

CASE 5807: C&K PET. INC. FOR COMPULSORY  
POOLING AND A NON-STANDARD UNIT, EDDY  
COUNTY, NEW MEXICO

CASE NO.

5807

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.

**C & K PETROLEUM, INC.**  
**AUTHORITY FOR EXPENDITURE**

No. \_\_\_\_\_  
Date 11-4-76

Lease Carlsbad "13" Well No. 1 Field S. Carlsbad Depth 12,000'  
Location 1680' FNL 1980' FEL, Section 16, T-22-S, R-26-E, Eddy County, New Mexico  
Reason for Request To drill and complete <sup>13</sup>

INTANGIBLE DRILLING & DEVELOPMENT	ESTIMATED COST TO CASING POINT		COMPLETION COST AFTER CASING POINT	
1. Surveying	\$	350.00	\$	
2. Roads and Location		5,000.00		
3. Damages		2,000.00		
4. Contract Drilling: <u>12,000'</u> @ \$ <u>12.50/ft.</u>		156,000.00		
Day work: <u>8 days</u> @ \$ <u>2,850/day</u>		24,000.00		
5. Cement & Cementing Services:				
Surface                      sax @ \$		3,000.00		
Intermediate                sax @ \$		17,500.00		
Oil String                  sax @ \$				8,100.00
6. Drilling Fluids		60,000.00		500.00
7. Drill Stem Testing: <u>4 Tests</u> @ \$ <u>2,000/ea.</u>		8,000.00		
8. Coring & Analysis				
9. Electric Log		14,100.00		700.00
10. Perforating				1,800.00
11. Acidizing & Fracturing				12,000.00
12. Pulling units				6,000.00
* 13. Plugging		5,000.00		
14. Trucking		2,500.00		2,000.00
15. Geology		8,200.00		
16. Miscellaneous				
17. Tool Rentals, Special Services		4,000.00		2,000.00
18. Contract Labor		2,000.00		5,000.00
19. Contract Overhead		3,500.00		800.00
20. Engineering				
21. Supervision		1,000.00		2,500.00
22. Insurance				
23. Contingencies (10%)		31,850.00		4,600.00
<b>TOTAL INTANGIBLE DRILLING &amp; DEVELOPMENT</b>	\$	348,000.00	\$	46,000.00
<b>EQUIPMENT (Itemized)</b>				
24. Casing - Surface		7,200.00		
Intermediate		47,000.00		
Production				80,000.00
25. Tubing				37,000.00
26. Guide Shoes, Float, & Centralizers		1,200.00		1,500.00
27. Well Head		4,600.00		12,000.00
28. Tanks				18,000.00
29. Flow Lines				2,000.00
30. Valves & Fittings				2,000.00
Production Packers				1,800.00
31. Pumping Equipment				
Rods				
32. Other (10%)		6,000.00		15,700.00
<b>TOTAL EQUIPMENT</b>	\$	66,000.00	\$	170,000.00
<b>TOTALS</b>	\$	414,000.00	\$	216,000.00
<b>TOTAL DRILLING &amp; COMPLETION COSTS*does not include "13" plugging</b>			\$	625,000.00

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
C & K EXHIBIT NO. 2  
CASE NO. 5807  
Submitted by Hooper  
Hearing Date 11-10-76

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

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

SOUTH CARLSBAD PROSPECT  
Eddy County, New Mexico

ESTIMATE OF PAYOUT PERIOD

Completed well cost	\$ 625,000
C & K revenue interest until payout	75%
Expected delivery rate	1 MM/day
Gas Price @ \$1.42/M less 12.78¢ taxes (9% State, Severance & Ad Valorem)	\$ 1.29
Operating cost per month	\$ 450
Monthly revenue $1,000\text{M} \times \$1.29 \times 75\% \times 30 \text{ days} - \$450 =$	\$ 29,021/month
Annual rate of interest	8%
Payout period	<u>23.4 months</u>

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
Ed K EXHIBIT NO. 1  
CASE NO. 5807  
Submitted by Wojan  
Hearing Date 11.10.76

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. 5807  
Order No. R-5332

APPLICATION OF C & K PETROLEUM, INC.  
FOR COMPULSORY POOLING AND A NON-STANDARD  
UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of November, 1976, 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 Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well 1680 feet from the North line and 1980 feet from the East line of said Section 13 to be dedicated to a non-standard 336.6-acre 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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Case No. 5807  
Order No. R-5332

(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 120 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 \$1,000 per month while drilling and \$150 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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 February 28, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

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Case No. 5807  
Order No. R-5332

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a non-standard 336.6-acre gas spacing and proration unit to be dedicated to a well to be drilled 1680 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, 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 28th day of February, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains 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 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

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Case No. 5807  
Order No. R-5332

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, 120 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 \$1,000 per month while drilling and \$150 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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. 5807

Order No. R-5332

(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, Chairman



*Emery C. Arnold*  
EMERY C. ARNOLD, Member

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

S E A L

dr/



600 C & K PETROLEUM BUILDING  
POST OFFICE DRAWER 3546  
MIDLAND, TEXAS 79702  
(915) 683-3311

SEP 11 1978  
September 8, 1978

Mr. Joe D. Ramey, Director  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: C & K Petroleum, Inc.  
Carlsbad "13" No. 1 Well  
Eddy County, New Mexico  
Case No. 5807  
Order No. R-5332

Dear Mr. Ramey:

This is to advise that subject to Order paragraph No. 12 of the above subject Order C & K Petroleum, Inc. has opened a bank account in the American Bank of Carlsbad for the purpose of holding funds in escrow. As of September 7, 1978, this account contained \$30,000.00. This is savings account No. 407267.

Yours very truly,

C & K PETROLEUM, INC.

*G C Thompson*

G. C. Thompson,  
Manager of Production

GCT/meb



POST OFFICE DRAWER 3546  
600 C & K PETROLEUM BUILDING  
MIDLAND, TEXAS 79701  
(915) 683-3311

JUN 27 1977

June 24, 1977

OIL CONSERVATION COMMISSION  
Santa Fe

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

*Examiner  
Stamets*

Re: Case No. 5907  
Order No. R-5332  
Dated 11-30-76  
C & K, Carlsbad "13" No. 1 Well  
N/2 sec. 13, T-22-S, R-26-E  
Eddy County, New Mexico

*PLS*

Gentlemen:

According to the requirement contained in the compulsory pooling order referred to above, we herewith enclose an itemized schedule of actual well costs relative to the drilling of the Carlsbad "13" No. 1 well. The total amount of drilling and completion costs to be recovered is \$547,466. By the terms of the subject order, we are entitled to recover these costs plus 120%.

By copy of this letter we are advising the working interest owners of this filing with the Commission and this letter with the attached schedule shall be their notice of actual well cost.

Please let us know if you require additional information and please advise when the Commission has determined that these costs are indeed reasonable well costs.

Very truly yours,

C & K PETROLEUM, INC.

*Danie Lebow*

(Ms.) Danie Lebow  
Senior Landman

DML/tm

Enclosure

CC/Encl. The Desana Corporation  
610 Vaughn Building  
Midland, Texas 79701  
Attn: Darrell Smith

Bill G. Taylor & W. A. Page  
512 Welshire  
Carlsbad, New Mexico 88220

Mr. Jason W. Callahan  
Attorney at Law  
P. O. Box 1769  
Santa Fe, New Mexico 87501

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. \_\_\_\_\_ Exhibit No. 14-1  
Submitted by Taylor  
Hearing Date \_\_\_\_\_

## Recap of Drilling and Completion Costs

Carlsbad "13" #1

Acctg. - April, 1977

CODE	DESCRIPTION	TOTAL COST
		\$ 7,007.00
091	Location, Pits and Roads	4,110.00
095	Damages, Permits & Right-of-way	193,670.00
097	Rig Expenses	15,952.00
107	Cement & Cementing Services	30,891.00
103	Fluids, Mud and Chemicals	22,606.00
110	Formation Evaluation	5,362.00
117	Perforating	9,648.00
119	Stimulation	9,385.00
097	Rig Expenses (Completion)	7,708.00
041	Transportation Expense	10,297.00
035	Tool & Equipment Rental	9,456.00
	Water, Power & Fuel	7,736.00
093 & 105	Miscellaneous Labor, Services & Supplies	2,408.00
073	Overhead	5,621.00
213	Supervision & Professional	49.00
125	Other	131,210.00
490	Casing	33,463.00
301	Tubing	267.00
302	Auxiliary Casing Equipment	8,431.00
318	Packers & Anchors	16,709.00
309	Wellhead Equipment	8,540.00 *
307	Production Equipment	403.00 *
317	Flow Lines & Miscellaneous Equipment	6,458.00 *
315 & 320	Installation Costs	15,480.00
347	Well Control Insurance \$1.323/ft. drilled - TD 11,701'	\$562,867.00
	Total	15,401.00
	Less: Nonrisk Items	\$547,466.00
	Drilling and Completion Costs to be Recovered	

\* These are nonrisk items.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 10, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc, ) CASE  
for compulsory pooling and a non- ) 5807  
standard unit, Eddy County, New Mexico. )

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: Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: Jason W. Kellahin, Esq.  
KELLAHIN & FOX  
Attorneys at Law  
500 Don Gaspar  
Santa Fe, New Mexico

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

**sid morrison reporting service**

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I N D E X

Page

EDWARD W. HOOPER

Direct Examination by Mr. Kellahin

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EXHIBIT INDEX

Offered

Admitted

Applicant's Exhibit One, Estimated Pay Off

4

10

Applicant's Exhibit Two, AFE

5

10

Applicant's Exhibit Three, Structure Map

5

10

Applicant's Exhibit Four, Production Map

6

10

Applicant's Exhibit Five, Cross Section

7

10

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1 MR. STAMETS: We will call next Case 5807.

2 MS. TESCHENDORF: Case 5807, application of C & K  
3 Petroleum, Inc. for compulsory pooling and a non-standard  
4 unit, Eddy County, New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason Kellahin,  
6 Kellahin and Fox, appearing for the applicant and we have the  
7 same witness who appeared in the previous case and may the  
8 record show that he has been sworn?

9 MR. STAMETS: The record will so show.

10 MR. KELLAHIN: I believe the record will also show  
11 that Mr. Bill Taylor who was involved in this case is present  
12 and appearing for himself.

13  
14 EDWARD W. HOOPER

15 called as a witness, having been previously sworn, was  
16 examined and testified as follows:

17  
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Would you state your name, please?

21 A Edward W. Hooper.

22 Q By whom are you employed and in what position,  
23 Mr. Hooper?

24 A C & K Petroleum, Exploration Manager.

25 Q Where are you located?

1 A Midland, Texas.

2 Q Have you ever testified before the Oil Conservation  
3 Commission and made your qualifications a matter of record?

4 A I have.

5 MR. KELLAHIN: Are the witness' qualifications  
6 acceptable?

7 MR. STAMETS: They are.

8 Q (Mr. Kellahin continuing.) Mr. Hooper, what is  
9 proposed by the applicant in Case 5807?

10 A For a compulsory pooling and a non-standard unit in  
11 Eddy County in the north half of Section 13, Township 22 South,  
12 Range 26 East.

13 Q Now, referring to what has been marked as the  
14 Applicant's Exhibit Number One, would you identify that exhibit,  
15 please?

16 A That is a structure map contoured on top of the  
17 Morrow M-3 marker which is the identifiable marker in the  
18 sample and the electric logs in the area of interest.

19 Q I believe you've got the numbers mixed up here. I  
20 believe the first one is the estimated pay out.

21 A I'm sorry.

22 Q Exhibit Number One is the estimated pay out on  
23 the proposed well, is it not?

24 A Yes, sir.

25 Q What do you base that estimate on, Mr. Hooper?

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1           A.     On the current production rates of wells in the  
2 area as a sort of a mean for what we might anticipate at the  
3 proposed location.

4           Q.     Now, have you made an estimate of the well costs to  
5 drill?

6           A.     Right, an AFE is presented as Exhibit Two to the  
7 Commission, what was prepared by C & K's production department.

8           Q.     And has a copy of that been delivered to Mr. Taylor?

9           A.     Yes, it has.

10          Q.     Now, referring to what has been marked as Exhibit  
11 Three, the structure map, would you discuss that exhibit?

12          A.     Yes, that is a structure map on the top of the  
13 Morrow. The M-3 marker which is a readily identifiable marker  
14 on electric logs and in samples in the subject area.

15          Q.     Now, you have an area marked, types of sand, tight,  
16 on the exhibit?

17          A.     Yes, the permeability barrier which we think controls  
18 the entrapment of Morrow gas in the area of interest is shaded  
19 on this particular map and could be projected into the area  
20 of interest, posing the possibility that we could drill a  
21 Morrow dry hole at the proposed location.

22          Q.     That does increase the risk that you are assuming,  
23 does it not?

24          A.     Correct.

25                 MR. STAMETS: Is the location marked on this exhibit?

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1 A Yes. It should show the C & K Petroleum which would  
2 be listed as "two" on the cross section there.

3 MR. STAMETS: Okay, now, I would like to clarify  
4 Exhibit Number Two at this point. It identifies the well as  
5 being in Section 18, 22, 26, that should be 13? You have  
6 Number Two as the AFE.

7 A Let me get a copy of the AFE and -- no, that is  
8 the production department, we did not catch that. That is  
9 Section 13.

10 MR. STAMETS: Okay.

11 Q (Mr. Kellahin continuing.) Do you have anything to  
12 add in connection with Exhibit Number Three?

13 A Nothing else at this time, unless the Commission has  
14 any questions.

15 Q Now, turning to what has been marked as Exhibit  
16 Number Four, production map, would you discuss that exhibit?

17 A Right, this map was prepared to show what the wells  
18 in the general area have delivered as was the same on this  
19 map, the first figure or the upper figure is the average  
20 monthly production for the first eight months of 1976. The  
21 second, the lower figure in parentheses, would be the number of  
22 months that the well has actually produced and the last figure  
23 would be the total cumulative production to nine, one, seventy-  
24 six.

25 Q Now, based on the information which you have

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1 available, do you anticipate you will encounter a producing  
2 well at your proposed location?

3 A. Right, we think we will find the Morrow productive,  
4 at what rates, this is highly conjectural at this time.

5 Q. Now, referring to what has been marked as Exhibit  
6 Number Five, would you identify that exhibit, please?

7 A. Exhibit Five is a cross section, taking into  
8 consideration several wells in the South Carlsbad Field that  
9 are presently productive, plus the Morris Antweil well that  
10 would be northwest of the proposed location and this cross  
11 section is color coded to show the productive sands in the  
12 area of interest with yellow and the non-productive sands  
13 as determined by drill stem test data or the perforated  
14 intervals, this would be shaded in green as non-commercial  
15 sands in the Morrow formation.

16 Q. Now, you have testified as to the possibility of  
17 a permeability barrier and the possibility of encountering  
18 non-productive zones. In your opinion is this a reasonably  
19 high risk well?

20 A. Yes, I would think so.

21 Q. Now, what risk factor are you asking the Commission  
22 to assign for this forced pooling case?

23 A. We are asking for the hundred and twenty percent  
24 above the cost of the well.

25 Q. In other words, you are asking for your well costs,

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1 plus a hundred and twenty percent risk factor?

2 A. That is correct.

3 Q. Now, is that based on a risk factor that has been  
4 assigned to other wells in the area?

5 A. Right, at least as much.

6 Q. And in this particular unit in a previous case was  
7 that the risk factor?

8 A. In a previous forced pooling hearing by Tom Brown  
9 out of Midland this was the penalty granted by the Commission.

10 Q. Have you reached an agreement with Mr. Taylor as to  
11 the hundred and twenty percent risk factor?

12 A. Correct.

13 Q. Now, who has not agreed to participate in this well,  
14 Mr. Hooper?

15 A. I think Mr. Taylor and Mr. Page are the only others.

16 Q. Now, what effort did you make to have them join?

17 A. We tried to make a commercial oil and gas lease with  
18 the other people in the unit.

19 Q. In the event the Commission enters its forced pooling  
20 order, you have no objection to these people paying their  
21 proportionate share in accordance with the usual terms of the  
22 agreement, do you?

23 A. None whatsoever.

24 Q. Participating in the well?

25 A. Right.

1 Q Now, do you ask for recovery of your drilling costs  
2 from the production?

3 A Correct.

4 Q Plus the risk factor?

5 A Right.

6 Q And how about your costs of supervision for a drilling  
7 and a producing well?

8 A Well, the AFE states that for the drilling of the  
9 well we have set up a total of two thousand dollars for the  
10 drilling of the well over sixty days, which would amount to  
11 a thousand dollars per month supervision of the well.

12 Q What are your charges for supervision of a producing  
13 well?

14 A A hundred and fifty dollars per month.

15 Q And the C & K Petroleum Corporation asks to be  
16 designated as the operator?

17 A Yes, we do.

18 Q Now, you are also asking for an unorthodox well  
19 location, what is the reason for that?

20 A Because the well on a standard location, as I  
21 pointed out previously, it falls in the Dark Canyon Arroyo  
22 and we would like to move the location to sixteen hundred  
23 and eighty feet from the north line to get us on higher,  
24 flat land.

25 Q I don't believe it's an unorthodox location but it's

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Phone (505) 982-9212

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Phone (505) 982-9212

1 not a normal --

2 A. It's not a standard.

3 Q. It's not a standard location? Then you have a  
4 topographical reason for the well location?

5 A. Yes, to get it out of the arroyo.

6 Q. Now, you also ask for a non-standard unit consisting  
7 of three hundred and thirty-six acres, what is the reason for  
8 that?

9 A. Well, upon the re-survey of this so-called standard  
10 three, twenty, it was found that the unit contained three  
11 hundred and thirty-six, point, six acres.

12 Q. That's in the north half of the section?

13 A. Right.

14 Q. Now, were Exhibits One through Five, inclusive,  
15 prepared by you or under your supervision?

16 A. They were.

17 MR. KELLAHIN: At this time I would like to offer  
18 into evidence Exhibits One through Five, inclusive.

19 MR. STAMETS: These exhibits will be admitted.

20 (THEREUPON, Applicant's Exhibits One through  
21 Five were admitted into evidence.)

22 Q. (Mr. Kellahin continuing.) Mr. Hooper, did you have  
23 a meeting yesterday with Mr. Taylor and reach a tentative  
24 agreement for this well?

25 A. Yes, we did.

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Page 11

1 Q But it hasn't been completed yet?

2 A No, sir.

3 MR. KELLAHIN: That's all we have.

4 MR. STAMETS: I would like to clarify this location.

5 It appears to me that sixteen, eighty from the north line

6 and nineteen, eighty from the east line would be a legal

7 location under the Commission's Rules and Regulations.

8 THE WITNESS: That's correct.

9 MR. STAMETS: Are there any questions of the

10 witness?

11 MR. TAYLOR: Mr. Stamets?

12 MR. STAMETS: Would you identify yourself for the

13 record?

14 MR. TAYLOR: Bill Taylor representing myself on this.

15 I would appreciate the record to show that we have reached an  
16 agreement as stipulated by Mr. Kellahin and Mr. Hooper.

17 I would like to point out that we do not feel that  
18 the risk factor on this well is such as is designated by the  
19 isopach and using Mr. Hooper's One here and we still have no  
20 objection. We are in favor of the hundred and twenty percent  
21 as such because of the time element involved but we do not  
22 believe that the risk factor is so great and if we use Mr.  
23 Hooper's contours here showing the barrier formation and then  
24 we look at a production map or lease map of the area, we find  
25 that in Section 32 where this would continue, there is a good

1 producer and further to the north there are good producers.

2 But we have no contention with him and wish him good  
3 luck on the well. We intend to participate and we would like  
4 the record to show also that we do in this agreement that we  
5 have, we do agree to retain the rights to gas in kind and also  
6 that the forced pooling is just for the Wolfcamp, through the  
7 Pennsylvanian formations.

8 MR. STAMETS: The way this was advertised the pooling  
9 would be for the Wolfcamp and Pennsylvanian only and, of  
10 course, the transcript will contain your statements for the  
11 record.

12 Are there any questions of Mr. Hooper? He may be  
13 excused.

14 (THEREUPON, the witness was excused.)

15 MR. STAMETS: Is there anything further in this  
16 case? We will take the case under advisement.

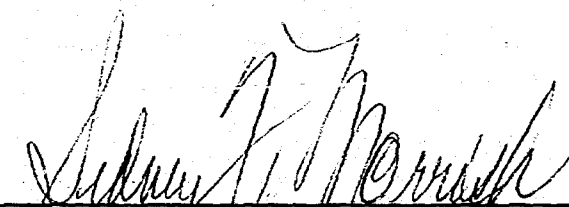
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General Court Reporting Service  
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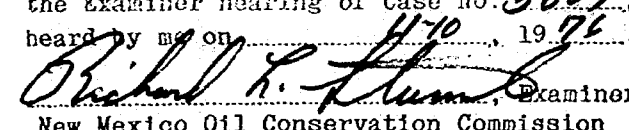
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sid morrish reporting service  
General Court Reporting Service  
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5807...  
heard by me on 4/10 1976  
  
Richard R. Hummel, Examiner  
New Mexico Oil Conservation Commission

# **Untimely Appeal Deprives Appellate Court of Jurisdiction**

In *Browder v. Director, Illinois Department of Corrections*, 434 U.S. 54 L.Ed. 2d 521, 98 S.Ct. 556, 46 U.S.L.W. 4058, decided January 10, the Court held that the Seventh Circuit lacked jurisdiction to review a federal district court order directing the release of a prisoner. The Court said that the respondent's appeal was untimely.

Browder had been convicted of rape in an Illinois state court. He petitioned for a writ of habeas corpus, which the district court granted on October 21, 1975, after it found that there had been no probable cause for his arrest. On November 18, twenty-eight days after the entry of the district court's order, the respondent filed a motion to stay the writ on the ground that the state court record was inadequate. The district court entertained the motion and held an evidentiary hearing on the issue of probable cause. On January 26, 1976, the court ruled that the writ had been properly issued and denied the motion to reconsider. The Seventh Circuit reversed. 534 F. 2d 331 (1976).

Justice Powell reversed for a unanimous Supreme Court. The Court rejected the argument that the October 21 order was not a final order, and it concluded that respondent's notice of appeal was not tolled by its November 18 motion. Habeas corpus is a civil proceeding, the Court said, and the timeliness of a motion for rehearing or reconsideration is governed by Rule 52(b) or Rule 59 of the Federal Rules of Civil Procedure, which allow only ten days. Since the notice of appeal was not filed on time, the court of appeals lacked jurisdiction to review the original order granting relief, the Court held.

Justice Blackmun, joined by Justice Rehnquist, wrote a concurring opinion that pointed out that "under slightly different circumstances" respondent's position could be maintained under Rule 60(b) by treating the district court's December 8 order for an evidentiary hearing as an order granting relief from judgment and its January 26 order as an order reinstating the judgment. Respondent's notice of appeal then would have been timely under Federal Rule of Appellate Procedure 4(a), he said. The difficulty was that respondent had "strenuously resisted" this view of the case.

C-115 C&K 14.65

1977	June	10,042
	July	50,806
	Aug	55,578
	Sept	54,996
	Oct	56,521
	Nov	50,213
	Dec	49,304
1978	Jan	49,065
	Feb	43,330

Called  
Tom Poston  
7/16/78  
5-1-78  
J. H. H. H.

Called back 8-2-78, C-115 in error.  
To refile and correct.  
RHS

C&K  
G-13-225-26E  
Eddy  
15.025  
Transwestern Pipeline  
Connected 6-28-77

C-111

1977	June	7,791
	July	49,538
	Aug	54,191
	Sept	53,623
	Oct	55,110
	Nov	48,960
	Dec	48,073
1978	Jan	47,840
	Feb	42,249
	March	43,849



JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

July 17, 1978

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Bill Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

Re: Order No. R-5332

Dear Mr. Taylor:

It appears that the Division may have been negligent in the matter of your objections to well costs. I did not know we had received such a letter; it is not in our file and I am unable to locate it. You certainly would be entitled to a hearing on that matter, having filed a timely objection. It is too bad that the existence of such a letter did not come to light sooner, for we may have saved ourselves considerable letter-writing. I would appreciate your furnishing me with a copy of that letter, or you may wish to prove its existence at the outset of the hearing as a threshold jurisdictional issue.

This matter is being set before the full Commission, probably during the month of August. You will be notified as to the exact time when it is finalized.

Other matters for review will include whether actual expenditures for operating the well are reasonable, whether C & K Petroleum is withholding costs improperly from production, whether C & K Petroleum should be replaced as operator, and whether imposition of the risk factor is proper.

I have asked the Oil and Gas Accounting Commission to furnish us with all their records for the Carlsbad "13" Well No. 1, as per your letter of July 10, no subpoenas will be issued.

Very truly yours,

LYNN TESCHENDORF  
General Counsel

LT/dr

cc: G. C. Tompson  
C & K Petroleum, Inc.



JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

July 7, 1978

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Bill Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

Re: Order No. R-5332

Dear Mr. Taylor:

Receipt is acknowledged of your application for hearing concerning the above-referenced order. Before setting this matter, however, it will be necessary to clarify our subpoena procedures.

We will issue subpoenas for all persons you have indicated. You must provide us with their proper addresses, and will have to make arrangements for service of the subpoenas yourself. Service should include proper witness and mileage fees as specified by Rule 45 of the New Mexico Rules of Civil Procedure.

We will also be glad to issue subpoenas for records and other documents. These will have to be directed towards a specific person, however, and must be quite detailed as to which documents you are seeking. All records of the Oil Conservation Division need not be subpoenaed, as the Commissioners will take administrative notice of them upon request.

You will have to provide your own accountant; I'm sure that any unbiased certified public accountant will be acceptable to the Commissioners.

You make reference to "other interested parties... not presently on public record." We would appreciate having a list of their names and addresses so that we can send them notice of the upcoming hearing.

Since you have failed to avail yourself of the proper administrative remedies for challenging well costs and

-2-

Letter to Mr. Bill Taylor  
July 7, 1978

risk factor, the Commission will only be able to consider removal of C & K Petroleum as operator. In that regard, you may offer evidence as to accounting of production, payment of royalties, or whatever else is material and relevant to that issue.

As soon as you furnish us with the information requested, we will set the matter for hearing and issue all subpoenas. Proper notice will be given to all interested parties.

Very truly yours,

LYNN TESCHENDORF  
General Counsel

LT/fd

2699 GSK Carlisle "13" No1 N12 13-22-26  
1983, Butch Smith

# Memo

From

R. L. STAMETS  
TECHNICAL  
SUPPORT CHIEF

To

Tabulation actual exp recd 6-27-77  
\$ 547,466 show copy to Taylor

No estimate of well costs in file  
after date of hearing  
Exhibit #2 shows 625,000

Case 5807

R5332 Nov 30, 1976

Well spud 1-16-77

Comp ready to prod 3-16-77

Multi PT Test 8-3-77

Con 6-21-77

Call from

G.C.

915

Midland

Re

Stetson

3-10-78

Thompson

683-3311

OIL CONSERVATION COMMISSION-SANTA FE

Jun  
Jul

Water  
19  
54

615  
10042  
50806  
55578

Aug

16

54996

Sep

9

56521

Oct

16

50213

Nov

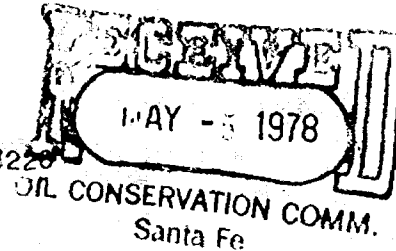
28

49304

Dec

49

May 3, 1978  
512 Welshire  
Carlsbad, NM 88220



Mr. G.C. Tompson &  
Ms. Geneva M. Bell  
  
C & K Petroleum, Inc.  
P.O. Drawer 3546  
Midland, Texas 79702

Re: NMOCC Order R-5332

*Case 5807*

Dear people:

C & K has not answered my letter of April 19, 1978 whereby I sought to work out our problems of C & K's Division Order as per requested in Mr. Tompson's letter of April 14, 1978.

Enclosed is a signed copy of C & K's Division Order with objectionable sections crossed out and other additions. The enclosed Division Order should accomplish Mr. Tompson's desire for me to accept the percentage you state. This signed Division Order offer is subject to C & K's immediate acceptance and will be evidenced by immediate payment of royalties owed to me. I emphasize that time is of the essence and a reasonable time for transit of the material in the mail to be the major time consuming factor.

In my letter of April 19, 1978, I requested "knowing exactly what amounts---royalties and working interest---of monies ordered under the NMOCC Order #R-5332 are credited to me todate, how and where." I repeat my request. It is my hope you will take a positive step and reply, enclosing a check bringing my royalties up todate.

Sincerely,

*Bill Taylor*

Bill Taylor

Enclosures

Xerox Copy: NMOCD

DIVISION ORDER CONSERVATION UNIT or Farm: \_\_\_\_\_  
 Carlsbad "13"

TO: C & K PETROLEUM, INC.  
 P.O. Drawer 3546  
 Midland, Texas 79701

Date: November 16, 1977

Each of the undersigned warrants that he is the owner of the interest credited to him below in the proceeds derived from the sale of oil and/or gas from wells on the Carlsbad "13" No. 1 farm or lease located in Eddy County, State of New Mexico, more particularly described as follows:

N/2 Section 13, T-22-S, R-26-E,  
 NMPM, as to the Wolfcamp and  
 Pennsylvanian formations only.

Effective date of 1st runs (6-15-77), and until further written notice, you are hereby authorized to give credit for all proceeds derived from the sale of oil and/or gas from said property subject to the conditions, covenants and directions following:

Credit to:

Owner Name and Address

Division of Interest

SEE EXHIBIT "A" ATTACHED HERETO

FIRST: It is understood that all or a portion of the gas produced from the above described lands is being sold under contract dated May 6, 1977, between C & K Petroleum, Inc. (Seller) and Trans-

western Pipeline Co. (Buyer) as indicated under the provisions of said contract, reference to which is here made, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made. ~~If it is ever determined that you are obligated to refund any portion of the money paid to the undersigned by virtue of any regulation, order or court proceeding, the undersigned agrees to reimburse you for such overpayment and in addition to such other legal remedies as you may then have you are hereby authorized to recoup such overpayment out of future production from the above described land which is attributable to the undersigned's interest. Further, if there is a question as to whether there may be refund obligations as aforesaid you are hereby authorized to withhold proceeds allocable thereto until such question has been resolved. Each of the undersigned stipulates that he or she is entitled to no greater interest than that set out beside his or her name. The undersigned hereby ratify the leases under which oil, gas and other minerals are being produced and agree that their interest in the above described land is subject to such leases.~~

SECOND: Payments are to be made by your checks to be delivered or mailed to the parties hereto entitled. ~~However, it is agreed if, at any settlement date, the amount payable to any party hereunder shall be less than \$10.00, you may withhold payment, without interest, and in lieu of the scheduled payment, make payment when such withheld amounts have accumulated to \$10.00 or more at annual intervals, whichever shall first occur. The undersigned authorizes you to withhold from the proceeds of any and all gas referred to here in the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same in our behalf. Prior to computing any royalties or other interest hereunder, you are authorized to deduct any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, all costs of treating such gas to make it merchantable and all costs which you have incurred in transporting such to any purchaser. This provision subject to revocation upon change of status quo.~~

~~THIRD: In case of any adverse claim or title or in case title shall not be satisfactory to you at any time during the term of this division order, each of the undersigned agrees to furnish evidence of title satisfactory to you and authorizes you to withhold payment, without obligation to pay interest on the amount so withheld, until satisfactory indemnity shall be furnished to you against such adverse claims or any such defects in title, or until title shall be made satisfactory to you. Each undersigned party as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save you harmless against any liability for loss, cost, damage and expense which you may suffer or incur on account of receiving and paying pursuant to the provision hereof, withhold payment, or any part hereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold you harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by you on account of the sum or sums so withheld from payment to said party, and severally agrees that you may deduct all such taxes, interest and penalties so paid by you from any sums owing by you to said party. Payment may be withheld from gas proceeds provided royalty is paid on unencumbered acreage of royalty owner.~~

FOURTH: The undersigned agree to notify you of any change of ownership, and no transfer of interest shall be binding upon you until transferred order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to you. Transfer of interest shall be made effective on the first day of the calendar month in which notice is received by you. You are hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give you notice in writing by registered letter addressed to C & K PETROLEUM, INC., Midland, Texas, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, you shall be held harmless in the event of, and are hereby released from any and all damages or loss which might arise out of any overpayment.

FIFTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner, regardless of whether or not all of the above named owners have so signed.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

WITNESS:

Bill A. Taylor 5/2/78

512 Welshia

Carlsbad, N.M. 88220

SS. # 525-66-1649

EXHIBIT "A"

Attached to and made a part of division order dated November 15, 1977, concerning C & K Petroleum, Inc.-Carlsbad "13" No. 1 well located in N/2 Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

ROYALTY

	<u>INTEREST</u>
Michael S. Hales 11338 West 63rd Street Shawnee, Kansas 66203	.0025423
John C. Shackelford 1004 North Edwards Carlsbad, New Mexico 88220	.0025423
Richardson Brothers, Inc. P. O. Box 447 Carlsbad, New Mexico 88220	.0050845
Robert E. Pond and William Pond, as joint tenants 506 South Lake Street Carlsbad, New Mexico 88220	.0050845
Western States Broadcasting, Inc. (Unknown)	.0039253
Mary L. Hartley and husband Earl E. Hartley P. O. Box 465 Albuquerque, New Mexico 87103	.0176638
Allen Seale, Mrs. Valta Sneed, Mrs. Cecil Crews and Nina Mae Ryden (Unknown)	.0111584
E. W. Douglass and wife Cleo Douglass 1113 Tracy Place Carlsbad, New Mexico 88220	<del>.0005030</del>
Arthur B. Gibson, Jr. and wife Anna Gibson (Unknown)	<del>.0120323</del>
Carlsbad Irrigation District 303 West Fox Carlsbad, New Mexico 88220	.0216201
Blufford Burnett and wife Ara Faye Burnett 105 East Quay Carlsbad, New Mexico 88220	.0015302
Alma W. Lytle 742 Standpipe Road Carlsbad, New Mexico 88220	.0006034
The Standpipe Road Veteran's Club, Inc. Standpipe Road Carlsbad, New Mexico 88220	.0008045
John E. Brown, Sr. and wife Ruby W. Brown 106 East Curry Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	<u>INTEREST</u>
Lowry Hagerman P. O. Box 941 Santa Fe, New Mexico 87501	.0046009
Geraldine A. Stevens Rural Route 2 Crawfordsville, Indiana 47933	.0011502
Phyllis M. Battiste 1202 Bryan Circle Carlsbad, New Mexico 88220	.0011502
Barbara Birdwell 2323 Pine Drive Alamogordo, New Mexico 88310	.0011502
Janet Miles 811 North Mesa Carlsbad, New Mexico 88220	.0011502
Charles Q. Phillips and wife Connie A. Phillips 6420 Alderfer Odessa, Texas. 79760	.0007655
John B. Phillips and wife Essie M. Phillips 312 East Curry Carlsbad, New Mexico 88220	.0007655
Julian Fuentes and wife Arnelia G. Fuentes 501 East Quay Carlsbad, New Mexico 88220	.0005103
Brigido Saldana and wife Manuela Saldana 310 East Quay Carlsbad, New Mexico	.0001701
Yolanda V. Martinez (Unknown)	.0005103
Pete B. Parraz and wife Felicita Parraz 301 East Quay Carlsbad, New Mexico 88220	.0005103
Pablo R. Gonzales and wife Lupe M. Gonzales 503 West Pompa Carlsbad, New Mexico 88220	.0005103
Donald Howell and wife Eleanor Howell Route 1, Box 348 Farmington, New Mexico 87401	.0010206
Carlton A. Schoolcraft, Sr., and wife Pauline K. Schoolcraft 108 North 3rd Street Carlsbad, New Mexico 88220	.0006125
Bobby Don Burnett 201 East Quay or 116 North Canyon Carlsbad, New Mexico 88220	.0004081

ROYALTY (Continued)

	<u>INTEREST</u>
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
Bigsky Estates, Inc. P. O. Box 248 Carlsbad, New Mexico 88220	.0005120
James L. Mason and wife Sherrill Mason 310 Radio Boulevard Carlsbad, New Mexico 88220	.0011648
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia (Unknown)	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
Kenneth L. Porter and wife Ina Mae Porter 211 Curry Carlsbad, New Mexico 88220	.0010242
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0005121
C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	<u>INTEREST</u>
Augustine L. Flores 605 South Alameda Carlsbad, New Mexico 88220	.0006034
Joe L. Flores and wife Matilde Flores 602 Alvarado Carlsbad, New Mexico 88220	.0006034
Juan L. Hernandez and wife Lilly N. Hernandez 108 Radio Boulevard Carlsbad, New Mexico 88220	.0007647
Antonio Bonilla and wife Eva C. Bonilla Route 8, Box 302 Silver City, New Mexico 88061	.0007647
Lillie Mae Roberts 702 North Maple Carlsbad, New Mexico 88220	.0007682
Donald H. Greetan and wife Mary F. Greetan (Unknown)	.0007682
John G. Mills and wife Joyce S. Mills 202 Radio Boulevard Carlsbad, New Mexico 88220	.0015362
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925	.0010207
Bill G. Taylor and wife Wanda J. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0167118
Consuelo Saldana (Unknown)	.0000851
Enrique Saldana (Unknown)	.0000851
Epifanio Saldana (Unknown)	.0000851
Amy Saldana (Unknown)	.0000851
W. H. Taylor, Sr. & wife June Taylor c/o Bill G. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0000000



APR 23 1978

STATE OF NEW MEXICO  
**Office of the Attorney General**  
DEPARTMENT OF JUSTICE

TONY ANAYA  
ATTORNEY GENERAL

P.O. Drawer 1508  
Santa Fe, N. M. 87501

SHIRLEY SCARAFIOTTI  
DIRECTOR OF ADMINISTRATION

April 25, 1978

Mr. Bill Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

5807

Dear Mr. Taylor:

I have met with representatives of the Oil Conservation Division (formerly the OCC) with regard to your claims against C&K Petroleum. They have responded to my explanation of your problem with the enclosed letter.

Basically, they state that they do have jurisdiction over most of the issues you have raised in your dispute with C&K. This means that you must take your complaints to them. If you tried to go to court, you would be told to go back to the authorized administrative agency.

While the Oil Conservation Division is not predicting how your complaints will come out, you will see in the letter that they have raised several problems concerning the timing of your complaints. Because these problems exist, you should be prepared to answer them. This confirms what I have previously indicated to you; you will need a lawyer, however difficult it may be to obtain one, to represent your interests.

I regret that we must continue to abide by our early determination that this matter is not one in which the Attorney General's Office may become involved. We are not questioning the legitimacy of your claims, but we cannot take on the job of representing private individuals without some statutory mandate and a public interest to protect. In your situation, we have no such mandate, since the Legislature has instead specifically assigned this responsibility to the Oil Conservation Division.

Mr. Bill Taylor  
April 25, 1978  
Page 2

I therefore urge you to retain a lawyer, request a hearing from the Oil Conservation Division immediately, and pursue your claims in that agency. I hope they can be of assistance to you, and regret that our office will be unable to take any further steps on your behalf.

Very truly yours,



PAUL L. BIDERMAN  
Assistant Attorney General

PLB:ams

Enclosures

cc: Ms. Lynn Teschendorf ✓

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

April 21, 1978

Mr. Paul Biderman  
Assistant Attorney General  
Office of the Attorney General  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

Re: Case No. 5807  
Order No. R-5332,  
Bill Taylor

Dear Paul:

Enclosed is a copy of the order entered by the Oil Conservation Division on the application of C & K Petroleum for compulsory pooling. As you can see from the terms of the order, the Division has jurisdiction over such problems as well costs and risk factor. As to portion of production owned by Mr. Taylor, we can only go by the acreage figures given us. If these are erroneous, it is up to the parties to clear up titles and present the proper information to the Division. We cannot adjudicate titles.

Mr. Taylor has complained that C & K failed to furnish an estimated well cost to him after the order was issued (11-30-76) and 30 days prior to the spudding of the well (1-16-77). I have been unable to determine from our file whether or not we ever received this. However, C & K presented an AFE for \$625,000 at the hearing held 11-10-76, at which Mr. Taylor was present. The actual well costs of \$562,867 were filed only nine days late, the well having been completed on March 16, 1977. The well costs were received in this office on June 27, 1977, but Mr. Taylor failed to file objections within the requisite 45 days, not filing until February 8, 1978.

Overall, it appears to me that Mr. Taylor has failed to avail himself of administrative remedies. Most of these disputes should have been solved before the Division long ago, or else as a private matter between the parties. If Mr. Taylor feels that C & K has behaved fraudulently, I can only suggest that he request a hearing before the Division to remove C & K as operator and appoint himself in their stead. I doubt that a court could take

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OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Mr. Paul Biderman

-2-

April 21, 1978

jurisdiction since he failed to exhaust administrative remedies.

In any case, Mr. Taylor, although filing objections, has never requested that the Division set a hearing or take any other action. In his letter of March 30, 1978, he states: "I intend to seek a rehearing on the Order R-5332 in the future upon my retaining legal counsel." We have received no application to date

Mr. Taylor seems to feel the 120 percent risk factor is unfair. I can only point out that he endorsed that figure at the hearing in 1976. He also has declined to sign any division orders, apparently believing that the Order is sufficient. However, a division order between parties is a legal necessity and protects both. Order R-5332 makes no provision for payment of interests in production and therefore the separate contract is required. C & K's letter of April 14, 1978, enclosed, suggests that they are willing to discuss and compromise that contract. Again, that is a matter for the parties themselves.

I hope this provides you with enough information to respond to Mr. Taylor. Please let me know if I can help in any other way.

Very truly yours,

LYNN TESCHENDORF  
Assistant Attorney General

LT/dr  
enc.

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April 19, 1978  
512 Welshire  
Carlsbad, NM 88220

Mr. G.C. Tompson  
Manager of Production  
C & K Petroleum, Inc.  
P.O. Drawer 3546  
Midland, Tx 79702

Case 5807

Re: C & K's Carlsbad '13' No. 1 Well  
N/2 Sec. 13, T22S, R26E, Eddy Cty, NM

Tompson letter of April 14, 1978.

Dear Mr. Tompson:

I have no quarrel with C & K's designation of .0167118 as a royalty factor for me.

I have confidence in C & K's ability to gain full monetary value for produced gas and have no objection to the gas sale to Transwestern Pipeline Co.

Furnishing customary proof of ownership of any disputed acreage is just---as long as payments are continued on any other acres not disputed.

C & K should not be held responsible for distributing money to a change of individuals until they have received notification by writing: certified mail is an acceptable method.

These points I agree to. All others I cannot as long as there is the contention between us that presently exists.

I would appreciate knowing exactly what amounts---royalties and working interest---of monies ordered under the NMOCC Order #R-5332 are credited to me todate, how and where.

As it now stands, we are fast approaching a collision, first before the NMOCC and very possibly in the civil courts thereafter. Constructive steps we can undertake to resolve our problems would be welcomed by myself.

Sincerely,

*Bill Taylor*

Bill Taylor

Xerox copy: NMOCC



600 C & K PETROLEUM BUILDING  
POST OFFICE DRAWER 3546  
MIDLAND, TEXAS 79702  
(915) 683-3311

April 14, 1978

Mr. Bill Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

No. 5807

Re: C & K Petroleum, Inc.  
Carlsbad "13" No. 1 Well  
N/2 Sec. 13, T-22-S, R-26-E,  
Eddy County, New Mexico

Dear Mr. Taylor:

I have just become aware of the recent correspondence between you and our Mrs. Geneva Bell.

The controversy seems to revolve around our division order. If you have had previous experience with oil and gas operations, I am sure you realize it is necessary that we have a signed division order before we can disburse runs. This not only protects us but it protects the royalty or working interest owner. By signing this division order you are agreeing that the interest we show beside your name is your correct interest. If you do not feel the interest is correct we will be glad to discuss it with you. In your letter to the New Mexico Oil Conservation Commission dated March 30, 1978, you indicate there are sections in our division order you object to. I think you will find this is a rather standard agreement, but we would be glad to discuss the wording with you. I would hope that these are things we can work out between us without creating unnecessary problems for the Oil Conservation Commission.

One thing I feel should be made clear is that we cannot and will not disburse runs without a signed division order. We want to pay you your money. To keep track of it in suspense only increases our accounting burden, but for your protection and ours we must have a signed division order.

Won't you please either contact me directly or through your attorney so that we can work out whatever differences may exist.

Yours very truly,

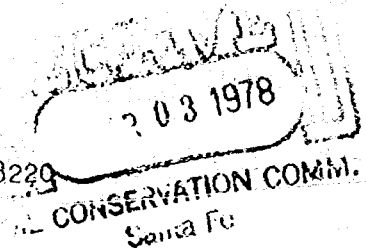
C & K PETROLEUM, INC.

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

GCT/meb

cc: New Mexico Oil Conservation  
Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501  
Attn: Mr. R. L. Stamets

March 30, 1978  
512 Welshire  
Carlsbad, NM 88220



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

Gentlemen:

Ref: NMOCC Order R-5332, C & K Petroleum, Inc. Carlsbad "13" Well, N<sub>2</sub> 13-T22S-  
R26E, NMPM, Eddy County, New Mexico.

I have received a letter from Ms. Geneva M. Bell of C & K dated March 28, 1978  
(copy enclosed). It is in answer to my letter to C & K dated March 15, 1978  
(copy enclosed).

Ms. Bell makes reference to a C & K Division Order supposedly mailed in November  
1977. I enclose a copy of that "Order" along with Ms. Bell's letter of January  
20, 1978 with which it was enclosed (two months after November). I object to  
various sections as giving C & K legal rights I am opposed to their obtaining.  
For the record, I state there are several errors in the "interest" percentage  
for various individuals, involving considerable money. Also the acreages leased  
and forced pooled totaled do not add up to the 336.6 acres allotted to the well.  
My information is available to the OCC.

In answer to Ms. Bell's request, I sent copies of deeds proving one-half owner-  
ship to the one lot (Lot 13, Blk 5, Hoose Acres). By January 24, 1978 dated deed,  
I acquired the additional one-half interest from W.H. & June Taylor and sent a  
certified copy of this along with my social security number.

Mr. Stamets's letter of February 14, 1978 raises a question of possible voluntary  
operating agreements with C & K as taking precedence over Order R-5332. None of  
C & K's offerings have been in accordance with the NMOCC Order R-5332 and so I  
have declined to sign any, including the "Division Order". Mr. Stamets letter  
also requested C & K contact me to seek issue resolution. They have not done  
so; consequently I initiated an effort as evidenced in my letter to C & K of  
March 15, 1978.

NMOCC Order R-5332 does not state the necessity for me to sign further restrictions  
upon myself in order to receive the one-eighth royalty C & K is ordered to pay.  
If the OCC requires further agreements, please so inform me. If not, please request  
C & K to become current and remain current with the royalty portion of the Order.

Since C & K obviously does not desire to resolve the issues between us privately,  
I intend seeking a rehearing on the Order R-5332 in the future upon my retaining  
legal counsel.

Sincerely,

Bill Taylor

Enclosures  
Xerox Copy: C & K Petroleum



600 C & K PETROLEUM BUILDING

POST OFFICE DRAWER 3546

MIDLAND, TEXAS 79702

(915) 683-3311

203 1978

March 28, 1978

NEW MEXICO OIL CONSERVATION COMM.

Santa Fe

*Rec'd 3/29/78*

Mr. Bill Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

RE: C & K Petroleum, Inc. - Carlsbad "13" No. 1 Well  
located in N/2 Section 13, T-22S, R-26E, Eddy  
County, New Mexico

Dear Mr. Taylor:

We have your letter of March 15, 1978, inquiring about royalty payments due you from the above subject well.

Under the provisions of the N.M.O.C.C. Compulsory Pooling Order # R-5332 you are to receive 1/8 of 45.0016/336.6 which is .0167118 royalty interest. After the requirements of this Compulsory Pooling Order have been satisfied you are to receive, in addition to the above royalty interest, a 7/8 of 45.0016/336.6 which is a .1169828 working interest. The Exhibit A of our Division Order dated November 15, 1977, sets your interest out in this manner.

If you will execute and return one copy of the Division Order we mailed you in November, 1977, we will be able to place your royalty interest in line for immediate payment. We cannot, however, pay anyone who does not execute our Division Order.

If you should have any further questions regarding this matter please feel free to contact us.

Yours very truly,

C & K PETROLEUM, INC.

*Geneva M. Bell*

(Ms.) Geneva M. Bell

cc: New Mexico Oil Conservation Commission

March 15, 1978  
512 Welshire  
Carlsbad, NM 88220

Ms. Geneva M. Bell  
C & K Petroleum, Inc.  
P.O. Drawer 3546  
Midland, Texas 79702

Dear Ms. Bell:

Please be advised that the withholding of royalty rights (payments) delegated to myself under Order # R-5332 of the NMOCC is working a hardship upon me. I have called this and other failures of C & K to the attention of the NMOCC. The royalty is due from C & K's Carlsbad 13 Well, N<sub>2</sub> Sec. 13-T22S-R26E, NMPM.

Since no question has been raised concerning my acreage prior your letter of Jan. 20, 1978, my answer to you with copies of legal documents on Jan. 24, 1978, in answering your questions should fulfill your legal requirements of ownership. At the time of your letter, I had received a letter from Mr. David Bott of C & K stating total payout of my interest had occurred (Bott letter of Jan. 13, 1978). My answer to you reflected my interpretation of Mr. Bott's letter in relationship to the total acreage. It would seem from present information that your figure of .0167118 is an acceptable figure of the total well income for my royalty as reflected in the OCC order. No other conditions concerning payments other than those established by the NMOCC in its order should be needed by C & K. Please become current with both my and Mr. W.A. Page, Jr.'s royalty payments in accordance with the OCC orders.

Mr. R.L. Stamets of the NMOCC has sent me a letter stating he has requested C & K contact me and an attempt be made to resolve problems of which I have complained concerning C & K. I would welcome such a contact by Mr. E.W. Hooper in the immediate future.

Sincerely,

*Bill Taylor*

Bill Taylor

*Sent by certified letter, 3/15/78  
Certification # 268118*



600 C & K PETROLEUM BUILDING  
POST OFFICE DRAWER 3546  
MIDLAND, TEXAS 79702  
(915) 683-3311

January 20, 1978

Mr. Bill G. Taylor  
512 Welshire  
Carlsbad, New Mexico 88220

Re: C & K Petroleum, Inc. - Carlsbad "13" No. 1 Well  
located in the N/2 Section 13, T-22-S, R-26-E,  
NMPM, Eddy County, New Mexico

Dear Mr. Taylor:

We have prepared and attach hereto three copies of our Division Order dated November 16, 1977, covering production from the captioned well under which you own an interest. First runs were had from the well on June 15, 1977.


Since instruments evidencing your ownership of interest in Lot 13, Block 5, Hoose Acres Subdivision, have not be placed of record, our attorney has asked that the division order be executed by you and your wife as owners of this interest and also executed by W. H. Taylor and wife June Taylor as owning no interest in the captioned well. We are asking you to secure the execution of the W. H. Taylors, along with you and your wife's execution and return one copy of the executed division order to us. Please be sure that the mailing address shown is correct and that you insert your Social Security or Taxpayer I. D. Number in the space provided.

On the attached Exhibit "A" there are some owners for whom we do not show an address. If anyone knows their current address, please have them contact the undersigned so that we may forward a division order to them.

Thank you for your help and attention to this matter.

Yours very truly,

C & K PETROLEUM, INC.

  
(Ms.) Geneva M. Bell

GB;g  
Enclosures

(ROYALTY OWNERS)

Division Order No. 00632-01

Field: South Carlsbad (Morrow)

Unit or Farm: \_\_\_\_\_

DIVISION ORDER

Carlsbad "13"

TO: C & K PETROLEUM, INC.  
P.O. Drawer 3546  
Midland, Texas 79701

Date: November 16, 1977

Each of the undersigned warrants that he is the owner of the interest credited to him below in the proceeds derived from the sale of oil and/or gas from wells on the Carlsbad "13" No. 1 farm or lease located in Eddy County, State of New Mexico, more particularly described as follows:

N/2 Section 13, T-22-S, R-26-E,  
NMPM, as to the Wolfcamp and  
Pennsylvanian formations only.

Effective date of 1st runs (6-15-77), and until further written notice, you are hereby authorized to give credit for all proceeds derived from the sale of oil and/or gas from said property subject to the conditions, covenants and directions following:

Credit to:

Owner Name and Address

Division of Interest

SEE EXHIBIT "A" ATTACHED HERETO

FIRST: It is understood that all or a portion of the gas produced from the above described lands is being sold under contract dated May 6, 1977, between C & K Petroleum, Inc. (Seller) and Trans-

western Pipeline Co. (Buyer) as indicated under the provisions of said contract, reference to which is here made, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made. If it is ever determined that you are obligated to refund any portion of the money paid to the undersigned by virtue of any regulation, order or court proceeding, the undersigned agrees to reimburse you for such overpayment and in addition to such other legal remedies as you may then have you are hereby authorized to recoup such overpayment out of future production from the above described land which is attributable to the undersigned's interest. Further, if there is a question as to whether there may be refund obligations as aforesaid you are hereby authorized to withhold proceeds allocable thereto until such question has been resolved. Each of the undersigned stipulates that he or she is entitled to no greater interest than that set out beside his or her name. The undersigned hereby ratify the leases under which oil, gas and other minerals are being produced and agree that their interest in the above described land is subject to such leases.

SECOND: Payments are to be made by your checks to be delivered or mailed to the parties hereto entitled. However, it is agreed if, at any settlement date, the amount payable to any party hereunder shall be less than \$10.00, you may withhold payment, without interest, and in lieu of the scheduled payment, make payment when such withheld amounts have accumulated to \$10.00 or more at annual intervals, whichever shall first occur. The undersigned authorizes you to withhold from the proceeds of any and all gas referred to here in the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same in our behalf. Prior to computing any royalties or other interest hereunder, you are authorized to deduct any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, all costs of treating such gas to make it merchantable and all costs which you have incurred in transporting such to any purchaser.

[illegible]

EXHIBIT "A"

Attached to and made a part of division order dated November 15, 1977, concerning C & K Petroleum, Inc.-Carlsbad "13" No. 1 well located in N/2 Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

ROYALTY

	<u>INTEREST</u>
Michael S. Hales 11338 West 63rd Street Shawnee, Kansas 66203	.0025423
John C. Shackelford 1004 North Edwards Carlsbad, New Mexico 88220	.0025423
Richardson Brothers, Inc. P. O. Box 447 Carlsbad, New Mexico 88220	.0050845
Robert E. Pond and William Pond, as joint tenants 506 South Lake Street Carlsbad, New Mexico 88220	.0050845
Western States Broadcasting, Inc. (Unknown)	.0039253
Mary L. Hartley and husband Earl E. Hartley P. O. Box 465 Albuquerque, New Mexico 87103	.0176638
Allen Seale, Mrs. Valta Sneed, Mrs. Cecil Crews and Nina Mae Ryden (Unknown)	.0111584
E. W. Douglass and wife Cleo Douglass 1113 Tracy Place Carlsbad, New Mexico 88220	.0085830
Arthur B. Gibson, Jr. and wife Anna Gibson (Unknown)	.0120323
Carlsbad Irrigation District 303 West Fox Carlsbad, New Mexico 88220	.0216201
Blufford Burnett and wife Ara Faye Burnett 105 East Quay Carlsbad, New Mexico 88220	.0015302
Alma W. Lytle 742 Standpipe Road Carlsbad, New Mexico 88220	.0006034
The Standpipe Road Veteran's Club, Inc. Standpipe Road Carlsbad, New Mexico 88220	.0008045
John E. Brown, Sr. and wife Ruby W. Brown 106 East Curry Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	<u>INTEREST</u>
Lowry Hagerman P. O. Box 941 Santa Fe, New Mexico 87501	.0046009
Geraldine A. Stevens Rural Route 2 Crawfordsville, Indiana 47933	.0011502
Phyllis M. Battiste 1202 Bryan Circle Carlsbad, New Mexico 88220	.0011502
Barbara Birdwell 2323 Pine Drive Alamogordo, New Mexico 88310	.0011502
Janet Miles 811 North Mesa Carlsbad, New Mexico 88220	.0011502
Charles Q. Phillips and wife Connie A. Phillips 6420 Alderfer Odessa, Texas 79760	.0007655
John B. Phillips and wife Essie M. Phillips 312 East Curry Carlsbad, New Mexico 88220	.0007655
Julian Fuentes and wife Arnelia G. Fuentes 501 East Quay Carlsbad, New Mexico 88220	.0005103
Brigido Saldana and wife Manuela Saldana 310 East Quay Carlsbad, New Mexico	.0001701
Yolanda V. Martinez (Unknown)	.0005103
Pete B. Parraz and wife Felicita Parraz 301 East Quay Carlsbad, New Mexico 88220	.0005103
Pablo R. Gonzales and wife Lupe M. Gonzales 503 West Pompa Carlsbad, New Mexico 88220	.0005103
Donald Howell and wife Eleanor Howell Route 1, Box 348 Farmington, New Mexico 87401	.0010206
Carlton A. Schoolcraft, Sr., and wife Pauline K. Schoolcraft 108 North 3rd Street Carlsbad, New Mexico 88220	.0006125
Bobby Don Burnett 201 East Quay or 116 North Canyon Carlsbad, New Mexico 88220	.0004081

ROYALTY (Continued)

	<u>INTEREST</u>
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
Bigsky Estates, Inc. P. O. Box 248 Carlsbad, New Mexico 88220	.0005120
James L. Mason and wife Sherrill Mason 310 Radio Boulevard Carlsbad, New Mexico 88220	.0011648
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia (Unknown)	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
Kenneth L. Porter and wife Ina Mae Porter 211 Curry Carlsbad, New Mexico 88220	.0010242
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0005121
C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	<u>INTEREST</u>
Augustine L. Flores 605 South Alameda Carlsbad, New Mexico 88220	.0006034
Joe L. Flores and wife Matilde Flores 602 Alvarado Carlsbad, New Mexico 88220	.0006034
Juan L. Hernandez and wife Lilly N. Hernandez 108 Radio Boulevard Carlsbad, New Mexico 88220	.0007647
Antonio Bonilla and wife Eva C. Bonilla Route 8, Box 302 Silver City, New Mexico 88061	.0007647
Lillie Mae Roberts 702 North Maple Carlsbad, New Mexico 88220	.0007682
Donald H. Greetan and wife Mary F. Greetan (Unknown)	.0007682
John G. Mills and wife Joyce S. Mills 202 Radio Boulevard Carlsbad, New Mexico 88220	.0015362
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925	.0010207
Bill G. Taylor and wife Wanda J. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0167118
Consuelo Saldana (Unknown)	.0000851
Enrique Saldana (Unknown)	.0000851
Epifanio Saldana (Unknown)	.0000851
Amy Saldana (Unknown)	.0000851
W. H. Taylor, Sr. & wife June Taylor c/o Bill G. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0000000



DIRECTOR  
JOE D. RAMEY

## OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER  
PHIL R. LUCERO  
December 6, 1976



STATE GEOLOGIST  
EMERY C. ARNOLD

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

Re: CASE NO. 5807  
ORDER NO. R-5332

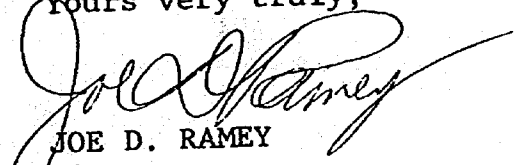
Applicant:

C & K Petroleum, Inc.

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 Bill Taylor



POST OFFICE DRAWER 3546  
600 C & K PETROLEUM BUILDING  
MIDLAND, TEXAS 79701  
(915) 683-3311

December 17, 1976

New Mexico Oil Conservation Commission  
P.O. Box 1148  
Santa Fe, New Mexico 87501

Attn: R. L. Stamets

Re: Case No. 5807  
Order No. R-5332


Gentlemen:

With reference to C & K Petroleum, Inc.'s application for compulsory Pooling, N/2 of Sec. 13, T-22-S, R-26-E, NMPM, South Carlsbad Field, Eddy County, New Mexico, under the above reference, and the resulting order of the Conservation Commission, dated November 30, 1976, this is to advise that we have found it necessary to move the well location. In our application for pooling the proposed drill site spotted the well 1680' FNL & 1980' FEL, of said Sec. 13. We have found that this particular location will cause the drilling pad and reserve pits to extend over into a draw that furnishes drainage for the area. In addition, the cost of filling and leveling the draw would not be economically feasible.

The proposed drill site is now located 1650' FNL & 2040' FEL, of said Sec. 13. This drill site is a standard location for a Pennsylvanian test.

In the event you need something further from us to properly update your records and files, please advise.

Yours truly,  
C & K Petroleum, Inc.

  
D. E. Cooper  
Administrative Supervisor

DEC/vb  
cc: Oil Conservation Comm. - Artesia, NM

OK  
RKS

Dockets Nos. 32-76 and 33-76 are tentatively set for hearing on November 23 and December 15, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 10, 1976

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. Mutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for December, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5796: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Hixon Development Company, National Surety Corporation, and all other interested parties to appear and show cause why the Central Bisti Unit Wells Nos. 41, 46, 47, 49 and 50 located in Units D, I, K, M, and O, respectively, of Section 16, Township 25 North, Range 12 West, Bisti-Lower Gallup Pool, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5798: Application of Exxon Corporation for a unit agreement, Sierra and Dona Ana Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the Prisor Unit Area comprising 24,910 acres, more or less, of State, Federal, and fee lands in Townships 16 and 17 South, Ranges 1 East and 1 West, Sierra and Dona Ana Counties, New Mexico.
- CASE 5799: Application of Gulf Oil Corporation for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico, to be dedicated to applicant's J. N. Carson Well No. 9 located at an unorthodox location 1874 feet from the South line and 2086 feet from the West line of said Section 28.
- CASE 5809: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard, Tubb, and Blinberry production in the wellbore of its Manda "B" Well No. 1, located in Unit C of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico.
- CASE 5800: Application of Yates Petroleum Corporation for salt water disposal well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Morrow formation through the perforated interval from 8983 feet to 9129 feet in its Bob Gushwa Well No. 1 located in Unit J of Section 21, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.
- CASE 5801: Application of Atlantic Richfield Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 275-acre non-standard gas proration unit comprising the W/2 E/2, N/2 NW/4, and SE/4 NW/4 of Section 19, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State 176 Wells Nos. 3 and 6 located, at unorthodox locations in Units J and C, respectively, of said Section 19.
- CASE 5802: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its San Juan 28-7 Unit Well No. 75 located in Unit L of Section 15, Township 28 North, Range 7 West, Rio Arriba County, New Mexico.
- CASE 5803: Application of El Paso Natural Gas Company, Inc., for downhole commingling and simultaneous dedication, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Fruitland and Pictured Cliffs gas production in the wellbore of its Valdez "A" Well No. 1, located in Unit P of Section 24, Township 29 North, Range 11 West, San Juan County, New Mexico. Applicant further seeks approval for the simultaneous dedication of the SE/4 of said Section 24 to said well and its Valdez Well No. 1 located in Unit I of said Section 24.
- CASE 5804: Application of Stevens Oil Company for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its O'Brien "C" Well No. 2 located in Unit D of Section 1, Township 9 South, Range 28 East, Chaves County, New Mexico, to produce oil from the San Andres and Devonian formations through parallel strings of tubing.

- CASE 5805: Application of Morris R. Antweil 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 Wolfcamp and Morrow formations underlying the N/2 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location in Unit G of said Section 3. 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 applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5806: Application of Anadarko Production Company for two unorthodox well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of its Artesia State Unit Well No. 9-5 to be drilled 1270 feet from the North line and 50 feet from the East line of Section 23 and its Artesia State Unit Well No. 2-3 to be drilled 50 feet from the South line and 1270 feet from the West line of Section 13, both in Township 18 South, Range 27 East, Artesia Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.
- CASE 5797: Application of C&K Petroleum, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Dallas Ranch Unit Area comprising 5746 acres, more or less, of State, Federal, and fee lands in Township 9 South, Range 26 East, Chaves County, New Mexico.
- CASE 5807: Application of C&K Petroleum, Inc., for compulsory pooling and a non-standard unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, to form a non-standard 336.6-acre unit to be dedicated to a well located 1680 feet from the North line and 1980 feet from the East line of said Section 13. 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 applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5808: Application of C&K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to and including the Pennsylvanian formation underlying the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 16 South, Range 37 East, Lea County, New Mexico, to form four 40-acre oil proration units, the first to be dedicated to a well to be drilled at a point 660 feet from the South and East line of said Section 21 to test the Strawn formation and each of the others to a well subsequently drilled thereon. Also to be considered will be the cost of drilling and completing said wells 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 applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 5735: (Continued from October 27, 1976 Examiner Hearing)  
Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Seven Rivers-Queen formation underlying the NE/4 NE/4, NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4 of Section 19, Township 24 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to form four 40-acre proration units to be dedicated to four oil wells to be drilled at standard locations on said tracts. Also to be considered will be the cost of drilling and completing said wells 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 applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 5790: Application of Dome Petroleum Corporation for pool creation and assignment of a discovery allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Entrada production and the assignment of approximately 58,770 barrels of oil discovery allowable to the discovery well, being the Federal 21 Well No. 1 located in Unit K of Section 21, Township 20 North, Range 5 West, McKinley County, New Mexico.
- CASE 5776: (Continued from October 27, 1976, Examiner Hearing)  
Application of Continental Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its James Ranch Unit Well No. 8 to be drilled at a point 1930 feet from the North line and 660 feet from the West line of Section 31, Township 22 South, Range 31 East, Los Medanos-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 31 to be dedicated to the well.

SOUTH CARLSBAD PROSPECT  
Eddy County, New Mexico

ESTIMATE OF PAYOUT PERIOD

Completed well cost	\$ 625,000
C & K revenue interest until payout	75%
Expected delivery rate	1 MM/day
Gas Price @ \$1.42/M less 12.78¢ taxes (9% State, Severance & Ad Valorem)	\$ 1.29
Operating cost per month	\$ 450
Monthly revenue $1,000\text{M} \times \$1.29 \times 75\% \times 30 \text{ days} - \$450 =$	\$ 29,021/month
Annual rate of interest	8%
Payout period	<u>23.4 months</u>

Exhibit 1  
Case 5807

**C & K PETROLEUM, INC.**  
**AUTHORITY FOR EXPENDITURE**

No. \_\_\_\_\_  
 Date 11-4-76

Lease Carlsbad "13" Well No. 1 Field S. Carlsbad Depth 12,000'  
 Location 1680' FNL 1980' FEL, Section 16<sup>3</sup>, T-22-S, R-26-E, Eddy County, New Mexico  
 Reason for Request To drill and complete

INTANGIBLE DRILLING & DEVELOPMENT	ESTIMATED COST TO	COMPLETION COST
	CASING POINT	AFTER CASING POINT
1. Surveying	\$ 350.00	\$
2. Roads and Location	5,000.00	
3. Damages	2,000.00	
4. Contract Drilling: 12,000' @ \$ 12.50/ft.	156,000.00	
Day work: 8 days @ \$ 2,850/day	24,000.00	
5. Cement & Cementing Services:		
Surface                      sax @ \$	3,000.00	
Intermediate              sax @ \$	17,500.00	
Oil String                  sax @ \$		8,100.00
6. Drilling Fluids	60,000.00	500.00
7. Drill Stem Testing: 4 Tests @ \$2,000/ea.	8,000.00	
8. Coring & Analysis		
9. Electric Log	14,100.00	700.00
10. Perforating		1,800.00
11. Acidizing & Fracturing		12,000.00
12. Pulling units		6,000.00
* 13. Plugging	5,000.00	
14. Trucking	2,500.00	2,000.00
15. Geology	8,200.00	
16. Miscellaneous		
17. Tool Rentals, Special Services	4,000.00	2,000.00
18. Contract Labor	2,000.00	5,000.00
19. Contract Overhead	3,500.00	800.00
20. Engineering		
21. Supervision	1,000.00	2,500.00
22. Insurance		
23. Contingencies (10%)	31,850.00	4,600.00
<b>TOTAL INTANGIBLE DRILLING &amp; DEVELOPMENT</b>	<b>\$ 348,000.00</b>	<b>\$ 46,000.00</b>
<b>EQUIPMENT (Itemized)</b>		
24. Casing - Surface	7,200.00	
Intermediate	47,000.00	
Production		80,000.00
25. Tubing		37,000.00
26. Guide Shoes, Float, & Centralizers	1,200.00	1,500.00
27. Well Head	4,600.00	12,000.00
28. Tanks		18,000.00
29. Flow Lines		2,000.00
30. Valves & Fittings		2,000.00
Production Packers		1,800.00
31. Pumping Equipment		
Rods		
32. Other (10%)	6,000.00	15,700.00
<b>TOTAL EQUIPMENT</b>	<b>\$ 66,000.00</b>	<b>\$170,000.00</b>
<b>TOTALS</b>	<b>\$414,000.00</b>	<b>\$216,000.00</b>
<b>TOTAL DRILLING &amp; COMPLETION COSTS*does not include "13" plugging</b>		<b>\$625,000.00</b>

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

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

**Exhibit 2**  
**Case 5807**

Case 5807

JASON W. KELLAHIN  
ROBERT E. FOX  
W. THOMAS KELLAHIN

OCT 19 1976  
OIL CONSERVATION COMM.  
Santa Fe

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
500 DON GASPAR AVENUE  
POST OFFICE BOX 1769  
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315  
AREA CODE 505

October 18, 1976

Mr. Joe Ramey, Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Please find enclosed the original and two copies  
of the application of C & K Petroleum, Inc., for  
compulsory pooling and a non-standard unit, Eddy  
County, New Mexico.

We would appreciate this being set for the November  
10th hearing.

Yours very truly,

*Jason W. Kellahin*  
Jason W. Kellahin

CC: Mr. E. B. White, Jr.

JWK:kjf

Enclosure

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF C & K PETROLEUM, INC., FOR  
COMPULSORY POOLING AND A NON-  
STANDARD UNIT, EDDY COUNTY, NEW  
MEXICO.

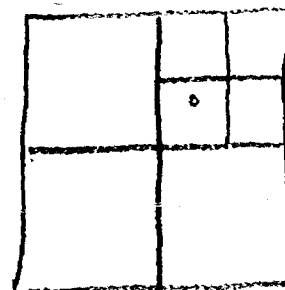
A P P L I C A T I O N

COMES NOW, C & K Petroleum, Inc., and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow Formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M., South Carlsbad Pool, Eddy County, New Mexico, and for formation of a non-standard 336.6 acre unit to be dedicated to the well to be drilled on the unit.

Applicant proposes to drill a well to be located 1680 feet from the North line, and 1980 feet from the East line of said Section 13.

The non-standard unit is necessary due to the governmental resurvey of Township 22 South, Range 26 East, N.M.P.M., which indicates that the N/2 of Section 13 in said Township and Range contains 336.6 acres.

Applicant, holder of the right to drill and develop the above-described acreage, has made diligent effort to obtain voluntary participation from all interest owners, but there are interest owners in the proposed unit who have not agreed to pool their interests.



The non-consenting owners and the interests which they own, to be best of applicant's information and belief, are as follows:

Bill G. Taylor 45 acres  
512 Wilshire  
Carlsbad, New Mexico 88220  
(Route 2, Box 74)

Mr. and Mrs. W. A. Pate, Jr 2.75 acres  
10129 Monaco Drive  
El Paso, Texas 79925

Approval of this application is necessary to enable applicant to recover its just and equitable share of the oil and gas underlying its lands. The correlative rights of all interest owners will be protected, and approval of the application will prevent waste and is in the interests of conservation.

WHEREFORE applicant prays that this application be set for hearing before the Commission or its duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the non-standard unit as requested, and pooling all of the mineral interests therein from the surface down to and including the Pennsylvanian formation, together with a provision designating applicant as operator, providing for recovery of the costs of drilling the well, together with a reasonable charge for the risk involved in the drilling of the well; a provision for recovery of the costs of operating the well together with a reasonable charge for supervisions, and such other provisions as may be proper.

Respectfully submitted,

C & K PETROLEUM, INC.

^

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

Attorneys for Applicant

OCT 19 1947

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF C & K PETROLEUM, INC., FOR  
COMPULSORY POOLING AND A NON-  
STANDARD UNIT, EDDY COUNTY, NEW  
MEXICO.

A P P L I C A T I O N

COMES NOW, C & K Petroleum, Inc., and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow Formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M., South Carlsbad Pool, Eddy County, New Mexico, and for formation of a non-standard 336.6 acre unit to be dedicated to the well to be drilled on the unit.

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The non-standard unit is necessary due to the governmental resurvey of Township 22 South, Range 26 East, N.M.P.M., which indicates that the N/2 of Section 13 in said Township and Range contains 336.6 acres.

Applicant, holder of the right to drill and develop the above-described acreage, has made diligent effort to obtain voluntary participation from all interest owners, but there are interest owners in the proposed unit who have not agreed to pool their interests.

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Respectfully submitted,  
C & K PETROLEUM, INC.

By Jason W. Kellahin  
Kellahin & Fox  
P. O. 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 AND A NON-  
STANDARD UNIT, EDDY COUNTY, NEW  
MEXICO.

A P P L I C A T I O N

COMES NOW, C & K Petroleum, Inc., and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow Formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M., South Carlsbad Pool, Eddy County, New Mexico, and for formation of a non-standard 336.6 acre unit to be dedicated to the well to be drilled on the unit.

Applicant proposes to drill a well to be located 1680 feet from the North line, and 1980 feet from the East line of said Section 13.

The non-standard unit is necessary due to the governmental resurvey of Township 22 South, Range 26 East, N.M.P.M., which indicates that the N/2 of Section 13 in said Township and Range contains 336.6 acres.

Applicant, holder of the right to drill and develop the above-described acreage, has made diligent effort to obtain voluntary participation from all interest owners, but there are interest owners in the proposed unit who have not agreed to pool their interests.

The non-consenting owners and the interests which they own, to be best of applicant's information and belief, are as follows:

Bill G. Taylor 45 acres  
512 Wilshire  
Carlsbad, New Mexico 88220  
(Route 2, Box 74)

Mr. and Mrs. W. A. Pate, Jr 2.75 acres  
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Approval of this application is necessary to enable applicant to recover its just and equitable share of the oil and gas underlying its lands. The correlative rights of all interest owners will be protected, and approval of the application will prevent waste and is in the interests of conservation.

WHEREFORE applicant prays that this application be set for hearing before the Commission or its duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the non-standard unit as requested, and pooling all of the mineral interests therein from the surface down to and including the Pennsylvanian formation, together with a provision designating applicant as operator, providing for recovery of the costs of drilling the well, together with a reasonable charge for the risk involved in the drilling of the well; a provision for recovery of the costs of operating the well together with a reasonable charge for supervisions, and such other provisions as may be proper.

Respectfully submitted,

C & K PETROLEUM, INC.

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

Attorneys for Applicant

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. 5807

Order No. R-5332

APPLICATION OF C & K PETROLEUM, INC.  
FOR COMPULSORY POOLING AND A NON-STANDARD  
UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of November, 1976, 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 Wolfcamp  
and Pennsylvanian formations underlying the N/2  
of Section 13, Township 22 South, Range 26 East,  
NMPM, South Carlsbad Field, Eddy County, New  
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well/ 1680 feet from the North line and 1980 feet from the East line of said Section 13 to be dedicated to a non-standard 336.6-acre 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 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 120 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 \$1,000 per month <sup>while drilling and \$150 per month while producing</sup> 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 February 28, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvania formations underlying the N/2 of Section 13, Township 22 ~~23~~ South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, <sup>non-</sup>are hereby pooled to form a standard 336.6 acre gas spacing and proration unit to be dedicated to a well to be drilled 1680 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, 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 28th day of February, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains 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 C & K Petroleum, Inc. is hereby designated the operator of the subject well and unit.

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

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

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

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

-5-  
Case No.  
Order No. R-

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

(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, 120 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 \$1000 per month <sup>while drilling and \$150 per month while producing are</sup> 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 charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-

Case No.

Order No. R-

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

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

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