

CASE 6118: SOUTHLAND ROYALTY COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
SUDY COUNTY, NEW MEXICO

CASE NUMBER

6718

Application

Transcripts.

Small Exhibits

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
14 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty) CASE
Company for an unorthodox gas well) 6718
location, Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 41-2463
Santa Fe, New Mexico 87501

I N D E X

C. HARVEY CARR

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Applicant Exhibit Three, Plat 6

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Applicant Exhibit Five, Document 8

SALLY WALTON BOND
CERTIFIED REPORTER
2030 Plaza Blanca (66) 471-4162
Santa Fe, New Mexico 87501

1 MR. NUTTER: Call Case Number 6718.

2 MR. PADILLA: Application of Southland
3 Royalty Company for an unorthodox gas well location, Eddy
4 County, New Mexico.

5 MR. CARR: May it please the Examiner, I
6 am William F. Carr, Campbell and Black, P. A., Santa Fe,
7 appearing on behalf of the applicant. I have one witness
8 who needs to be sworn.

9
10 (Witness sworn.)

11
12 C. HARVEY CARR

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

15
16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q Will you state your full name and place
19 of residence?

20 A It's C. Harvey Carr, and I live in Midland,
21 Texas.

22 Q Mr. Carr, by whom are you employed and in
23 what capacity?

24 A I'm the District Engineer for Southland
25 Royalty in Midland.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1924 Plaza Blanca (505) 471-2423
Santa Fe, New Mexico 87101

SALLY WALTON BCIYD
CERTIFIED SHORTHAND REPORTER
3026 Plaza Blanca (695) 471-9493
Santa Fe, New Mexico 87501

1 Q Have you previously testified before this
2 Commission and had your credentials accepted and made a mat-
3 ter of record?

4 A Yes, I have.

5 Q Are you familiar with the application of
6 Southland Royalty Company in this case?

7 A Yes, I am.

8 MR. CARR: Are Mr. Carr's qualifications
9 acceptable?

10 MR. NUTTER: Yes, they are.

11 Q (Mr. Carr continuing.) Mr. Carr, will you
12 please refer to what has been marked for identification as
13 Southland Royalty Company Exhibit One and review that for
14 the Examiner?

15 A Exhibit One is a stipulation, it's Number
16 6495, Case Number 6495, and it's Amax Chemical Corporation's
17 application to extend the R-111 area into several areas of
18 their -- around their mining area, and this stipulation is
19 an agreement between Amax and Southland and some other oper-
20 ators in which they agree to leaving some islands, or drilling
21 locations, within the R-111 area, and on page three is re-
22 ference to our subject location here, Item B, a Southland
23 location is to be located in the southwest quarter northeast
24 quarter of Section 14, Township 19 South, Range 29 East,
25 Eddy County, New Mexico, and they went on to say in Item B-3,

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (S.E.) 471-463
Santa Fe, New Mexico 87501

1 the specific location shall be along a line generated from
2 the following two points: 1900 feet from the north line,
3 2640 feet from the east line, and 1320 feet from north line,
4 2300 feet from east line. In other words, we would have to
5 stay to the west of those points there.

6 And it also went on to say that we had to
7 stay at least 1000 feet from their active or from their mine
8 area.

9 Q Now, Mr. Carr, will you refer to what has
10 been marked Exhibit Number Two and explain the significance
11 of this exhibit for the Examiner?

12 A Exhibit Two is a plat showing the area
13 around Section 14. It shows our proposed location and the
14 line leading off southwest is this line that they refer to
15 in the stipulation, and we had to stay on that line or to
16 the west of it. And, of course, it delineates the R-111
17 area here. It shows the stipulated portion is the mine area,
18 and the dots represent active Morrow completions in this
19 immediate area.

20 Up to the northwest the Tenneco State HL,
21 I understand, is waiting on a completion unit. That well
22 has not been completed at the present time.

23 MR. NUTTER: It has been drilled, though.

24 A I understand it has been drilled, yes, sir.

25 Q Will you now refer to Exhibit Number Three

SALLY WALTON BOYD
CERTIFIED (MORTGAGE) REPORTER
3928 Plaza Blanca (951) 471-2462
Santa Fe, New Mexico 87501

1 and summarize that for the Examiner?

2 A Exhibit Number Three is an enlarged Sec-
3 tion 14, a little more detail. It shows our proposed loca-
4 tion, this being 1325 feet from the north line and 2303 feet
5 from the east line of Section 14, and it also shows the pro-
6 ration unit that we're proposing to be the east half of
7 Section 14, and I've drawn arcs of 1000 feet from the mine
8 and struck those arcs and then colored in red there the --
9 that is the area that we will have to locate a well to meet
10 the requirements of the stipulation. So we chose the pro-
11 posed location and that would get us 337 feet from the west
12 line of the proration unit and if we moved it south along
13 that arc, or southwest, we would immediately start crowding
14 the west line, and as we went south there would be some
15 question as to whether the bottom hole location would stay
16 on the proration unit itself, and of course, also, we note
17 here that we're actually 730 feet from a standard location.

18 Q What acreage do you propose to dedicate
19 to this new well?

20 A The east half of Section 14.

21 Q Mr. Carr, if you -- would it be possible
22 to dedicate the north half of this section to this well?

23 A The -- our existing Southland Royalty State
24 14 Com No. 1, which you see in the west half of the section,
25 is a north/south proration unit and for it to be a legal

1 location it requires that the -- it to be a west half loca-
2 tion, so as of right now, we can't make any other -- put them
3 any other way.

4 Q If you were able to dedicate the north
5 half of this section, could you drill at an unorthodox loca-
6 tion and be closer to the north line of this unit?

7 A If we could make a north half location, we
8 could possibly stake a legal location 660 feet from the
9 north line of Section 14.

10 Q Do you gain any structural advantage by
11 drilling at this unorthodox location as opposed to drilling
12 at a standard location?

13 A No. We consider either location to be
14 equally the same geologically.

15 Q Did you give notice to offset operators
16 of this case?

17 A Yes, we did.

18 Q Would you identify what has been marked
19 for identification as Southland Royalty Company Exhibit Num-
20 ber Four?

21 A Exhibit Number Four is a waiver from
22 Sabine Production Company concerning this application.

23 Q Were waivers received from any other off-
24 setting operator?

25 A No, they were not.

SALLY WALTON BOYD
CERTIFIED SOUTHLAND REPORTER
2020 Plaza El Estero (505) 471-4462
Santa Fe, New Mexico 87501

1 Q I'd like you now to refer to what has been
2 marked for identification as Southland Royalty Company Ex-
3 hibit Number Five and review this for the Examiner.

4 A This is my estimate of what it would cost
5 to drill a directional hole to a standard location. We're
6 drilling in a potash area, R-111 potash area, and I've esti-
7 mated the down straight hole cost at \$725,500, and I've
8 estimated the cost to -- additional cost to directional to
9 this standard location as \$90,000, for a total of \$815,000.

10 I might point out that this is a no com-
11 plication directional estimate. Directional estimates are
12 a little hard to come by. You could start having a little
13 bit of trouble, so this is a bare bones cost. If you
14 started having a little bit of trouble the cost could esca-
15 late up considerably more than this price here.

16 Q Mr. Carr, do you have anything further to
17 add to your testimony?

18 A No, I do not.

19 Q Were Exhibits One through Five either
20 prepared by you or have you reviewed them and can you testify
21 of your own knowledge as to their accuracy?

22 A Yes. I made them or had them done under
23 my direction.

24 Q In your opinion will granting this appli-
25 cation be in the interest of conservation, the prevention

SALLY VIALTON BOYE
CERTIFIED SOUTHWEST REPORTER
2020 Plaza Blanca (SOS) 471-4448
Santa Fe, New Mexico 87501

1 of waste, and the protection of correlative rights?

2 A Yes.

3 MR. CARR: At this time, Mr. Examiner, we
4 would offer into evidence Applicant's Exhibits One through
5 Five.

6 MR. NUTTER: Southland Exhibits One through
7 Five will be admitted in evidence.

8 MR. CARR: I have nothing further on
9 direct.

10
11 CROSS EXAMINATION

12 BY MR. NUTTER:

13 Q Mr. Carr, you mentioned this 1000 feet
14 that you have to stay away from the mine. I don't see that
15 in the stipulation. Is that in the stipulation?

16 A I thought it was. I don't see it in here
17 offhand.

18 Q I think perhaps that that might have been
19 in the discussions that were arrived at in drawing up this
20 stipulation and that you recognized that this location, which
21 was specified as being on a line between two points was 1000
22 feet away from the mine.

23 A Yes, that is correct.

24 Q And so you have tried to stay 1000 feet
away from the mine in drilling a well on this line.

SALLY WALTON BOYD
CERTIFIED SOUTHWEST REPORTER
303 Plaza Blanca (303) 471-4412
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Illinois (SBS) 471-4463
Santa Fe, New Mexico 87501

1 A. Well, the Amax people wanted 1000 feet so
2 they gave us these two points, which was to be 1000 feet.

3 MR. NUTTER: Are there any further questions
4 of Mr. Carr?

5 How about you, Mr. Carr?

6 MR. CARR: I'd only like to make one state-
7 ment and that is the absence of the other waivers we believe
8 can be explained by the fact that Gulf and Superior and Amax,
9 by signing this stipulation waived --

10 MR. NUTTER: They have agreed to the loca-
11 tion, I think, in effect by signing the stipulation.

12 MR. CARR: That's correct. That's our
13 position, in any event, and I have nothing further.

14 MR. NUTTER: And has this stipulation been
15 signed by all parties to it, Mr. Carr?

16 MR. CARR: Yes, it has.

17 MR. NUTTER: And has it been delivered to
18 the Division?

19 MR. CARR: I believe it has, yes, sir.

20 MR. NUTTER: If there are no further ques-
21 tions of the witness, he may be excused.

22 Does anyone have anything they wish to offer
23 in Case Number 6718?

24 We'll take the case under advisement.
25

REPORTER CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand 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, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the trial and hearing of Case No. 6712
heard by me on 11/14 1979.
Chambers, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (885) 471-4482
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
14 November 1979

EXAMINER HEARING

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TRANSCRIPT OF HEARING

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Santa Fe, New Mexico 87503

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CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED (NORTH) REPORTER
1010 Plaza, Santa Fe, New Mexico 87501
471-2402

I N D E X

C. HARVEY CARR

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|---------------------------------|---|
| Direct Examination by Mr. Carr | 3 |
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E X H I B I T S

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|------------------------------------|---|
| Applicant Exhibit One, Stipulation | 4 |
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| Applicant Exhibit Three, Plat | 6 |
| Applicant Exhibit Four, Waiver | 7 |
| Applicant Exhibit Five, Document | 8 |

SALLY WALTON BUVD
CERTIFIED SHORTHAND REPORTER
2016 Plaza Maraca (605) 471-2442
Harris Co., New Mexico 87501

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MR. NUTTER: Call Case Number 6718.

MR. PADILLA: Application of Southland Royalty Company for an unorthodox gas well location, Eddy County, New Mexico.

MR. CARR: May it please the Examiner, I am William F. Carr, Campbell and Black, P. A., Santa Fe, appearing on behalf of the applicant. I have one witness who needs to be sworn.

(Witness sworn.)

C. HARVEY CARR
being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A It's C. Harvey Carr, and I live in Midland, Texas.

Q Mr. Carr, by whom are you employed and in what capacity?

A I'm the District Engineer for Southland Royalty in Midland.

SALLY WALTON BOYD
CERTIFIED SHOCKLAND REPORTER
808 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3028 Plaza Blanca (505) 411-2462
Santa Fe, New Mexico 87501

1 Q Have you previously testified before this
2 Commission and had your credentials accepted and made a mat-
3 ter of record?

4 A Yes, I have.

5 Q Are you familiar with the application of
6 Southland Royalty Company in this case?

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21 I understand, is waiting on a completion unit. That well
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2024 Plaza Blanca (955) 471-0452
Santa Fe, New Mexico 87501

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1020 Plaza Blanca (955) 471-2465
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Marconi (995) 471-2462
Santa Fe, New Mexico 87501

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3 any other way.

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21 of your own knowledge as to their accuracy?

22 A Yes. I made them or had them done under
23 my direction.

24 Q In your opinion will granting this appli-
25 cation be in the interest of conservation, the prevention

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Alamosa (909) 471-2452
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (Soc.) 471-2463
Santa Fe, New Mexico 87501

1 of waste, and the protection of correlative rights?

2 A. Yes.

3 MR. CARR: At this time, Mr. Examiner, we
4 would offer into evidence Applicant's Exhibits One through
5 Five.

6 MR. NUTTER: Southland Exhibits One through
7 Five will be admitted in evidence.

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11 CROSS EXAMINATION

12 BY MR. NUTTER:

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16 A I thought it was. I don't see it in here
17 offhand.

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19 in the discussions that were arrived at in drawing up this
20 stipulation and that you recognized that this location, which
21 was specified as being on a line between two points was 1000
22 feet away from the mine.

23 A Yes, that is correct.

24 Q And so you have tried to stay 1000 feet
25 away from the mine in drilling a well on this line.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

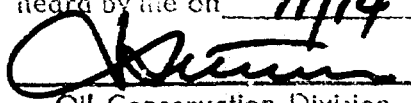
1 A Well, the Amax people wanted 1000 feet so
2 they gave us these two points, which was to be 1000 feet.
3 MR. NUTTER: Are there any further questions
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5 How about you, Mr. Carr?
6 MR. CARR: I'd only like to make one state-
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13 position, in any event, and I have nothing further.
14 MR. NUTTER: And has this stipulation been
15 signed by all parties to it, Mr. Carr?
16 MR. CARR: Yes, it has.
17 MR. NUTTER: And has it been delivered to
18 the Division?
19 MR. CARR: I believe it has, yes, sir.
20 MR. NUTTER: If there are no further ques-
21 tions of the witness, he may be excused.
22 Does anyone have anything they wish to offer
23 in Case Number 6718?
24 We'll take the case under advisement.
25

REPORTER CERTIFICATE

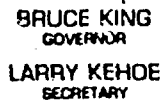
I, SALLY W. BOYD, a Certified Shorthand Reporter,
DO HEREBY CERTIFY that the foregoing and attached Transcript
of Hearing before the Oil Conservation Division was reported
by me; that the said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability, from 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. 6718
heard by me on 11/14 1979.

 Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (SOS) 411-2462
Santa Fe, New Mexico 87501



November 27, 1979

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

Re: CASE NO. 6718
ORDER NO. R-6190

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Applicant:

Southland Royalty Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

| | |
|-------------|----------|
| Hobbs OCD | <u>x</u> |
| Artesia OCD | <u>x</u> |
| Aztec OCD | |

Other

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. 6718
Order No. R-6190

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 14, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of November, 1979, 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, Southland Royalty Company, seeks approval of an unorthodox gas well location 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South, Range 29 East, NMPM, Oil-Potash Area, to test the Morrow formation, Eddy County, New Mexico.

(3) That the E/2 of said Section 14 is to be dedicated to the well.

(4) That said unorthodox location is in accordance with an agreement between the applicant, other oil and gas operators in the area, and the operator of a nearby potash mine as being suitable for development of the oil and gas reserves underlying the E/2 of said Section 14 without

-2-

Case No. 6718
Order No. R-6190

unduly interfering with the orderly commercial development of potash deposits or unduly reducing the total quantity of potash which may reasonably be recovered.

(5) That no offset operator not a signatory to said agreement objected to the proposed unorthodox location.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South, Range 29 East, NMPM, Oil-Potash Area, Eddy County, New Mexico.

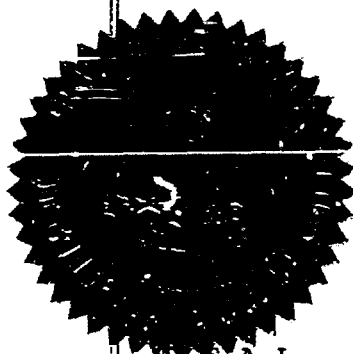
(2) That the E/2 of said Section 14 shall be dedicated to the above-described well.

(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director



SEAL

dr/

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

Application of Amax Chemical)
Corporation for an Order)
Amending R-111A and Seeking) No. 6495
Extension of the Potash-Oil)
Area in Eddy County, New Mexico)

STIPULATION

Subject to approval by the Oil Conservation Division,
Department of Energy and Minerals, State of New Mexico (Division).
the parties agree and stipulate as follows:

Recitals

1. The general area of interest under this Stipulation
is defined as Sections 11, 13, 14, 23 and 24, Township 19 South,
Range 29 East, N.M.P.M. Eddy County, New Mexico and Section 19,
Township 19 South, Range 30 East, N.M.P.M., Eddy County, New
Mexico.

2. Southland Royalty Company (Southland), the Superior
Oil Company (Superior), and Gulf Oil Corporation (Gulf), are en-
gaged in the business of producing oil and gas and have determined
that prospects exist for the production of oil and gas within the
general area of interest.

3. Amax Chemical Corporation (Amax) is engaged in the
business of producing potash in the general area of interest.

4. On February 12, 1979, Amax filed with the Division an
application for Order Amending R-111 seeking extension of the
R-111 Area to include certain lands within the general use of
interest (Case No. 6495).

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Southland DEED NO. 1
CASE NO. 6495

5. On March 14, 1979, Southland, Superior and Gulf appeared before the Division and actively opposed and resisted the approval of the Amax application.

6. On April 9, 1979, the Division approved and disapproved extension of the R-111A for certain lands within the general area of interest as more particularly described in Order No. R-111-K.

7. On April 12, 1979, Amax filed with the Division a Motion to Re-Open Case No. 6495 to offer newly discovered evidence with respect to the existence of commercial potash within the general area of interest, which Motion was subsequently withdrawn or superceded.

8. On April 18, 1979, Amax filed with the Oil Conservation Commission (Commission) an Application for De Novo Hearing in Case No. 6495 with respect to the existence of commercial potash within the general area of interest, which Application is pending determination before the Commission.

9. The Parties have engaged in good faith negotiations with respect to the initial development of oil and gas and potash within the general area of interest and have disclosed fully all information and data with respect to such mutual development.

Stipulation and Agreement.

10. Amax agrees and stipulates to and will not oppose in any forum the use of surface locations in the general area of interest and the production of oil and gas at the following locations and in the following manner:

a.) Southland Location in the SE/4, SE/4, Section 11, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has

conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional drilling from the surface location in order to drain reserves in either the N/2 or W/2 of Section 13.

3.) The specific surface location shall be 950' FSL and 270' FEL.

b.) Southland Location in the SW/4, NE/4 of Section 14, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional or straight hole drilling from the surface location in order to drain reserves in the E/2 of Section 14.

3.) The specific surface location shall be along a line generated from the following two points 1900' FNL - 2640' FEL and 1320' FNL - 2300' FEL.

c.) Southland Location in the SE/4, SE/4 of Section 13, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has

conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional drilling from the surface location in order to drain reserves in the S/E or E/2 of Section 13.

3.) The specific surface location shall be 400' FSL - 600' FEL.

d.) Superior Location in Section 24, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.

2.) Superior contemplates directional drilling from the surface location in order to drain reserves in the E/2 of Section 24.

3.) The specific surface location shall be, at the sole option of Superior, either of the following two locations:

a.) 1980' FEL - 100' FSL, or;

b.) within 500' of the intersection of Sections 13 and 24 of Township 19 South, Range 29 East, and Sections 18 and 19, Township 19 South, Range 30 East.

e.) Gulf Location in SW/4 of Section 19, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

- 1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.
- 2.) Gulf contemplates directional or straight hole drilling from the surface location in order to drain reserves in the W/2 of Section 19.
- 3.) The surface location shall be within the following described area:

BEGINNING at the common corner of Sections 24 and 25, T19S, R29E and Sections 19 and 30, T19S, R30E for the SW corner of this tract.

THENCE 980' North along the common boundary of Section 19, T19S, R30E and Section 24, T19S, R29E to a point.

THENCE 735' North 45° East to a point.

THENCE 2120' East to a point.

THENCE 1500' South to a point in the common boundary line of Sections 19 and 30, T19S, R30E.

THENCE 2640' West to the place of beginning.

11. The locations described in Paragraph 10 are more particularly described in Exhibit "A", attached hereto and incorporated herein, and any discrepancy or variation between the descriptions contained herein and the descriptions contained in Exhibit "A" shall be governed by the descriptions contained in Exhibit "A".

12. The Parties shall abide by all rules and regulations of the Division contained in Order No. R-111-A including the rules and regulations governing drilling and casing programs, plugging

and abandonment of wells, inspection of drilling and mining operations and filing of well surveys, mine surveys and potash development plans.

13. Southland, Superior and Gulf agree, stipulate to and will not oppose in any forum the approval of the Amax Application in Case No. 6495 with respect to extension of the potash-oil area in the area of general interest, providing, however, that the parties stipulate that the SW/4 of Section 19, Township 29 South, Range 30 East, N.M.P.M., Eddy County, New Mexico shall not be included within the R-111-A area, and Order No. R-111-K shall be amended to reflect such deletion.

14. Amax shall withdraw without prejudice subject to the Division's order permitting re-filing, that portion of Case No. 6495 as it relates to extension of the potash-oil area in areas other than the general area of interest, provided, however, that Order No. R-111-K shall remain in full force and effect.

15. From and after the execution and approval of this Stipulation, no Party shall undertake any activity which would impair or impede the operations and safety of any other Party.

16. This Stipulation shall be binding only upon the signatory parties.

Dated: October 23, 1979

AMAX CHEMICAL CORPORATION

A. D. Dizon
Vice President
Title

THE SUPERIOR OIL COMPANY

E. J. Dutton
Title: Vice President

ATTEST:

R. T. Bracciano
Assistant Secretary

SOUTHLAND ROYALTY COMPANY

C. E. Mear
Title: Exploration Manager

GULF OIL CORPORATION





W. S. Ketchum
Title: Attorney-in-Fact

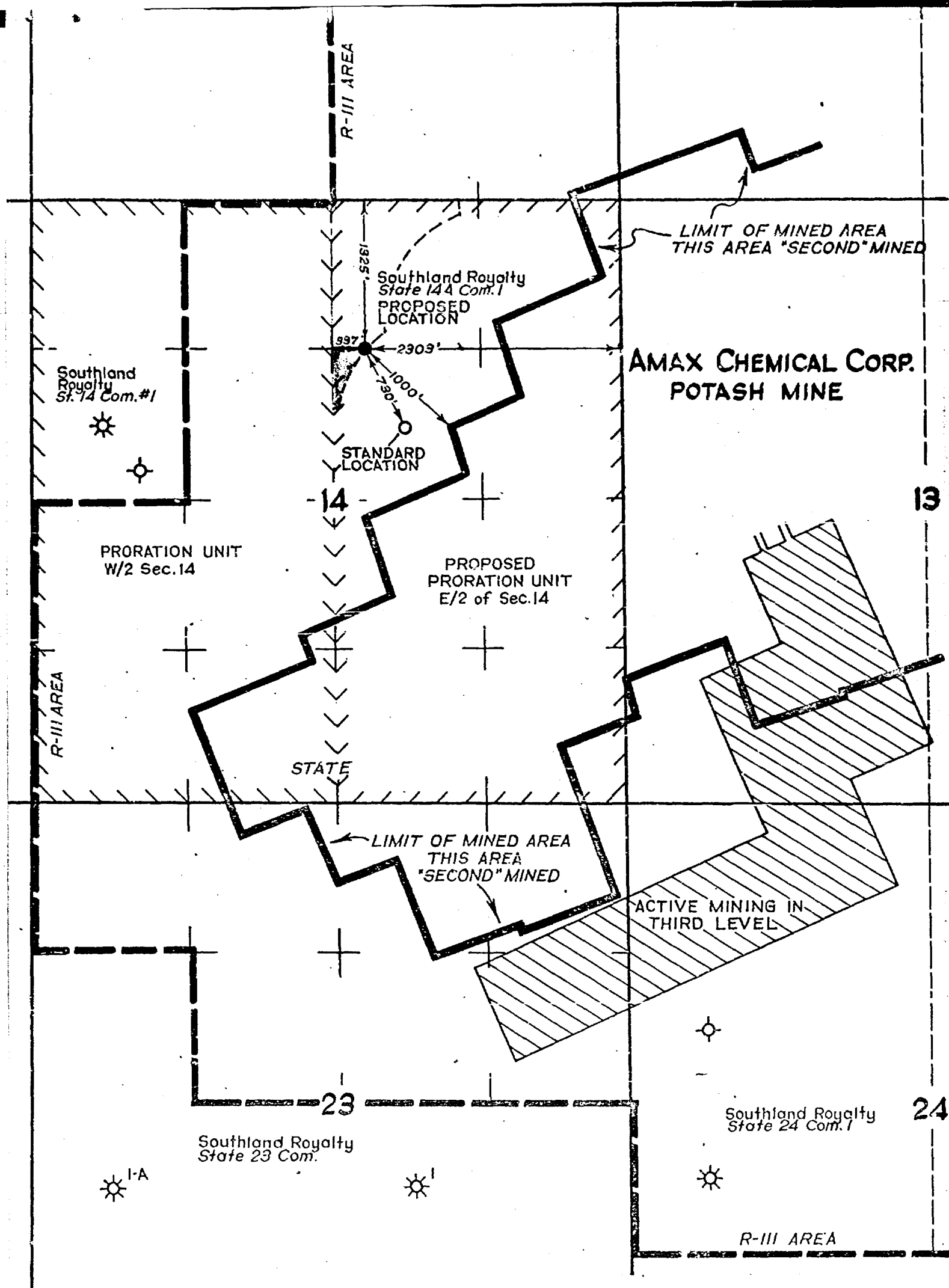
Approved and entered of record by the Oil Conservation
Division, Department of Energy and Minerals, State of New Mexico
the _____ day of _____, 1979.

Hearing Examiner



SCALE 1" = 2000'

-  PRODUCING MORROW WELL
 R-III AREA BOUNDARY
 OPEN MINE WORKINGS
 STIPULATED LOCATION
 (either or between these two points)



BEFORE EXAMINER MUTTER
 OF THE COUNTY OF EDDY
 Southland Royalty Company 3
 CASE NO. 6718

| | |
|--|---------------|
|  Southland Royalty Company MIDLAND, TEXAS | |
| Application For Unorthodox Location Southland Royalty Company State "14-A" Com. No. 1 1325' FNL & 2303' FEL, Sec. 14 T-19-S, R-29-E Eddy County, New Mexico | |
| Scale 1" = 1000' | By: CHC 10-79 |



SABINE PRODUCTION COMPANY

901 Wall Towers East P.O. Box 3083 Midland, Texas 79702 (915) 683-5607

October 12, 1979

Mr. Joe Ramey
N.M.O.C.C.
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Southland Royalty #1
"14-A" State located
1320'FNL and 2300'FEL,
Section 14,
T-19-S, R-29-E,
Eddy County, New Mexico

Dear Mr. Ramey:

As working interest owner, in offset to the subject well,
Sabine Production Company waives objection to this well
projected to 11,850 feet.

Very truly yours,

SABINE PRODUCTION COMPANY

C. H. Madsen

C. H. Madsen
District Geologist

/wb

| | |
|---------------------------|----------------------|
| BEFORE EXAMINER NUTTER | |
| OIL CONSERVATION DIVISION | |
| <i>Southland</i> | EXHIBIT NO. <i>4</i> |
| CASE NO. | <i>6718</i> |

A Subsidiary of SABINE Corporation

SOUTHLAND ROYALTY COMPANY

State "14-A" Com. No.1

1320' FNL & 2303' FEL Sec. 14, T-19-S, R-29E

Eddy County, New Mexico

Estimated Cost to Drill to Standard Location: 1980' FNL & 1980' FEL
or Horizontal Distance of 730 Feet.

Cost of Vertical Hole to TD of 11,900' in
R-111 Potash Area (20"-13 3/8' - 8 5/8' - 4 1/2') \$725,500

Additional Cost for 730' Horizontal displacement:

| | | |
|--------------------------------------|-----------------|---------------|
| Eastman Whipstock Company (attached) | \$39,000 | |
| Additional rig time 8 days @ \$4500 | 36,000 | |
| Additional 7 7/8" bits 2 @ \$2500 | 5,000 | |
| Trucking of directional equipment | 2,000 | |
| Co. labor & expense | 1,000 | |
| Misc. & unforeseen | 7,000 | |
| | <u>\$90,000</u> | <u>90,000</u> |

Total Cost of Well at Standard Location \$815,000

CHC/rs

Attachment

C. Harvey Carr
C. Harvey Carr
District Engineer
Southland Royalty Company

11-12-79

| | |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER | |
| OIL CONSERVATION DIVISION | |
| Southland | EXHIBIT NO. 5 |
| CASE NO. | 6718 |



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

October 2, 1979

Mr. Harvey Carr
Southland Royalties Co.
1100 Wall Towers West
Midland, TX

Dear Sir:

Please find enclosed an angle build up schedule, procedure and cost estimate to Control Directional Drill your State 14 "A" No. 1 well in Eddy County, New Mexico.

Normally one third is added to the conventional drilling time for directional drilling. As we discussed in our meeting yesterday we are using 17 straight hole days from 9200' T.V.D. to 12,000' T.V.D. For this time and cost estimate we are adding 8 extra days for directional drilling and deeper kick-off point depth.

We appreciate the opportunity to present this proposal for your approval. Thank you for calling Eastman Whipstock. If we can be of further service, please call.

Yours Truly,

Ray Warner
District Technical Coordinator

RW:dj

Enclosures



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

PROCEDURE

1. Run gyro directional survey 0' to 3000' in 8-5/8" casing while waiting on cement.
2. Drill 7-7/8" hole to 9200' with 6 1/4" X 30' Non Magnetic Drill Collar in drill string or last bit trip. Drop magnetic multiple shot survey into NMDC and survey on trip out of hole to pick up directional tools.
3. Go in hole with 7-7/8" bit, 5" mud motor, deflection sub, 6 1/4" X 30' NMDC, drill collars and drill pipe. Orient this assembly and drill 60' (+) and trip out of hole.
4. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/4" X 30' NMDC, 6 1/4" X 30' drill collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly building angle at the rate of 1°30' per 100' until average angle of 15°38' is obtained at approximately 10,230'. Trip out of hole for change in drilling assembly.
5. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/2" X 10' steel lead collar, 7-7/8" stabilizer, 6 1/4" X 30' NMDC, 7-7/8" stabilizer, 6 1/4" X 30' steel collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly to total depth or until a corrective motor run is needed.

NOTE: These procedures are based on normal conditions. The Eastman Whipstock directional supervisor at the location may see fit to alter some of these procedures mentioned here to suit the conditions.



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" COM NO. 1
EDDY COUNTY, NEW MEXICO

ANGLE BUILD UP SCHEDULE

| <u>MEASURED DEPTH</u> | <u>DRIFT ANGLE</u> | <u>TRUE VEPTICAL DEPTH</u> | <u>DISPLACEMENT</u> |
|---------------------------|------------------------|--------------------------------|---------------------|
| 9200.00' | 0°00' | 9200.00' | 00.00' |
| 9300.00' | 1°30' | 9299.99' | 1.31' |
| 9400.00' | 3°00' | 9399.91' | 5.23' |
| 9500.00' | 4°30' | 9499.69' | 11.78' |
| 9600.00' | 6°00' | 9599.27' | 20.92' |
| 9700.00' | 7°30' | 9698.57' | 32.68' |
| 9800.00' | 9°00' | 9797.54' | 47.03' |
| 9900.00' | 10°30' | 9896.09' | 63.96' |
| 10,000.00 | 12°00' | 9994.16' | 83.47' |
| 10,100.00' | 13°30' | 10,091.70' | 105.54' |
| 10,200.00' | 15°00' | 10,188.62' | 130.15' |
| 10,242.67' | 15°38' | 10,229.77' | 141.43' |
| 12,080.96' | 15°38' | 12,000.00' | 637.02' |

Directional Drillers/Sub-Surface Surveyors/Instrument & Tool Rentals/Sales/Worldwide



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

TIME & COST ESTIMATE

This time and cost estimate is based on 17 conventional straight hole drilling days.

DIRECTIONAL DRILLING SUPERVISION

| | |
|--|-----------|
| First Day Service----- | \$ 650.00 |
| 24 Additional Days @ 395.00 per day----- | 9,480.00 |
| 25 Days Meals & Lodging @ 45.00 per day----- | 1,125.00 |

NON MAGNETIC DRILL COLLAR RENTALS

| | |
|---|----------|
| 6 1/2" X 30' 27 Days @ 49.00 per day----- | 1,232.00 |
| 27 Days Loss In Hole Coverage @ 9.00 per day----- | 243.00 |

DIRECTIONAL SINGLE SHOT RENTAL

| | |
|---|----------|
| 25 Days @ 53.00 per day----- | 1,325.00 |
| 25 Days Loss In Hole Coverage @ 2.25 per day----- | 56.25 |

DEFLECTION SUB W/ORIENTING SLEEVE

| | |
|------------------------------|----------|
| 25 Days @ 44.00 per day----- | 1,100.00 |
|------------------------------|----------|

DOWN HOLE MOTOR RENTAL

| | |
|--|----------|
| Deflection Run 8 Hour Minimum----- | 1,232.00 |
| 8 Additional Hours @ 145.00 per Hour----- | 1,160.00 |
| 24 Hours Loss In Hole Coverage @ 9.00 per day----- | 216.00 |
| Corrective Run 8 Hour Minimum----- | 1,232.00 |
| 11 Hours Loss In Hole Coverage @ 9.00 per day----- | 99.00 |

STABILIZATION

| | |
|--|----------|
| 4 - 7-7/8" Body Rentals @ 185.00 per Body----- | 740.00 |
| 10 Sets 7-7/8" Cutters @ 485.00 per Set----- | 4,850.00 |

DIRECTIONAL ORIENTATION TOOL

| | |
|--|----------|
| 1 - 10 Hour Minimum Run @ 1,540.00 per run----- | 1,540.00 |
| 6 Total Additional Hours all Runs @ 154.00 per hour----- | 924.00 |
| Operator 16 Hours @ 25.00 per hour all runs----- | 400.00 |
| Rental Equipment per Job 606.00----- | 606.00 |

DIRECTIONAL ORIENTATION TOOL CORRECTIVE RUN

| | |
|---|-------------|
| 10 Hour Minimum Run @ 1,540.00 per run----- | \$ 1,540.00 |
| Operator 10 Hours @ 25.00 per hour----- | 250.00 |
| Rental Equipment per job 606.00----- | 606.00 |

WIRE LINE CHARGES FOR DIRECTIONAL ORIENTATION TOOL

| | |
|---|--------|
| 1 Set Up Charge for Deflection Run----- | 400.00 |
| 9200' @ .09 per foot----- | 828.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |
| 16 Operator Hours @ 60.00 per hour----- | 960.00 |
| 1 Set Up Charge for Corrective Run----- | 400.00 |
| 10,000' @ .09 per foot----- | 900.00 |
| 8 Operator Hours @ 60.00 per hour----- | 480.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |

WIRE LINE CHARGES FOR DIRECTIONAL SURVEYS

| | |
|-----------------------------------|--------|
| Set Up Charge 400.00 per job----- | 400.00 |
|-----------------------------------|--------|

DIRECTIONAL SURVEYING CHARGES

| | |
|--|----------|
| Gyro - 0' to 3000' @ .29 per foot----- | 870.00 |
| Magnetic Multiple Shot - 3000' to 9200' 6200' @ .19 per foot | 1,178.00 |

| | |
|---|----------|
| Miscellaneous Rentals and Trucking----- | 1,500.00 |
|---|----------|

| | |
|------------|--------------|
| TOTAL----- | \$ 39,022.25 |
|------------|--------------|

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

Application of Amax Chemical)
Corporation for an Order)
Amending R-111A and Seeking) No. 6495
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Area in Eddy County, New Mexico)

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| | |
|---------------------------|----------------------|
| BEFORE EXAMINER NUTTER | |
| OIL CONSERVATION DIVISION | |
| <i>Southland</i> | EXHIBIT NO. <u>1</u> |
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Dated: October 23, 1979

AMAX CHEMICAL CORPORATION

A. D. Brown
Vice President
Title

THE SUPERIOR OIL COMPANY

E. J. Sullivan
Title: Vice President

ATTEST:

R. T. Braccione
Assistant Secretary

SOUTHLAND ROYALTY COMPANY

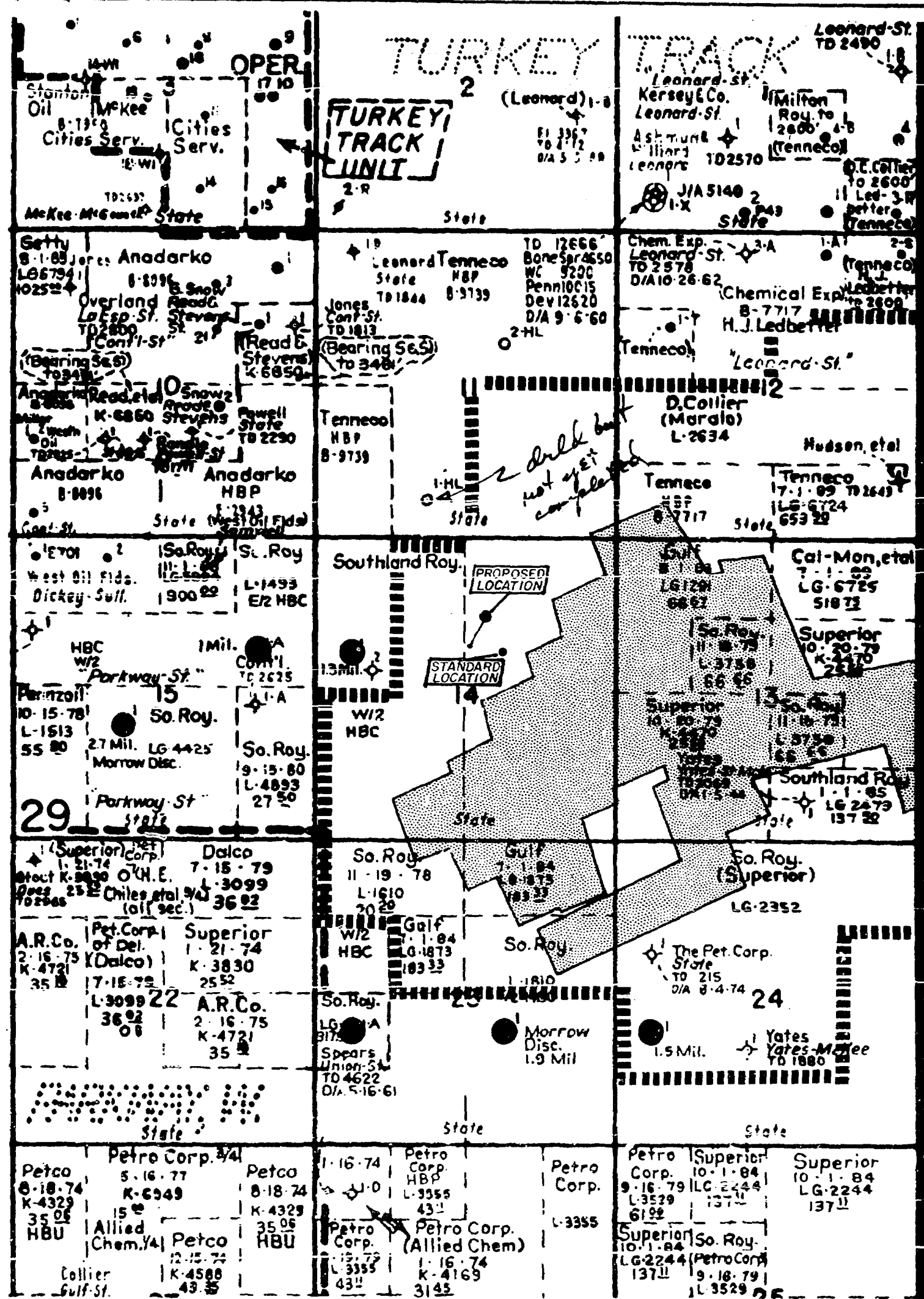
C. E. Mear
Title Exploration Manager

GULF OIL CORPORATION


W. S. Clench
Title Attorney-in-Fact

Approved and entered of record by the Oil Conservation
Division, Department of Energy and Minerals, State of New Mexico
the _____ day of _____, 1979.

Hearing Examiner

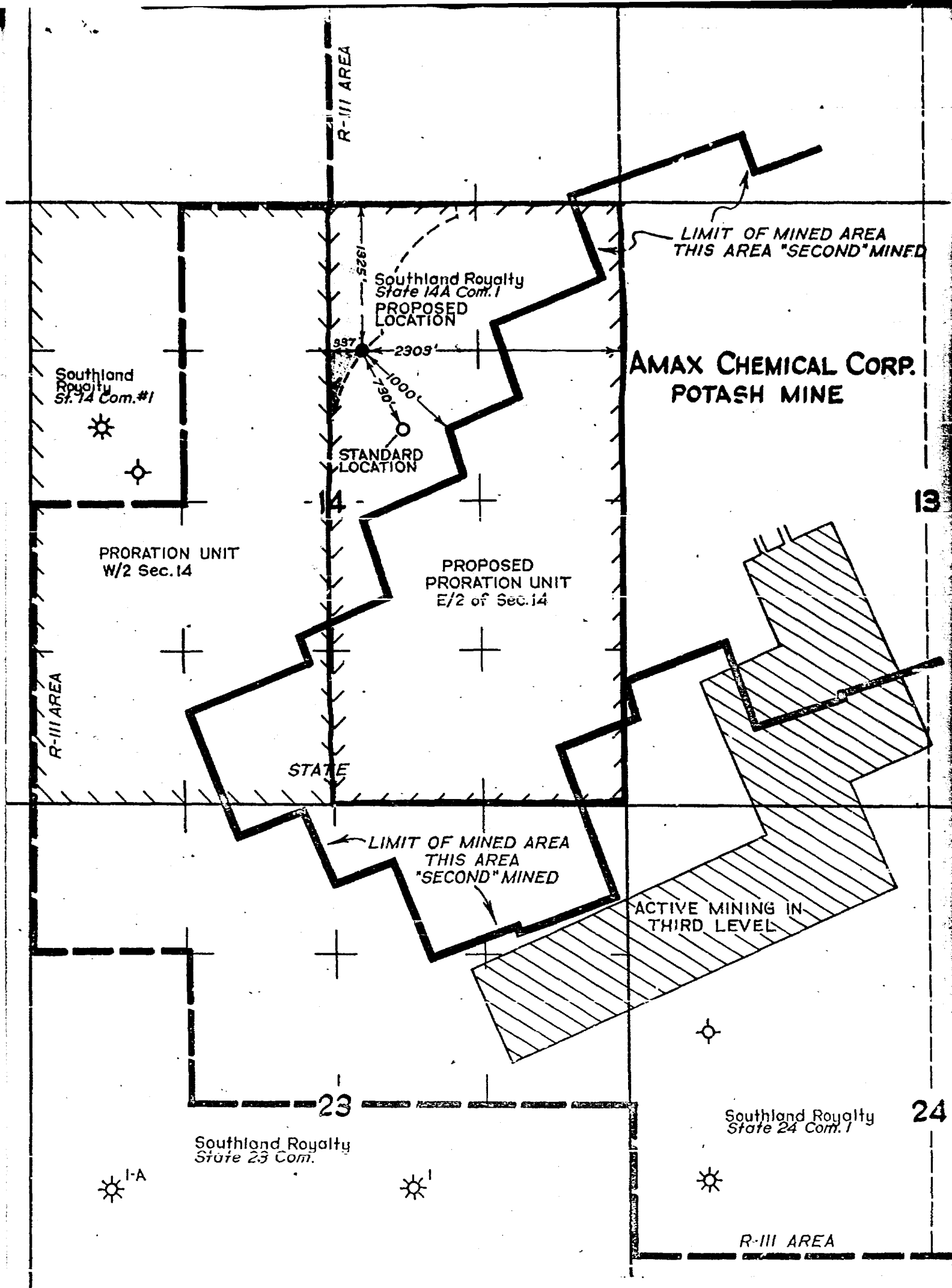


- PRODUCING MORROW WELL
- R-III AREA BOUNDARY
- OPEN MINE WORKINGS
- / STIPULATED LOCATION (either or between these two points)



Southland Royalty Company
SOUTHWESTERN DISTRICT

PARKWAY WEST AREA
EDDY COUNTY, NEW MEXICO
 OIL & GAS FIELD
 Southland Royalty Co. 2
 CASE NO. 6718
 SCALE 1/2" = 2000'



BEFORE EXAMINER NUMBER

CHICAGO, ILL. 60601

Southland

3

6718



Southland Royalty Company

MIDLAND, TEXAS

Application For Unorthodox Location
Southland Royalty Company
State "14-A" Com. No. 1
1325' FNL & 2303' FEL, Sec. 14
T-19-S, R-29-E
Eddy County, New Mexico

Scale 1" = 1000'

By: CHC 10-79



SABINE PRODUCTION COMPANY

901 Wall Towers East P.O. Box 3083 Midland, Texas 79702 (915) 683-5607

October 12, 1979

Mr. Joe Ramey
N.M.O.C.C.
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Southland Royalty #1
"14-A" State located
1320'FNL and 2300'FEL,
Section 14,
T-19-S, R-29-E,
Eddy County, New Mexico

Dear Mr. Ramey:

As working interest owner, in offset to the subject well,
Sabine Production Company waives objection to this well
projected to 11,850 feet.

Very truly yours,

SABINE PRODUCTION COMPANY

C. H. Madsen

C. H. Madsen
District Geologist

/wb

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Southland EXHIBIT NO. *4*
CASE NO. *6718*

A Subsidiary of SABINE Corporation

SOUTHLAND ROYALTY COMPANY

State "14-A" Com. No.1

1320' FNL & 2303' FEL Sec. 14, T-19-S, R-29E

Eddy County, New Mexico

Estimated Cost to Drill to Standard Location: 1980' FNL & 1980' FEL
or Horizontal Distance of 730 Feet.

Cost of Vertical Hole to TD of 11,900' in
R-111 Potash Area (20"-13 3/8' - 8 2/8' - 4 1/2') \$725,500

| | |
|---|-----------------|
| Additional Cost for 730' Horizontal displacement: | |
| Eastman Whipstock Company (attached) | \$39,000 |
| Additional rig time 8 days @ \$4500 | 36,000 |
| Additional 7 7/8" bits 2 @ \$2500 | 5,000 |
| Trucking of directional equipment | 2,000 |
| Co. labor & expense | 1,000 |
| Misc. & unforeseen | 7,000 |
| | <u>\$90,000</u> |
| | <u>90,000</u> |
| Total Cost of Well at Standard Location | \$815,000 |

CHC/rs

Attachment

C. Harvey Carr
C. Harvey Carr
District Engineer
Southland Royalty Company

11-12-79

| |
|---------------------------------------|
| BEFORE EXAMINER NUTTER |
| OIL CONSERVATION DIVISION |
| <i>Southland</i> EXHIBIT NO. <u>5</u> |
| CASE NO. <u>6718</u> |



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

October 2, 1979

Mr. Harvey Carr
Southland Royalties Co.
1100 Wall Towers West
Midland, TX

Dear Sir:

Please find enclosed an angle build up schedule, procedure and cost estimate to Control Directional Drill your State 14 "A" No. 1 well in Eddy County, New Mexico.

Normally one third is added to the conventional drilling time for directional drilling. As we discussed in our meeting yesterday we are using 17 straight hole days from 9200' T.V.D. to 12,000' T.V.D. For this time and cost estimate we are adding 8 extra days for directional drilling and deeper kick-off point depth.

We appreciate the opportunity to present this proposal for your approval. Thank you for calling Eastman Whipstock. If we can be of further service, please call.

Yours Truly,

Ray Warner
District Technical Coordinator

RW:dj

Enclosures

Directional Drillers/Sub-Surface Surveyors/Instrument & Tool Rentals/Sales/Worldwide



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

PROCEDURE

1. Run gyro directional survey 0' to 3000' in 8-5/8" casing while waiting on cement.
2. Drill 7-7/8" hole to 9200' with 6 1/4" X 30' Non Magnetic Drill Collar in drill string or last bit trip. Drop magnetic multiple shot survey into NMDC and survey on trip out of hole to pick up directional tools.
3. Go in hole with 7-7/8" bit, 5" mud motor, deflection sub, 6 1/4" X 30' NMDC, drill collars and drill pipe. Orient this assembly and drill 60' (+) and trip out of hole.
4. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/4" X 30' NMDC, 6 1/4" X 30' drill collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly building angle at the rate of 1°30' per 100' until average angle of 15°38' is obtained at approximately 10,230'. Trip out of hole for change in drilling assembly.
5. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/4" X 10' steel lead collar, 7-7/8" stabilizer, 6 1/4" X 30' NMDC, 7-7/8" stabilizer, 6 1/4" X 30' steel collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly to total depth or until a corrective motor run is needed.

NOTE: These procedures are based on normal conditions. The Eastman Whipstock directional supervisor at the location may see fit to alter some of these procedures mentioned here to suit the conditions.



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" COM NO. 1
EDDY COUNTY, NEW MEXICO

ANGLE BUILD UP SCHEDULE

| <u>MEASURED DEPTH</u> | <u>DRIFT ANGLE</u> | <u>TRUE VERTICAL DEPTH</u> | <u>DISPLACEMENT</u> |
|---------------------------|------------------------|--------------------------------|---------------------|
| 9200.00' | 0°00' | 9200.00' | 00.00' |
| 9300.00' | 1°30' | 9299.99' | 1.31' |
| 9400.00' | 3°00' | 9399.91' | 5.23' |
| 9500.00' | 4°30' | 9499.69' | 11.78' |
| 9600.00' | 6°00' | 9599.27' | 20.92' |
| 9700.00' | 7°30' | 9698.57' | 32.68' |
| 9800.00' | 9°00' | 9797.54' | 47.03' |
| 9900.00' | 10°30' | 9896.09' | 63.96' |
| 10,000.00 | 12°00' | 9994.16' | 83.47' |
| 10,100.00' | 13°30' | 10,091.70' | 105.54' |
| 10,200.00' | 15°00' | 10,188.62' | 130.15' |
| 10,242.67' | 15°38' | 10,229.77' | 141.43' |
| 12,080.96' | 15°38' | 12,000.00' | 637.02' |

Directional Drillers/Sub-Surface Surveyors/Instrument & Tool Rentals/Sales/Worldwide



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

TIME & COST ESTIMATE

This time and cost estimate is based on 17 conventional straight hole drilling days.

DIRECTIONAL DRILLING SUPERVISION

| | |
|--|-----------|
| First Day Service----- | \$ 650.00 |
| 24 Additional Days @ 395.00 per day----- | 9,480.00 |
| 25 Dyas Meals & Lodging @ 45.00 per day----- | 1,125.00 |

NON MAGNETIC DRILL COLLAR RENTALS

| | |
|---|----------|
| 6 1/2" X 30' 27 Days @ 49.00 per day----- | 1,232.00 |
| 27 Days Loss In Hole Coverage @ 9.00 per day----- | 243.00 |

DIRECTIONAL SINGLE SHOT RENTAL

| | |
|---|----------|
| 25 Days @ 53.00 per day----- | 1,325.00 |
| 25 Days Loss In Hole Coverage @ 2.25 per day----- | 56.25 |

DEFLECTION SUB W/ORIENTING SLEEVE

| | |
|------------------------------|----------|
| 25 Days @ 44.00 per day----- | 1,100.00 |
|------------------------------|----------|

DOWN HOLE MOTOR RENTAL

| | |
|--|----------|
| Deflection Run 8 Hour Minimum----- | 1,232.00 |
| 8 Additional Hours @ 145.00 per Hour----- | 1,160.00 |
| 24 Hours Loss In Hole Coverage @ 9.00 per day----- | 216.00 |
| Corrective Run 8 Hour Minimum----- | 1,232.00 |
| 11 Hours Loss In Hole Coverage @ 9.00 per day----- | 99.00 |

STABILIZATION

| | |
|--|----------|
| 4 - 7-7/8" Body Rentals @ 185.00 per Body----- | 740.00 |
| 10 Sets 7-7/8" Cutters @ 485.00 per Set----- | 4,850.00 |

DIRECTIONAL ORIENTATION TOOL

| | |
|--|----------|
| 1 - 10 Hour Minimum Run @ 1,540.00 per run----- | 1,540.00 |
| 6 Total Additional Hours all Runs @ 154.00 per hour----- | 924.00 |
| Operator 16 Hours @ 25.00 per hour all runs----- | 400.00 |
| Rental Equipment per Job 606.00----- | 606.00 |

DIRECTIONAL ORIENTATION TOOL CORRECTIVE RUN

| | |
|---|-------------|
| 10 Hour Minimum Run @ 1,540.00 per run----- | \$ 1,540.00 |
| Operator 10 Hours @ 25.00 per hour----- | 250.00 |
| Rental Equipment per job 606.00----- | 606.00 |

WIRE LINE CHARGES FOR DIRECTIONAL ORIENTATION TOOL

| | |
|---|--------|
| 1 Set Up Charge for Deflection Run----- | 400.00 |
| 9200' @ .09 per foot----- | 828.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |
| 16 Operator Hours @ 60.00 per hour----- | 960.00 |
| 1 Set Up Charge for Corrective Run----- | 400.00 |
| 10,000' @ .09 per foot----- | 900.00 |
| 8 Operator Hours @ 60.00 per hour----- | 480.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |

WIRE LINE CHARGES FOR DIRECTIONAL SURVEYS

| | |
|-----------------------------------|--------|
| Set Up Charge 400.00 per job----- | 400.00 |
|-----------------------------------|--------|

DIRECTIONAL SURVEYING CHARGES

| | |
|--|----------|
| Gyro - 0' to 3000' @ .29 per foot----- | 870.00 |
| Magnetic Multiple Shot - 3000' to 9200' 6200' @ .19 per foot | 1,178.00 |

| | |
|---|----------|
| Miscellaneous Rentals and Trucking----- | 1,500.00 |
|---|----------|

| | |
|------------|--------------|
| TOTAL----- | \$ 39,022.25 |
|------------|--------------|

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

Application of Amax Chemical)
Corporation for an Order)
Amending R-111A and Seeking) No. 6495
Extension of the Potash-Oil)
Area in Eddy County, New Mexico)

STIPULATION

Subject to approval by the Oil Conservation Division,
Department of Energy and Minerals, State of New Mexico (Division).
the parties agree and stipulate as follows:

Recitals

1. The general area of interest under this Stipulation
is defined as Sections 11, 13, 14, 23 and 24, Township 19 South,
Range 29 East, N.M.P.M. Eddy County, New Mexico and Section 19,
Township 19 South, Range 30 East, N.M.P.M., Eddy County, New
Mexico.

2. Southland Royalty Company (Southland), the Superior
Oil Company (Superior), and Gulf Oil Corporation (Gulf), are en-
gaged in the business of producing oil and gas and have determined
that prospects exist for the production of oil and gas within the
general area of interest.

3. Amax Chemical Corporation (Amax) is engaged in the
business of producing potash in the general area of interest.

4. On February 12, 1979, Amax filed with the Division an
application for Order Amending R-111 seeking extension of the
R-111 Area to include certain lands within the general use of
interest (Case No. 6495).

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Southland 2.1
CASE NO. 6718

5. On March 14, 1979, Southland, Superior and Gulf appeared before the Division and actively opposed and resisted the approval of the Amax application.

6. On April 9, 1979, the Division approved and disapproved extension of the R-111A for certain lands within the general area of interest as more particularly described in Order No. R-111-R.

7. On April 12, 1979, Amax filed with the Division a Motion to Re-Open Case No. 6495 to offer newly discovered evidence with respect to the existence of commercial potash within the general area of interest, which Motion was subsequently withdrawn or superceded.

8. On April 18, 1979, Amax filed with the Oil Conservation Commission (Commission) an Application for De Novo Hearing in Case No. 6495 with respect to the existence of commercial potash within the general area of interest, which Application is pending determination before the Commission.

9. The Parties have engaged in good faith negotiations with respect to the initial development of oil and gas and potash within the general area of interest and have disclosed fully all information and data with respect to such mutual development.

Stipulation and Agreement.

10. Amax agrees and stipulates to and will not oppose in any forum the use of surface locations in the general area of interest and the production of oil and gas at the following locations and in the following manner:

a.) Southland Location in the SE/4, SE/4, Section 11, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has

conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional drilling from the surface location in order to drain reserves in either the N/2 or W/2 of Section 13.

3.) The specific surface location shall be 950' FSL and 270' FEL

b.) Southland Location in the SW/4, NE/4 of Section 14, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional or straight hole drilling from the surface location in order to drain reserves in the E/2 of Section 14.

3.) The specific surface location shall be along a line generated from the following two points 1900' FNL - 2640' FEL and 1320' FNL - 2300' FEL.

c.) Southland Location in the SE/4, SE/4 of Section 13, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has

conceded the non-existence of commercial potash in the area.

2.) Southland contemplates directional drilling from the surface location in order to drain reserves in the S/E or E/2 of Section 13.

3.) The specific surface location shall be 400' FSL - 600' FEL.

d.) Superior Location in Section 24, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.

2.) Superior contemplates directional drilling from the surface location in order to drain reserves in the E/2 of Section 24.

3.) The specific surface location shall be, at the sole option of Superior, either of the following two locations:

a.) 1980' FEL - 100' FSL, or;

b.) within 500' of the intersection of Sections 13 and 24 of Township 19 South, Range 29 East, and Sections 18 and 19, Township 19 South, Range 30 East.

e.) Gulf Location in SW/4 of Section 19, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

- 1.) The general location is outside the present open-mine workings of Amax and Amax has conceded the non-existence of commercial potash in the area.
- 2.) Gulf contemplates directional or straight hole drilling from the surface location in order to drain reserves in the W/2 of Section 19.
- 3.) The surface location shall be within the following described area:

BEGINNING at the common corner of Sections 24 and 25, T19S, R29E and Sections 19 and 30, T19S, R30E for the SW corner of this tract.

THENCE 980' North along the common boundary of Section 19, T19S, R30E and Section 24, T19S, R29E to a point.

THENCE 735' North 45° East to a point.

THENCE 2120' East to a point.

THENCE 1500' South to a point in the common boundary line of Sections 19 and 30, T19S, R30E.

THENCE 2640' West to the place of beginning.

11. The locations described in Paragraph 10 are more particularly described in Exhibit "A", attached hereto and incorporated herein, and any discrepancy or variation between the descriptions contained herein and the descriptions contained in Exhibit "A" shall be governed by the descriptions contained in Exhibit "A".

12. The Parties shall abide by all rules and regulations of the Division contained in Order No. R-111-A including the rules and regulations governing drilling and casing programs, plugging

and abandonment of wells, inspection of drilling and mining operations and filing of well surveys, mine surveys and potash development plans.

13. Southland, Superior and Gulf agree, stipulate to and will not oppose in any forum the approval of the Amax Application in Case No. 6495 with respect to extension of the potash-oil area in the area of general interest, providing, however, that the parties stipulate that the SW/4 of Section 19, Township 29 South, Range 30 East, N.M.P.M., Eddy County, New Mexico shall not be included within the R-111-A area, and Order No. R-111-K shall be amended to reflect such deletion.

14. Amax shall withdraw without prejudice subject to the Division's order permitting re-filing, that portion of Case No. 6495 as it relates to extension of the potash-oil area in areas other than the general area of interest, provided, however, that Order No. R-111-K shall remain in full force and effect.

15. From and after the execution and approval of this Stipulation, no Party shall undertake any activity which would impair or impede the operations and safety of any other Party.

16. This Stipulation shall be binding only upon the signatory parties.

Dated: October 23, 1979

AMAX CHEMICAL CORPORATION

A. D. Brown
Vice President
Title

THE SUPERIOR OIL COMPANY

A. J. Dillman
Title: Vice President

ATTEST:

R. T. Ross
Assistant Secretary

SOUTHLAND ROYALTY COMPANY

C. E. Mear
Title Exploration Manager

GULF OIL CORPORATION

W. S. K. [Signature]
Title Attorney-in-Fact

Approved and entered of record by the Oil Conservation
Division, Department of Energy and Minerals, State of New Mexico
the _____ day of _____, 1979.

Hearing Examiner



SABINE PRODUCTION COMPANY

901 Wall Towers East P.O. Box 3083 Midland, Texas 79702 (915) 693-5607

October 12, 1979

Mr. Joe Ramey
N.M.O.C.C.
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Southland Royalty #1
"14-A" State located
1320'FNL and 2300'FEL,
Section 14,
T-19-S, R-29-E,
Eddy County, New Mexico

Dear Mr. Ramey:

As working interest owner, in offset to the subject well,
Sabine Production Company waives objection to this well
projected to 11,850 feet.

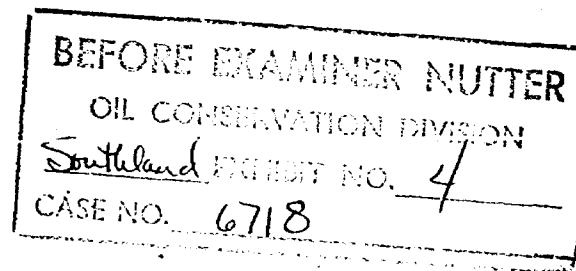
Very truly yours,

SABINE PRODUCTION COMPANY

C. H. Madsen

C. H. Madsen
District Geologist

/wb



A Subsidiary of SABINE Corporation

SOUTHLAND ROYALTY COMPANY

State "14-A" Com. No.1

1320' FNL & 2303' FEL Sec. 14, T-19-S, R-29E

Eddy County, New Mexico

Estimated Cost to Drill to Standard Location: 1980' FNL & 1980' FEL
or Horizontal Distance of 730 Feet.

Cost of Vertical Hole to TD of 11,900' in
R-111 Potash Area (20"-13 3/8'- 8 5/8'-4 1/2') \$725,500

Additional Cost for 730' Horizontal displacement:

| | | |
|--------------------------------------|-----------------|---------------|
| Eastman Whipstock Company (attached) | \$39,000 | |
| Additional rig time 8 days @ \$4500 | 36,000 | |
| Additional 7 7/8" bits 2 @ \$2500 | 5,000 | |
| Trucking of directional equipment | 2,000 | |
| Co. labor & expense | 1,000 | |
| Misc. & unforeseen | 7,000 | |
| | <u>\$90,000</u> | <u>90,000</u> |

Total Cost of Well at Standard Location \$815,000

CHC/rs

Attachment

C. Harvey Carr
C. Harvey Carr
District Engineer
Southland Royalty Company

11-12-79

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Southland FIELD NO. 5
CASE NO. 6718



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

October 2, 1979

Mr. Harvey Carr
Southland Royalties Co.
1100 Wall Towers West
Midland, TX

Dear Sir:

Please find enclosed an angle build up schedule, procedure and cost estimate to Control Directional Drill your State 14 "A" No. 1 well in Eddy County, New Mexico.

Normally one third is added to the conventional drilling time for directional drilling. As we discussed in our meeting yesterday we are using 17 straight hole days from 9200' T.V.D. to 12,000' T.V.D. For this time and cost estimate we are adding 8 extra days for directional drilling and deeper kick-off point depth.

We appreciate the opportunity to present this proposal for your approval. Thank you for calling Eastman Whipstock. If we can be of further service, please call.

Yours Truly,

A handwritten signature in dark ink, appearing to read "Ray Warner".

Ray Warner
District Technical Coordinator

RW:dj

Enclosures



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

PROCEDURE

1. Run gyro directional survey 0' to 3000' in 8-5/8" casing while waiting on cement.
2. Drill 7-7/8" hole to 9200' with 6 1/4" X 30' Non Magnetic Drill Collar in drill string or last bit trip. Drop magnetic multiple shot survey into NMDC and survey on trip out of hole to pick up directional tools.
3. Go in hole with 7-7/8" bit, 5" mud motor, deflection sub, 6 1/4" X 30' NMDC, drill collars and drill pipe. Orient this assembly and drill 60' (+) and trip out of hole.
4. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/4" X 30' NMDC, 6 1/4" X 30' drill collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly building angle at the rate of 1°30' per 100' until average angle of 15°39' is obtained at approximately 10,230'. Trip out of hole for change in drilling assembly.
5. Go in hole with 7-7/8" bit, 7-7/8" bottom hole reamer, 6 1/2" X 10' steel lead collar, 7-7/8" stabilizer, 6 1/4" X 30' NMDC, 7-7/8" stabilizer, 6 1/4" X 30' steel collar, 7-7/8" stabilizer, drill collars and drill pipe. Drill with this assembly to total depth or until a corrective motor run is needed.

NOTE: These procedures are based on normal conditions. The Eastman Whipstock directional supervisor at the location may see fit to alter some of these procedures mentioned here to suit the conditions.



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TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" COM NO. 1
EDDY COUNTY, NEW MEXICO

ANGLE BUILD UP SCHEDULE

| <u>MEASURED DEPTH</u> | <u>DRIFT ANGLE</u> | <u>TRUE VERTICAL DEPTH</u> | <u>DISPLACEMENT</u> |
|---------------------------|------------------------|--------------------------------|---------------------|
| 9200.00' | 0°00' | 9200.00' | 00.00' |
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P.O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

SOUTHLAND ROYALTIES CO.
MR. HARVEY CARR

STATE 14 "A" NO. 1
EDDY COUNTY, NEW MEXICO

TIME & COST ESTIMATE

This time and cost estimate is based on 17 conventional straight hole drilling days.

DIRECTIONAL DRILLING SUPERVISION

| | |
|--|-----------|
| First Day Service----- | \$ 650.00 |
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| 25 Dyas Meals & Lodging @ 45.00 per day----- | 1,125.00 |

NON MAGNETIC DRILL COLLAR RENTALS

| | |
|---|----------|
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| 27 Days Loss In Hole Coverage @ 9.00 per day----- | 243.00 |

DIRECTIONAL SINGLE SHOT RENTAL

| | |
|---|----------|
| 25 Days @ 53.00 per day----- | 1,325.00 |
| 25 Days Loss In Hole Coverage @ 2.25 per day----- | 56.25 |

DEFLECTION SUB W/ORIENTING SLEEVE

| | |
|------------------------------|----------|
| 25 Days @ 44.00 per day----- | 1,100.00 |
|------------------------------|----------|

DOWN HOLE MOTOR RENTAL

| | |
|--|----------|
| Deflection Run 8 Hour Minimum----- | 1,232.00 |
| 3 Additional Hours @ 145.00 per Hour----- | 1,169.00 |
| 24 Hours Loss In Hole Coverage @ 9.00 per day----- | 216.00 |
| Corrective Run 8 Hour Minimum----- | 1,232.00 |
| 11 Hours Loss In Hole Coverage @ 9.00 per day----- | 99.00 |

STABILIZATION

| | |
|--|----------|
| 4 - 7-7/8" Body Rentals @ 185.00 per Body----- | 740.00 |
| 10 Sets 7-7/8" Cutters @ 485.00 per Set----- | 4,850.00 |

DIRECTIONAL ORIENTATION TOOL

| | |
|--|----------|
| 1 - 10 Hour Minimum Run @ 1,540.00 per run----- | 1,540.00 |
| 6 Total Additional Hours all Runs @ 154.00 per hour----- | 924.00 |
| Operator 16 Hours @ 25.00 per hour all runs----- | 400.00 |
| Rental Equipment per Job 606.00----- | 606.00 |

DIRECTIONAL ORIENTATION TOOL CORRECTIVE RUN

| | |
|---|-------------|
| 10 Hour Minimum Run @ 1,540.00 per run----- | \$ 1,540.00 |
| Operator 10 Hours @ 25.00 per hour----- | 250.00 |
| Rental Equipment per job 606.00----- | 606.00 |

WIRE LINE CHARGES FOR DIRECTIONAL ORIENTATION TOOL

| | |
|---|--------|
| 1 Set Up Charge for Deflection Run----- | 400.00 |
| 9200' @ .09 per foot----- | 828.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |
| 16 Operator Hours @ 60.00 per hour----- | 960.00 |
| 1 Set Up Charge for Corrective Run----- | 400.00 |
| 10,000' @ .09 per foot----- | 900.00 |
| 8 Operator Hours @ 60.00 per hour----- | 480.00 |
| Mileage Charge @ 250.00 per run----- | 250.00 |

WIRE LINE CHARGES FOR DIRECTIONAL SURVEYS

| | |
|-----------------------------------|--------|
| Set Up Charge 400.00 per job----- | 400.00 |
|-----------------------------------|--------|

DIRECTIONAL SURVEYING CHARGES

| | |
|--|----------|
| Gyro - 0' to 3000' @ .29 per foot----- | 870.00 |
| Magnetic Multiple Shot - 3000' to 9200' 6200' @ .19 per foot | 1,178.00 |

| | |
|---|----------|
| Miscellaneous Rentals and Trucking----- | 1,500.00 |
|---|----------|

| | |
|------------|--------------|
| TOTAL----- | \$ 39,022.25 |
|------------|--------------|

Dockets Nos. 43-79 and 44-79 are tentatively set for November 28 and December 12, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 14, 1979

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:

ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for December, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6715: Application of Texaco Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Loomis Fed. Well No. 1 to be drilled 1600 feet from the North line and 660 feet from the West line of Section 5, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, the N/2 of said Section 5 to be dedicated to the well.

CASE 6707: (Continued from October 31, 1979, Examiner Hearing)

Application of Gulf Oil Corporation for a unit agreement, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Southeast Bisti Unit Area, comprising 7,048 acres, more or less, of State and Federal lands in Townships 24 and 25 North, Range 10 West.

CASE 6716: Application of Alpha Twenty-One Production Company for two non-standard proration units and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 40-acre non-standard proration unit comprising the NW/4 SE/4 of Section 8, Township 25 South, Range 37 East, Jalmat Gas Pool, to be dedicated to El Paso Natural Gas Company's Langlie Federal Well No. 3, and also a 120-acre unit comprising the E/2 SE/4 and SW/4 SE/4 of said Section 8 to be dedicated to a well to be drilled by applicant at a standard location thereon; applicant further seeks a waiver of existing well spacing requirements and a finding that the drilling of said well is necessary to effectively and efficiently drain that portion of an existing proration unit which cannot be so drained by the existing well.

CASE 6717: Application of O. H. Berry for a non-standard proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 15, Township 24 South, Range 36 East, Jalmat Gas Pool, to be dedicated to his Isbell Well No. 6 at an unorthodox location 418 feet from the North line and 351 feet from the East line of said Section 15.

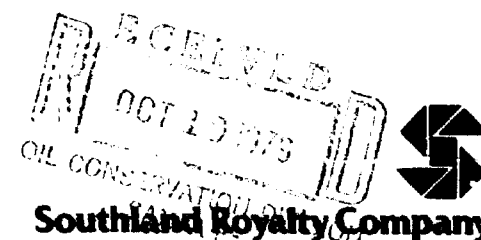
CASE 6718: Application of Southland Royalty Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South, Range 29 East, Oil-Potash Area, the E/2 of said Section 14 to be dedicated to the well.

CASE 6719: Application of Sam H. Snoddy for an amendment to Order No. R-5521, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5521, which authorizes the directional drilling of the Federal Well No. 2 in Section 25, Township 20 South, Range 32 East, to permit the well to be bottomed at approximately 1014 feet from the South line and 1285 feet from the West line of said Section 25.

CASE 6710: (Continued from October 31, 1979, Examiner Hearing)

Application of ARCO Oil and Gas Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinberry and Montoya production in the wellbores of the following wells on its State Y Lease: No. 3 located in Unit B, No. 6 located in Unit H, and No. 7 located in Unit A, all in Section 25, Township 25 South, Range 37 East.

CASE 6720: Application of ARCO Oil and Gas Company to drill a horizontal drainhole, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill and complete its Empire Abo Unit Well No. J-213, located in Unit E of Section 6, Township 18 South, Range 28 East, Empire-Abo Pool, with a single horizontal drainhole of about 200 feet in length in the Abo formation.



October 16, 1979

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

Case 6718

Re: Southland Royalty Company
State "14-A" Com. No. 1
1325' FNL and 2303' FEL
Section 14, T-19-S, R-29-E
Eddy County, New Mexico

Dear Sir:

By letter dated October 11, 1979 administrative approval was requested for unorthodox location for above well due to proximity to Amax Chemical Company potash mine.

Please correct the location of this well to read 1325 feet from north line and 2303 feet from east line of section 14, T-19-S, R-29-E in Eddy County, New Mexico.

This location is 25 feet south and 3 feet west from original proposed location. This change will get the location off of the quarter section line and to place well in the SW/4 of NE/4 of section 14.

Yours very truly,

C. Harvey Carr
C. Harvey Carr
District Engineer

CHC/rs

SOUTHLAND ROYALTY COMPANY

STATE 14-A Com. #1

OFFSET OPERATORS

Tenneco Oil Company
6800 Park Ten Blvd
San Antonio, Texas 78213
Attention: Mike hinze

The Superior Oil Company
P. O. Box 1900
Midland, Texas 79702
Attention: Gene Wentworth

Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702
Attention: R. E. Griffith

Sabine Production Company
P. O. Box 3083
Midland, Texas 79702
Attention: B. L. House

Amax Chemical Corporation
P. O. Box 279
Carlsbad, New Mexico 88220
Attention: Robert E. Kirby



Southland Royalty Company

October 11, 1979

Hearing requested
WFL

CERTIFIED RETURN RECEIPT

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

Case 6718

RE: Southland Royalty Company
State "14-A" Com. No. 1
~~1320' FNL & 2300' FEL~~ 1325' FNL +
Section 14 2303FEL
T-19-S. R-29-E
Eddy County, New Mexico

Dear Sir:

Your administrative approval is requested for an exception to Rule 104-F to drill the above 11,850' Morrow gas well at an unorthodox location caused by proximity to Amax Chemical Corporation potash mine. The entire proration unit that will be assigned to this well will be within a designated R-111 Potash Area.

The attached plat shows the location of the existing mined out area; this area having been "second mined". The well will be a vertically drilled hole with casing and all drilling procedures to conform to the R-111 Potash Area Rule. The plat indicated that the proposed well site will be 1000 feet horizontally from the nearest open mine workings.

Please refer to New Mexico Oil Conservation Division Case No. 6495 in which Amax Chemical Corporation has applied for extension of R-111 Potash Area and the "Stipulation" being filed concurrently with the NMOCD. Item 10(b) of the "Stipulation" sets out that a surface location in the SW/4 of NE/4 Section 14, T-19-S, R-29-E is satisfactory with Amax provided that it is not less than 1000 feet from open mine workings as determined by mine surveys and drilling surveys. Amax has conceded the non-existence of commercial potash in the area.

Southland Royalty Company is in agreement with Amax in that for reasons of mine safety, the well bore should not be located any closer than 1000 feet from an open mine working. The location as selected is considered optimum location to drain the gas

reserves in the E/2 of Section 14, the proration unit to be requested, and conform to the physical requirements imposed by existing mine operations.

Yours very truly,

C. Harvey Carr

C. Harvey Carr
District Engineer
Southland Royalty Company

CHC:rs

Attachments

cc: Dick Petrie
Mike Cambell

SOUTHLAND ROYALTY COMPANY

STATE 14-A Com. #1

OFFSET OPERATORS

Tenneco Oil Company
6800 Park Ten Blvd.
San Antonio, Texas 78213
Attention: Mike Hinze

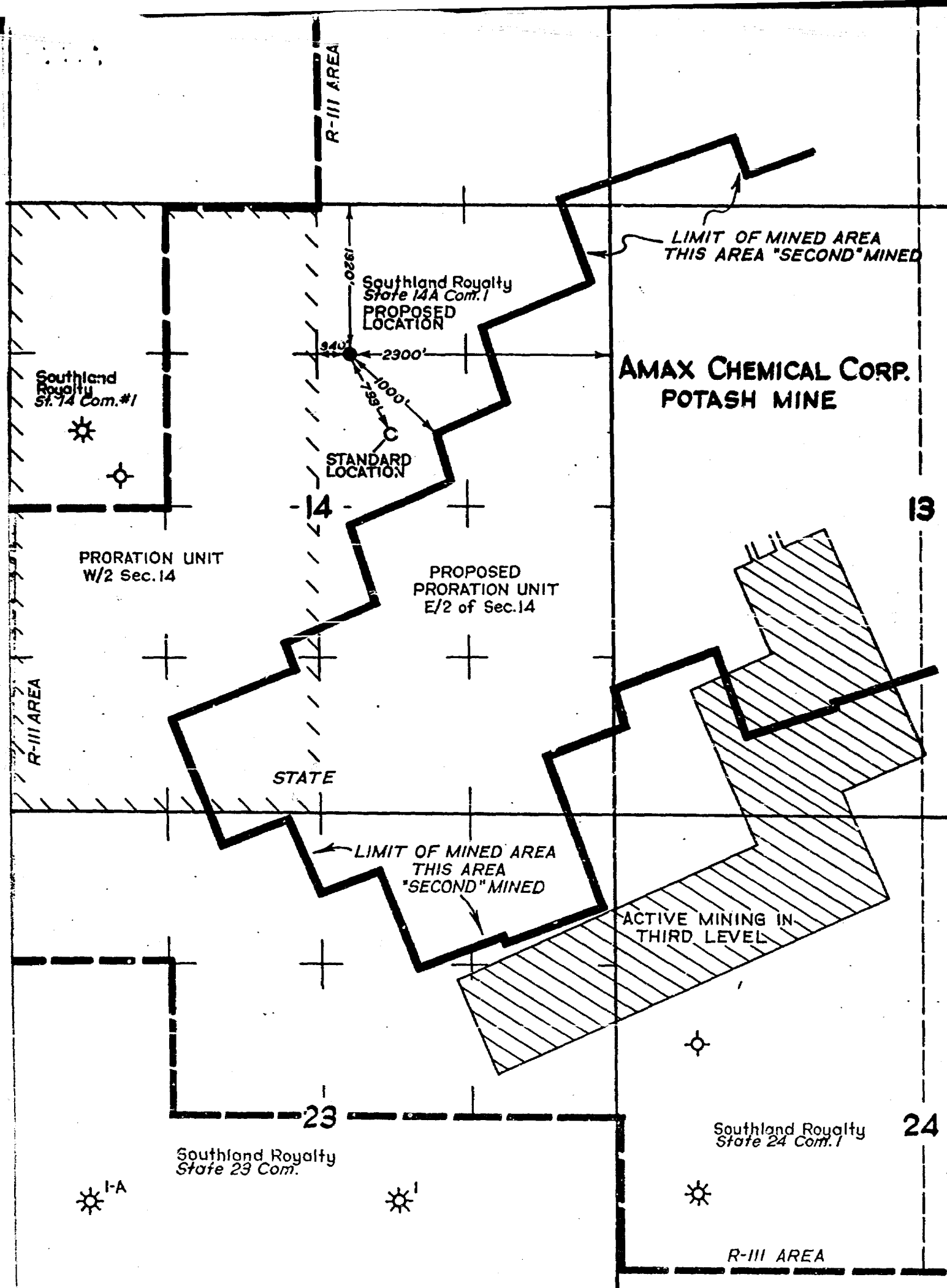
The Superior Oil Company
P. O. Box 1900
Midland, Texas 79702
Attention: Gene Wentworth

Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702
Attention: R.E.Griffith

Sabine Production Company
P. O. Box 3083
Midland, Texas 79702
Attention: B. L. House

Copy of letter w/attachments also to:

Amax Chemical Corporation
P. O. Box 279
Carlsbad, New Mexico 88220
Attention: Mr. Robert E. Kirby



Southland Royalty Company

MIDLAND, TEXAS

Application For Unorthodox Location
 Southland Royalty Company
 State "14-A" Com. No. 1
 1320' PNL & 2300' FEL, Sec. 14
 T-19-S, R-29-E
 Eddy County, New Mexico

Scale 1" = 1000'

By: CHC 10-79



Southland Royalty Company

October 11, 1979

Leasing requested

CERTIFIED RETURN RECEIPT

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

Case 6718

RE: Southland Royalty Company
State "14-A" Com. No. 1
~~1320' FNL & 2300' FEL~~ 1325' FNL +
Section 14 2303' FEL
T-19-S, R-29-E
Eddy County, New Mexico

Dear Sir:

Your administrative approval is requested for an exception to Rule 104-F to drill the above 11,850' Morrow gas well at an unorthodox location caused by proximity to Amax Chemical Corporation potash mine. The entire proration unit that will be assigned to this well will be within a designated R-111 Potash Area.

The attached plat shows the location of the existing mined out area; this area having been "second mined". The well will be a vertically drilled hole with casing and all drilling procedures to conform to the R-111 Potash Area Rule. The plat indicated that the proposed well site will be 1000 feet horizontally from the nearest open mine workings.

Please refer to New Mexico Oil Conservation Division Case No. 6495 in which Amax Chemical Corporation has applied for extension of R-111 Potash Area and the "Stipulation" being filed concurrently with the NMOC. Item 10(b) of the "Stipulation" sets out that a surface location in the SW/4 of NE/4 Section 14, T-19-S, R-29-E is satisfactory with Amax provided that it is not less than 1000 feet from open mine workings as determined by mine surveys and drilling surveys. Amax has conceded the non-existence of commercial potash in the area.

Southland Royalty Company is in agreement with Amax in that for reasons of mine safety, the well bore should not be located any closer than 1000 feet from an open mine working. The location as selected is considered optimum location to drain the gas

reserves in the E/2 of Section 14, the proration unit to be requested, and conform to the physical requirements imposed by existing mine operations.

Yours very truly,

C. Harvey Carr

C. Harvey Carr
District Engineer
Southland Royalty Company

CHC:rs

Attachments

cc: Dick Petrie
Mike Cambell

SOUTHLAND ROYALTY COMPANY

STATE 14-A Com. #1

OFFSET OPERATORS

Tenneco Oil Company
6800 Park Ten Blvd.
San Antonio, Texas 78213
Attention: Mike Hinze

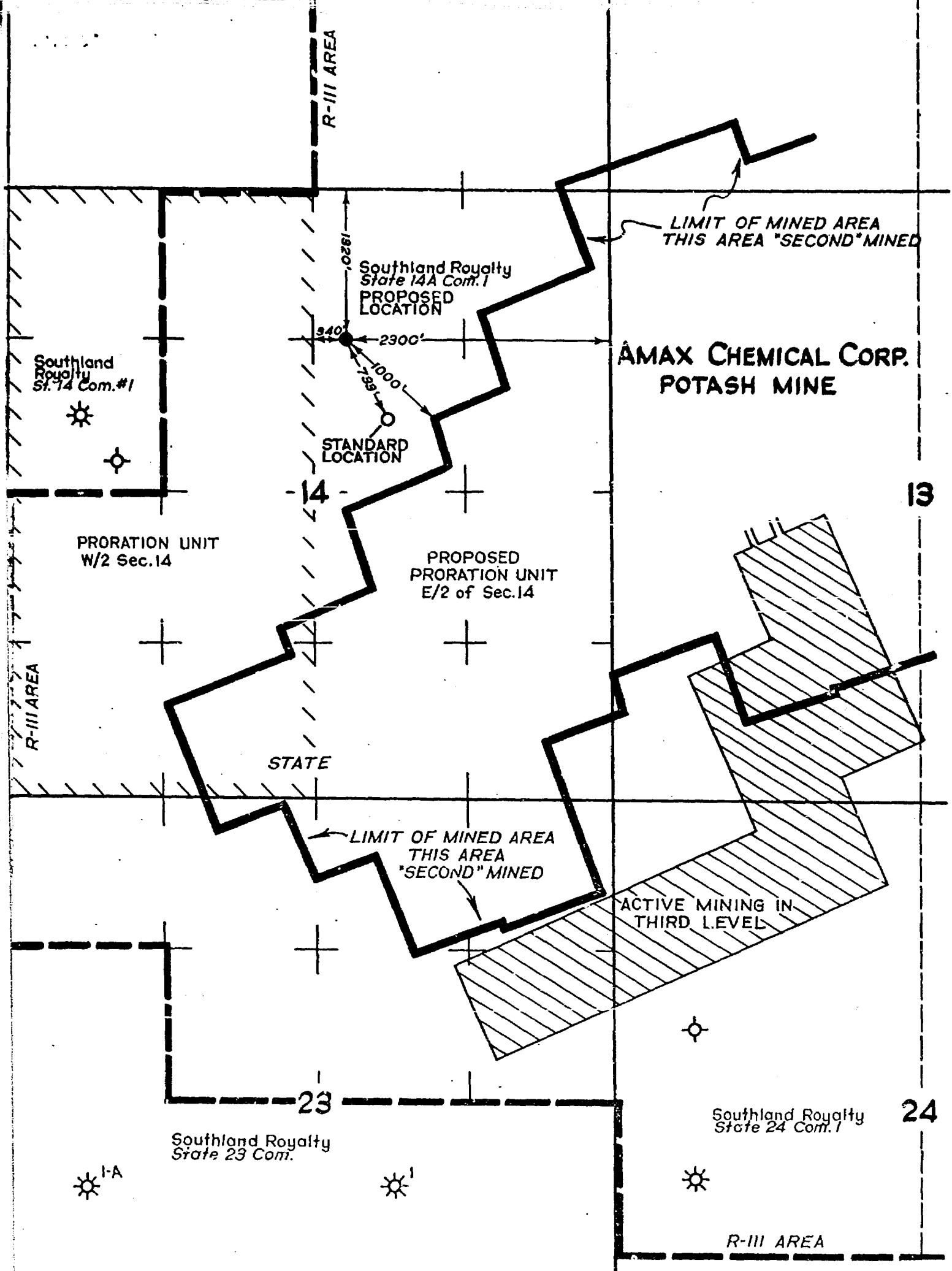
The Superior Oil Company
P. O. Box 1900
Midland, Texas 79702
Attention: Gene Wentworth

Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702
Attention: R.E.Griffith

Sabine Production Company
P. O. Box 3083
Midland, Texas 79702
Attention: B. L. House

Copy of letter w/attachments also to:

Amax Chemical Corporation
P. O. Box 279
Carlsbad, New Mexico 88220
Attention: Mr. Robert E. Kirby



Southland Royalty Company

MIDLAND, TEXAS

Application For Unorthodox Location
 Southland Royalty Company
 State "14-A" Com. No. 1
 1320' FNL & 2300' FEL, Sec. 14
 T-19-S, R-29-E
 Eddy County, New Mexico

Scale 1" = 1000'

By: CHC 10-79

Spaving requested note



Southland Royalty Company

October 11, 1979

CERTIFIED RETURN RECEIPT

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

Case 6718

RE: Southland Royalty Company
State "14-A" Com. No. 1
~~1320' FNL & 2300' FEL~~ 1325 FNL +
Section 14 2308 FEL
T-19-S. R-29-E
Eddy County, New Mexico

Dear Sir:

Your administrative approval is requested for an exception to Rule 104-F to drill the above 11,850' Morrow gas well at an unorthodox location caused by proximity to Amax Chemical Corporation potash mine. The entire proration unit that will be assigned to this well will be within a designated R-111 Potash Area.

The attached plat shows the location of the existing mined out area; this area having been "second mined". The well will be a vertically drilled hole with casing and all drilling procedures to conform to the R-111 Potash Area Rule. The plat indicated that the proposed well site will be 1000 feet horizontally from the nearest open mine workings.

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Southland Royalty Company is in agreement with Amax in that for reasons of mine safety, the well bore should not be located any closer than 1000 feet from an open mine working. The location as selected is considered optimum location to drain the gas

reserves in the E/2 of Section 14, the proration unit to be requested, and conform to the physical requirements imposed by existing mine operations.

Yours very truly,



C. Harvey Carr
District Engineer
Southland Royalty Company

CHC:rs

Attachments

cc: Dick Petrie
Mike Cambell

SOUTHLAND ROYALTY COMPANY

STATE 14-A Com. #1

OFFSET OPERATORS

Tenneco Oil Company
6800 Park Ten Blvd.
San Antonio, Texas 78213
Attention: Mike Hinze

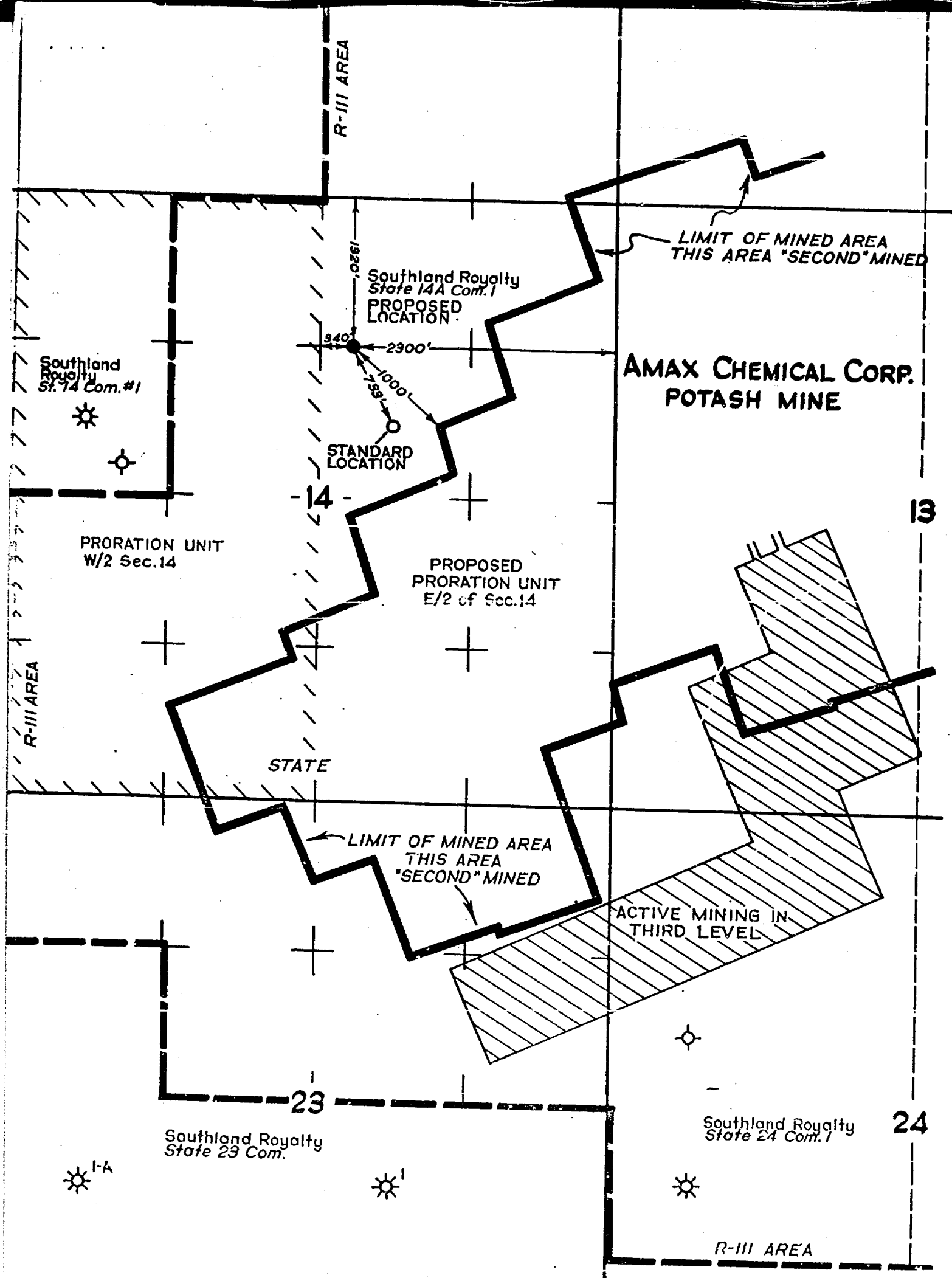
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P. O. Box 1900
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Attention: R.E.Griffith

Sabine Production Company
P. O. Box 3083
Midland, Texas 79702
Attention: R. L. House

Copy of letter w/attachments also to:

Amax Chemical Corporation
P. O. Box 279
Carlsbad, New Mexico 88220
Attention: Mr. Robert E. Kirby





Southland Royalty Company

MIDLAND, TEXAS

Application For Unorthodox Location
 Southland Royalty Company
 State "14-A" Com. No. 1
 1320' FNL & 2300' FEL, Sec. 14
 T-19-S, R-29-E
 Eddy County, New Mexico

Scale 1" = 1000'

By: CHC 10-79



SABINE PRODUCTION COMPANY

901 Wall Towers East P.O. Box 3083 Midland, Texas 79702 (915) 683-5607

October 12, 1979

Mr. Joe Ramey
N.M.O.C.C.
Post Office Box 2088
Santa Fe, New Mexico 87501

Case 6718

Re: Southland Royalty #1
"14-A" State located
1320'FNL and 2300'FEL,
Section 14,
T-19-S, R-29-E,
Eddy County, New Mexico

Dear Mr. Ramey:

As working interest owner, in offset to the subject well,
Sabine Production Company waives objection to this well
projected to 11,850 feet.

Very truly yours,

SABINE PRODUCTION COMPANY

C. H. Madsen

C. H. Madsen
District Geologist

/wb

A Subsidiary of SABINE Corporation



SABINE PRODUCTION COMPANY

901 Wall Towers East P.O. Box 3083 Midland, Texas 79702 (915) 683-5607

October 12, 1979

Mr. Joe Ramey
N.M.O.C.C.
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Southland Royalty #1
"14-A" State located
1320'FNL and 2300'FEL,
Section 14,
T-19-S, R-29-E,
Eddy County, New Mexico

Dear Mr. Ramey:

As working interest owner, in offset to the subject well,
Sabine Production Company waives objection to this well
projected to 11,850 feet.

Very truly yours,

SABINE PRODUCTION COMPANY

C. H. Madsen

C. H. Madsen
District Geologist

/wb

A Subsidiary of SABINE Corporation

$dr/$

A handwritten signature in black ink, appearing to be "JW", enclosed within a large, sweeping oval stroke.

~~2/2~~
RSL

ORDER NO. R- 6/90

Don

EDDY COUNTY, NEW MEXICO.

BY THE DIVISION:

NOW, on this _____ day of November, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

(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, Southland Royalty Company, seeks approval of an unorthodox gas well location 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South Range 29 East Oil-Potash Area, NPM, to test the Morrow formation, Pool, Eddy County, New Mexico.

(3) That the E/2 of said Section 14 is to be dedicated to the well.

(4) That ~~a well at~~ said unorthodox location ^{is in accordance} will better ^{with} agreement ^{between} the applicant, other oil and gas operators in the ^{area} enable applicant to produce the gas underlying the proration unit area, and the operator of a nearby, Patash mine as being suitable for

(5) That no offset operator, *not a signatory to said agreement* objected to the proposed unorthodox location.

the development of the oil and gas resource underlying the E/s of said Section 14 without unduly interfering with the orderly commercial

-2-

Case No. _____

Order No. R-_____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 1325 feet from the North line and 2303 feet from the East line of Section 14, Township 19 South, Range 29 East Oil-Potash Area, NMPM, / Reel, Eddy County, New Mexico.

(2) That the E/2 of said Section 14 shall be dedicated to the above-described well.

(3) 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.