CONSERVATION COMMISSION	
<b>C+K</b>	EXHIBIT NO. <b>11</b>
CASE NO.	<b>5309</b>

Mr. E. B. White, Jr.  
P. O. Box 2052  
Midland, Texas 79701

Re: Minerals 3254, 55, 56 and 57  
Proposed 11,700' Strawn Test  
in SE/4 SW/4 Section 27,  
T16S-R37E  
Lea County, New Mexico

Dear Mr. White:

Subject to an acceptable Farmout Agreement my management will probably accept the Mesa Petroleum Company proposal. Since the Mesa well will be drilled before your proposed well we wanted to be sure that you were prepared to take a firm obligation to drill before preparing the Farmout Agreement covering our trade. Our Farmout Agreement with you would contain a clause that would state that if you do not drill the well you would be liable for damages equal to at least the amount of money our proportionate cost of drilling the well would equal.

If this is acceptable, I will go ahead and prepare the Farmout Agreement. If you would prefer to wait until Mesa's well is down before taking a firm obligation to drill, we could do that and then at that time, if you are still interested, we could negotiate a trade covering your well.

Yours very truly,

*Jimmy Phillips*  
Jimmy Phillips  
Land Manager

PCT/JP/mb



Handwritten notes and stamps at the bottom right of the page include:  
- "15,553" and "302" (possibly acreage or well numbers)  
- "24456" and "300,000" (possibly well numbers or costs)  
- "24456" and "300,000" (possibly well numbers or costs)  
- "24456" and "300,000" (possibly well numbers or costs)  
- "24456" and "300,000" (possibly well numbers or costs)

E. B. WHITE, JR.

P. O. BOX 2052

MIDLAND, TEXAS 79701

August 23, 1974

OFFICE PHONE  
(915) 682-4434

RESIDENCE PHONE  
(915) 683-1593

J. Hiram Moore, Betty Jane Moore  
and Michael Harrison Moore, Trustees  
Box 1713  
Midland, Texas 79701

June Danglade Speight  
Box 1687  
Lovington, New Mexico 88260

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C&K EXHIBIT NO. 12  
CASE NO. 5309

Re. J. Hiram Moore et al, Trustees' 3/256 (1.171875%) mineral interest in S/2 of Section 27; and June Danglade Speight's 103/640 (16.09375%) mineral interest in SE $\frac{1}{4}$  of Section 27, ALL IN 16 SOUTH, 37 EAST, LEA COUNTY, NEW MEXICO (East Lovington Area)

Dear Addressees:

The undersigned represents C&K Petroleum, Inc., Midland, Texas, in connection with the matters herein.

C&K proposes the drilling of a 11,700' Strawn test, with the option to deepen to 12,500' or Devonian, at a location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 27, 16 South, 37 East. Said well would be commenced on or before November 1, 1974.

Enclosed, in duplicate, is AFE for a 12,500' Devonian test. If the well is only drilled to 11,700' or Strawn, the costs thereof will be approximately 15% less than for a 12,500' test.

You are invited to join in the drilling of said well to the extent of your respective interests.

Alternately, if either of you do not wish to participate in the drilling of the test well, C&K offers to take a farmout on your respective interests on the following terms:

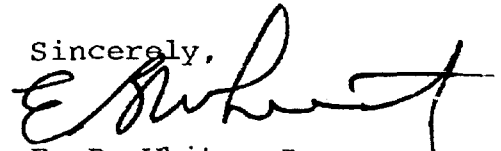
1. As to the proration unit for the initial test well, if productive, C&K will earn all of your interest therein to 100' below total depth (but there will be no depth limitation if the Devonian is tested), with you retaining your proportionate part of a 1/16 override during payout. At payout, you would have the option

to convert the override to your proportionate part of a 1/4 working interest. C&K would have the option to deepen the test well to the Devonian formation within 180 days after reaching 11,700' or the Strawn, or commence a second test well within said 180 day period and drill to the Devonian and earn the deep rights under the same terms.

2. As to the remainder of your acreage, on each subsequent well drilled, you would (1) have the option to retain your proportionate part of a 1/16 override, in which event, if the well is productive, C&K will have earned all of your interest in the proration unit for the well, or (2) you would have the option to participate in the drilling of said well to the extent of your proportionate part of a 50% working interest, in which event, if the well is productive, C&K will have earned 50% of your interest in the proration unit for said well.
3. As your mineral interests are unleased, they would be treated in an Operating Agreement as being leased and providing for a 3/16 royalty.

Thanking you for your consideration and reply, I am,

Sincerely,



E. B. White, Jr.

EBW:w  
encls

CC: C&K Petroleum, Inc.  
607 Midland National Bank Bldg.  
Midland, Texas 79701  
Attn: Mr. W. D. Kennedy



August 27, 1974

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
C&K	EXHIBIT NO. 13
CASE NO.	6309

Mrs. Ann W. Marshall, Executrix of the Estate of J. Norman Morris  
2865 MacVicar Avenue  
Topeka, Kansas 66611

Re. East Lovington Area, Lea County, New Mexico

Dear Mrs. Marshall:

I am representing C&K Petroleum, Inc., Midland, Texas, in connection with the matters herein.

A recent title examination indicated that the Estate of J. Norman Morris owns an unleased 1/3840 mineral interest in the S/2 of Section 27, 16 South, 37 East; and the following oil and gas leases covering the indicated interest in the S/2 of said Section 27, said leases also covering other lands not germane hereto:

LEASE 1:

Date:	March 3, 1965, ten (10) year primary term
Recorded:	Book 235, page 420
Lessor:	Eugene Coffelt, devisee under Estate of E. LeRoy Cooper, and Viola Coffelt, his wife
Covers:	3/3840 interest
Royalty:	1/8

LEASE 2:

Date:	March 3, 1965, ten (10) year primary term
Recorded:	Book 235, page 422
Lessor:	E. L. Cooper, heir and devisee under the Estate of E. LeRoy Cooper, et ux
Covers:	60% of 1/3840 interest
Royalty:	1/8

LEASE 3:

Date:	November 26, 1965, ten (10) year primary term
Recorded:	Book 243, page 392
Lessor:	J. H. Ward Hinkson et al
Covers:	1/3840 interest
Royalty:	1/8

LEASE 4:

Date:	December 30, 1965
Recorded:	Book 246, page 99
Lessor:	Ella F. Blain et al
Covers:	1/384 interest
Royalty:	1/8

C&K proposes the drilling of a 11,700' Strawn test, with the option to deepen to 12,500' or Devonian, at a location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 27, 16 South, 37 East. Said well would be commenced on or before November 1, 1974.

Enclosed in duplicate is AFE for a 12,500' Devonian test. If the well is only drilled to 11,700' or Strawn, the costs thereof will be approximately 15% less than for a 12,500' test.

You are invited to join in the drilling of said well to the extent of your interest.

Alternately, if you do not wish to participate in the drilling of the test well, C&K offers to take a farmout on your interests. As to the leasehold interests above, you would retain a 1/8 override, subject to proportionate reduction. As to the unleased mineral interest, C&K would take a 180 day lease, no cash bonus, but providing for a 1/4 royalty to you.

Thanking you for your consideration and reply, I am,

Sincerely,



E. B. White, Jr.

EBW:w  
encls

May 22, 1974

Texaco Inc.  
Box 3109  
Midland, Texas  
Attention: Mr. E. H. Watkins

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C&K EXHIBIT NO. 14  
CASE NO. 5309

Re. Proposed 11,700' Strawn test in the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 27,  
16 South, 37 East, Lea County, New Mexico (East Lovington  
Area)

Gentlemen:

I am representing C&K Petroleum, Inc., Midland, Texas, in  
connection with the matters herein contained.

C&K has negotiated a farmout from Lone Star Producing Company  
on their leasehold interests in the SE $\frac{1}{4}$  of Section 26; E $\frac{1}{4}$  and  
SW $\frac{1}{4}$  of Section 27; and SE $\frac{1}{4}$  of Section 28, 16 South, 37 East,  
for the drilling of the captioned well. The terms of the  
farmout are as follows:

1. As to the proration unit for the initial test well,  
C&K will earn all of Lone Star's interest to 100'  
below total depth attained, with Lone Star retaining  
a 1/16 override during payout. At payout, Lone Star  
will have the option to convert the override to a  
1/4 working interest (proportionately reduced).
2. As to the balance of the Lone Star acreage, on each  
subsequent well drilled, Lone Star shall (1) have  
the option to retain a 1/16 override (proportionately  
reduced), in which event C&K will have earned all of  
Lone Star's leasehold interest in the proration unit  
for the test well; or (2) have the option to participate  
in the drilling of said well to the extent of a 50%  
working interest (proportionately reduced), in which  
event C&K will have earned 50% of Lone Star's leasehold  
interest in the proration unit for said well.

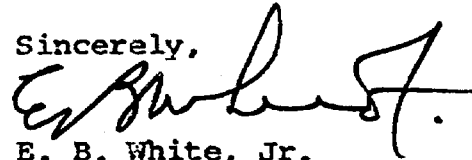
Texaco own leases covering 36.75 net acres in the SW $\frac{1}{4}$  of Section 27;

26.67 net acres in the SE $\frac{1}{4}$  of Section 27; and 65.4167 net acres in the NE $\frac{1}{4}$  of Section 27. These leases are being held beyond their primary terms by the marginal well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 33, 16 South, 37 East.

It is requested that Texaco farmout its leases under the same terms as agreed to by Lone Star. In the event Texaco does not wish to farmout, then Texaco is invited to join in the drilling of the proposed test well to the extent of its working interest, and under a joint operating agreement covering the S $\frac{1}{2}$  and NE $\frac{1}{4}$  of said Section 27.

Thanking you for your early attention and reply, I am,

Sincerely,



E. B. White, Jr.

EBW:w  
land plat attached

CC: C&K Petroleum, Inc.  
607 Midland National Bank  
Midland, Texas  
Attention: Mr. W. D. Kennedy



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT  
CENTRAL UNITED STATES  
MIDLAND DIVISION

TEXACO INC.  
P. O. BOX 3109  
MIDLAND, TEXAS 79701

June 5, 1974

192925 - B. E. Shipp Lease  
Lea County, New Mexico

Mr. E. B. White, Jr.  
P. O. Box 2052  
Midland, Texas 79701

Dear Sir:

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C&K EXHIBIT NO. 15  
CASE NO. 5309

You propose the drilling of an 11,700' Strawn test at a location in the SE/4 SW/4 of Section 27, T-16-S, R-37-E, Lea County, New Mexico. Your proposal is made on behalf of C&K Petroleum, Inc., Midland, Texas.

You request a farmout from Texaco covering its varied leasehold interests in 480 acres, being the E/2 and SW/4 of said Section 27. You advise of the terms of a farmout which have been negotiated with Lone Star Gas Company covering that company's interest in the said 480 acres and also parts of Sections 26 and 28 in said township. You inquire whether Texaco would consent to a sublease of its interest in the 480 acres on terms identical to Lone Star's sublease.

Your proposal has received our careful consideration. Circumstances are such that, at the present time, we are unable to reach a firm decision. For this reason it is suggested that you contact our organization within approximately 90 days. At that time we may be in a position to reach a decision on your request for a farmout.

Yours very truly,

E. H. Watkins  
Division Landman

By Robert E. Davis  
Robert E. Davis

*6-6-74 - Davis says  
contact them about  
the 117,000' Sept.*

RED-BH



PETROLEUM PRODUCTS

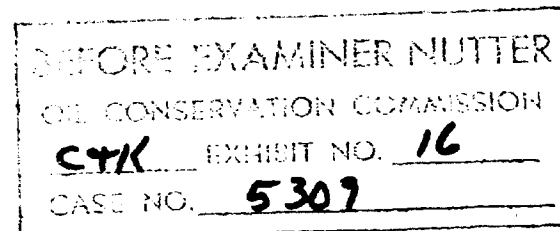
PRODUCING DEPARTMENT  
CENTRAL UNITED STATES  
MIDLAND DIVISION

TEXACO INC.  
P. O. BOX 3109  
MIDLAND, TEXAS 79701

July 26, 1974

192925 - B. E. SHIPP LEASE  
LEA COUNTY, NEW MEXICO

Mr. E. B. White, Jr.  
P. O. Box 2052  
Midland, Texas 79701



Dear Sir:

On behalf of C&K Petroleum, Inc., Midland, Texas, you have requested a farmout from Texaco covering its varied leasehold interest in the E/2 and SW/4 of Section 27, T-16-S, R-37-E, Lea County, New Mexico. In this regard you have proposed the drilling of a 11,700' Strawn test.

By letter dated June 5, 1974, you were advised by the undersigned that there would be a certain delay in reaching a decision as to your request on the part of Texaco Inc.

Since your original proposal which was submitted by letter dated May 22, 1974, you have expressed concern about any delay which may occur in reaching a decision on your request. In order to keep you fully apprised of the matter, you are now advised, Mr. White, that we will endeavor to have a decision on your farmout request by 10-1-74.

Please understand that we are not purposely delaying a decision on your proposal. Circumstances are such that we are unable to reach a decision at this time. Your continued patience is appreciated.

Yours very truly,

E. H. Watkins  
Division Landman

By

Robert E. Davis

RED-ES

August 23, 1974

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
C&K	EXHIBIT NO. 17
CASE NO.	5309

Texaco Inc.  
Box 3109  
Midland, Texas  
Attention: Mr. Robert E. Davis

Re. Your 192925 - B. E. Shipp et al leases, Lea County, N. M.  
(C&K's East Lovington Area)

Gentlemen:

Reference is made to my letter of May 22, 1974, on behalf  
of C&K Petroleum.

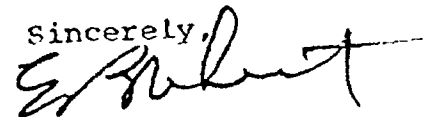
The terms of the requested farmout from Texaco are amended  
as follows:

1. Location of the initial test well is changed to  
the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 27, 16-37.
2. C&K will have the option to deepen the initial test  
well, or drill a second test well, to a depth of  
12,500' or Devonian formation. Such option would  
be exercisable within 180 days after completion  
of the initial test well, and if productive, C&K  
would earn the deeper rights under the same conditions  
as in connection with the initial test well.

C&K plans to commence the initial test well on or before  
November 1, 1974.

As originally stated in my letter of May 22, 1974, if Texaco  
so desires it may participate in the drilling of the well to  
the extent of its interest. In this connection, enclosed, in  
duplicate, is C&K's AFE for a 12,500' Devonian test. If the  
well is only drilled to 11,700' Strawn, the costs thereof will  
be approximately 15% less than shown on the AFE.

Sincerely,



E. B. White, Jr.

EBW:w  
encls

DRAFT

jr/TWD

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. 5309

Order No. R-4857

APPLICATION OF C. & K. PETROLEUM, INC.  
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 September 4, 1974  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        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, C. & K. Petroleum, Inc., seeks an  
order pooling all mineral interests in formations of Pennsylvanian  
age or older underlying the SW/4 SE/4 of Section 27, Township 16  
South, Range 37 East, NMPM, Lea County, New Mexico.



1 -2-  
2 CASE NO. 5309  
3 Order No. R-

4 (3) That the applicant has the right to drill and proposes  
5 to drill a well to the Strawn and possibly to the Devonian  
6 formation, at an orthodox location for said spacing unit.

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

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

16 (6) That no formation of greater age than the formation in  
17 which the subject well is completed should be pooled by this order.

18 (7) That the applicant should be designated the operator  
19 of the subject well and unit.

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

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

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

(11) 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

Case No.  
Order No. R

(12) That \$205.00 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.

(13) 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.

(14) 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 December 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 the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 10 South, Range 37 East, NMPM, \_\_\_\_\_, Lea County, New Mexico, are hereby pooled to form a standard 40- acre <sup>oil</sup> ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of December, 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 December, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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

5                    PROVIDED FURTHER, that in the event that the subject well is  
6 completed in the Devonian formation, said formation, as of the date  
7 of such completion, shall also be deemed to be pooled by this  
8 order.

9                    (2) That C & K Petroleum, Inc., is hereby designated the  
10 operator of the subject well and unit.

11                    (3) That after the effective date of this order and within  
12 30 days prior to commencing said well, the operator shall furnish  
13 the Commission and each known working interest owner in the subject  
14 unit an itemized schedule of estimated well costs.

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

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

32                    (6) That within 60 days following determination of reason-  
able 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, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$205.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-

Case No.

Order No. R-

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall 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.

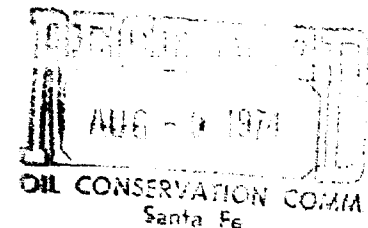
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

*Case 5309*

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF C & K PETROLEUM, INC., FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO



A P P L I C A T I O N

COMES NOW C. & K. Petroleum, Incorporated, and applies to the Oil Conservation Commission of New Mexico for an order pooling all of the mineral interests of Pennsylvanian age or older underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the subject acreage, and proposes to drill a wild-cat well at an orthodox location, to a sufficient depth to test the Strawn formation, with an option to deepen the test to approximately 12,500 feet to test the Devonian formation.

2. All interest owners have agreed to pool their interests within this proposed unit with the exception of certain owners whose names and addresses, to the best of applicant's information and belief, are as follows:

Texaco, Incorporated  
Box 3109  
Midland, Texas 79701

*CK  
Contract  
65% of  
total working  
interest  
in unit*

*See Page 2*

*OK 10/1/74  
8-22-74*

June Danglade Speight  
Box 1687  
Lovington, New Mexico 88260

Ruth Armstrong  
5441 East Camelback Road  
Phoenix, Arizona

Coll Production Company  
3220 Draxton Avenue, SW  
Albuquerque, New Mexico 87105

*no interest*

J. Hiram Moore, Betty Jane  
Moore and Michael Harrison  
Moore, Trustees under Trust  
Indenture dated July 1, 1971,  
between J. Hiram Moore and  
wife Betty Jane Moore and  
said Trustees  
Box 1713  
Midland, Texas 79701

DOCKET MAILED

Luther Emery  
address unknown

Date *8-22-74*

Heirs of S. R. Parke  
c/o Leonora Parke  
Pasadena, California

*Docket returned  
insufficient  
address*

Jack Markham, Fannye Gae Markham  
Ratcliff, C. B. Markham, Jr.,  
John Markham, Sallie Mae Markham  
White, Julia Ruth Markham Procter  
and Billie Joe Markham  
Suite 1212, 1500 Broadway  
Lubbock, Texas 79408

*participating*

Petroleum Landowners Corp.  
730 South Hoover  
Los Angeles, California

*participation*

Perpetual Royalty Company  
Oklahoma City, Oklahoma

*no interest  
docket returned  
insufficient  
address*

Harry Seeborn  
Quincy, Illinois

3. Pooling of the proposed unit is in the interests  
of conservation, and the interests of all mineral interests,  
including those of royalty owners, will be protected.

*participating*

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all mineral interests of Pennsylvanian age or older underlying the proposed unit, designating applicant as operator, and making provision for applicant to recover the costs of drilling and completing said well, actual operating costs, charges for supervision, and a provision for a charge for the risk involved in drilling and completing said well.

Respectfully submitted,

C & K PETROLEUM, INC.

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

ATTORNEYS FOR APPLICANT