

# RIO PECOS CORPORATION

110 WEST LOUISIANA, SUITE 210

MIDLAND, TEXAS 79701

(915) 687-0127

~~LAND~~

ROGER T. ELLIOTT

~~GEOLOGY~~

MARK D. WILSON

TODD M. WILSON

HEATHER WILSON ECHOLS

TO: Mike Stogner  
COMPANY: NMOC  
FAX NUMBER: 505-827-5741

FROM: ROGER T. ELLIOTT  
COMPANY: Rio Pecos Corporation  
FAX NUMBER: (915) 687-0710

DATE: 4-24-91

SUBJECT: Administrative approval of unorthodox location  
Sec 13 N/2, T20S, R33E, Lea Cty. NM., Collins & W. Ave  
operator

NUMBER OF PAGES (including this page): 11

IF THERE ARE ANY PROBLEMS WITH RECEIPT OF THE FOLLOWING PAGES, PLEASE CONTACT US AT (915) 687-0127.

THANK YOU.

MIKE - Sec 11: S/2 } Subject to Mahaffey  
 " 14: E/2 } Deep W.I.U., Hondo oil?  
 GAS. Co. operator. Hondo  
 has an interest in the N/2  
 of Sec. 13.

Sec 13: S/2 we are forming a 560 acre  
 W.I.U. which includes the  
 S/2 of Sec 13. parties have  
 been notified.

# WILSON & ELLIOTT

## OIL AND GAS EXPLORATION

3907 CRESTGATE  
MIDLAND, TEXAS 79707

## -LAND-

ROGER T. ELLIOTT  
OFFICE: 915/687-0127  
HOME: 915/694-0069

## -GEOLOGY-

TODD M. WILSON  
915/684-3937

March 19, 1991

Phillips Petroleum Corporation → Have an interest  
4001 Pembroke in N/2 of 13  
Odessa, Texas 79762

ATTN: Mr. Frank Hulse, III

RE: Request for Farmout Option  
Township 20 South, Range 33 East, NMPM  
Section 12: E/2  
containing 320.00 acres, more or less,  
Lea County, New Mexico

Gentlemen:

Collins & Ware, Inc. as Operator, tentatively plans to drill in the N/2 of Section 13, T20S-R33E, Lea County, New Mexico, to a depth sufficient to test the Morrow formation (the Objective Depth), which depth is estimated to be 13,850 feet. In support of the proposed Initial Test Well, Collins & Ware, Inc., and Wilson & Elliott request an option to drill a like test (Optional Test Well), or shallower test, on the captioned acreage or lands pooled therewith.

This Farmout Option request coincides with our notification letter dated March 10, 1991, proposing the drilling of a 13,850-foot Morrow test in the N/2 of Section 13, T20S-R33E. The option would be subject to the following terms and conditions:

- 1) On or before 180 days after completing the Initial Test Well as a dryhole or producer, Collins & Ware shall have the option, but not the obligation, to commence drilling the Optional Test Well to the Objective Depth or shallower depth.
- 2) If mechanical or other difficulties render further drilling of the ~~Optional Test Well~~ ~~impossible~~, Collins & Ware shall have the option to commence drilling a Substitute Test Well to the Objective Depth.
- 3) If the Optional or Substitute Test Well is drilled to the Objective Depth or shallower depth and completed as a producer, Collins & Ware shall earn all of Phillips' interest in the largest proration unit assigned to the well by the New Mexico Oil Conservation Division and an undivided 80% of Phillips' interest in the balance of the acreage in the E/2 of Section 12, if any. The rights earned shall be from

Phillips Petroleum Corporation  
Page -2-  
March 19, 1991

the surface to the stratigraphic equivalent of 100 feet below the total depth drilled in the earning well.

Phillips will reserve from the proration unit an overriding royalty equal to the difference between 25% and the presently existing burdens on the proration unit subject to proportionate reduction; further, Phillips shall have the option at payout to convert its reserved overriding royalty into a 20% working interest subject to proportionate reduction.

- 4) If the Optional or Substitute Test Well is completed as a producer, Phillips and Collins & Ware shall enter into a 1982 A.A.P.L. Form 610 Operating Agreement. Together with any other changes that may be agreed to, the operating agreement shall provide for (a) Collins & Ware, Inc., to be Operator, (b) a 300% non-consent penalty, (c) no preferential right to purchase, (d) the right to take production in kind, and (e) a gas balancing agreement.

Thank you for your consideration of this proposal.

Very truly yours,

WILSON & ELLIOTT

  
Roger T. Elliott  
Landman

RTE/sh

**WILSON & ELLIOTT**  
**OIL AND GAS EXPLORATION**  
 3907 CRESTGATE  
 MIDLAND, TEXAS 79707

COPY

**-LAND-**

ROGER T. ELLIOTT  
 OFFICE: 915/687-0127  
 HOME: 915/694-0089

**-GEOLOGY-**  
 TODD M. WILSON  
 915/684-3937

March 20, 1991

Grace Petroleum Corporation →  
 Broadway Executive Park  
 6501 North Broadway  
 Oklahoma City, Oklahoma 73116-8298

have an interest  
 in the N/2 of 13

ATTN: Mr. Randy Upchurch

RE: Request for Farmout Option  
Township 20 South, Range 33 East, NMPM  
Section 12: E/2  
 containing 320 acres, more or less,  
 Lea County, New Mexico

Gentlemen:

Collins & Ware, Inc., as Operator, tentatively plans to drill in the N/2 of Section 13, T20S-R33E, Lea County, New Mexico, to a depth sufficient to test the Morrow formation (the Objective Depth), which depth is estimated to be 13,850 feet. In support of the proposed Initial Test Well, Collins & Ware, Inc., and Wilson & Elliott request an option to drill a like test (Optional Test Well), or shallower test, on the captioned acreage or lands pooled therewith.

This Farmout Option request coincides with our notification letter dated March \_\_\_\_, 1991, proposing the drilling of a 13,850-foot Morrow test in the N/2 of Section 13, T20S-R33E. By virtue of Grace's ownership in the Mahaffey W.I.U. Operating Agreement, Grace will have a 3.65960% working interest in our N/2 of Section 13 proration unit.

The option would be subject to the following terms and conditions:

- 1) On or before 180 days after completing the Initial Test Well as a dryhole or producer, Collins & Ware shall have the option, but not the obligation, to commence drilling the Optional Test Well to the Objective Depth or shallower depth.
- 2) If mechanical or other difficulties render further drilling of the Optional Test Well impractical, Collins & Ware shall have the option for 30 days after the Optional Test Well is abandoned to commence drilling a Substitute Test Well to the Objective Depth.

Grace Petroleum Corporation

Page -2-

March 20, 1991

- 3) If the Optional or Substitute Test Well is drilled to the Objective Depth or shallower depth and completed as a producer, Collins & Ware shall earn all of Grace's interest in the largest proration unit assigned to the well by the New Mexico Oil Conservation Division and an undivided 80% of Grace's interest in the balance of the acreage in the E/2 of Section 12, if any. The rights earned shall be from the surface to the stratigraphic equivalent of 100 feet below the total depth drilled in the earning well.

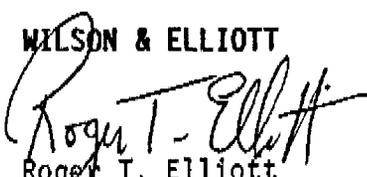
Grace will reserve from the proration unit an overriding royalty equal to the difference between 25% and the presently existing burdens on the proration unit subject to proportionate reduction; further, Grace shall have the option at payout to convert its reserved overriding royalty into a 20% working interest subject to proportionate reduction.

- 4) If the Optional or Substitute Test Well is completed as a producer, Grace and Collins & Ware shall enter into a 1982 A.A.P.L. Form 610 Operating Agreement. Together with any other changes that may be agreed to, the operating agreement shall provide for (a) Collins & Ware, Inc., to be Operator, (b) a 300% non-consent penalty, (c) no preferential right to purchase, (d) the right to take production in kind, and (e) a gas balancing agreement.

Thank you for your consideration of this proposal.

Very truly yours,

WILSON & ELLIOTT

  
Roger T. Elliott  
Landman

RTE/sh

**WILSON & ELLIOTT**  
OIL AND GAS EXPLORATION  
3907 CRESTGATE  
MIDLAND, TEXAS 79707

**-LAND-**

ROGER T. ELLIOTT  
OFFICE: 915/687-0127  
HOME: 915/694-0069

**-GEOLOGY-**

TODD M. WILSON  
915/684-3937

Mr. Michael Stogner  
New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

RE: Application for Unorthodox Location  
Drilling Permit  
N/2 of Section 13, T20S-R33E,  
Lea County, New Mexico

Dear Mr. Stogner:

MARATHON OIL COMPANY, as an offset owner of operating rights, has been advised of Collins & Ware's intent to drill at a location 990' FNL and 1750' FEL of Section 13, T20S-R33E, Lea County, New Mexico.

This letter is to advise that MARATHON OIL COMPANY has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

COLLINS & WARE, INC.

By: *[Signature]*  
Title: Vice President

WILSON & ELLIOTT

By: *[Signature]*  
Todd M. Wilson  
By: *[Signature]*  
Roger T. Elliott

NAME: MARATHON OIL COMPANY  
By: *[Signature]*  
Date: 4/23/91

**WILSON & ELLIOTT**

OIL AND GAS EXPLORATION

3907 CRESTGATE

MIDLAND, TEXAS 79707

-LAND-

ROGER T. ELLIOTT  
OFFICE: 915/687-0127  
HOME: 915/694-0069

-GEOLOGY-

TODD M. WILSON  
915/684-3937

April 9, 1991

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702

Attn: Mr. Wayne L. Ransbottom

**OPY**

RE: Application for Unorthodox Drilling Permit  
N/2 of Section 13, T20S-R33E,  
Lea County, New Mexico

Gentlemen:

Collins & Ware, Inc., as Operator, and Wilson & Elliott propose to drill a well at a location 990' FNL and 1750' FEL of Section 13, T20S-R33E, Lea County, New Mexico, as a 13,850-foot Morrow test well.

Because of surface stipulations imposed on us by the Bureau of Land Management, we are required to drill our well at the aforementioned location.

If you have no objection to the proposed location, please date and execute the enclosed Waiver of Objection Letter and return two (2) executed copies to us in the enclosed self-addressed envelope. Should you have any questions regarding the above or want to discuss this matter further, please call us.

Your prompt and favorable response will be sincerely appreciated.

Very truly yours,  
*Roger T. Elliott*  
Roger T. Elliott  
Landman

RTE/sh

Enclosure

<p>● <b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.</p>	
<p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to: MARATHON OIL COMPANY ATTN: Wayne L. Ransbottom P. O. Box 552 Midland, TX 79702</p>	<p>4. Article Number P 684 810 925</p> <p>Type of Service:  <input type="checkbox"/> Registered      <input type="checkbox"/> Insured  <input checked="" type="checkbox"/> Certified      <input type="checkbox"/> COD  <input type="checkbox"/> Express Mail      <input type="checkbox"/> Return Receipt for Merchandise</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature - Addressee X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature - Agent <i>Sammy Edwards</i></p> <p>7. Date of Delivery APR 10 1991</p>	

PS Form 3811, Apr. 1989

U.S. G.P.O. 1989-238-015

DOMESTIC RETURN RECEIPT



13. NM 13280 (out of NM 5148, based on preference rights leases  
LC 063508, LC 059583 and LC 030469)

Lease issued 7/1/51, held by production on NM 5148  
Lessees: Phillips Petroleum Co. 50%, Box 939, Bartlesville, OK 74004  
Sun Explor. & Production Co. 8.33%, Box 2880, Dallas, TX  
Ameriplor Corp. 19.239%, 700 Louisiana, Houston, TX 77002  
American Prod. Partnership III 8.736%, " "  
American Prod. Partnership IV 13.695%, " "

Operating Rights: Sun Operating Ltd. Partnership 8.33% → R/O option letter dated

int. located in N/2 of Sec. 13  
← Phillips Petroleum Co. 50%

Ameriplor Corp, 19.239%

American Prod. Partnership III 8.736%

American Prod. Partnership IV 13.695%

Overriding Royalty: 1 7/8% - probably reserved by Peter L. Rapkoch

The following net profits production payments out of  
19.239% effective the 1st day of the month next  
commencing after payout and terminating on 3/31/2007-

9.2% The Paul Revere Life Insurance Co., 40 Westminster St., Providence, RI 02903

2.30001% The Paul Revere Protective Life Insurance Co., " "

11.5% Rhode Island Hospital Trust Nat. Bank, Trustee for the Textron Collective Investment Trust, 40 Westminster St., Providence, RI

15.33333% Phoenix Mutual Life Insurance Co., One American Row, Hartford, CT 06115

6.13333% Provident Mutual Life Insurance Co., 1600 Market St., Philadelphia, PA 19103

15.33333% Minnesota Mutual Life Insurance Co., 400 N. Robert St., St. Paul, MN 55101

9.2% Allstate Life Insurance Co., Allstate Plaza N., Northbrook, IL

Royalty Schedule: 12 1/2%

14. NM 40406 (out of NM 17238) Lease issued 12/1/72, held by production

Lessee: Grace Petroleum Corp. 75%, 6501 N. Broadway, Oklahoma City, OK 73116

Terra Resources Inc. 9.3055%, 5416 S. Yale, Tulsa, OK 74135

Southern Union Explor. 6.389%, 1217 Main St., Dallas, TX 75202

Ameriplor Corp. 4.29625%, 700 Louisiana, Houston, TX 77002

American Prod. Partnership Ltd. III 1.95099%, " "

American Prod. Partnership Ltd. IV 3.058026%, " "

Operating Rights: lessees all

Overriding Royalty: 2% C.E. and Sherrie Strange, P.O. Box 6438, Incline Village, NV 89450

1/2 of 1% Charles E. Strange, Trustee of the Charles E. Strange Trust, P.O. Box 6438, Incline Village, NV

2 1/2% John C. & Eva G. Manning, Trustees of the John C. Manning Trust #1, P.O. Box 1271, Bakersfield, CA

conveyances of net profit production payments out of 4.29625% effective the 1st day of the month next commencing after payout and terminating on 3/31/2007-

9.2% The Paul Revere Life Insurance Co., 40 Westminster St., Providence, RI 02903

2.30001% The Paul Revere Protective Life Insurance Co., " "

11.5% Rhode Island Hospital Trust Nat. Bank, Trustee for the Textron Collective Investment Trust, 40 Westminster St., Providence, RI

15.33333% Phoenix Mutual Life Insurance Co., One American Row, Hartford, CT 06115

6.13333% Provident Mutual Life Insurance Co., 1600 Market St., Philadelphia, PA 19103

15.33333% Minnesota Mutual Life Insurance Co., 400 N. Robert St., St. Paul, MN 55101

9.2% Allstate Life Insurance Co., Allstate Plaza N., Northbrook, IL

Royalty Schedule: 12 1/2%

15. NM 40405 (out of NM 2844) Lease issued 8/1/67, operations suspended

eff. 4/1/76, suspension lifted 7/20/82, held by production on comm. agreement SCR-246

Lessee: Grace Petroleum Corp.

Operating Rights: lessee all

Overriding Royalty: 3% N.W. and Kathleen Glade, 141 East 1st South, Ste. 202, Salt Lake City, UT 84111

2% Bullion Monarch Co., Box 712, Elko, NV 89801

Royalty Schedule: 12 1/2%

**WILSON & ELLIOTT**

OIL AND GAS EXPLORATION

3907 CRESTGATE

MIDLAND, TEXAS 79707

**-LAND-**

ROGER T. ELLIOTT  
OFFICE: 915/687-0127  
HOME: 915/684-0089

**-GEOLOGY-**

TODD M. WILSON  
915/684-3937

March 19, 1991

Oryx Energy Company  
P. O. Box 2880  
Dallas, Texas 75221-2880

ATTN: Mr. Allen Beers

RE: Request for Farmout Option  
Township 20 South, Range 33 East, NMPM  
Section 12: E/2  
containing 320.00 acres, more or less,  
Lea County, New Mexico

Gentlemen:

Collins & Ware, Inc., as Operator, tentatively plans to drill in the N/2 of Section 13, T20S-R33E, Lea County, New Mexico, to a depth sufficient to test the Morrow formation (the Objective Depth), which depth is estimated to be 13,850 feet. In support of the proposed Initial Test Well, Collins & Ware, Inc., and Wilson & Elliott request an option to drill a like test (Optional Test Well), or shallower test, on the captioned acreage or lands pooled therewith. The option would be subject to the following terms and conditions:

- 1) On or before 180 days after completing the Initial Test Well as a dryhole or producer, Collins & Ware shall have the option, but not the obligation, to commence drilling the Optional Test Well to the Objective Depth or shallower depth.
- 2) If mechanical or other difficulties render further drilling of the Optional Test Well impractical, Collins & Ware shall have the option for 30 days after the Optional Test Well is abandoned to commence drilling a Substitute Test Well to the Objective Depth.
- 3) If the Optional or Substitute Test Well is drilled to the Objective Depth or shallower depth and completed as a producer, Collins & Ware shall earn all of Oryx's interest in the largest proration unit assigned to the well by the New Mexico Oil Conservation Division and an undivided 80% of Oryx's interest in the balance of the acreage in the E/2 of Section 12, if any. The rights earned shall be from the surface to the stratigraphic equivalent of 100 feet below the total depth drilled in the earning well.

Oryx Energy Company  
Page -2-  
March 19, 1991

Oryx will reserve from the proration unit an overriding royalty equal to the difference between 25% and the presently existing burdens on the proration unit subject to proportionate reduction; further, Oryx shall have the option at payout to convert its reserved overriding royalty into a 20% working interest subject to proportionate reduction.

- 4) If the Optional or Substitute Test Well is completed as a producer, Oryx and Collins & Ware shall enter into a 1982 A.A.P.L. Form 610 Operating Agreement. Together with any other changes that may be agreed to, the operating agreement shall provide for (a) Collins & Ware, Inc., to be Operator, (b) a 300% non-consent penalty, (c) no preferential right to purchase, (d) the right to take production in kind, and (e) a gas balancing agreement.

Thank you for your consideration of this proposal.

Very truly yours,

WILSON & ELLIOTT

  
Roger T. Elliott  
Landman

RTE/ch

QUAIL RIDGE - MORROW GAS POOL  
Lea County, New Mexico

Order No. R-3890, Adopting Operating Rules for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, December 3, 1969.

Application of Pennzoil United, Inc., for Special Pool Rules and Unorthodox Gas Well Location, Lea County, New Mexico.

CASE NO. 4261  
Order No. R-3890

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 25, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of December, 1969, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Pennzoil United, Inc., seeks the promulgation of special rules and regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, including a provision for 320-acre spacing units.

(3) That the applicant further seeks an exception to the proposed well location requirements for said Quail Ridge-Morrow Gas Pool for its Mescalero Ridge Well No. 1 located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Quail Ridge-Morrow Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That approval of the non-standard location in the subject pool for the aforesaid Mescalero Ridge Well No. 1 will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
QUAIL RIDGE-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the Pennzoil United, Inc., Mescalero Ridge Well No. 1, located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, is hereby granted an exception to the well location requirements contained herein.

(2) That the operator of the aforesaid Mescalero Ridge Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 15 days after receipt of this order.

(3) That the locations of all wells presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the

**(NORTH SAWYER-DEVONIAN POOL - Cont'd.)**

if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

**RULE 4.** Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

**RULE 5.** The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

**RULE 6.** A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 6.67 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

**IT IS FURTHER ORDERED:**

(1) That any well presently drilling to or completed in the North Sawyer-Devonian Pool or in the Devonian formation within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before February 15, 1965.

(2) That each well presently drilling to or completed in the North Sawyer-Devonian Pool or in the Devonian formation within one mile thereof shall receive a 40-acre allowable until a Form C-102 dedicating 80 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing in February, 1966, at which time the operators in the subject pool may appear and show cause why the North Sawyer-Devonian Pool should not be developed on 40-acre spacing units.

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

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

**TEAS-PENNSYLVANIAN GAS POOL**  
Lea County, New Mexico

Order No. R-2627, Creating and Adopting Temporary Operating Rules for the Teas-Pennsylvanian Gas Pool, Lea County, New Mexico, December 27, 1963.

Order No. R-2627, June 15, 1966, makes permanent the rules adopted in Order No. R-2627.

Application of Sinclair Oil & Gas Company for the Creation of the Teas-Pennsylvanian Gas Pool and for Special Temporary Pool Rules, Lea County, New Mexico.

CASE NO. 2844  
Order No. R-2627

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:** This cause came on for hearing at 9 o'clock a.m. on June 26, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

**NOW,** on this 27th day of December, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

**FINDS:**

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Sinclair Oil & Gas Company, seeks the creation of a new gas pool for Pennsylvanian production and the promulgation of temporary special rules and regulations governing said pool, including a provision for 640-acre spacing units.

(3) That a new gas pool for Pennsylvanian production should be created and designated the Teas-Pennsylvanian Gas Pool; that said pool was discovered by the Sinclair Oil & Gas Company Mahaffey-Federal (ARC) Well No. 1, located in Unit C of Section 14, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(4) That the evidence establishes that the permeability of the Pennsylvanian formation in said proposed Teas-Pennsylvanian Gas Pool is insufficient to substantiate efficient and economic drainage of 640 acres by one well.

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of

## (TEAS-PENNSYLVANIAN GAS POOL - Cont'd.)

risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 320-acre spacing units should be promulgated for the Teas-Pennsylvanian Gas Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(8) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Teas-Pennsylvanian Gas Pool, at which time the operators in the subject pool should appear and show cause why the Teas-Pennsylvanian Gas Pool should not be developed on 160-acre spacing units.

(9) That the first operator to obtain a pipeline connection for a well in the Teas-Pennsylvanian Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

## IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as a gas pool for Pennsylvanian production is hereby created and designated the Teas-Pennsylvanian Gas Pool, consisting of the following-described area:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 11: S/2  
Section 14: N/2

(2) That the application of Sinclair Oil & Gas Company for 640-acre spacing units in said Teas-Pennsylvanian Gas Pool be and the same is hereby denied.

(3) That Special Rules and Regulations for the Teas-Pennsylvanian Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
TEAS-PENNSYLVANIAN GAS POOL

RULE 1. Each well completed or recompleted in the Teas-Pennsylvanian Gas Pool or in the Pennsylvanian formation within one mile of the Teas-Pennsylvanian Gas Pool, and not

nearer to or within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Teas-Pennsylvanian Gas Pool shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these rules a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well completed or recompleted in the Teas-Pennsylvanian Gas Pool shall be located no nearer than 990 feet to the outer boundary of a quarter section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The

**(TEAS-PENNSYLVANIAN GAS POOL—Cont'd.)**

Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

**IT IS FURTHER ORDERED:**

(1) That any well presently drilling to or completed in the Pennsylvanian formation within the Teas-Pennsylvanian Gas Pool or within one mile of the Teas-Pennsylvanian Gas Pool that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator of any such well shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before January 1, 1964.

(2) That any operator desiring to dedicate 320 acres to a well presently drilling to or completed in the Teas-Pennsylvanian Gas Pool shall file a new Form C-128 with the Commission on or before January 1, 1964.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Teas-Pennsylvanian Gas Pool, at which time the operators in the subject pool may appear and show cause why the Teas-Pennsylvanian Gas Pool should not be developed on 160-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the Teas-Pennsylvanian Gas Pool shall notify the Commission in writing of such fact and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

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

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

**ANTELOPE RIDGE-DEVONIAN GAS POOL**  
Lea County, New Mexico

Order No. R-2623, Creating and Adopting Temporary Operating Rules for the Antelope Ridge-Devonian Gas Pool, Lea County, New Mexico, January 1, 1964.

Order No. R-2623-A, January 13, 1966, makes permanent the rules adopted in Order No. R-2623.

Application of Shell Oil Company for the Creation of a Devonian Gas Pool and for Special Pool Rules, Lea County, New Mexico.

CASE NO. 2945  
Order No. R-2623

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:** This cause came on for hearing at 9 o'clock a.m. on December 4, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 19th day of December, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

**FINDS:**

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Shell Oil Company, seeks the creation of a new gas pool for Devonian production and the promulgation of temporary special rules and regulations governing said pool, including provisions for 640-acre spacing units and limited well locations.

(3) That a new gas pool for Devonian production should be created and designated the Antelope Ridge-Devonian Gas Pool; that said pool was discovered by the Shell Oil Company Harris-Federal Well No. 1, located in Unit N of Section 27, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the Antelope Ridge-Devonian Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the temporary special rules and regulations should be established for a two-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing in January, 1966, at which time the operators in the subject pool should be prepared to appear and show cause why the Antelope Ridge-Devonian Gas Pool should not be developed on 160-acre spacing units.

**IT IS THEREFORE ORDERED:**

(1) That a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production is hereby created and designated the Antelope Ridge-Devonian Gas Pool consisting of the following-described area:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 27: All  
Section 33: E/2, E/2 W/2  
Section 34: All

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM  
Section 4: All

(2) That Special Rules and Regulations for the Antelope Ridge-Devonian Gas Pool are hereby promulgated as follows, effective January 1, 1964.

**SPECIAL RULES AND REGULATIONS**  
**FOR THE**  
**ANTELOPE RIDGE-DEVONIAN GAS POOL**

**RULE 1.** Each well completed or recompleted in the Antelope Ridge-Devonian Gas Pool or in the Devonian formation within one mile of the Antelope Ridge-Devonian Gas Pool, and not nearer to nor within the limits of another designated Devonian gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

**RULE 2.** Each well completed or recompleted in the Antelope Ridge-Devonian Gas Pool shall be located on a standard unit containing 640 acres, more or less, consisting of a single governmental section.



COUNTY LEA

POOL QUAIL RIDGE MORROW GAS

TOWNSHIP

20 S

Range

34 E

NMPM


EXT: N/2 SEC 6 (R-9144, 5-F-90)

Ext: SW/4 Sec 6, All Sec. 7 (R-9345, 11-7-90)