

O'BRIANT ENGINEERING

OIL CONSERVATION DIVISION  
RECEIVED

P. O. Box 10487  
915-683-5511  
(24 Hr. Ans.)

Midland, Texas 79702  
915-683-3172  
AUG 29 10 14 AM

July 29, 1992

Mr. Mike Stogner  
New Mexico Oil Conservation Division  
Box 2088  
Santa Fe, NM 87501

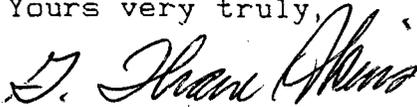
Subject: Unorthodox Location Request  
Collins & Ware, Inc. Sharp Nose Federal No. 1  
2395' FSL & 2065' FEL of Sec. 13, T-20-S, R-33-E  
Teas Bone Springs Field  
Lea County, New Mexico

Collins & Ware, Inc., as Operator of the subject well, respectfully requests approval of the subject unorthodox location. The well was originally permitted as a Morrow well at this approved unorthodox location, having been moved from the original location to avoid some dune development and an existing water injection well. The well has since been recompleted in the Bone Springs formation.

A Request For Allowable and a revised Form C-102 plat have been sent to the Hobbs OCD office and a 60-day allowable has been approved. Also, all the offset Operators (See list below.) have been notified of this request by certified mail and waivers requested.

If you need further information, please let us know. We would appreciate your favorable consideration of this request.

Yours very truly,



G. Thane Akins, P.E.

cc: Mr. Jerry Sexton  
New Mexico Oil Conservation Division  
Box 1980  
Hobbs, NM 88241-1980

Offset Operators

Mr. Pat McGee  
Oxy USA Inc.  
Box 50250  
Midland, TX 79710

Hudson & Hudson  
Land Dept.  
616 Texas St.  
Fort Worth, TX 76102-4612

Mr. Michael R. Goode  
Anadarko Petroleum Corp.  
Box 2497  
Midland, TX 79702

Mr. Frank Estep  
Enron Oil & Gas  
Box 2267  
Midland, TX 79702

Mr. Dennis Sledge  
Meridian Oil Inc.  
Box 51810  
Midland, TX 79710-1810

Mr. Alan Beers  
ORYX Energy Co.  
8150 N. Central Expressway  
Dallas, TX 75221

Submit to Appropriate District Office  
 State Lease - 4 copies  
 Fee Lease - 3 copies

State of New Mexico  
 Geology, Minerals and Natural Resources Department

Form C-102  
 Revised 1-1-89

**OIL CONSERVATION DIVISION**

**DISTRICT I**  
 P.O. Box 1982, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

**DISTRICT II**  
 P.O. Drawer DD, Artesia, NM 88210

**DISTRICT III**  
 1000 Rio Brazos Rd., Aztec, NM 87410

**WELL LOCATION AND ACREAGE DEDICATION PLAT**  
 All Distances must be from the outer boundaries of the section

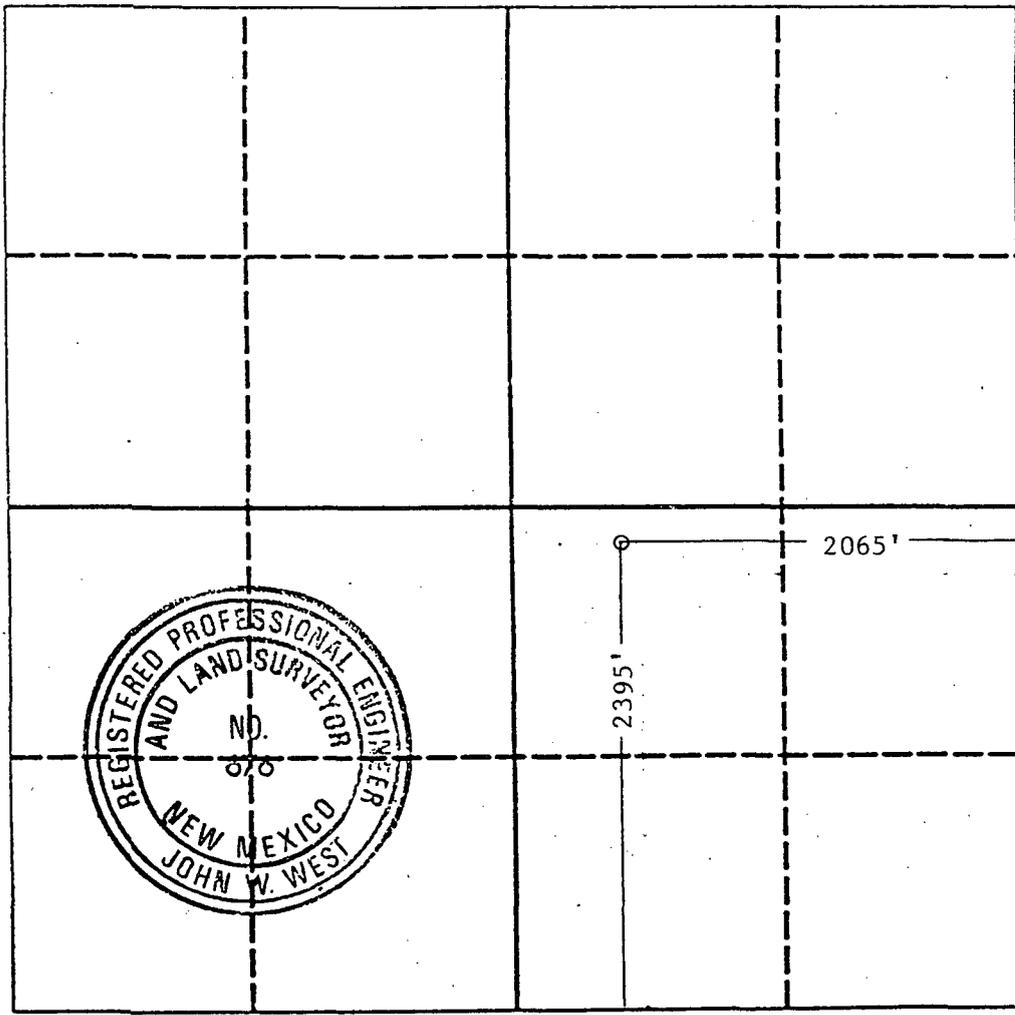
Operator COLLINS & WARE INC.			Lease SHARP NOSE FEDERAL		Well No. 1
Unit Letter J	Section 13	Township 20 SOUTH	Range 33 EAST	County LEA	
Actual Footage Location of Well: 2395 feet from the SOUTH line and 2065 feet from the EAST line					
Ground level Elev. 3610.0	Producing Formation Bone Springs		Pool Teas	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 

Yes     No    If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *G. Thane Akins*

Printed Name: G. Thane Akins

Position: Agent

Company: Collins & Ware, Inc.

Date: July 29, 1992

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**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: 5-25-91

Signature & Seal of Professional Surveyor: *John W. West*

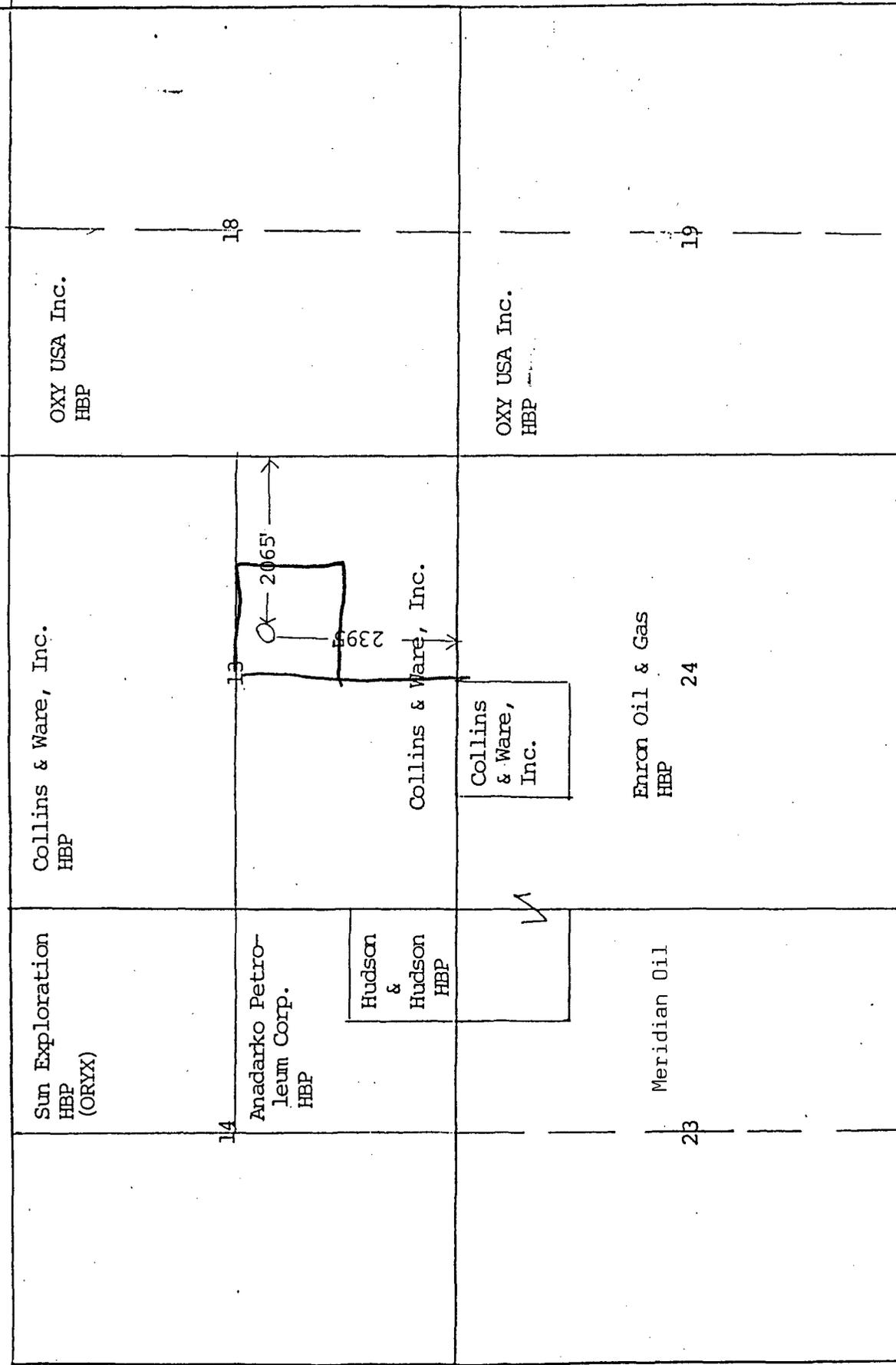
Certificate No. JOHN W. WEST, 676

RONALD J. EIDSON, 3239

\*THIS IS NOT A CERTIFIED SURVEY PLAT.

128630

T  
20  
S



R-33-E

R-34-E

Collins & Ware, Inc.  
No. 1 Sharp Nose Federal  
2065' FEL, 2395' FSL  
T-20-S, R-33-E  
Section 13  
Lea County, New Mexico

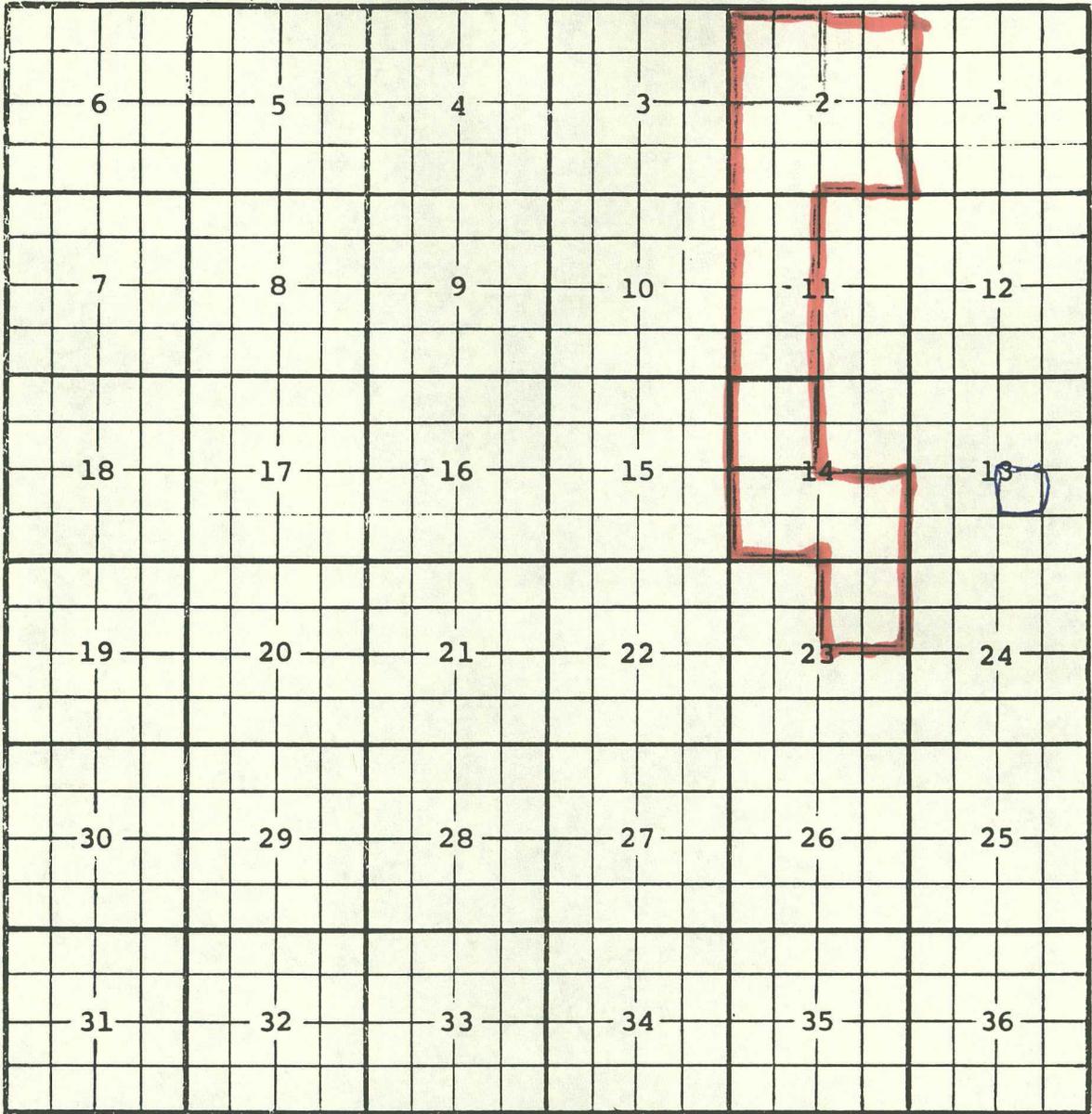
COUNTY *Lea*

POGL *Teas - Bone Springs*

TOWNSHIP *20 South*

RANGE *33 East*

NMPM



*Description: NW/4 Sec. 14 (R-2469, 5-1-63)*

*Ext: 1/2 Sec. 14, NE/4 Sec. 23 (A-8340, 11-3-86) EXT: 1/2 + NE/4 SEC. 2,*

*W/2 SEC 11 (R-8696, 7/22/88) EXT: NW/4 SEC 2 (R-9095, 1-1-90)*

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 10314  
Order No. R-9523

APPLICATION OF COLLINS AND  
WARE, INC. FOR COMPULSORY POOLING AND  
AN UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 10th day of June, 1991, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Collins & Ware Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 13, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Teas-Pennsylvanian Gas Pool and Undesignated Quail Ridge-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at an unorthodox gas well location 2210 feet from the South line and 1980 feet from the East line (Unit J) of said Section 13.

(3) The applicant has the right to drill and proposes to drill a well at the above location to a depth of approximately 13,900 feet to test the Morrow formation.

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Order No. R-9523  
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(4) Applicant's witness submitted a cross-section and a Morrow structure map which indicate that the proposed well will penetrate the Morrow formation at a favorable structural position.

(5) Applicant's witness also submitted a Potash Map which shows that the proposed location is within the Potash Area of Noranda Exploration Inc. (Noranda). A letter from Noranda granting permission to drill within the Potash Area was also submitted by the witness.

(6) The proposed location is unorthodox because it is too close to the north boundary of the spacing and proration unit. This location was selected because it is within 100 feet of an existing plugged and abandoned well. Grouping the wells in this manner will help prevent the loss of Noranda's potash reserves and will comply with BLM and Noranda requirements. No interested party appeared and objected to the application. The unorthodox location should be approved.

(7) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

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

(9) The applicant should be designated the operator of the subject well and unit.

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

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

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

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

(14) Applicant requested that combined fixed-rate overhead charges be set at \$6,300 and \$630. Based on Ernst and Young survey results from 1990, \$5,200 per month while drilling and \$475 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(16) Upon the failure of the operator of said pooled unit to commence work on the well to which said unit is dedicated on or before August 15, 1991, the order pooling said unit should become null and void and of no further effect whatsoever.

(17) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(18) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(19) No offset operator or interest owner appeared at the hearing in opposition to this application.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the S/2 of Section 13, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing which presently includes but is not necessarily limited to the Undesignated Teas-Pennsylvanian Gas Pool and the Undesignated Quail Ridge-Morrow Gas Pool.

(2) Said unit is to be dedicated to a well which is hereby approved to be drilled at an unorthodox gas well location 2210 feet from the South line and 1980 feet from the East line (Unit J) of said Section 13.

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PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of August, 1991, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow Formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of August, 1991, Secretary Paragraphs Nos. (1) and (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion or abandonment within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Secretary Paragraph Nos. (1) and (2) of this order should not be rescinded.

(3) Collins and Ware, Inc. is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and prior to commencing work on said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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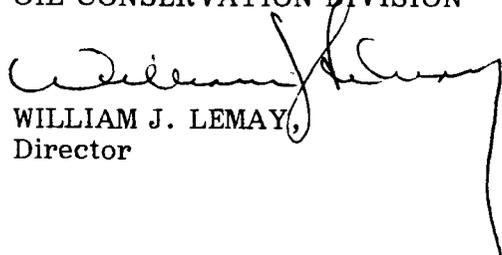
- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
  - (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (9) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.
- (10) \$5,200 per month while drilling and \$475 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.
- (12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.
- (14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.
- (15) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

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(16) 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

  
WILLIAM J. LEMAY,  
Director

S E A L

dr/



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
HOBBS DISTRICT OFFICE

8-4-92

OIL CONSERVATION DIVISION  
RECEIVED

'92 AUG 5 AM 9

POST OFFICE BOX 1980  
HOBBS, NEW MEXICO 88241-1980  
(505) 393-6161

BRUCE KING  
GOVERNOR

OIL CONSERVATION DIVISION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

RE: Proposed:

- MC \_\_\_\_\_
- DHC \_\_\_\_\_
- NSL  \_\_\_\_\_
- NSP \_\_\_\_\_
- SWD \_\_\_\_\_
- WFX \_\_\_\_\_
- PMX \_\_\_\_\_

*NSL - 3053*

Gentlemen:

I have examined the application for the:

*Collins & Ware Inc. Sharpnose Federal #1-J 13-20-33*  
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

*OK*

*Morrow NSL-3053*

Yours very truly,

Jerry Sexton  
Supervisor, District 1

/ed

WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

UNION TEXAS PETROLEUM CORPORATION

By: Charles W. Latch  
Printed Name: CHARLES W. LATCH  
Title: DIST. PROP. MGR.

WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

ENRON OIL & GAS

By: *Gary L. Thomas*  
Printed Name: Gary L. Thomas  
Title: Agent & Attorney-In-Fact

*pgt*  
*BLZ*

WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

ORYX ENERGY COMPANY  
(Sun Exploration)

By: *J. B. Haskell*  
Printed Name: J.B. HASKELL  
Title: GEOLOGICAL SUPERVISOR

*Signed waiver  
returned  
7/12/91*

**BILL SELTZER**214 WEST TEXAS, SUITE 507  
MIDLAND, TEXAS 79701OIL CONSERVATION DIVISION  
RECEIVED

'91 SEP 6 AM 9 00

August 29, 1991

Mr. Michael Stogner  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
P.O. Box 2088  
Santa Fe, New Mexico 87504

Re: Application of Collins & Ware, Inc. for Administrative  
Approval of an Unorthodox location for its No. 1 Sharp Nose  
Federal located 2395' FSL and 2065' FEL, Section 13, T-20-S,  
R-33-E, Lea County, New Mexico

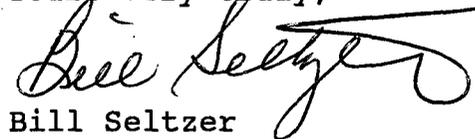
Dear Mr. Stogner:

Please refer to our letter dated August 29, 1991, covering the  
above (copy attached).

Attached please find Structure Map on Top of Lower Morrow  
formation and Cross Section B-B covering the S/2 of Section 13,  
T-20-S, R-33-E, Lea County, New Mexico.

If you have any questions, please call.

Yours very truly,



Bill Seltzer

BS/kp  
Atchs.



WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

HUDSON & HUDSON

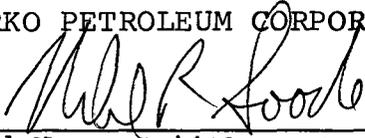
By: *E. Randall Hudson III*  
Printed Name: E. RANDALL HUDSON III  
Title: *Geologist*

WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

ANADARKO PETROLEUM CORPORATION

By: 

Printed Name: MICHAEL R. GOODE

Title: DIVISION LANDMAN

WAIVER

The undersigned party does not object to Collins & Ware, Inc.'s application to drill a 13,750' Morrow test well at an unorthodox location in Lea County, New Mexico, to-wit:

2395' FSL and 2065' FEL  
Section 13, T-20-S, R-33-E  
Lea County, New Mexico

OXY USA INC.

By:   
Printed Name: P.N. McGehee  
Title: Attorney-in-Fact