

CASE NO.

6330

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6330

Order No. R- 5823

APPLICATION OF PETROLEUM CORPORATION
OF TEXAS FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 27,
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of _____, 1978, the Division
Director, 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 Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Petroleum Corporation of Texas,
seeks an order pooling all mineral interests in the Dakota
formation underlying the NE/4
of Section 32, Township 24 North, Range 3 West
NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New
Mexico.

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

(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~~ ^{hydrocarbons} in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 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.

*White Drilling and \$250.00
per month while producing*

(11) That \$2000.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before December 1, 1978, 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 Dakota formation underlying the NE/4 of Section 32, Township 24 North, Range 3 West, ^{triba} NMPM, Chacon-Dakota Associated Pool, Rio A/ County, New Mexico, are hereby pooled to form a standard 160 - acre ^{oil} ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of December, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of December, 1978, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Petroleum Corporation of/^{Texas} is hereby designated the operator of the subject well and unit.

Minimum of

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division 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 Division 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 Division and the Division 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 Division 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

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

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

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(9) That *\$2000.00* per month ^A ~~is~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision 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.

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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 ^{Arriba} Rio/ County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within ³⁰ ~~90~~ days from the date of ^{first deposit with} ~~this order.~~ _{said escrow agent.}

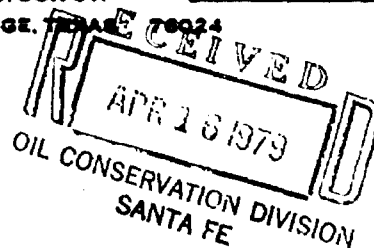
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

PETROLEUM CORPORATION OF TEXAS

P. O. BOX 911

BRECKENRIDGE, TEXAS 76024



File Case 6380

April 11, 1979

State of New Mexico
Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87501

Re: Itemized schedule of well costs
FEDERAL 1, Well 2 (Lease No. SF-081347)
Rio Arriba County, New Mexico
(Our lease no. 0545)

Gentlemen:

Enclosed you will find an itemized schedule of well costs for the above referred to well.

Please note that not all of the actual well costs have been incurred at this point in time; therefore, we can only estimate the remaining well equipment costs and the intangible development costs associated with this well.

Please contact us if you have any questions concerning this.

Yours very truly,

Lowry Lewis

LOWRY LEWIS
Accounting Department

C.C. Working Interest Owners
Clark & Gatman
Reading & Bates Production Co.

LL/dw
Enc.



817-559-3355

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. G330
Order No. R-5823

APPLICATION OF PETROLEUM CORPORATION
OF TEXAS FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 27, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of October, 1978, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Petroleum Corporation of Texas, seeks an order pooling all mineral interests in the Dakota formation underlying the NE/4 of Section 32, Township 24 North, Range 3 West, NMPN, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico.

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

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the

hydrocarbons in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

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

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

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

(11) That \$2000.00 per month while drilling and \$250.00 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 December 1, 1978, 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 Dakota formation underlying the NE/4 of Section 32, Township 24 North, Range 3 West, NMPM, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico, are hereby pooled to form a standard 160-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. .

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of December, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of December, 1978, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within a minimum of 30 days prior to commencing said well, the operator shall furnish the Division 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 Division 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 Division and the Division 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 Division 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:

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(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$2000.00 per month while drilling and \$250.00 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.

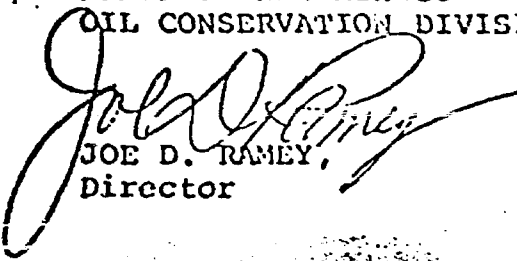
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(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

SEAL

dr/

PETROLEUM CORPORATION OF TEXAS

WELL COSTS SUMMARY

WELL NAME & NO. FEDERAL 1 Well 2		LOCATION Rio Arriba County		A.F.E. NO.	DATE
FIELD NAME		COUNTY/PARISH		STATE	
				New Mexico	
NATURE OF WORK		COMPLETED AS	DAYS	OPERATOR	
ESTIMATED TD	ESTIMATED SPUD DATE	ESTIMATED TIME: SPUD TO TD	DAYS	WORKING INTEREST	NET INTEREST
				%	%

INTANGIBLE DRILLING COST	SUB	DRY HOLE	PRODUCER	ACTUAL	OVER/(UNDER)
FOOTAGE FT. @ \$	(02)			81,996.45	
DAY WORK: W/DP @ \$ /DAY FOR DAYS	(02)			3,576.08	
W/O/DP @ \$ /DAY FOR DAYS	(02)				
CEMENT & CEMENT SURFACING	(04-06)			2,524.50	
LONG STRING	(08-10)			13,583.44	
DRILLING MUD & CHEMICALS	(12)			32,352.28	
FUEL	(14)				
WATER	(16)			14,999.34	
LOCATION, ENTRY, CLEAN UP & DAMAGES	(18-20)			4,453.09	
TRUCKING	(22)			1,284.48	
LOGGING & CORING	(24-26)			9,874.26	
DRILL STEM TESTING	(28)				
PERFORATING	(30)			4,433.24	
FRAC TREATMENT OR ACID	(32-34)			27,011.24	
COMPLETION UNIT	(36)			13,834.26	
MISCELLANEOUS Includes labor for well book	(38,40,50)			15,000.00*	
up and Misc. items				224,922.66	
SUB TOTAL INTANGIBLES					
CONTINGENCIES					
TOTAL INTANGIBLES				224,922.66	
WELL EQUIPMENT COSTS					
7957 FEET " OD Csg. @ \$	(10-11)			30,669.10	
FEET " OD Csg. @ \$	(10-11)				
FEET " OD Csg. @ \$	(10-11)				

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6330
Order No. R-5823

APPLICATION OF PETROLEUM CORPORATION
OF TEXAS FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

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

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

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Case No. 6330
Order No. R-5823

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Case No. 6330
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Case No. 6330
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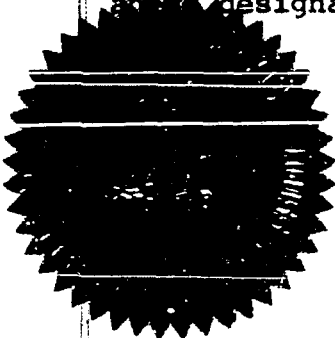
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(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
27 September 1978

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Petroleum Corporation)
of Texas for compulsory pooling, Rio)
Arriba County, New Mexico.)
)
)

CASE
6330

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Michael Campbell, Esq.
CAMPBELL, BINGAMAN & BLACK
Jefferson Plaza
Santa Fe, New Mexico 87501

I N D E X

ARTHUR BOICE

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E X H I B I T S

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Applicant Exhibit Three, AFE	7
Applicant Exhibit Four, Operating Costs	7

MR. NUTTER: Call next Case Number 6330.

MS. TESCHENDORF: Case 6330. Application of Petroleum Corporation of Texas for compulsory pooling, Rio Arriba County, New Mexico.

MR. CAMPBELL: Mr. Examiner, appearing on behalf of Petroleum Corporation of Texas, I am Michael Campbell of the law firm Campbell, Bingaman, and Black, of Santa Fe. Also appearing will be -- is Mr. C. R. Anderson, General Counsel for Petroleum Corporation of Texas. We have one witness.

(Witness sworn.)

ARTHUR BOICE

Being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you please state your name, by whom you're employed, and in what capacity?

A Arthur Boice, Petroleum Corporation of Texas, as Division Superintendent.

Q Have you previously testified before the Oil Conservation Division and were your credentials accepted by the Division at that time?

A. Yes.

MR. CAMPBELL: Are Mr. Boice's credentials acceptable to the Commission at this time?

MR. NUTTER: Yes, they are. Mr. Boice, is your name spelled B-O-Y-C-E?

A. I-C-E.

MR. NUTTER: B-O-I-C-E, thank you.

Q (Mr. Campbell continuing.) Mr. Boice, what is Petroleum Corporation of Texas seeking by its application in Case Number 6330?

A. We seek compulsory pooling in Rio Arriba County, New Mexico, for the northeast quarter of Section 32, Township 24 North, Range 3 West, the Chacon-Dakota Associated Pool, and to be designated as the operator.

Q I would ask you to examine what has been marked as Applicant's Exhibit Number One and identify and explain that exhibit.

A. This is a structure map of the Dakota formation in the area that we are proposing to drill our well.

Q Are you aware of the ownership interests in the quarter section?

A. Yes.

Q Would you recite those ownership interests?

A. Petroleum Corporation of Texas -- do you want the percentage over here?

Q No, just the interest owners.

A. Petroleum Corporation of Texas, IBEX Partnership, Warren Clark Trust, Helen Clark Odom, Warren Clark Trust, Reading and Bates Petroleum Company, Hooper, Kimbell, and Williams, Incorporated, and Mountain States Natural Gas has the southeast quarter of that northeast quarter of Section 32.

Q. Is the proposed well location an orthodox location?

A. Yes.

Q. Are you aware of the production history for offsetting wells and other wells in the vicinity?

A. Yes, sir.

Q. I would ask you to examine Applicant's Exhibit Number Two and to identify and explain that exhibit.

A. This -- the production history of the wells shown on this map, which shows the location, the completion date, and the potential, and the production by month for the wells that are shown on our map.

Q. What has Petroleum Corporation of Texas done to advise the interest owners concerning your proposed well?

A. We have secured a working -- operating agreement with everyone except Hooper, Kimbell and Williams, and we have sent them a farmout agreement, which they are considering, and probably will sign, and the Mountain

States, which has the southeast quarter, we have sent them a farmout agreement and have received no answer from them.

Q I would ask you to examine Applicant's Exhibit Number Three and to identify and explain that exhibit.

A This is an AFE showing the drilling costs for a dry hole or a producer, and showing the total dry hole costs would be \$179,350 and a producing well would be \$333,845.

Q At what depth do you propose to complete the well?

A 7650.

Q And when would you expect to begin drilling the well?

A Approximately November the 10th.

Q In connection with this application, does Petroleum Corporation of Texas request designation as operator of the well?

A Yes, sir.

Q Have you estimated operating costs for drilling the well and supervision fees for a producing well?

A Yes, sir.

Q I would ask you to examine what has been marked as Applicant's Exhibit Number Four and to identify and explain that exhibit.

A. This is an exhibit showing the overhead and combined fixed rate of operating the well at \$250 and showing the combined fixed rate for drilling supervision of \$2000 per month, and our other operating costs, and asking for a risk factor of 200 percent.

Q. On what basis is the 200 percent risk penalty warranted?

A. Due to the newness of this field. It's a relatively new area and other than that, I guess that's it.

Q. In your opinion would the Division's grant of your application avoid the drilling of unnecessary wells, protect correlative rights, and afford the owners of each interest the opportunity to recover and receive without unnecessary expense their just and fair share of gas produced?

A. Yes.

Q. Were Exhibits One through Four prepared by you or at your direction?

A. Yes, sir.

MR. CAMPBELL: I would move for the introduction of Exhibits One, Two, Three, and Four, at this time.

MR. NUTTER: Applicant's Exhibits One through Four will be admitted in evidence.

MR. CAMPBELL: Mr. Examiner, I have no further

questions.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Boice, now all these parties that you've named have an interest in the north half of this quarter section and the southwest quarter of the quarter section, right?

A Yes.

Q Except that Mountain States is the owner of minerals under the southeast of the northeast.

A Yes, sir.

Q Now, you said that you have an operating agreement with all of these parties in the 120 acres, with the exception of Hooper, Kimbell, and Williams, and that you have sent them a farmout agreement and expected them to ratify that agreement.

A Yes, sir.

Q That will take care of the 120 then, right?

A Yes, sir. If they do ratify it.

Q And now, is Mountain States the only outstanding interest in that 40-acres, being the southeast of the northeast?

A Yes, sir.

Q Have you offered them an operating agreement,

also?

A. Yes, sir.

Q. And they declined to join in the drilling of the well?

A. They didn't -- they didn't have any action on it one way or the other.

Q. And then you sent them a farmout --

A. Yes, sir.

Q. And you haven't heard from them on that, either?

A. No, sir, we've had telephone communication with them and they would take it under advisement but they have not, you know, have not been very promising that they would -- would accept it.

Q. What interest do they own in that 40 acres? Do they own the entire 40?

A. Yes, sir.

Q. So they will be a quarter working interest owner in the well, though.

A. Yes, sir.

Q. Under a forced pooling action.

Now, on these other parties that have signed the operating agreement, have they all agreed to pay their share or are any of them going to be carried?

A. They've all agreed to pay.

Q. In advance?

A Yes, sir.

Q And now you're seeking, in effect, if you get the agreement from Hooper, the only ones you're really force pooling would be Mountain States Natural Gas?

A Yes, sir.

Q And you're seeking a 200 percent risk factor as well as \$250 per month combined fixed rates while drilling -- while operating and \$2000 while drilling?

A Yes, sir.

Q There are a few gas wells in this pool. I don't see any on this particular Exhibit Number One. What are you going to do in the event you get a gas well? You'll just have a non-standard 160-acre unit, I guess, for that, huh?

A Yes, sir.

Q Because apparently all the other acreage is dedicated to an oil well in this.

MR. NUTTER: Are there any other questions of Mr. Boice? He may be excused.

Do you have anything further, Mr. Campbell?

MR. CAMPBELL: NO, Mr. Examiner.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 6330?

We'll take the case under advisement.

(Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6330 heard by me on 9/27 1978.

[Signature] Examiner
Oil Conservation Division

PETROLEUM CORPORATION OF TEXAS

Box 911
Breckenridge, Texas 76024

A. F. E. - Request

TO: _____ DATE: September 25, 1978

A.F.E. # 78-063

LEASE: Federal "1" (#0545)

WELL # 2

REASON FOR EXPENDITURE: To test the Dakota Formation under this lease in NE/4,
Section 32, T-24-N, R-3-W, Rio Arriba County, New Mexico.

WORK TO BE DONE: Drill, log, run casing, treat and complete as a producer.

ESTIMATED EXPENDITURE NECESSARY

TANGIBLE

SEE ATTACHED ESTIMATE

INTANGIBLE

SEE ATTACHED ESTIMATE

TOTAL ESTIMATED COST: \$ 333,854

IF APPROVAL IS GIVEN OPERATOR IS AUTHORIZED TO PROCEED AND UNDERSIGNED GRANTING
APPROVAL AGREES TO PAY FOR WORK REQUESTED.

APPROVED: _____

BY: _____

DATE: _____

PETROLEUM CORPORATION OF TEXAS

BY: S. H. Lindley, Jr.
S. H. Lindley, Jr.

DATE: September 25, 1978

Exhibit 3

Case 6330

PETROLEUM CORPORATION OF TEXAS

WELL COST ESTIMATE

Date September 25, 1978

Lease & Well No. Federal "I" #2

Proposed T.D. 7500 feet Type Rig Rotary AFE No. 78-063

INTANGIBLE COST:

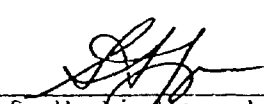
<u>7650</u> feet @ \$ <u>11.50</u> per ft.	\$ <u>87,975</u>	\$ <u>87,975</u>
Day Work <u>4</u> Days @ \$ <u>4,000</u> per day	<u>16,000</u>	<u>16,000</u>
Cement & Cementing Services (Surface)	<u>3,000</u>	<u>3,000</u>
Floating Equipment (Surface)	<u>800</u>	<u>800</u>
Cement & Cementing Services (Long String)	<u>8,000</u>	<u>8,000</u>
Floating Equipment (Long String)	<u>2,000</u>	
Mud & Mud Additives	<u>30,000</u>	<u>30,000</u>
Fuel	<u>---</u>	<u>---</u>
Water	<u>9,000</u>	<u>9,000</u>
Survey Location	<u>400</u>	<u>400</u>
Roads, Cleaning & Levelling Location & Clean Up	<u>5,000</u>	<u>3,000</u>
Trucking (Surface, Long String, Tubing)	<u>2,000</u>	<u>800</u>
Electric Logs	<u>9,000</u>	<u>9,000</u>
Coring	<u>---</u>	<u>---</u>
Formation Tests	<u>---</u>	<u>---</u>
Perforating	<u>4,000</u>	
Acid Treatment	<u>---</u>	
Fracture Treatment	<u>26,000</u>	
Drilling In & Completion (Rig Time)	<u>9,000</u>	
Rock Bits	<u>---</u>	
Labor (Hooking up well, etc.)	<u>15,000</u>	
Mud logging & Consulting	<u>10,255</u>	<u>10,255</u>
Combined fixed rate for supervision while drilling	<u>2,000</u>	<u>2,000</u>
Miscellaneous	<u>10,000</u>	<u>2,520</u>
TOTAL INTANGIBLES	\$ <u>249,430</u>	

TANGIBLE COST:

Surface String (<u>400'</u> <u>8-5/8" K-55 24# @ \$9.00</u>)	\$ <u>3,600</u>	\$ <u>3,600</u>
Long String (<u>7650'</u> <u>4 1/2" K-55 10.5 & 11.6# @ \$4 & 4.35</u>)	<u>31,073</u>	
Tubing (<u>7650'</u> <u>2-3/8" J-55 4.7# @ \$2.45</u>)	<u>18,742</u>	
Flow Line (<u>2" Line Pipe</u>)	<u>3,000</u>	
Xmas Tree & Connections	<u>7,500</u>	
Pumping Unit (Rods, pump, motor, etc.)		
Cattle Guards		
Tanks <u>2 - 400 bbl.</u>	<u>8,500</u>	
Gas Producing Unit	<u>7,000</u>	
Miscellaneous	<u>5,000</u>	<u>1,500</u>
TOTAL TANGIBLES	\$ <u>84,415</u>	

Total Dry Hole Cost \$ 179,850

Total Completion Cost (Tangible & Intangible) \$ 333,845


S. H. Lindsey, Jr.

9/25/78

EXHIBIT

Federal "1" Lease
Well #2
Rio Arriba County, New Mexico

Operating Cost Estimate
(Per month)

Overhead & District comb. fixed rate	\$250
Pumper	200
Miscellaneous	<u>100</u>
Total per Month	\$550

Risk Factor

200%

Combined fixed rate for supervision while drilling (per month)	\$2,000
--	---------

AHB/jac

Exhibit 4
Case 6330

Dockets Nos. 32-78 and 33-78 are tentatively set for hearing on October 11 and October 25, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 27, 1978

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

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

CASE 6329: Application of David Fasken for unorthodox gas well locations and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of the following three wells located in Township 21 South, Range 24 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico:

Ross Federal Com. Well No. 2 to be drilled 3300 feet from the South line and 660 feet from the West line of Section 4, Lots 9 through 16 of said section to be dedicated to the well; Ross Federal Com. Well No. 3 to be drilled 6040 feet from the South line and 460 feet from the West line of Section 4, to be dedicated to a 284.6-acre non-standard proration unit comprising Lots 1 through 8 of said section; and Shell Federal Com. Well No. 2 to be drilled 3300 feet from the South line and 660 feet from the West line of Section 5, Lots 9 through 16 of said section to be dedicated to the well.

CASE 6330: Application of Petroleum Corporation of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the NE/4 of Section 32, Township 24 North, Range 3 West, Chacon-Dakota Associated Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. 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 6331: Application of American Petrofina Company of Texas for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the South line and 990 feet from the East line of Section 29, Township 32 North, Range 9 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, the E/2 of said Section 29 to be dedicated to the well.

CASE 6332: Application of Reading & Bates Oil and Gas Company for an unorthodox gas well location and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of a well to be drilled 330 feet from the North line and 1650 feet from the West line of Section 5, Township 23 South, Range 36 East, Lea County, New Mexico, to produce gas from the Jalmat Yates formation and oil from the Langlie Mattix Seven Rivers formation.

CASE 6333: Application of Maddox Energy Corporation for compulsory pooling, 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 E/2 of Section 27, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. In the alternative, applicant seeks an order pooling only the NE/4 of said section for the production of gas from formations above the Wolfcamp. 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 6334: Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its New Mexico Federal "G" Well No. 1 to be drilled 4650 feet from the South line and 660 feet from the East line of Section 6, Township 21 South, Range 32 East, Lea County, New Mexico, Lots 9, 10, 15, and 16 and the SE/4 of said Section 6 to be dedicated to the well.

CASE 6335: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat gas and Langlie Mattix oil production within the wellbore of its Jack B-30 Well No. 2 located in Unit B of Section 30, Township 24 South, Range 37 East, Lea County, New Mexico.

CASE 6336: Application of Burleson & Huff for a non standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the E/2 SE/4 of Section 11 and the W/2 SW/4 of Section 12, Township 21 South, Range 36 East, Eusont Gas Pool, Lea County, New Mexico, to be dedicated to a well at a standard location in Unit P of said Section 11.

CASE 6337: Application of Mark D. Wilson to limit application of pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to limit the application of the McMillan-Morrow Gas Pool present rules to the horizontal limits of said pool only, Eddy County, New Mexico.

CAMPBELL, BINGAMAN AND BLACK, P. A.

LAWYERS

JACK M. CAMPBELL
JEFF BINGAMAN
BRUCE D. BLACK
MICHAEL B. CAMPBELL

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

August 28, 1978

AUG 29 1978

Mr. Joe Ramey
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87503

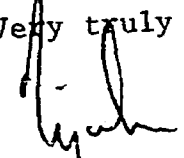
Re: Application of Petroleum Corporation of Texas
for Compulsory Pooling.

Dear Mr. Ramey:

Enclosed please find three copies of the Application of
Petroleum Corporation of Texas for compulsory pooling.

Please set this matter for hearing at your earliest
convenience.

Very truly yours,


Michael Campbell

MC:ama
Enclosures

cc: C. R. Anderson
(w/encl.)

BEFORE THE OIL CONSERVATION DIVISION
DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

In the Matter of the Application of)
Petroleum Corporation of Texas)
for an order compulsorily pooling)
all interests from the surface to)
the base of the Chacon-Dakota)
formation underlying the NE/4 of)
Section 32, Township 24 North,)
Range 3 West, in Rio Arriba County,)
New Mexico.)

NO. 6330 AUG 29 1978

APPLICATION

COMES NOW, Petroleum Corporation of Texas, by its
Attorneys, and states:

1. Applicant, together with others, is the owner of
mineral interests in the Chacon-Dakota formation underlying the
N/2 NE/4 and the SW/4 NE/4 of Section 32, Township 24 North, Range
3 West, Rio Arriba County, New Mexico, said ownership being in the
proportions as follows:

Petroleum Corporation of Texas	.1560873
Ibex Partnership	.1560873
Warren Clark Trust	.0081380
Carolyn Clark Oatman	.0087484
Warren Clark Testamentary Trust	.0042724
Reading & Bates Petroleum Co.	.3333333
Hooper, Kimbell & Williams, Inc.	.3333333

2. This Applicant is informed and believes that Mountain
States Natural Gas Corporation of Tulsa, Oklahoma owns the minerals
under the SE/4 NE/4 of said Section 32 and Applicant has made
serious efforts to obtain their cooperation in participating in
drilling of a well or farming out their interest to Applicant.

3. Applicant proposes to drill a well to a depth of approximately 7,800 feet in the Chacon-Dakota formation at an orthodox location in the SW/4 NE/4 of Section 32.

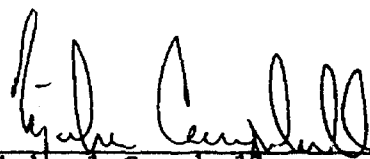
4. In order to form a standard unit for the drilling of said well, Applicant requests the Oil Conservation Division to consider the costs of drilling and completing said well, to allocate costs including actual operating costs, charges for supervision and charges for risk involved in drilling the well and to pool all interests underlying said NE/4 of Section 32, Township 24 North, Range 3 West. Applicant requests that it be designated operator of the well.

5. Applicant requests that this Application be set for hearing before an examiner for the Commission at the earliest date.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

By



Michael Campbell
Attorney for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501