

CASE 4772: Application of BLACK  
RIVER CORP. FOR COMPULSORY POOL-  
ING, EDDY COUNTY, NEW MEXICO.

Nov. 21

*Hanna*

Case Number

4772

Application

Transcripts

Small Exhibits

ETC.

transcripts  
for hearing  
July 26 th &  
Aug 9 th  
is are in Case  
4771

(Case 4765 continued from page 1)

mineral interests underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to a well located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4771: (De Novo)

Application of Black River Corporation for a non-standard gas unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 402.22-acre, more or less, non-standard gas unit adjacent to the Washington Ranch-Morrow Gas Pool, comprising the W/2 of Section 4, Township 26 South, Range 24 East, Eddy County, New Mexico, to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4772: (De Novo)

Application of Black River Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all leasehold, mineral, and royalty interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising a 402.22-acre, more or less, non-standard gas unit. Said acreage to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Michael P. Grace II and Corinne C. Grace this case will be heard De Novo under the provisions of Rule 1220.

RAYMOND A. LYNCH 1913-1972  
CLOVIS G. CHAPPELL, JR.  
MARTIN L. ALDAY  
CHARLES C. ALDRIDGE  
RANDALL LUNDY  
KENNETH W. NORDEMAN  
GARY O. WISNER  
JAMES M. ALSUP  
ROBERT A. SPEARS  
JIMMY R. COX

*Brought in by  
Mr. Phipps - 7-12-72*

LYNCH, CHAPPELL, ALDAY & ALDRIDGE  
ATTORNEYS  
201 WALL TOWERS EAST  
MIDLAND, TEXAS 79701

June 6, 1972

AREA CODE 915  
682-3351

DRILLING OPINION - W/2 of Section 4, T-26-S, R-24-E, NMPM,  
EDDY COUNTY, NEW MEXICO.

Black River Corporation  
620 Commercial Bank Tower  
Midland, Texas 79701

Attn: Mr. Tom Phipps

Gentlemen:

MATERIALS EXAMINED

- (1) 163 page Abstract No. 23954 by Federal Abstract Company covering all of the above land except the NW/4 NW/4 and SE/4 SW/4 as to federal records from inception of records to April 12, 1972, at 10 A.M.
- (2) 22 page Abstract No. 23950 by Federal Abstract Company covering NW/4 NW/4 as to federal records from inception to April 12, 1972, at 8 A.M.
- (3) 13 page Abstract No. 72165 by Currier Abstract Company covering Lots 3, 4 and 5 (S/2 NW/4 and NE/4 NW/4) among other lands as to county records from inception to April 12, 1972, at 8 A.M.
- (4) 15 page Abstract No. 72169 by Currier Abstract Company covering NW/4 NW/4 as to county records from inception to April 12, 1972, at 8 A.M.
- (5) 15 page Abstract No. 72166 by Currier Abstract Company covering Lots 9, 10 and 11 (SW/4 SW/4 and N/2 SW/4) as to county records from inception to April 12, 1972, at 8 A.M.
- (6) Portions of 181 page Abstract No. 72160 by Currier Abstract Company covering SE/4 SW/4 as to county records from inception to April 12, 1972, at 8 A.M.
- (7) Title opinion dated October 31, 1960 by S. B. Christy, IV to D. L. Hannifin covering title to SE/4 SW/4 of Section 4, among other land, from inception to October 29, 1969 at 8 A.M.
- (8) Unexecuted copy of Partial Assignment of Oil and Gas Leases from Black River Corporation to Arapahoe Gas Limited.

DOCKET MAILED

DOCKET MAILED

Date 11-10-72

Date 7-14-72

*For Nov. 21st docket*

- (9) Unexecuted copy of Assignment of Overriding Royalty from Black River Corporation to Robert H. Hannifin.
- (10) Copy of letter agreement dated February 25, 1971 between Arapahoe Gas Limited and Black River Corporation.

Based upon examination of the foregoing, we are of the opinion that title to the above land is owned as follows:

FEE

Surface:

Not covered by this opinion.

Minerals (Including Leasing  
Privilege, Bonus, Delay  
Rentals and Royalty):

SE/4 SW/4:

✓ Vera T. Craddock and Vola  
T. Ryan, as their separate  
property ----- 1/2 *V.T. Craddock  
P.O. Box 176  
Queen Creek, Ariz 85242*

*2900 Sentinel  
Midland, 79701*

→ J. W. Miller and wife,  
Patricia Miller ----- 1/2 ✓

NW/4 NW/4:

State of New Mexico ----- ALL

Remainder of Land:

United States of America ----- ALL

OIL AND GAS LEASEHOLD ESTATE

Working Interest:

NW/4 NW/4:

*P.O. Box 2062, Santa Fe, N.M.* Michael P. Grace ----- ALL of 87.5% ✓

Remainder of Land:

*620 Commercial Bank  
Midland, Texas 79701* Black River Corporation ----- 1/2 of 81.5% ✓  
Arapahoe Gas Limited ----- 1/2 of 81.5% ✓

Overriding Royalty:

Lots 3, 4 and 5 (NE/4 NW/4 and S/2 NW/4):

*Hilkenon - Foster Bldg  
Midland, 79701* → Barney Greathouse, whose wife  
is Helen Greathouse ----- 5% ✓  
*P.O. Box 256  
Midland, 79701* → Robert H. Hannifin ----- 1% ✓

Lots 9, 10 and 11 (N/2 SW/4 and SW/4 SW/4):

Clarence C. Scruggs ----- 1% *Box 282*  
Central Southwest Oil Corp. ----- 4% *Garminville Va, 23701*  
Robert H. Hannifin ----- 1% *FARMV-110*

SE/4 SW/4:

Max Coll, Inc. ----- 3% ✓  
Robert H. Hannifin ----- 1% ✓  
J. W. Miller ----- 47-1/2% of 2% ✓  
Forrest Miller ----- 5% of 2% ✓  
William B. Blakemore II ----- 25% of 2% ✓  
Bruce Allen Blakemore Trust ----- 5% of 2% ✓  
Margene Blakemore Trust ----- 5% of 2% ✓  
Virginia Blakemore Trust ----- 10% of 2% ✓  
Tommy Phipps ----- 2-1/2% of 2%

OIL, GAS AND MINERAL LEASES

Lease 1:

Date: May 1, 1970.  
Lease No.: NM-10770.  
Lessor: United States of America.  
Lessee: Clarence C. Scruggs.  
Covers: Full interest in Lots 9, 10 and 11 of Section 4.  
Primary Term: Ten years.  
Royalty: 1/8 on all oil and gas. The lease also provides for the customary minimum royalty of \$1.00 per acre or a fraction thereof commencing with the lease year beginning on or after discovery upon the leased land.  
Delay Rentals: 50¢ per acre for land wholly outside a known geological structure and \$2.00 per acre for land within a known geological structure. NOTE: The land is now within a known geological structure and hence delay rentals are \$2.00 per acre.

Lease 2:

Date: February 1, 1966.  
Lease No.: NM-0558959.  
Lessor: United States of America.  
Lessee: Barney R. Greathouse.  
Covers: Full interest in Lots 3, 4 and 5, Section 4 and an undetermined interest in land not the subject of this examination.  
  
Primary Term: Ten years.  
Royalty: Same as Lease 1.  
Delay Rentals: Same as Lease 1.

Lease 3:

Date: November 18, 1969.  
Lease No.: L-3793.  
Lessor: State of New Mexico.  
Lessee: Michael P. Grace.  
Primary Term: Five years with option to renew and extend the lease for an additional five year period by payment of double rentals or the highest rental prevailing at the commencement of the secondary term in any rental district in which the land may be situated if it be greater than double the rental.  
  
Royalty: 1/8 on oil and gas provided that the Commissioner may require the payment of royalty for all or any part of the gas produced at a price per MCF equal to the maximum price being paid for gas of like kind and quality in the same field or area; shut-in gas royalty equal to annual rentals, but not less than \$100.00 per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of 90 days from the date a well is shut-in and on or before said rental date thereafter, provided that the lease may not be continued after 10 years from the date of the lease for any period of more than five years by the payment of said annual rentals.  
  
Delay Rentals: 25¢ per acre during the primary term and double this amount during the extended term. NOTE: This rental should be paid whether production is occurring or not, and all payments are due and payable to the Commissioner of Public Lands in Santa Fe, New Mexico.



Unusual Clauses:

Lessee agrees to notify Lessor of the location of each well before commencing drilling and to furnish logs to the Lessor, and Lessor may require that all or any part of the casing be left in any non-productive well when Lessor deems it to be to the interest of the State of New Mexico to maintain said well for water purposes. Lessee is liable and agrees to pay for all damages to the range, livestock, growing crops or improvements occasioned by Lessee's operations.

Lease 4:

Date:

March 25, 1968.

Recorded:

Book 63, page 134, Miscellaneous Records.

Lessor:

Vera T. Craddock, a/k/a Vera T. Lamb, a married woman, dealing in her sole and separate estate and Vola T. Ryan, a married woman, dealing in her sole and separate estate, being the sole and only heirs at law of Ivan Thurman, deceased.

Lessee:

James R. Stephens.

Covers:

Purports to and did cover, at the time of execution, a full interest in the SE/4 SW/4 of Section 4 and an undetermined interest in other land not the subject of this examination. Seven years.

Primary Term:

Royalty:

1/8 on oil and gas, on shut-in gas an annual payment equal to delay rentals payable on or before 90 days after the well is shut-in and annually thereafter.

Delay Rentals:

An annual payment of \$790.00 payable on or before March 25 of each year, beginning March 25, 1968 to Lessors or deposit to their credit in the American Bank of Carlsbad at Carlsbad, New Mexico. Since the lease covers land other than that under examination, we are unable to determine what the net rental is.

Pooling Provision:

Authority is given to pool for units which shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authorities for the pool or area in which said land is situated, plus a tolerance of 10%.

Unusual Provisions:

None.

ENCUMBRANCES

The 3% overriding royalty interest of Max Coll, Inc. is subject to liens owned by The First National Bank of Roswell, New Mexico and Lillian Hinkle Call by virtue of Mortgage Deeds dated August 30, 1969, recorded Book 252, page 733, Mortgage Records and September 2, 1969, recorded Book 252, page 761, Mortgage Records, respectively.

TAXES

A tax statement furnished by the abstracter indicates that taxes on the fee land (SE/4 SW/4) are paid through 1971.

COMMENTS AND REQUIREMENTS

1.

In order that we may determine if delay rentals were timely and properly paid on Lease 4 above, you should submit delay rental receipts for that lease.

2.

You should obtain your usual tenant's consent and damage release from persons in possession of the surface.

3.

Black River Corporation and Arapahoe Gas Limited have both entered into gas purchase agreements with El Paso Natural Gas Company with which you are familiar. If you desire our comments thereon, the same should be submitted.

4.

We understand that you intend to drill a well on the above land and pool the entire W/2 of Section 4. As noted above, Michael P. Grace owns the entire leasehold estate covering the NW/4 of NW/4. Prior to the drilling of the well, it will be necessary for you to obtain an assignment from Grace or initiate forced pooling proceedings against him unless he chooses to participate in the well. After you have advised us of which direction you intend to follow, we will prepare the necessary communitization agreement.

5.

Vera T. Lamb and Vola T. Ryan executed an oil and gas lease dated March 26, 1965 to James R. Stephens, recorded Book 158, page 546, Oil and Gas Records of Eddy County covering SE/4 SW/4 and S/2 SE/4 of Section 4 and other land for a term of ten years. Stephens then assigned the lease to Cabot Corporation and the Estate of Ralph Lowe by instrument dated December 30, 1965, recorded Book 164, page 543, Oil and Gas Records. Vera T. Craddock, a/k/a Vera T. Lamb, and Vola T. Ryan executed another lease covering the same

Black River Corporation  
June 6, 1972  
Page 7

land dated March 25, 1968, recorded Book 63, page 134, Miscellaneous Records of Eddy County for a primary term of seven years. The title opinion by S. B. Christy, IV listed above indicates that the second lease was an extension of the first. We are unable to ascertain if this in fact was the case, however, we believe that the Cabot Corporation and the Estate of Ralph Lowe failed to pay delay rentals and the first lease terminated, resulting in Stephens taking a new lease. In addition to the above assignment, Stephens reserved an overriding royalty interest of 3% and conveyed a 1/4 of 1% of 3/8 overriding royalty interest into Carl A. Schellinger, which overriding royalty interests we believe terminated with the first lease. You should obtain a release from the Cabot Corporation and the Estate of Ralph Lowe of the first lease described above.

We do not cover herein questions of boundary, area, excesses, conflicts with adjacent tracts or surveys, unpaid bills for labor or material that may ripen into mechanic's or materialman's liens, rights of persons, if any, in possession, nor any other matters not covered by the materials examined.

Yours very truly,



Robert A. Spears

RAS:jw

W & H Production-Drilling, Inc.

October 16, 1972

*Change location in  
ad for cases 4771 +  
4772  
de novo*

State of New Mexico  
Oil Conservation Commission  
State Land Office Building  
Santa Fe, New Mexico 87501

Re: Black River Corporation  
BR-Federal 4 Well No. 2  
Unit F, Sec. 4, T26S, R24E  
Eddy County, New Mexico  
Forced Pooling Order R-4410

Gentlemen:

The above referenced well was forced pooled on order R-4410 at a location 2500 feet from the North line and 1900 feet from the West line of Section 4.

Due to the topography at the approved location it was necessary to move the location to 1985 feet from the North line and 2087 feet from the West line of Section 4.

It is respectfully requested that a hearing be called for approval of the new location. Since there is scheduled a de novo hearing of Cases No. 4766, 4771 and 4772 on November 15, 1972 concerning the West half of Section 4, it is also requested that the above request be hear concurrently,

Yours very truly,

*JTB*  
J. T. Berry, Agent for  
Black River Corporation

JTB:lv

bcc: Black River Corporation  
Midland, Texas



## OIL CONSERVATION COMMISSION

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

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

TO: ALL INTERESTED PARTIES

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

Due to prior commitments by members of the Commission, we will be unable to have a quorum present for the hearing which has been scheduled for November 15, 1972. Cases 4763, 4764, and 4765, all pertaining to Section 3, Township 26 South, Range 24 East, Eddy County, New Mexico, and scheduled for Hearing De Novo at the request of Rutter and Wilbanks, and Case 4796, pertaining to capacity allowable for the Grace City of Carlsbad No. 1, will therefore be continued to 9:00 o'clock a.m., November 21, 1972, in the Land Office Conference Room.

Cases 4766, 4771, and 4772, all pertaining to the W/2 of Section 4, Township 26 South, Range 24 East, will also be advertised for Hearing De Novo on that same date at the request of Michael P. and Corinne Grace.

October 24, 1972

(Case 4782 continued from page 4)

authority to institute a waterflood project in the Robinson-Jackson Unit Area, Grayburg-Jackson Pool, Eddy County, New Mexico, by the injection of water through thirteen wells located in Sections 27, 34, and 35 of Township 17 South, Range 29 East, Eddy County, New Mexico.

CASE 4771: Application of Black River Corporation for a non-standard gas unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 402.22-acre, more or less, non-standard gas unit adjacent to the Washington Ranch-Morrow Gas Pool, comprising the W/2 of Section 4, Township 26 South, Range 24 East, Eddy County, New Mexico, to be dedicated to a well to be located in the approximate center of Lot 5 (SE/4 NW/4) of said Section 4.

CASE 4772: Application of Black River Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all leasehold, mineral, and royalty interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising a 402.22-acre, more or less, non-standard gas unit. Said acreage to be dedicated to a well to be located in the approximate center of Lot 5 (SE/4 NW/4) of said Section 4.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4784: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Lea, Roosevelt and Chaves Counties, New Mexico.

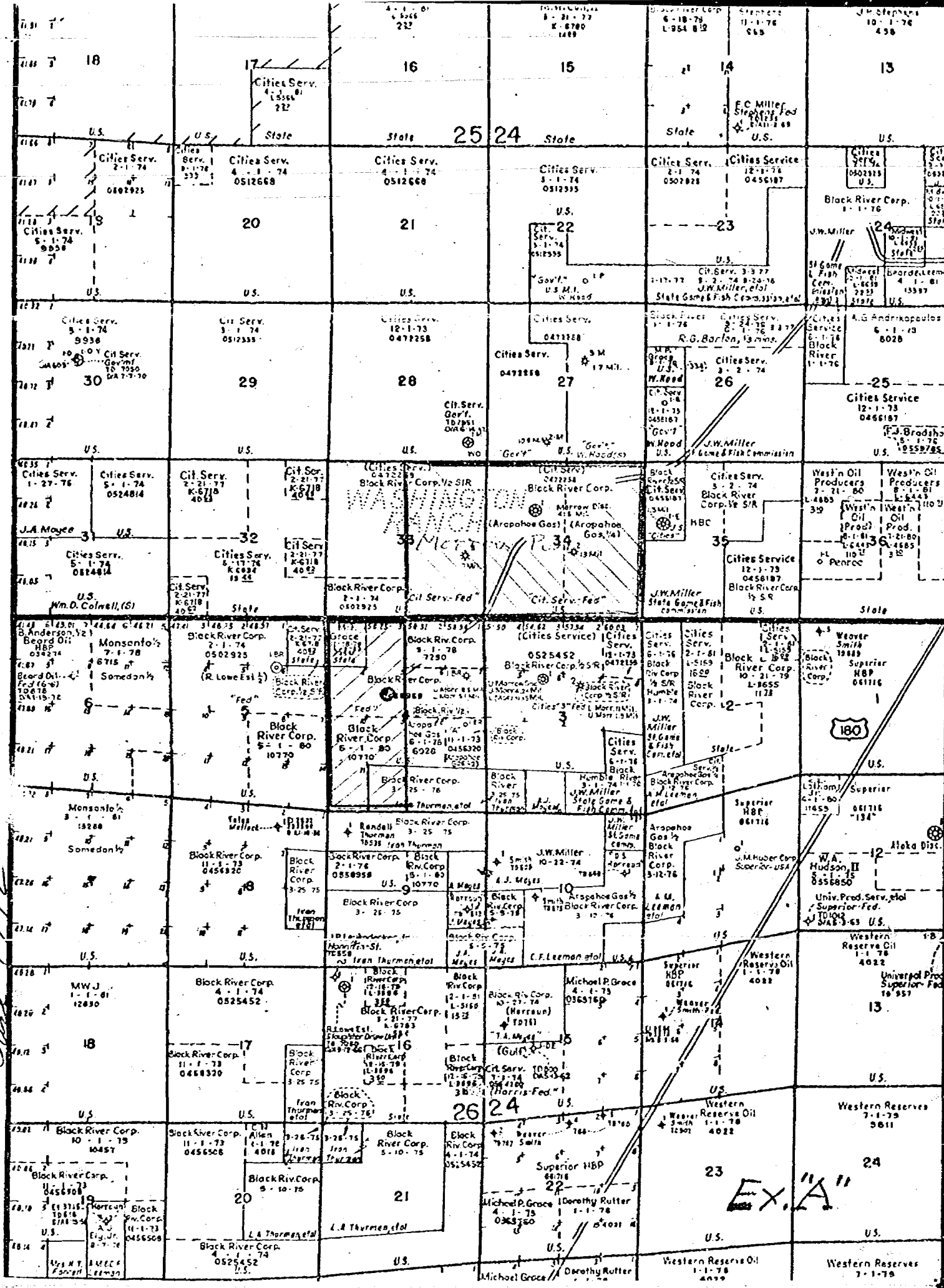
(a) Create a new pool in Lea County, New Mexico, classified as a gas pool for Fusselman production and designated as the Crosby-Fusselman Gas Pool. The discovery well is Union Texas Petroleum Corporation Crosby Deep No. 1 located in Unit N of Section 28, Township 25 South, Range 37 East, NMPM. Said pool described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
SECTION 28: S/2

(b) Create a new pool in Lea County, New Mexico, classified as a gas pool for San Andres production and designated as the North Eunice-San Andres Gas Pool. The discovery well is Sohio Petroleum Company, Alves "A" No. 2 located in Unit M of Section 8, Township 21 South, Range 37 East, NMPM.

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
SECTION 8: SW/4

(c) Create a new pool in Roosevelt County, New Mexico, classified



Page 4772

EX. A

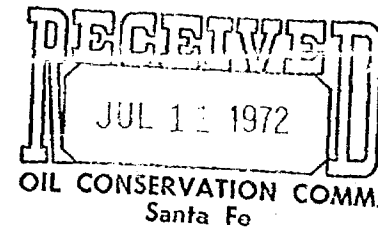
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
STUART D. SHANOR  
C. D. MARTIN  
PAUL J. KELLY, JR.  
J. M. LITTLE

LAW OFFICES  
HINKLE, BONDURANT, COX & EATON  
600 HINKLE BUILDING  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88201

TELEPHONE (505) 622-8810

MIDLAND, TEXAS OFFICE  
521 MIDLAND TOWER  
(915) 683-4691

July 10, 1972



Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico

*Case 4772*

Gentlemen:

We enclose herewith in triplicate application of Black River Corporation for compulsory pooling and non-standard spacing and proration unit in the W $\frac{1}{2}$  Section 4, Township 26 South, Range 24 East, Eddy County, New Mexico.

The writer has discussed this matter with Mr. Dan Nutter and I understand it has been placed on the docket for the examiner's hearing to be held on July 26.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By Clarence E. Hinkle  
*CH*

CEH:cs  
Enc.

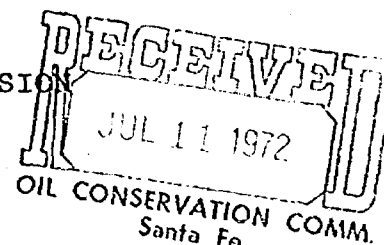
DOCKETED

Date 7-14-72



BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO



APPLICATION OF BLACK RIVER CORPORATION  
FOR COMPULSORY POOLING AND NON-STANDARD  
SPACING AND PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO. APPLICANT SEEKS AN ORDER  
POOLING ALL MINERAL INTERESTS IN THE  
MORROW FORMATION UNDERLYING THE W $\frac{1}{2}$   
SECTION 4, TOWNSHIP 26 SOUTH, RANGE  
24 EAST ADJACENT TO THE WASHINGTON  
RANCH-MORROW GAS POOL, EDDY COUNTY,  
COMPRISING 402.22 ACRES AS A NON-  
STANDARD SPACING AND PRORATION UNIT,  
SAID W $\frac{1}{2}$  SECTION 4 TO BE DEDICATED TO  
A WELL TO BE LOCATED IN THE APPROXIMATE  
CENTER OF LOT 5 (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) SAID SECTION 4.

*Case 4772*

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Comes Black River Corporation, acting by and through the undersigned attorneys, and hereby makes application for compulsory pooling and a non-standard spacing and proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the Morrow formation underlying the W $\frac{1}{2}$  Section 4, Township 26 South, Range 24 East adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, comprising 402.22 acres as a non-standard spacing and proration unit, said W $\frac{1}{2}$  Section 4 to be dedicated to a well to be located in the approximate center of Lot 5 (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) said Section 4, and in support thereof respectfully shows:

1. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the gas wells which have been completed in the Morrow formation in the Washington Ranch-Morrow Gas Pool and in the vicinity thereof. The plat also shows the proposed non-standard spacing and proration unit comprising the W $\frac{1}{2}$  Section 4, together with the proposed well location and the ownership of all acreage therein and in the vicinity thereof.

2. Section 4 is an irregular sections. On the official survey thereof the following subdivisions are designated as lots and contain the indicated number of acres:

NE $\frac{1}{4}$ NW $\frac{1}{4}$ - Lot 3	50.25 acres
SW $\frac{1}{4}$ NW $\frac{1}{4}$ - Lot 4	50.23 acres
SE $\frac{1}{4}$ NW $\frac{1}{4}$ - Lot 5	50.27 acres
NE $\frac{1}{4}$ SW $\frac{1}{4}$ - Lot 9	50.35 acres
NW $\frac{1}{4}$ SW $\frac{1}{4}$ - lot 10	50.26 acres
SW $\frac{1}{4}$ SW $\frac{1}{4}$ - Lot 11	50.26 acres

The NW $\frac{1}{4}$ NW $\frac{1}{4}$  has not been designated as a lot and the acreage is not shown on the official survey; however, the same has been surveyed and is believed to contain 50.25 acres. The SE $\frac{1}{4}$ SW $\frac{1}{4}$  has not been designated as a lot on the official survey and the amount of acreage contained therein is not shown; however, it has been surveyed and is believed to contain 50.35 acres. The entire W $\frac{1}{2}$  of said section is believed to contain 402.22 acres.

3. Applicant is the owner of the oil and gas leases covering all of the W $\frac{1}{2}$  Section 4 except the NW $\frac{1}{4}$ NW $\frac{1}{4}$  containing 50.25 acres and the lease covering this acreage is believed to be owned by Michael P. Grace and wife, Corinne Grace. Applicant proposes to drill a well for the production of gas from the Washington Ranch-Morrow Gas Pool, said well to be located in the approximate center of Lot 5 (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) said section. Applicant has been unable to agree with Michael P. Grace and his wife on the pooling of their interests in connection with the drilling of said well and desires that all non-consenting mineral, royalty and overriding royalty owners' interests be pooled as provided by Section 65-3-14 New Mexico Statutes 1953 Annotated for the purpose of drilling and producing said well and inconnection therewith that provision be made for the payment of the cost of drilling said well, as well as a charge for the risk involved, the designation of applicant as operator and for the allocation of actual operating costs and the establishment of charges for supervision of said well, and that all of the W $\frac{1}{2}$  of said section be designated as a non-standard spacing and proration unit to be dedicated to said well in the event said well is completed as a well capable of producing gas in paying quantities.

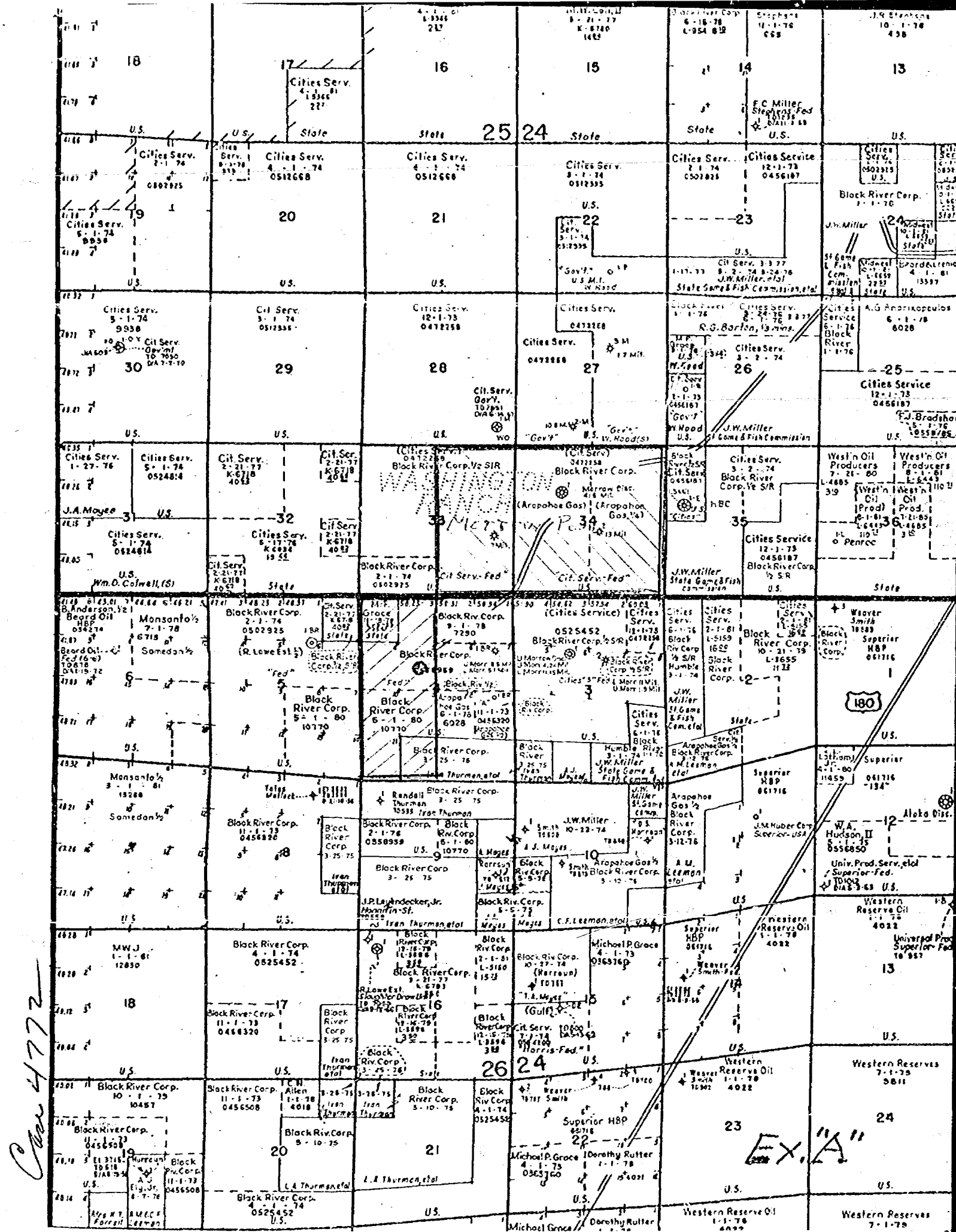
4. Applicant believes that the pooling of said interests and the designation of the W $\frac{1}{2}$  of Section 4 as a non-standard spacing and proration unit will avoid the drilling of unnecessary wells and will tend to protect correlative rights and prevent waste.

5. Applicant requests that this matter be set down for hearing at the examiner's hearing on July 26, 1972.

BLACK RIVER CORPORATION

By 

HINKLE, BONDURANT, COX & EATON  
Attorneys for Applicant  
P.O. Box 10  
Roswell, New Mexico 88201



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTERS OF:

THE APPLICATION OF MICHAEL P.  
GRACE and CORINNE GRACE FOR  
COMPULSORY POOLING AND A NON-  
STANDARD PRORATION UNIT, EDDY  
COUNTY, NEW MEXICO.

NO. 4766

THE APPLICATION OF BLACK RIVER  
CORPORATION FOR A NON-STANDARD  
GAS UNIT, EDDY COUNTY, NEW MEXICO.

NO. 4771

THE APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

NO. 4772

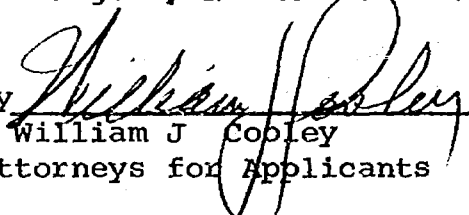
R-4410

APPLICATION FOR DE NOVO HEARING

COME NOW Michael P. Grace II and Corinne Grace, and respect-  
fully make application for a hearing de novo in the above styled  
and numbered cases.

WHEREFORE, Applicants respectfully request the Commission to  
grant a hearing de novo in the above styled and numbered cases.

BURR & COOLEY  
152 Petroleum Center Building  
Farmington, New Mexico 87401

By   
William J. Cooley  
Attorneys for Applicants

DOCKET MAILED

Date \_\_\_\_\_

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASES NOS. 4766, 4771 and 4772  
Order No. R-4410

CONSOLIDATED CASES:

APPLICATION OF MICHAEL P. GRACE AND  
CORINNE GRACE FOR COMPULSORY POOLING  
AND A NON-STANDARD PRORATION UNIT,  
EDDY COUNTY, NEW MEXICO.

APPLICATION OF BLACK RIVER CORPORATION  
FOR A NON-STANDARD GAS UNIT, EDDY  
COUNTY, NEW MEXICO.

APPLICATION OF BLACK RIVER CORPORATION  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 26, 1972,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of October, 1972, 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, Black River Corporation, seeks  
an order pooling all mineral interests in the Washington Ranch-  
Morrow Gas Pool underlying the W/2 of Section 4, Township 26  
South, Range 24 East, NMPM, Eddy County, New Mexico, to form a  
402.22-acre non-standard gas proration unit to be dedicated to  
a well to be located 2500 feet from the North line and 1900  
feet from the West line of said Section 4.

(3) That the applicant has the right to drill and proposes  
to drill the above-described well to the Morrow formation in  
the Washington Ranch-Morrow Gas Pool.

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(4) That the applicant, Michael P. Grace II, seeks an order pooling all mineral interests in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 4, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a 402.22-acre non-standard gas proration unit to be dedicated to a well to be located 1980 feet from the North line and 1980 feet from the West line of said Section 4.

(5) That the applicant, Michael P. Grace II has the right to drill in the NW/4 NW/4 of said Section 4 and proposes to drill a well in the SE/4 NW/4 of said Section 4.

(6) That both applicants, Black River Corporation and Michael P. Grace II, seek to be named operator of the unit to be pooled.

(7) That Cases Nos. 4766, 4771 and 4772 were consolidated as the cases involve the same lands and issues.

(8) That the evidence indicates that the entire W/2 of the above-described Section 4 can reasonably be presumed productive of gas in the Washington Ranch-Morrow Gas Pool.

(9) That the entire W/2 of the above-described Section 4 can be efficiently and economically drained and developed by a well located in the SE/4 NW/4 of said Section 4.

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

(11) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said non-standard unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 4, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, should be pooled to form a 402.22-acre non-standard gas proration unit to be dedicated to a well to be located in the SE/4 NW/4 of said Section 4.

(12) That Black River Corporation should be designated the operator of the subject well and unit.

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

(14) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs

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plus an additional 40% thereof as a reasonable charge for the risk involved in drilling of the well.

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

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

(17) That \$135.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby 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.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interest, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the W/2 of Section 4, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 402.22-acre non-standard gas proration unit to be dedicated to Black River Corporation's well to be located 2500 feet from the North line and 1900 feet from the West line of said Section 4.

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

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 60 days following the date of this order.

(4) That within 60 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

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of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of said estimated well costs within 60 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 40% 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 60 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$135.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from



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production the proportionate share of such supervision charge 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 the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

Application of Black River Corporation for a non-standard gas unit consisting of the W $\frac{1}{2}$  Section 4, Township 26 South, Range 24 East, N.M.P.M. Eddy County containing 402.22 acres, more or less, to be dedicated to a well to be located in the approximate center of Lot 5 (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) said Section 4.

Application of Black River Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all leasehold, mineral and royalty interests in and to the W $\frac{1}{2}$  Section 4, Township 26 South, Range 24 East, N.M.P.M. to be dedicated to a well to be located in the approximate center of Lot 5 (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) said Section 4. Also to be considered will be the cost of drilling said well, a charge for the risk involved, provision for the allocation of actual operating costs and establishment of charges for supervision of said well.

*I would like to get these  
cases on the next examine hearing*  
*Clarence Hinkle*

DOCKET MAILED

Date \_\_\_\_\_

*July 26<sup>th</sup>*

*to Clarence Hinkle*

*Docket to Mr. Hinkle*