

CASE 5510: C&K PETROLEUM, INC., FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO.

5510

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 10, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc.,
for compulsory pooling, Lea County
New Mexico

CASE NO. 5509

and

Application of C & K Petroleum, Inc.
for compulsory pooling, Lea County,
New Mexico

CASE NO. 5510

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:

William F. Carr, Esq.
Legal Counsel for the
Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

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

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SANTA FE, NEW MEXICO 87501
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I N D E X

JOHN L. MOSELEY

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MR. NUTTER: Case 5509.

MR. CARR: Case 5509. Application of C & K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, appearing for the Applicant. I have one witness I would like to have sworn.

(Witness sworn.)

MR. KELLAHIN: If the Examiner please, C & K Petroleum, Inc., has two cases, 5509 and 5510, both for a compulsory pool in adjacent half sections. The basic ownership and the royalty interests are identical in both of these cases, and for all practical purposes, they are the same case. For that reason, I would like to move that we consolidate the two cases for the purposes of the record with separate orders to be entered.

MR. NUTTER: We will call now Case No. 5510.

MR. CARR: Case 5510. Application of C & K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico.

MR. NUTTER: For the record, Cases 5509 and 5510 will be consolidated for purpose of hearing, and we might point out that these will be the only cases that will be

called prior to the lunch break. We will reconvene the hearing at 1:30 for those who may be interested.

JOHN L. MOSELEY

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A John L. Moseley.

Q By whom are you employed and in what position, Mr. Moseley?

A C & K Petroleum, Inc., as petroleum engineer, Midland, Texas.

Q Have you ever testified before the Oil Conservation Commission or one of its Examiners and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Moseley, are you familiar with the Application of C & K Petroleum in Cases 5509 and 5510?

MOSELEY-DIRECT

A Yes, I am.

Q What does the Applicant propose in these two cases?

A We propose to force pool the non-consent acreage involved in the north half of the southwest quarter of Section 27, 16, 37, Lea County, New Mexico. We also --

Q (Interrupting) That would be Case 5510?

A Yes. We also propose, in Case 5509, to force pool the non-consent acreage in the south half of the southwest quarter of Section 27, 16, 37, Lea County.

Q Referring to what has been marked as Exhibits Nos. 1 and 2, would you identify those exhibits and discuss the information shown on them?

A Yes. These two exhibits, I have shown the acreage that we propose to force pool outlined in red.

Q The exhibits are identical with the exception of the delineation of the unit?

A Yes, sir, they are. This is a plat of the area in question in which we have at the present time two producing wells from the Casey-Strawn Field that we have denoted on these plats in red. The yellow that I have on the plats indicate the dry holes that have penetrated the Strawn formation within this 9-section area around the Casey-Strawn Pool. Also shown here in green are the wells

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that are presently completed in what is known as the Ship-Drinkard Field in this same area.

Q Now, the two wells circled in red are the only Strawn producers in the area then?

A Yes, sir, they are.

Q Has C & K made any effort to get the non-consenting owners to join in the drilling of this well?

A Yes, we have. We have sent a letter out to the non-consent owners requesting that they join us in drilling these two particular wells.

Q Referring to what has been marked as Exhibits Nos. 3 and 4, would you identify these exhibits?

A Exhibits 3 and 4 are copies of the letter that was sent to all of the non-consent working interest owners in May of this year in which we requested or informed them that we would make application before the Commission for compulsory pooling of the 80 acres involved in each well. Page 2, we have tabulated here the working interest owners and their interest under each of the two wells involved. I might add here that Texaco is listed here with a leasehold interest of approximately 23 percent has elected to join in drilling this well. Consequently, we have left a very minor percentage here of interest that

MOSELEY-DIRECT

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will be non-consent in each case.

Q Other than Texaco, did you receive any response to your letters?

A No, we did not.

Q Now, referring to what has been marked as Exhibits Nos. 5 and 6, would you identify those exhibits?

A Exhibits 5 and 6 are copies of the AFE's that were prepared in May of this year. The total cost for drilling these wells is estimated at approximately \$590,000 in each case.

Q Is that based on your experience in drilling the other two wells in this area?

A Yes, it is.

Q Do you consider it a reasonable figure?

A Yes, sir, we do.

Q Is there anything unusual in the estimate?

A No, there is not.

Q Do you have anything to add in connection with that?

A I believe not.

Q Now, Mr. Moseley, the Applicant has asked the Commission to provide for an order allowing it to recover its cost of drilling and operating the well, and the AFE

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covers your estimated cost of drilling the wells, does it not?

A Yes, it does.

Q Do you consider there is any particular risk in drilling a well to the Casey-Strawn Pool?

A Yes, sir, we do.

Q What do you base that on?

A We base that on the fact that within this 9-section area involved around Section 27 which we are proposing to force pool, there have been six dry holes drilled to date that have penetrated the Strawn versus two producing wells to date. Consequently, there is a ratio of 3 dry holes to 1 producing well within this 9-section area as it involves the Strawn Formation.

Q Do you have any other risks involved or is the Strawn Formation a continuous formation?

A The Strawn Formation is very erratic in that it is a stratographic porosity development which comes and goes in this particular area. There are other Strawn -- there is other Strawn production, of course, in the east Lovington area, however, it is random and there is a risk involved in drilling an offset well here very significantly.

Q Now, the Application also asks for a provision

MOSELEY-DIRECT

for recovering actual operating costs and charges for supervision. What are your normal charges for supervision?

A The normal charges for supervision with respect to a drilling well rate would be \$1500 per well per month.

Q How long do you estimate it would take to drill a well of that kind?

A We estimate between 50 and 55 days to drill and complete.

Q What is your combined fixed rate for operating a well?

A The combined fixed rate as set out in the operating agreement is \$180 per well per month.

Q Is that the figure you are asking to be included in the Order in these cases?

A Yes, it is.

Q Does the Applicant ask to be designated as the operator?

A Yes, we do.

Q What risk factor do you think would be appropriate?

A I would propose a 200 percent plus cost.

Q Were Exhibits 1 through 6 prepared by you or under your supervision?

A Yes, they were.

MOSELEY-CROSS

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 through 6, inclusive.

MR. NUTTER: C & K's Exhibits 1 through 6 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 through 6 were marked for identification, and were offered and admitted into evidence.)

MR. KELLAHIN: That is all we have, Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q It appears, Mr. Moseley, from the mailing list that is attached to Exhibits Nos. 3 and 4 that the majority of the parties that have not joined in the drilling of the well is unleased mineral interest in the land, is that correct?

A Yes, sir, that is correct.

Q And some of these people, their addresses are unknown?

A That's right.

Q You have heard from none of them in response to these letters that you sent out?

A No, sir, we haven't.

Q But Texaco has joined?

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MOSELEY-CROSS

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A Yes, sir.

MR. NUTTER: Are there any further questions of Mr. Moseley?

MR. KELLAHIN: I have one further question.

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q You are aware that the Commission normally puts a limitation on the time in which a well shall be commenced in an order of this nature, are you not?

A Yes, I am.

Q Do you have any particular problem with either one of these cases?

A Yes. We would propose a three-month time period from the date of the Order to perform as to the forced pooling in the north half of the southwest quarter of Section 27 in which we have denoted here the well staked as 27-A No. 1.

Q That is Case No. 5510?

A Yes. However, we would request a six-month time period in order to perform as to the Well 27-A2 which is directly south. This would give us time to drill and complete two additional wells including 27-A No. 1 prior to drilling and completing 27-A2 and give us more

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confidence as to the profitability of drilling and completing a second well in the southwest quarter of Section 27.

Q So, in Case 5509, you are asking for six months in which to commence the well?

A Yes, we are.

MR. KELLAHIN: That's all I have.

RECROSS EXAMINATION

BY MR. NUTTER:

Q You are going to drill the north well first, then?

A Yes, sir.

MR. NUTTER: Is there anything further in Case No. 5509 or 5510? Does anyone have anything? Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all I have, Mr. Nutter.

MR. NUTTER: 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. 5509-5510 heard by me on 6/10, 19 75

[Signature], Examiner
New Mexico Oil Conservation Commission

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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. 5510
Order No. R-5042

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 June 10, 1975,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of June, 1975, 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 the Strawn formation
underlying the N/2 SW/4 of Section 27, Township 16 South,
Range 37 East, NMPM, Casey-Strawn Pool, Lea County, New
Mexico.

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

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

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

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

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

(8) That any non-consenting working interest owner 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.

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

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

(11) That \$1500.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$180.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) after completion of the well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1975, 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 Strawn formation underlying the N/2 SW/4 of Section 27, Township 16 South, Range 37 East, NMPM, Casey-Strawn Pool, Lea County, New Mexico, are hereby pooled to form a standard

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Case No. 5510
Order No. R-5042

80-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard 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 September, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

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

(2) That 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.

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Case No. 5510
Order No. R-5042

(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 \$1500.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling; and that \$180.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) after completion of the well; 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.

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Case No. 5510
Order No. R-5042

(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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



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

Phil R. Lucero
PHIL R. LUCERO, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/



PETROLEUM, INC.
May 20, 1975

Re: Application for Compulsory Pooling Order
S/2 SW/4 Sec. 27, T-16-S, R-37-E
Lea County, New Mexico

Shipp 27 "A" #2 well

TO NON-CONSENT WORKING INTEREST
AND MINERAL INTEREST OWNERS
(address list attached)

Gentlemen:

This letter is to advise you that C & K Petroleum, Inc. has made application for compulsory pooling of an 80 acre proration unit surrounding our proposed Shipp 27 "A" #2 well as set out above. The interests which we propose to pool are listed on attached opposite the name and address (if known) of the owner.

This hearing is set before the New Mexico Conservation Commission on June 11, 1975. The exact well location is 1980 from west line and 660' from south line of Sec. 27.

Thank you for your attention.

Very truly yours,

C & K PETROLEUM, INC.

(Mrs.) Danie Lebow
Petroleum Landwoman

/dml

607 MIDLAND NATIONAL BANK BUILDING • MIDLAND, TEXAS 79701 • 915 683-2311

Address list attached to letter dated May 20, 1975
Non-Consent Working Interest & Mineral Owners
Shipp 27 "A" #2

<u>Party</u>	<u>Interest</u>
Texaco, Inc. P. O. Box 3109 Midland, Texas 79701	Leasehold (22.96875% W.I.)
Ann Morris Marshall, Individually and as Independent Executrix of Estate of J. Norman Morris, deceased 2865 MacVicar Avenue Topeka, Kansas 66611	Unleased Mineral Interest (4/15360 or .02604%) AND Leasehold (116/15360 or .75520% W.I.)
Ruth Armstrong address unknown	Unleased Mineral Interest (40/15360 or .26041%)
Luther Emery address unknown	Unleased Mineral Interest (60/15360 or .39062%)
Lenora Parke, widow, for life with remainder to Mrs. Robert L. Christopher address unknown	Unleased Mineral Interest (48/15360 or .31250%)
J. V. Ringold address unknown	Unleased Mineral Interest (20/15360 or .13020%)
J. D. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)
H. M. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)
C. W. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)

AUTHORITY FOR EXPENDITURE

Date May 8, 1975

Lease Shipp 27 A Well No. 2 Field Casey Depth 11,800'

Location 1980' FW line & 660' FS line Section 27

Reason for Request To drill and Complete

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
INTANGIBLE DRILLING & DEVELOPMENT		
1. Surveying	\$ 250.00	\$
2. Roads and Location	5,200.00	
3. Damages	550.00	
4. Contract Drilling: 11,800' @ \$ 13.75/ft	162,250.00	
Day work: 3 days @ \$ 2800/day	8,400.00	
5. Cement & Cementing Services:		
Surface sax @ \$	2,000.00	
Intermediate sax @ \$	3,500.00	
Oil String sax @ \$		9,500.00
6. Drilling Fluids	30,000.00	500.00
7. Drill Stem Testing: 2 Tests @ 1400/ea	2,800.00	
8. Coring & Analysis	1,500.00	
9. Electric Log	7,500.00	850.00
10. Perforating		1,600.00
11. Acidizing & Fracturing		5,000.00
12. Pulling units		5,000.00
13. Plugging		
14. Trucking	750.00	1,500.00
15. Geology Well logging unit	2,500.00	
16. Miscellaneous including fuel	20,000.00	
17. Tool Rentals, Special Services	1,500.00	2,000.00
18. Contract Labor		2,000.00
19. Contract Overhead	3,000.00	750.00
20. Engineering		
21. Supervision	2,000.00	1,500.00
22. Insurance	15,600.00	
23. Contingencies	26,700.00	2,800.00
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 296,000.00	\$ 33,000.00
EQUIPMENT (Itemized)		
24. Casing - Surface	8,300.00	
Intermediate	56,200.00	
Production		123,000.00
25. Tubing		30,700.00
26. Guide Shoes, Float, & Centralizers	650.00	1,400.00
27. Well Head	2,000.00	3,500.00
28. Tanks Separators & Treaters		18,000.00
29. Flo		1,000.00
30. Valves & Fittings		1,500.00
Production Packers		1,500.00
31. Pumping Equipment		
Rods		
32. Other	3,850.00	9,400.00
TOTAL EQUIPMENT	\$ 71,000.00	\$ 190,000.00
TOTALS	\$ 367,000.00	\$ 223,000.00
TOTAL DRILLING & COMPLETION COSTS		\$ 590,000.00

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

APPROVED: _____
 By _____
 Operator's Interest _____ \$ _____

AUTHORITY FOR EXPENDITURE

No. _____
Date May 8, 1975

Lease Shipp 27 A Well No. 1 Field Casey Depth 11,800'
Location 1980' FS & W Lines Section 27
Reason for Request To drill and Complete

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
INTANGIBLE DRILLING & DEVELOPMENT		
1. Surveying	\$ 250.00	\$
2. Roads and Location	5,200.00	
3. Damages	550.00	
4. Contract Drilling: 11,800' @ \$ 13.75/ft	162,250.00	
Day work: 3 days @ \$ 2800/day	8,400.00	
5. Cement & Cementing Services:		
Surface sax @ \$	2,000.00	
Intermediate sax @ \$	3,500.00	
Oil String sax @ \$		9,500.00
6. Drilling Fluids	30,000.00	500.00
7. Drill Stem Testing: 2 Tests @ 1400/ea	2,800.00	
8. Coring & Analysis	1,500.00	
9. Electric Log	7,500.00	850.00
10. Perforating		1,600.00
11. Acidizing & Fracturing		5,000.00
12. Pulling units		5,000.00
13. Plugging		
14. Trucking	750.00	1,500.00
15. Geology Well logging unit	2,500.00	
16. Miscellaneous including fuel	20,000.00	
17. Tool Rentals, Special Services	1,500.00	2,000.00
18. Contract Labor		2,000.00
19. Contract Overhead	3,000.00	750.00
20. Engineering		
21. Supervision	2,000.00	1,500.00
22. Insurance	15,600.00	
23. Contingencies	26,700.00	2,800.00
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 296,000.00	\$ 33,000.00
EQUIPMENT (Itemized)		
24. Casing - Surface	8,300.00	
Intermediate	56,200.00	
Production		123,000.00
25. Tubing		30,700.00
26. Guide Shoes, Float, & Centralizers	650.00	1,400.00
27. Well Head	2,000.00	3,500.00
28. Tanks Separators & Treaters		18,000.00
29. Flow Lines		1,000.00
30. Valves & Fittings		1,500.00
Production Packers		1,500.00
31. Pumping Equipment		
Rods		
32. Other	3,850.00	9,400.00
TOTAL EQUIPMENT	\$ 71,000.00	\$ 190,000.00
TOTALS	\$ 367,000.00	\$ 223,000.00
TOTAL DRILLING & COMPLETION COSTS		\$ 590,000.00

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

APPROVED: _____
By _____
Operator's Interest _____ \$ _____



PETROLEUM, INC.

May 13, 1975

Re: Application for Compulsory Pooling Order
N/2 SW/4 Sec. 27, T-16-S, R-37-E
Lea County, New Mexico

Shipp 27 "A" #1

TO NON-CONSENT WORKING INTEREST
AND MINERAL INTEREST OWNERS
(address list attached)

Gentlemen:

This letter is to advise you that C & K Petroleum, Inc. has made application before the New Mexico Conservation Commission for compulsory pooling of an 80 acre proration unit surrounding our proposed Shipp 27 "A" #1 well, as described above. The actual location of the well is 1980' from south and west lines of said Sec. 27. The persons owning interest which we propose to pool are listed on the attached and their proportionate ownership is also reflected.

The hearing on this application is now set for June 11, 1975.

Thank you for your attention.

Very truly yours,

C & K PETROLEUM, INC.

(Mrs.) Danie Lebow
Petroleum Landwoman

/dm1

607 MIDLAND NATIONAL BANK BUILDING • MIDLAND, TEXAS 79701 • 915 683-3311

Address list attached to letter dated May 13, 1975
Non-Consent Working Interest & Mineral Owners
Shipp 27 "A" #1

<u>Party</u>	<u>Interest</u>
Texaco, Inc. P. O. Box 3109 Midland, Texas 79701	Leasehold (22.96875% W.I.)
Ann Morris Marshall, Individually and as Independent Executrix of Estate of J. Norman Morris, deceased 2865 MacVicar Avenue Topeka, Kansas 66611	Unleased Mineral Interest (4/15360 or .02604%) AND Leasehold (116/15360 or .75520% W.I.)
Ruth Armstrong address unknown	Unleased Mineral Interest (40/15360 or .26041%)
Luther Emery address unknown	Unleased Mineral Interest (60/15360 or .39062%)
Lenora Parke, widow, for life with remainder to Mrs. Robert L. Christopher address unknown	Unleased Mineral Interest (48/15360 or .31250%)
J. V. Ringold address unknown	Unleased Mineral Interest (20/15360 or .13020%)
J. D. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)
H. M. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)
C. W. Parks address unknown	Unleased Mineral Interest (20/15360 or .13020%)

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

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

A P P L I C A T I O N

COMES NOW, C & K PETROLEUM, INC., as provided by
Section 65-31-4, New Mexico Statutes, 1953, as amended,
and applies to the Oil Conservation Commission of New
Mexico for an order pooling all the mineral interest in
and under the ^{N/2}~~S/2~~ SW/4 of Section 27, Township 16 South,
Range 37 East, Casey-Strawn Pool, 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 following described acreage: ^{N/2}~~S/2~~ SW/4 of
Section 27, T16S, R37E, N.M.P.M., Lea County, New Mexico.

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

Texaco
Box 3109
Midland, Texas 79701

Ann W. Morris Marshall, Executrix
of the Estate of James Norman Morris,
Deceased, 2965 MacVicar Avenue
Topeka, Kansas 66611

*Collection Called in
by Tom Feltman
5/13/75*

[Signature]

DOCKET MAILED

Date _____

Ruth Armstrong
address unknown ✓

Luther Emery
address unknown ✓

Lenora Parke, a widow, for her life
with remainder upon her death to Mrs.
Robert L. Christopher
addresses unknown ✓

J. V. Ringold
address unknown ✓

J. D. Parks
address unknown ✓

H. M. Parks
address unknown ✓

C. W. Parks
address unknown ✓

Applicant is tabulating the interest of each of the above and shall present such information at the hearing on this application.

3. As required by the provisions of Commission Rule 104, applicant proposes to dedicate the ^{N/2}~~S/2~~ SW/4 of Section 27 to a well to be drilled at a standard location 1980 feet from the South and West lines of said Section.

4. Applicant proposes to drill said well, to test the Strawn formation at a depth of 11,800 feet to be called the Shipp 27-A No. 1 well.

5. Applicant requests that it be designated the operator of the pooled units requested above.

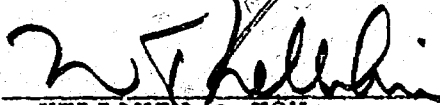
6. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interest indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interest in the spacing or proration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

WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all interest underlying the ~~S/3~~^{N/2} SW/4 of Section 27, T16S, R37E, N.M.P.M. Lea County, New Mexico, and designating applicant operator of the pooled unit, together with provisions for applicant to recover its costs out of production including a risk factor to be determined by the Commission and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for further orders as may be proper in the premises.

Respectfully submitted,

C & K PETROLEUM, INC.

BY



KELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

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

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and under the ~~3/2~~^{1/2} SW/4 of Section 27, Township 16 South,
Range 37 East, Casey-Strawn Pool, 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 following described acreage: ~~3/2~~^{1/2} SW/4 of
Section 27, T16S, R37E, N.M.P.M., Lea County, New Mexico.

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information and belief are as follows:

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Midland, Texas 79701

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address unknown

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with remainder upon her death to Mrs.
Robert L. Christopher
addresses unknown

J. V. Ringold
address unknown

J. D. Parks
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H. M. Parks
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Applicant is tabulating the interest of each of the above and shall present such information at the hearing on this application.

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4. Applicant proposes to drill said well, to test the Strawn formation at a depth of 11,800 feet to be called the Shipp 27-A No. 1 well.

5. Applicant requests that it be designated the operator of the pooled units requested above.

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

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Respectfully submitted,

C & K PETROLEUM, INC.

BY


KELLAHIN & FOX

Post Office Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC., FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
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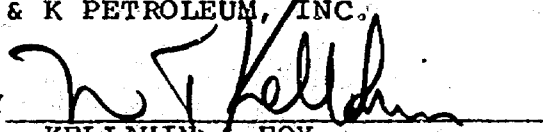
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WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all interest underlying the S/2 SW/4 of Section 27, T16S, R37E, N.M.P.M. Lea County, New Mexico, and designating applicant operator of the pooled unit, together with provisions for applicant to recover its costs out of production including a risk factor to be determined by the Commission and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for further orders as may be proper in the premises.

Respectfully submitted,

C & K PETROLEUM, INC.

BY



KELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

(11)

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5510

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

Order No. R-5042



ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 10, 1975
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of June, 1975, 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 the Strawn
formation underlying the N/2 SW/4
of Section 27, Township 16 South, Range 37 East,
NMPM, Casey-Strawn Pool, Lea County, New
Mexico.

Case No.
Order No. R-

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

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

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

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

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

(8) That any non-consenting working interest owner 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.

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

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

while drilling, and that \$180.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) after completion of the well;

-3-
Case No.
Order No. R

(11) That \$1500.00 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1975, 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 Strawn formation underlying the N/2 SW/4 of Section 27, Township 16 South, Range 37 East, NMPM, Casey-Strawn Pool, Lea County, New Mexico, are hereby pooled to form a standard 80-acre ^{oil} spacing and proration unit to be dedicated to a well to be drilled at a standard location 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 September, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

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

(2) That 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} at least 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 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 \$1500.00 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.

while drilling; and that \$180.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) after completion of the well;

-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.