

**CASE 5567: BELCO PET. CORP. FOR
COMPULSORY POOLING AND AN UNOR-
THODOX LOCATION, EDDY COUNTY**

CASE NO.

5567

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 8, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Belco Petroleum Corpora-
tion for compulsory pooling and an
unorthodox location, Eddy County,
New Mexico.

CASE
5567

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

Donald G. Stevens, Esq.
Attorney at Law
214 Old Santa Fe Trail
Santa Fe, New Mexico

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1 MR. STAMETS: We will call the next Case, 5567.

2 MR. CARR: Case 5567, application of Belco
3 Petroleum Corporation for compulsory pooling and an
4 unorthodox location, Eddy County, New Mexico.

5 MR. STEVENS: Mr. Examiner, I'm Don Stevens,
6 attorney in Santa Fe, representing the applicant and we have
7 two witnesses to be sworn.

8 MR. STAMETS: Any other appearances in this
9 Case?

10 (THEREUPON, the witnesses were duly
11 sworn.)

12 JAMES A. PATTERSON, JR.

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

15 DIRECT EXAMINATION

16 BY MR. STEVENS:

17 Q Would you state your name, please?

18 A James A. Patterson, Junior.

19 Q Could you give us your address and occupation
20 and your relationship to the applicant herein?

21 A 3217 Sinclair, Midland, Texas. I'm the district
22 landman for the Midland District for Belco Petroleum
23 Corporation.

24 Q Have you previously testified before this
25 Commission?

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1 A Yes, sir, I have.

2 MR. STEVENS: Mr. Examiner, are the witness's
3 qualifications acceptable?

4 MR. STAMETS: They are.

5 Q (Mr. Stevens continuing.) Would you briefly state
6 what the applicant seeks herein, Mr. Patterson?

7 A Belco seeks compulsory pooling for the west half
8 of Section 5, 22 South, 27 East, Eddy County, New Mexico,
9 and also approval of an unorthodox location in the same
10 half section.

11 I will testify as to the compulsory pooling and
12 another witness will handle the unorthodox location.

13 Q Referring to what has been marked -- and, Mr.
14 Examiner, I regret I did not get these marked but these
15 are in order, so I will watch it as we go -- what has been
16 marked as Exhibit Number One, would you explain it for
17 the Commission, please?

18 A Yes, this is a land plat of the west half of
19 Section 5, 22 South, 27 East. The yellow represents Belco
20 and Baron Corporation ownership within the proration unit.
21 The pink represents Cities Service leasehold and the orange
22 represents unsigned or uncommitted interest within the
23 proration unit.

24 Q What is the significance of the Cities Service
25 pink and the orange?

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1 A Well, Cities Service at the time of our application
2 we didn't know what their intentions would be in this
3 matter, however, it has now come to our attention that
4 they indicate they will join the well, therefore, they
5 probably won't be a party to the compulsory pooling. The
6 orange is still outstanding.

7 Q In any case, regardless of Cities Service or the
8 owners of the orange-colored acreage, they would have a
9 chance to join the unit subsequent to this hearing, would
10 they not?

11 A Yes, they would.

12 Q Now, approximately what percentage of the orange
13 is outstanding in this west half of Section 5?

14 A Point three oh eight nine percent of the proration
15 unit.

16 Q Thus the vast majority is owned by Belco or Cities
17 Service?

18 A Right.

19 Q Referring then to what would be marked Exhibit
20 Number Two, would you explain it, please?

21 A Okay. These are two letters written by myself
22 from our Midland office on behalf of Belco Petroleum. The
23 first letter of September the 18th, 1975 was mailed by
24 registered mail, return receipts requested, and sent to
25 the four parties who own the unleased interest in the west

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1 half of Section 5. The letter contained an offer to lease
2 their interest and an invitation to participate in the well.

3 The second letter dated September 26th, 1975 was
4 not only sent to the unleased interest, but also to the
5 working interest participants, giving an approximate spud
6 date for the well and it also contained an AFE for the well.

7 Q Thus by these two letters did you give all parties
8 who had not joined you a chance to join and those not leased
9 a chance to lease their lands to you?

10 A Yes, sir, I did.

11 Q And what was the price you offered in your lease?

12 A We offered two hundred and fifty dollars per acre
13 for a one year primary term lease and a three sixteenths
14 basic royalty.

15 Q I refer you to what will be marked as Exhibit
16 Three, will you explain it please?

17 A Yes, these are the return receipts from the
18 registered mailing of September 18th, 1975, and you will
19 note that there is a return receipt for each party, for each
20 unleased party in the west half of Section 5.

21 Q In summary then, Belco has determined all unleased
22 acreage and all leased acreage which has not joined and given
23 them a chance to join or lease to you in this proposed west
24 half of Section 5?

25 A That is correct.

1 Q Do you have anything further to add to your
2 testimony regarding this compulsory pooling?

3 A No, sir.

4 MR. STEVENS: I would like to call next Mr. Lee
5 Nering.

6 MR. STAMETS: Excuse me, is Exhibit Three supposed
7 to be two different pages?

8 MR. STEVENS: Yes, sir.

9 MR. STAMETS: I seem to have two of the same.

10 I have no questions of this witness. He may be
11 excused.

12 LEE NERING

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

15 DIRECT EXAMINATION

16 BY MR. STEVENS:

17 Q Would you state your name, address, occupation
18 and relationship with the applicant, please?

19 A My name is Lee Nering, I'm a geologist employed by
20 Belco Petroleum Corporation, 8707 Katie Freeway, Houston
21 Texas.

22 Q Have you previously testified before this Commission
23 and had your qualifications accepted?

24 A Yes, I have.

25 MR. STEVENS: Are the witness's qualifications

1 acceptable, Mr. Examiner?

2 MR. STAMETS: They are.

3 Q (Mr. Stevens continuing.) Mr. Nering, you will
4 testify, I understand, concerning the unorthodox location,
5 in that respect will you refer to what will be marked as
6 Exhibit Number Four?

7 A Exhibit Number Four is Belco's AFE which illustrates
8 the anticipated costs for the proposed drilling of the Meade
9 Number 4 well. It illustrates that we expect a completed
10 well cost of five hundred and seventy-five thousand dollars,
11 and three hundred and sixty-seven thousand dollars for a dry
12 hole cost.

13 Q Referring to what will be marked Exhibit Number
14 Five, will you explain it, please?

15 A Exhibit Number Five is a plat and a scale of one
16 inch equals two thousand feet. It illustrates the location
17 of the proposed Meade Number 4, as well as the location of
18 a dry hole, the John Joyce Number 1 drilled by Belco
19 Petroleum Corporation on the west half of Section 5, and
20 also all other penetrations of the Pennsylvanian in the
21 vicinity of the proposed Meade Number 4.

22 Q Could you give us the legal descriptions of those
23 two wells in the west half of Section 5 and discuss how they
24 differ or one might differ from the ordinary spacing?

25 A The Joyce well was drilled upon Unit F of the

1 Section 5. The proposed Belco Number 4 Meade is proposed
2 to be drilled nineteen hundred and eighty feet from the
3 west line and six hundred and sixty feet from the south line
4 which is an unorthodox location, and I might add that on the
5 exhibit the west half and the location of the proposed well is
6 outlined in colors, yellow and red.

7 Q Where would be an orthodox location in that west
8 half of Section 5, or more than one if there is such a thing?

9 A There are additional orthodox locations. The
10 orthodox locations would be, of course, nineteen hundred and
11 eighty feet from the south line and nineteen hundred and
12 eighty feet from the -- six hundred and sixty feet from the
13 west line or nineteen hundred and eighty feet from the north
14 line and six hundred and sixty feet from the west line.

15 Q On your Exhibit Five here, are all the wells shown
16 here circled, do they go to the Pennsylvanian formation
17 which you propose?

18 A The Pennsylvanian penetrations are shown by the
19 circles.

20 Q Referring to what has been marked as Exhibit Six,
21 would you explain it, please?

22 A Exhibit Number Six is a geological structure map
23 which is an interpretative top of the Lower Morrow. It
24 illustrates the proposed unorthodox location of the Meade
25 Number 4. It illustrates that Belco has proposed the Meade

1 Number 4 at a location which we feel will best insure that
2 gas that can be recovered under the west half of Section 5
3 will be recovered at this location and that there will be no
4 waste of this gas under the west half of Section 5, and
5 further that there will be protection of correlative rights
6 of the leasees and the lessors under the west half of Section
7 5.

8 In addition, the orthodox locations are considered
9 by Belco to be of sufficient geological risk to the point
10 that the justification of three hundred and sixty-seven
11 thousand dollars for dry hole cost probably cannot be
12 justified for orthodox locations, and, therefore, Belco has
13 proposed this unorthodox location which in our opinion will
14 be the most likely location within the west half to protect
15 the correlative rights and to insure that the gas will be
16 obtained.

17 Q Could you briefly discuss the geology of the area
18 to justify your reasons for this proposed unorthodox location?

19 A As can be seen from the geological map, Belco
20 did drill this John Joyce well. It was felt at that time
21 that we would have sufficient stratigraphy in the Morrow
22 formation, as well as adequate structural position to insure
23 a productive well. The well did encounter some gas, we
24 did test gas to surface, it was in insufficient quantity
25 to present a completion. The primary concern is the

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1 stratigraphy of the Morrow formation. There are a good
2 number of sands within the four hundred and fifty to five
3 hundred foot interval of the objective section. There were
4 no other objective sands and as a result the Joyce well was
5 abandoned.

6 But upon re-analysis, based upon the completions
7 of other wells in the area and reinterpretations of what
8 stratigraphy we have been able to interpret, we felt that
9 we would be abandoning any attempts to recover what we believe
10 to be gas under most, if not all, of the west half of Section
11 5 if we did not pursue an unorthodox location such as
12 proposed by the Meade Number 4.

13 Q In view of the gas to surface in the Number 1 Joyce
14 do you consider that the entire west half is underlain by
15 gas?

16 A I do not. As I mentioned the objective section
17 is between four hundred and fifty and five hundred feet
18 thick. There are a good number of sands. We tested over a
19 wide interval, we tested nearly all of the Morrow section.
20 There are very rapid changes in the reservoir quality of
21 the Morrow formation and in my opinion the penetration of
22 the Joyce Number 1 condemned the bore hole.

23 Q In other words, it condemned the bore hole, but
24 it did not necessarily condemn the rest of the west half from
25 having gas underlying it?

1 A That is my opinion.

2 Q You mentioned that the unorthodox location would
3 tend to prevent waste, are you speaking of physical waste
4 or economic waste?

5 A Primarily I am speaking of economic waste since
6 it seems unlikely that in view of the present well control
7 and the present interpretation of the Morrow geology in this
8 instance that it is unlikely that anyone would attempt to
9 drill an additional orthodox location. We feel that an
10 unorthodox location presents with the present information,
11 the best possible chance to recover those products that
12 may be available in the west half of Section 5.

13 Q Are there any other reasons why you would prefer
14 not drilling at a standard location one location north?

15 A The one location north poses two separate problems.
16 The orthodox location thirteen hundred and twenty feet
17 north of the proposed location has in our opinion a con-
18 siderably higher geological risk. It is approaching the
19 Joyce well and the implied stratigraphic alterations and
20 may be a case where it might be a well that might be unproduc-
21 tive and possibly out right dry. If not out right dry, it
22 could pose a greater problem because of the tendency on the
23 part of most operators to attempt a completion that should
24 not have been attempted.

25 The second part of that is that we have a lease.

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1 There happens to be a resident with a home in that vicinity
2 and the orthodox location would imperil the residential
3 grounds, and, in fact, we are faced with a lease restriction
4 for drilling within the proximity of the residence.

5 Q Do you have any other data to present to the
6 Commission or information concerning the geological aspects
7 of this unorthodox location?

8 A I can only repeat that in my opinion for the
9 recovery of gas in the west half of Section 5, the unorthodox
10 location presents the most likely location that we believe
11 present in this west half from which we can recover these
12 gases.

13 Q Referring to the forced pooling aspects of this
14 application, do you have a recommendation to the Commission
15 as to the penalty for the non-joining parties to the drilling
16 of this well?

17 A I think that in view of the fact that we have
18 drilled a dry hole which I might add, did cost Belco in
19 this same order of magnitude that this one is estimated to
20 cost. The map illustrates that there is a potential
21 saddle of sorts, which may or may not be affecting the
22 stratigraphy of the Morrow lying at the location, and for
23 these reasons I am recommending a penalty provision of
24 two hundred percent.

25 Q Is the risk in this area comparable, in your opinion,

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1 or higher or lower than in the South Carlsbad area generally?

2 A I think this is perhaps comparable. There are
3 some cases where the penalty provisions are somewhat less,
4 and in other cases the penalty provisions are approximately
5 the same. In the case of the John Joyce a penalty provision
6 of one hundred percent was given in that matter.

7 Q Have you a recommendation to the Commission in the
8 event of approval herein as to the amount of administrative
9 overhead which might be charged herein?

10 A Yes, I'm recommending that a monthly supervisory
11 charge of seventeen hundred and fifty dollars be made
12 while drilling, and a monthly supervisory charge of two
13 hundred and fifty dollars be given for a completed well.

14 Q To your knowledge and belief are these charges in
15 line with those charged by other operators in the area?

16 A Yes, we have made a study, a calculated study of
17 the operational charges that are being made by other
18 operators in the area, the most common being Cities Service,
19 with the greatest number of penetrations in this particular
20 area and our charges are in line and slightly less than the
21 most recent charges.

22 Q Does Belco desire to be named as operator of this
23 well and unit?

24 A Yes, I recommend that Belco be named the operator
25 of this well and unit.

1 MR. STEVENS: I have no further questions, Mr.
2 Examiner.

3 CROSS EXAMINATION

4 BY MR. STAMETS:

5 Q Mr. Nering, what is the location of the residence
6 you referred to?

7 A It is lying approximately, the boundaries of --
8 it isn't a single building, it is a set of grounds that
9 belong to the Meade family, and the perimeter is within
10 two hundred feet of the exterior boundary of the orthodox
11 location square. And I might also add that the location
12 square also involves the location of a U. S. Highway, for
13 the orthodox location.

14 Q That would be the one orthodox location in --

15 A Lying to the north, thirteen hundred and twenty
16 feet due north of the proposed location.

17 Q Okay. Mr. Nering, is it possible, considering
18 the Morrow formation, that you might encounter productive
19 horizons in the Morrow at your location that would not be
20 contacted in any other well?

21 A It is quite possible.

22 Q In that case you would recover gas that would not
23 be produced in any other well?

24 A That is correct.

25 Q And that would serve to prevent waste?

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1 A That is correct.

2 MR. STAMETS: Any other questions of the witness?

3 MR. CARR: Mr. Examiner, we have received a
4 telegram from Cities Service Oil Company recommending
5 approval of Belco's application in this Case. The telegram
6 is over the signature of Gene Motter, Cities Service Oil
7 Company, Southwestern Regional Manager.

8 MR. STAMETS: The witness may be excused if there
9 is nothing further.

10 MR. STEVENS: Mr. Examiner, I might ask the
11 Commission to take administrative notice of the number of
12 unorthodox locations that are approved in the South Carlsbad
13 Burton Flats area in its deliberation of this Case.

14 MR. STAMETS: The Case will be taken under advise-
15 ment.

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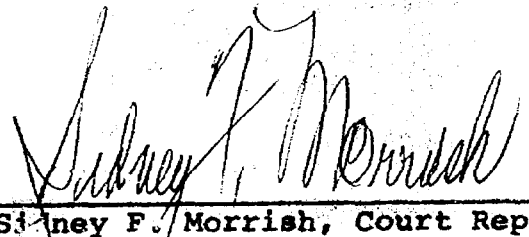
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State of New Mexico)
County of Santa Fe) ss.

I, SIDNEY F. MORRISH, a 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.


Sidney F. Morrish, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5567
heard by me on 10-8-75
Richard H. Ham, Examiner
New Mexico Oil Conservation Commission

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. 5567
Order No. R-5111

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND AN UNORTHODOX LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 8, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of October, 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, Belco Petroleum Corporation,
seeks an order pooling all mineral interests in the Pennsyl-
vanian formation underlying the W/2 of Section 5, Township 22
South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at an unorthodox location 660 feet from the
South line and 1980 feet from the West line of said Section 5.

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

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

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well 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 \$1750.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$250.00 per month should be fixed as a reasonable charge for supervision while producing; 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 on 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 January 15, 1976, 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 W/2 of Section 5, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 5.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of January, 1976, 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 January, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless the operator shall obtain a time extension from the Commission for good cause shown.

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

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

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

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

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

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Order No. R-5111

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 \$1750.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rate) while drilling, and that \$250.00 per month is hereby fixed as a reasonable charge for supervision while producing; 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. 5567

Order No. R-5111

(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 Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(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



Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

dr/

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ASAP, DLR
NEW MEXICO STATE LAND OFFICE BLDG
SANTA FE NM 87501
CITIES SERVICE OIL COMPANY RECOMMENDS APPROVAL OF BELCO PETROLEUM
CORPORATION'S REQUEST IN CASE NUMBER 5567 FOR COMPULSORY COOLING OF
ALL MINERAL INTERESTS IN THE PENNSYLVANIAN FORMATION UNDERLYING THE
WEST HALF SECTION 5 T22S R27E NMPM EDDY COUNTY NEW MEXICO AND FOR A
NORTHDOX LOCATION OF A WELL TO BE DRILLED 600 FEET FSL 1980 FEET
FWL SECTION 5 SUBJECT TO AN ACCEPTABLE ESTIMATED WELL COST
E F MOTTER CITIES SERVICE OIL COMPANY ENGINEERING MANAGER
SOUTHWEST REGION

1153 EST

IPMFEKA SANA

RECEIVED

OCT 7-1974

OIL CONSERVATION COMMISSION

1975 OCT -7 AM 11:05



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
October 24, 1975



STATE GEOLOGIST
EMERY C. ARNOLD

Donald G. Stevens
Attorney at Law
Post Office Box 1797
Santa Fe, New Mexico

Re: CASE NO. 5567
ORDER NO. R-5111

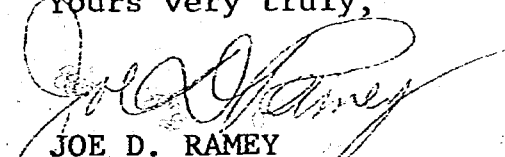
Applicant:

Belco Petroleum Corporation

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

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

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3

CASE NO. 5567

Submitted by BELLO

Hearing Date 10-8-75

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):
☐ Show to whom and date delivered..... 15¢
☐ Show to whom, date, & address of delivery.. 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 193 CERTIFIED NO. 196 INSURED NO. 196

4. DATE OF DELIVERY SEP 19 1975 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

ADDRESSEE: Complete items 3 and 4. Add your address in the "RETURN TO" space on reverse.

DATE OF DELIVERY SEP 19 1975 POSTMARK

SIGNATURE Francis Baldurama

CLERK'S INITIALS HC

* GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):
☐ Show to whom and date delivered..... 15¢
☐ Show to whom, date, & address of delivery.. 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 193 CERTIFIED NO. 196 INSURED NO. 196

4. DATE OF DELIVERY SEP 19 1975 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

ADDRESSEE: Complete items 3 and 4. Add your address in the "RETURN TO" space on reverse.

DATE OF DELIVERY SEP 19 1975 POSTMARK

SIGNATURE Francis Baldurama

CLERK'S INITIALS HC

* GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):
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☐ Show to whom, date, & address of delivery.. 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 193 CERTIFIED NO. 196 INSURED NO. 196

4. DATE OF DELIVERY SEP 19 1975 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

ADDRESSEE: Complete items 3 and 4. Add your address in the "RETURN TO" space on reverse.

DATE OF DELIVERY SEP 19 1975 POSTMARK

SIGNATURE Francis Baldurama

CLERK'S INITIALS HC

* GPO : 1974 O - 527-803

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 5567
Submitted by Bello
Hearing Date 10-8-75

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):
☐ Show to whom and date delivered..... 15¢
☐ Show to whom, date, & address of delivery..... 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 85¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 196 CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Frances Balderrama

4. DATE OF DELIVERY SEP 19 1975 POSTMARK CAR

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS WAC

GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):
☐ Show to whom and date delivered..... 15¢
☐ Show to whom, date, & address of delivery..... 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 197 CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Frances Balderrama

4. DATE OF DELIVERY SEP 19 1975 POSTMARK CAR

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS WAC

GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):
☐ Show to whom and date delivered..... 15¢
☐ Show to whom, date, & address of delivery..... 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
 REGISTERED NO. 193 CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Frances Balderrama

4. DATE OF DELIVERY SEP 19 1975 POSTMARK CAR

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS WAC

GPO : 1974 O - 527-803

PS Form 3811, Nov. 1973

PS Form 3811, Nov. 1973

FD-302 (Rev. 11-27-70)

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

6. UNABLE TO DELIVER BECAUSE:

5. ADDRESS (Complete only if requested)

DATE OF DELIVERY SEP 22 1975

SIGNATURE *Ray M. M...*

I have received the article described above.

(Always obtain signature of addressee or agent)

REGISTERED NO. 197

3. ARTICLE DESCRIPTION:

2. ARTICLE ADDRESSED TO:

1. The following service is requested (check one):

☐ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery..... 55¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

6. UNABLE TO DELIVER BECAUSE:

5. ADDRESS (Complete only if requested)

DATE OF DELIVERY 9-22-75

SIGNATURE *W. W. Galant*

I have received the article described above.

(Always obtain signature of addressee or agent)

REGISTERED NO. 195

3. ARTICLE DESCRIPTION:

2. ARTICLE ADDRESSED TO:

1. The following service is requested (check one):

☐ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery..... 35¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

6. UNABLE TO DELIVER BECAUSE:

5. ADDRESS (Complete only if requested)

DATE OF DELIVERY 9-25-75

SIGNATURE *W. W. Galant*

I have received the article described above.

(Always obtain signature of addressee or agent)

REGISTERED NO. 194

3. ARTICLE DESCRIPTION:

2. ARTICLE ADDRESSED TO:

1. The following service is requested (check one):

☐ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery..... 55¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

September 26, 1975

Cities Service Oil Company
800 Vaughn Bldg.
Midland, Texas
Attention: J. Frank Riney

Beren Corporation
970 Fourth Financial Center
Wichita, Kansas 67202
Attention: Robert M. Beren

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

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

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

W. W. Calentine
P. O. Box 898
Winkelman, Arizona 85292

Re: Avalon Prospect
Belco #4-Mead well
W/2 Section 5, T22S, R27E
Eddy County, New Mexico

Gentlemen:

By letter of September 11, 1975, Belco Petroleum Corporation proposed the drilling of an 11,600' Morrow test at a location 1980' FWL and 660' FSL of Section 5, T22S, R27E, Eddy County, New Mexico.

It was thought at the time that we proposed the well that the test would commence immediately; however, Belco has secured the necessary extensions of our leases and we now expect the well to commence around November 3, 1975. Enclosed for your consideration is Belco's AFE covering the cost of drilling this well. You will note that we estimate a cost to casing point of \$367,000 and the cost of a completed well to be \$575,000.

We would appreciate your early consideration of our proposal and we will furnish a copy of the proposed Operating Agreement as soon as it is available from our Houston office. Should you have any questions, please contact the undersigned.

Yours very truly,

BEFORE EXAMINER STAMETS BELCO PETROLEUM CORPORATION
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 5567

J. A. Patterson
District Landman

JAP/MW

Attachment

Submitted by BELCO

Hearing Date 10-8-75

September 18, 1975

Michael P. Grace
P. O. Box 1480
Carlsbad, New Mexico

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

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

W. W. Calentine
P. O. Box 898
Winkelman, Arizona 85292

Re: Avalon Prospect
Belco #4-Mead well
W/2 Section 5, T22S, R27E
Eddy County, New Mexico

Gentlemen:

Belco Petroleum Corporation proposes to drill an 11,600' Morrow test to be located 1980' FWL and 660' FWL of Section 5, T22S, R27E, Eddy County, New Mexico.

According to our information:

Mr. M. P. Grace owns Lot E in Block 130, Riverview Subdivision, City of Carlsbad and Lots 9 and 12, Block 125, Riverview Subdivision, City of Carlsbad;

Mr. M. B. Biggs owns Lot 23, Block 125, Riverview Subdivision, City of Carlsbad;

Mr. Vaughn F. Haynes owns Lot 4, Block 125, Riverview Subdivision, City of Carlsbad, and

Mr. W. W. Calentine owns Lot 13, Block 125, Riverview Subdivision, City of Carlsbad.

All of these lots are currently unleased.

It is our intention to commence the above-referenced test immediately and we herein offer to purchase an Oil and Gas Lease covering your specific tracts as outlined above at a consideration of \$250 per

Avalon Prospect
Belco #4-Mead
Eddy Co., N.M.

Page Two

net mineral acre for a one-year primary term lease and providing for a 3/16th base royalty. As an alternative, you may wish to join with Belco in the drilling of this test and pay your proportionate part of the cost of drilling the test. We estimate the cost of this well to be approximately \$535,000 for a completed producer. If you should desire to join us, please let me know at your very earliest convenience and I will send you a copy of the proposed Operating Agreement and an AFE covering the cost of the well for your consideration.

Of course, you also have the option to elect to be force pooled in this matter. If this is your preference, I would appreciate your indicating same in the space provided below on the enclosed extra copy of this letter and returning it to me at your earliest convenience. I am enclosing a stamped, self-addressed envelope for your convenience in replying.

We will greatly appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

J. A. Patterson
District Landman

JAP/MW
Attachments

REVISION 		BELCO PETROLEUM CORPORATION				COMPANY 05	
REV. DT. 		AUTHORIZATION FOR EXPENDITURE				AFF NO. 	
SO.	CHG.	PROPERTY NAME & NUMBER (27)			AUTH. DATE (6)		LOCATION (27)
1	2	3	4	5	6	7	8
18		Mead #4					Sec 5, T-22-S, R-27-E
TYPE OF WORK (23)		P. DEPTH (8)		FORMATION	FIELD NAME	CONTRACTOR	RIG TYPE
66		88	89	96			
Development - Gas		11,700'		Morrow	Avalon		Rotary
SO.	CHG.	PROSPECT NAME (22)		STATE (15)	COUNTY / PARISH (15)	CORP. W.I.	
1	2	3	4	5	6	7	8
19		Avalon		New Mexico	Eddy		

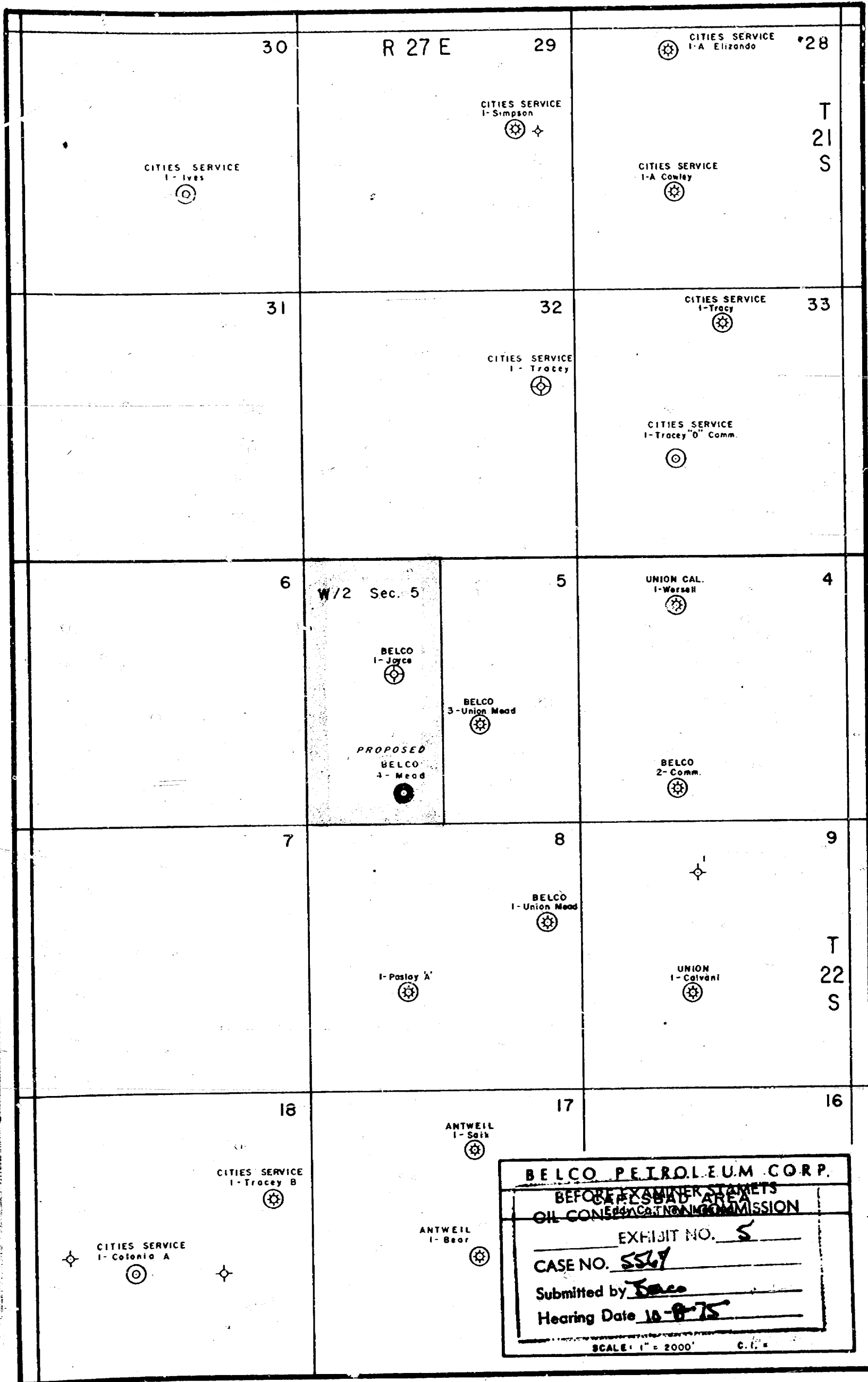
NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO.	CHG.	PROPERTY NO.	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20		11	730	734	
INTANGIBLE EXPENSE					
18	20				
		Rig Expenditure			
		Move In & Out			
		Drilling 10,000 Ft @ \$ 12.00 /Ft.	120,000		
		Daywork 15 Days @ \$2900	43,500		
		Completion/W.O. Unit 15 Days @ \$600	9,000		
218		Total Rig Expenditure	\$163,500	\$ 9,000	\$172,500
612		Location - Roads, Row & Damages	20,000	2,000	22,000
204		Contract Professional Services	6,700	3,000	9,700
210		Misc. Contract Labor	5,000	3,000	8,000
418		Mud & Additives	12,000	2,000	14,000
220		Mud Logging	1,700		1,700
424		Bits	15,000	1,200	16,200
228		Tubular Testing/Inspection	3,500	1,200	4,700
230		CSG/TBG Crews/Tools	4,000	2,000	6,000
422		Float Eq., Cent & Scratchers	2,500	4,500	7,000
420		Cement & Additives	15,000	4,000	19,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools			
222		Coring & Analysis			
224		Elec. Line - Logs, Perf, Production, Etc.	13,000	4,500	17,500
226		Well Testing - DST, Wireline, Etc.	3,500	1,500	5,000
512		Eq. Rents - Surface/Downhole	12,000	2,000	14,000
950		Directional Drilling Expense			
234		Transportation - Land - Marine	3,000	1,000	4,000
410		Fuel, Power & Water	15,000	1,000	16,000
930		Well Stimulation		6,000	6,000
808		Insurance & Bonds			
920		Misc. & Contingency	28,600	5,100	33,700
TOTAL INTANGIBLE EXPENSE			\$324,000	\$ 53,000	\$377,000

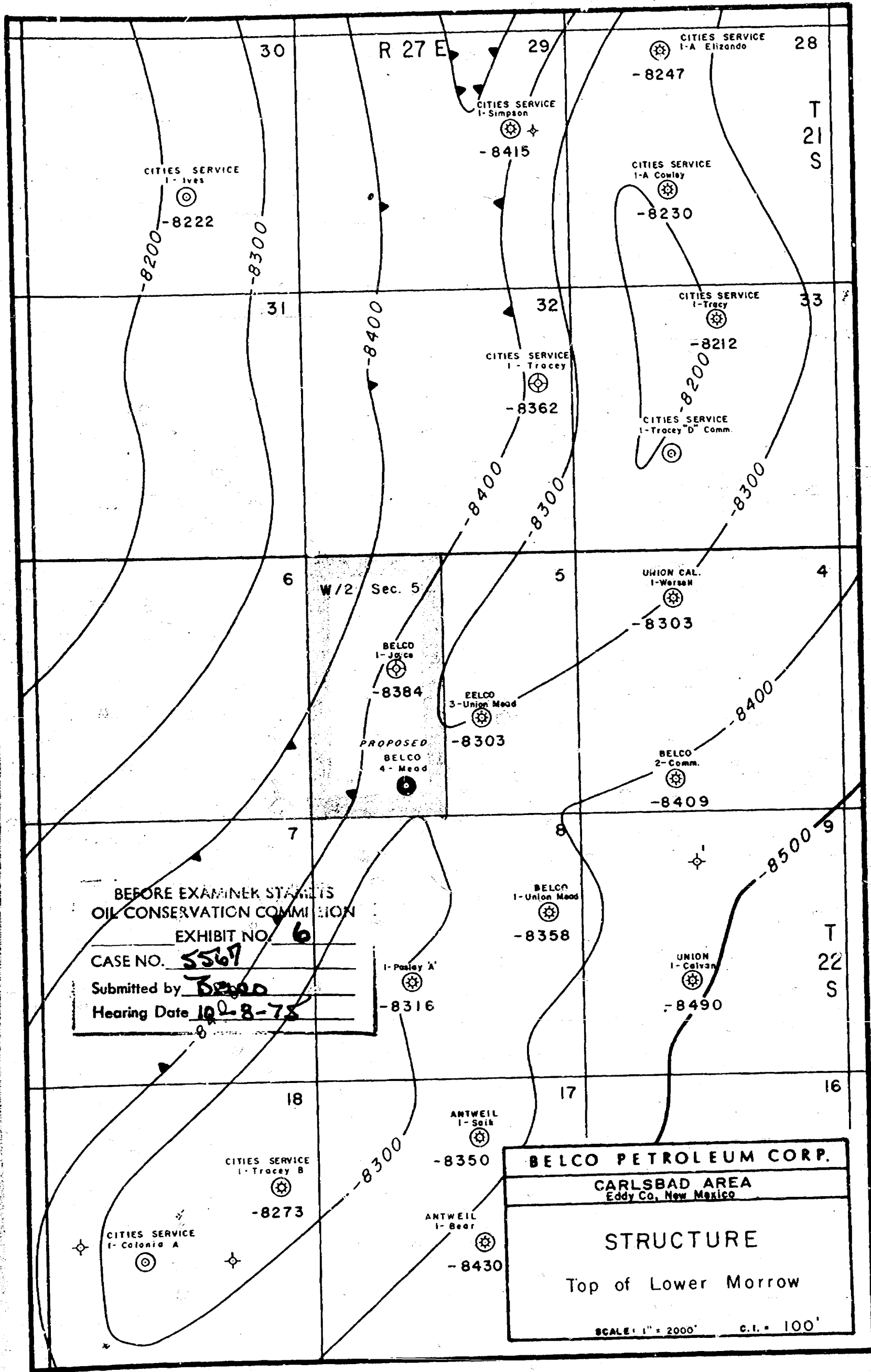
SO.	CHG.	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20			732	736	
TANGIBLE EXPENSE					
		CSG. & LINER			
		Drive 30 Ft. 30" O.D. @ \$ 35.00 /Ft. =	1,050		
		Cond. 400 Ft. 13-3/8" O.D. @ \$ 15.05 /Ft. =	6,020		
		Int. 3000 Ft. 9-5/8" O.D. @ \$ 10.87 /Ft. =	32,610		
		Prod. 11,700 Ft. 5-1/2" O.D. @ \$ 6.87 /Ft. =	80,379		
		Liner			
426		TOTAL	\$ 39,680	\$ 80,379	\$120,059
432		TUBING 11,700 Ft. 2-7/8" O.D. @ \$ 3.20 /Ft. =	37,440		37,440
430		WELLHEAD EQUIPT.	3,320	7,000	10,320
433		WELL PROD. EQUIPT. SURFACE		1,181	1,181
440		WELL PROD. EQUIPT. DOWNHOLE		4,000	4,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES		25,000	25,000
450		MARINE PLATFORMS			
452		OFFSHORE PROD. FACILITIES			
TOTAL TANGIBLE EXPENSE			\$ 43,000	\$155,000	\$198,000
TOTAL EXPENDITURE			\$367,000	\$208,000	\$575,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4

CASE NO. 5567
Submitted by Belco
Hearing Date 8-10-75



BELCO PETROLEUM CORP.	
BEFORE EXAMINER STATES	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	5
CASE NO.	5567
Submitted by	Baco
Hearing Date	10-8-75
SCALE: 1" = 2000' C.I.	



Docket No. 24-75

Dockets Nos. 25-75 and 26-75 are tentatively set for hearing on October 15 and October 22, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 8, 1975

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

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

CASE 5048: (Continued from September 10, 1975 Examiner Hearing)

In the matter of Case No. 5048 being reopened pursuant to the provisions of Order No. R-4637 which order established the South Dagger Draw-Upper Pennsylvanian Associated Pool and promulgated special pool rules therefor, including provisions for 320-acre proration units and a limiting gas-oil ratio of 8,000 to 1. All interested parties may appear and show cause why said special pool rules should remain in effect.

CASE 5551: (Continued from September 10, 1975 Examiner Hearing)

Application of Dalport Oil Corporation and Burk Royalty Co. for compulsory pooling and an unorthodox gas well location, Chaves County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests in the Queen formation underlying the W/2 of Section 17, Township 12 South, Range 31 East, Southeast Chaves-Queen Gas Area, Chaves County, New Mexico, to be dedicated to a well drilled at an unorthodox location 660 feet from the South and West lines of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.

CASE 5555: (Continued from September 24, 1975 Examiner Hearing)

Application of Lone Star Producing Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water into the Devonian formation through the open-hole interval from 12,180 feet to 12,226 feet in its Santa Fe Well No. 2 located in Unit 0 of Section 19, Township 9 South, Range 37 East, East Crossroads-Devonian Pool, Lea County, New Mexico.

CASE 5563: Application of Llano, Inc. for a unit agreement, Lea and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the Lusk Strawn Deep Unit Area comprising 20,864 acres, more or less, of State and Federal lands in Townships 18, 19, and 20 South, Ranges 31 and 32 East, Lusk Strawn Pool, Lea and Eddy Counties, New Mexico.

- CASE 5564: Application of Llano, Inc. for a pressure maintenance project, Lea and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot pressure maintenance project in the Lusk Strawn Pool, Lea and Eddy Counties, New Mexico, by the injection of gas into the Strawn formation through two wells in its Lusk Strawn Deep Unit Area. Applicant further seeks rules governing said project, including but not limited to provision for expansion of the project area, placing additional wells on injection, changes in injection pattern for sweep efficiency and determination of project allowable.
- CASE 5565: Application of Atlantic Richfield Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Vacuum Grayburg-San Andres Pool by injection of water through seven wells on its State "B" and State "C" Leases, six of said wells being converted producers located in Units C, E, I, K, M, and O of Section 32, Township 17 South, Range 34 East, Lea County, New Mexico, and the seventh being a new well drilled at an unorthodox location 250 feet from the South line and 2250 feet from the West line of said Section 32. Applicant further seeks an administrative procedure whereby the project area could be expanded and additional wells at standard and non-standard locations put on injection and production.
- CASE 5566: Application of James P. Graham for a non-standard proration unit and compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying a non-standard oil proration unit comprising the SW/4 NE/4 SE/4, NW/4 SE/4 SE/4, NE/4 SW/4 SE/4, and the SE/4 NW/4 SE/4 of Section 12, Township 13 South, Range 31 East, Caprock Queen Pool, Chaves County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1340 feet from the South line and 1300 feet from the East line of said Section 12, said location having been previously been approved by Order No. R-4750. 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 5567: Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 5, Township 22 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 5. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.

- CASE 5568: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its ARCO EC Well No. 2 to be drilled at a point 1980 feet from the South line and 1100 feet from the East line of Section 36, Township 17 South, Range 25 East, Eddy County, New Mexico, to have dedicated the S/2 of said Section 36.
- CASE 5569: Application of Yates Petroleum Corporation for amendment of certain provisions of Rules 104 C.II.(a) of the General Rules and Regulations for acreage and well location requirements for gas development wells in Southeastern New Mexico. Applicant, in the above-styled cause, seeks to amend Rules 104 B.I(a) and 104 C.II(a) to include the Wolfcamp formation under the standard 320-acre gas spacing and well location requirements for Southeastern New Mexico, or in the alternative, the applicant seeks special rules for gas wells completed in the Wolfcamp formation in Township 17 South, Ranges 25 and 26 East, Township 18 South, Ranges 24, 25, and 26 East, and Township 19 South, Ranges 23, 24, and 25 East, Eddy County, New Mexico, providing for 320-acre spacing and well location requirements.
- CASE 5570: Application of Filon Exploration Corporation for salt water disposal, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection into the Gallup formation through the perforated interval from approximately 3080 to 3600 feet in its Federal 11-C Well No. 2, located in Unit P of Section 11, Township 19 North, Range 4 West, Sandoval County, New Mexico.
- CASE 5571: Application of Robert G. Cox for amendment of Order No. R-4561, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4561, which order permitted the directional drilling of applicant's Federal "EA" Well No. 1, located 330 feet from the North and West lines of Section 12, Township 18 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico, in such a manner as to be bottomed within 100 feet of the surface location. Applicant seeks the amendment of said order to permit bottoming of the subject well approximately 58 feet from the North line and 8 feet from the West line of said Section 12 and to permit verification of said downhole location by single-shot directional surveys made concurrently with the drilling of said well.

Docket No. 25-75

Dockets Nos. 26-75 and 27-75 are tentatively set for hearing on October 22 and November 5, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 15, 1975

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:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas from seven-teen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for November, 1975.
 - (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for November, 1975.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

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

A P P L I C A T I O N

COMES NOW, Belco Petroleum Corporation, as provided by Section 65-31-4, New Mexico Statutes, 1953, as amended, applies to the Oil conservation Commission of New Mexico for an order pooling all the mineral interests in and under the W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, in formations of Pennsylvanian age or older. Applicant further seeks authorization for an unorthodox gas well location in said W/2 Section 5 to be designated as the Belco Petroleum Corporation #4 Mead. Said well would be located 660 feet from the Southline and 1980 feet from the Westline of Section 5, Township 22 South, Range 27 East, N.M.P.M. as an exception to the provisions of Rule 2 of Order No. R-1670-H, as amended, and in support thereof Applicant would show:

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

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

Michael P. Grace
P.O. Box 1418
Carlsbad, N.M.

Lot E, Block 130
Lots 9, 12, Block 125

.50 acres

M. B. Biggs
209 Moore Drive
Carlsbad, N.M.

Lot 23, Block 125

.23 acres

Vaughn Haynes 400 West 30th Farmington, N.M.	Lot 4, Block 125	.20 acres
W. W. Calentine P.O. Box 898 Winkelran, Arizona	Lot 13, Block 125	.06 acres
Cities Service Oil Company P.O. Box 1919 Midland, Texas	William Harry and Iona Juanita Young Lot 14, Block 129 Bruce F. and Zelda H. Robinson Land in W/2SW/4, Sec. 5 City of Carlsbad Tract 1, in NW/4NW/4, Section 5 Tract 2, in NW/4NW/4, Section 5	.299 acres 8.280 acres 6.300 acres <u>10.350 acres</u> 26.219 acres more or less

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

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

5. The risk and expense of drilling and completing the well is great and if the owners of the other interests in the W/2 Section 5 do not choose to pay their share of the cost of drilling and completion, Applicant should be allowed a reasonable charge for the supervision and a charge for the risk involved in addition to recovery of the actual cost of drilling and completing the well.

6. Unless Applicant is granted approval of an unorthodox gas well location as proposed herein, it will be denied its right to obtain its just and equitable share of the gas underlying its lands.

7. Approval of the application will result in the recovery

of gas that probably would not otherwise be recovered, will prevent waste, and correlative rights of the other owners in the area will be protected.

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 interests underlying the W/2 of Section 5, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, granting the unorthodox location requested, and designating Applicant operator of the pooled unit, together with provision for applicant to recover its costs out of production including a risk factor to be determined by the Commission and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for further orders as may be proper in the premises.

Respectfully submitted,
BELCO PETROLEUM CORPORATION

By Donald G. Stevens
DONALD G. STEVENS
P.O. Box 1797
Santa Fe, New Mexico 87501

ATTORNEY FOR APPLICANT

DRAFT

22/

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:

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND AN UNORTHODOX LOCATION, EDDY
COUNTY, NEW MEXICO.

CASE NO. 5567

Order No. R-5111

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 8, 1975
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of October, 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, Belco Petroleum Corporation,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 5, Township 22 South, Range 27 East,
NMPM, [Signature], Eddy County, New
Mexico.

has the right to drill and

(3) That the applicant proposes to drill a well at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 5.

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

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well 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% 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 \$1750.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$250.00 per month should be fixed as a reasonable charge for supervision while producing; 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.

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 January 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 Pennsylvanian formation underlying the W/2 of Section 5, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 5.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of January, 1976, 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 January, 1973, Order (1) of this order shall be null and void and of no effect whatsoever; UNLESS THE OPERATOR SHALL OBTAIN A TIME EXTENSION FROM THE COMMISSION FOR GOOD CAUSE SHOWN.

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

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200% 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 \$~~1~~⁷50.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$~~2~~⁵0.00 per month is hereby fixed as a reasonable charge for supervision while producing; 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 unproved mineral interest shall be con-

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 Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

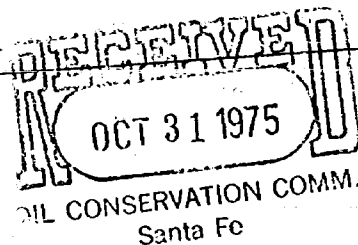
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

P.O. Box 19234
8707 Katy Freeway
Houston, Texas 77024
Telephone (713) 461-2662
Cable: BELPETEX

Belco Petroleum Corporation

Belco



October 29, 1975

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

RE: Order No. R-5111
(Case No. 5567)
Belco Petroleum Corporation
Mead No. 4
W/2 Section 5, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

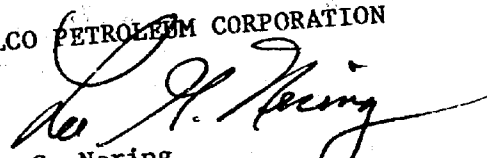
Belco Petroleum Corporation herewith furnishes you, as attachment, a copy of our Itemized Schedule of Estimated Well Costs for the Belco Mead No. 4 Well, captioned above, which is scheduled to commence within thirty (30) days.

This transmittal to you is pursuant to Directive No. 3, p. 3 from Order No. R-5111 (Case No. 5567) dated October 21, 1975, issued by the State of New Mexico Oil Conservation Commission.

Each known working interest owner has been furnished a copy of this same itemized schedule.

Yours very truly,

BELCO PETROLEUM CORPORATION


Lee G. Nering
Administrative Geologist

LGN:b
Attachemnt

ITEMIZED SCHEDULE OF ESTIMATED WELL COSTS

OCT 31 1975

REVISION		REV. DT.		BELCO PETROLEUM CORPORATION		AUTHORIZATION FOR EXPENDITURE		OCT 31 1975		05	
SO.		CHG.		PROPERTY NAME & NUMBER (27)		AUTH. DATE (6)		LOCATION (27)		DATE NO.	
18				Mead #4		Sec 5, T-22-S, R-27-E					
TYPE OF WORK (23)		P. DEPTH (8)		FORMATION		FIELD NAME		CONTRACTOR		RIG TYPE	
Development - Gas		11,700'		Morrow		Avalon				Rotary	
SO.		CHG.		PROSPECT NAME (22)		STATE (15)		COUNTY / PARISH (15)		COMP. V.I.	
19				Avalon		New Mexico		Eddy			

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO.	CHG.	PROPERTY NO.	CSG. FT. COST	COMPL. COST	TOTAL COST
20		11 17	730	734	
INTANGIBLE EXPENSE					
18 20		Rig Expenditure			
		Move In & Out			
		Drilling 10,000 Ft. @ \$ 12.00 /Ft. 120,000			
		Daywork 15 Days @ \$2900 = 43,500			
		Completion/W.O. Unit 15 Days @ \$600 = 9,000			
218		Total Rig Expenditure	\$163,500	\$ 9,000	\$172,500
612		Location - Roads, Row & Damages	20,000	2,000	22,000
204		Contract Professional Services	6,700	3,000	9,700
210		Misc. Contract Labor	5,000	3,000	8,000
418		Mud & Additives	12,000	2,000	14,000
220		Mud Logging	1,700		1,700
424		Bits	15,000	1,200	16,200
228		Tubular Testing/Inspection	3,500	1,200	4,700
230		CSG/TBG Crews/Tools	4,000	2,000	6,000
422		Float Eq., Cents & Scratchers	2,500	4,500	7,000
420		Cement & Additives	15,000	4,000	19,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools			
222		Coring & Analysis			
224		Elec. Line - Logs, Perf, Production, Etc.	13,000	4,500	17,500
226		Well Testing - DST, Wireline, Etc.	3,500	1,500	5,000
512		Eq. Rntls. - Surface/Downhole	12,000	2,000	14,000
950		Directional Drilling Expense			
234		Transportation - Land - Marine	3,000	1,000	4,000
410		Fuel, Power & Water	15,000	1,000	16,000
930		Well Stimulation		6,000	6,000
808		Insurance & Bonds			
920		Misc. & Contingency	28,600	5,100	33,700
		TOTAL INTANGIBLE EXPENSE	\$324,000	\$ 53,000	\$377,000

SO.	CHG.	TANGIBLE EXPENSE	CSG. FT. COST	COMPL. COST	TOTAL COST
20			732	736	
		CSG. & LINER			
		Drive _____ Ft. _____ O.D. @ \$ _____ /Ft. = _____			
		Cond. 30 Ft. 30" O.D. @ \$ 35.00 /Ft. = 1,050			
		Surf. 400 Ft. 13-3/8" O.D. @ \$ 15.05 /Ft. = 6,020			
		Intr. 3000 Ft. 9-5/8" O.D. @ \$ 10.87 /Ft. = 32,610			
		Prod. 11,700 Ft. 5-1/2" O.D. @ \$ 6.87 /Ft. = 80,379			
		Liner _____ Ft. _____ O.D. @ \$ _____ /Ft. = _____			
426		TOTAL	\$ 39,680	\$ 80,379	\$120,059
432		TUBING 11,700 Ft. 2-7/8" O.D. @ \$ 3.20 /Ft. = 37,440		37,440	37,440
430		WELLHEAD EQUIPT.	3,320	7,000	10,320
433		WELL PROD. EQUIPT. SURFACE		1,181	1,181
440		WELL PROD. EQUIPT. DOWNHOLE		4,000	4,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES		25,000	25,000
450		MARINE PLATFORMS			
452		OFFSHORE PROD. FACILITIES			
		TOTAL TANGIBLE EXPENSE	\$ 43,000	\$155,000	\$198,000
		TOTAL WELL COST	\$367,000	\$208,000	\$575,000

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 4

CASE NO. 5567

DATE 10-8-75

NMOC