

CASE 10321 Application of INVIO
PASSEN FOR COMPULSORY POOLING,
KIDY COUNTY, NEW MEXICO.

Handed
to
C. J. Miller

CASE No.

5037

Application,

Transcripts,

Small Exhibits

ETC.

dearnley, meier & associates

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

July 25, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of David Fasken
for compulsory pooling,
Eddy County, New Mexico.

Case No. 5037

BEFORE: Richard L. Stanets,
Examiner.

TRANSCRIPT OF HEARING

1 MR. STAMETS: The hearing will come to order,
2 please. We will call next Case 5037: Application of
3 David Fasken for compulsory pooling, Eddy County, New Mexico.

4 MR. MORRIS: Mr. Examiner, I am Dick Morris, of
5 Montgomery, Federici, Hannahs, Andrews and Morris, Santa Fe,
6 appearing on behalf of the Applicant. We have one witness,
7 Mr. Jim Henry, and I ask that he be sworn at this time.

8 MR. STAMETS: Are there any other appearances in
9 Case 5037?

10 (No response)

11 * * * *

12 JAMES B. HENRY,
13 was called as a witness, and after being duly sworn according
14 to law, testified as follows:

15 DIRECT EXAMINATION

16 BY MR. MORRIS:

17 Q Mr. Henry, please state your name and where you reside.

18 A James B. Henry, and I reside in Midland, Texas.

19 Q How are you employed, Mr. Henry?

20 A As a consulting petroleum engineer for the firm of
21 Henry Engineering.

22 Q And what is the relationship between Henry Engineering
23 and the Applicant, David Fasken?

24 A I am on a retainer to operate his drilling and producing
25 wells and properties and to furnish engineering advice

1 to the client.

2 Q Have you previously qualified before the Commission and
3 its examiners?

4 A Yes.

5 Q Are you familiar with the application of David Fasken
6 in Case 5037?

7 A Yes.

8 Q Generally, Mr. Henry, what is sought by this application?

9 A Mr. Fasken seeks in this application to pool all mineral
10 interests underlying Section 31, Township 20 South,
11 Range 25 East for the purpose of forming a gas proration
12 unit in the Indian Basin-Morrow Gas Pool. He also
13 seeks an order designating David Fasken as operator
14 of a well to be drilled in Section 31, and to establish
15 charges for supervision and risk involved in the
16 drilling of this well.

17 Q Please refer to what has been marked as Applicant's
18 Exhibit One in this case, that being the application
19 for a permit to drill. Has this application been filed
20 with the United States Geological Survey?

21 A Yes, this has been filed with them on July 10th, 1973.
22 I have been advised by telephone from the USGS District
23 Engineer that it has been approved.

24 Q Would you refer to this application for permit to drill
25 and the plat and other supporting documents attached

1 thereto and point out the significant features of
2 this application.

3 A This is application for a conventional standard unit
4 of one section for the Indian Basin-Morrow Gas Pool.
5 The location is 1650 feet from the south line and 1650
6 feet from the east line, this being a standard orthodox
7 location for a gas well under field rules applicable
8 to the Indian Basin-Morrow Gas Pool.

9 On the second page of this exhibit, there is a
10 plat on OCC Form C-102, showing the leases within
11 Section 31, the larger lease being the David Fasken
12 Federal lease, N.M.0448813, covering 599.2 acres.

13 And Federal lease, N.M.16079, which on the Bureau
14 of Land Management records is shown to be issued to
15 Rose McIntyre. We expect the pooling of these two
16 leases in this application to form a 639.2-acre
17 drilling and spacing unit, being the entire acreage
18 inside Section 31.

19 Q And are the other attachments to this application--
20 Just simply describe what else is attached.

21 A The other three pages of exhibits set out the
22 environmental consideration which must be satisfied
23 for drilling on Federal acreage.

24 Q You have stated that Mr. Fasken proposes to drill
25 the subject well. Is he ready, willing and able to

1 proceed with the drilling of this well as soon as
2 this application is approved?

3 A Yes. Since the verbal approval by the USGS, we have
4 proceeded to build the road level to the location, and
5 he is ready to proceed with it as soon as a rig is
6 available from a current drilling well.

7 Q You have referred, Mr. Henry, to the McIntyre lease
8 as depicted on the well location and acreage dedication
9 plat attached to the application for permit to drill.
10 What efforts have been made to obtain the commitment
11 of this outstanding lease?

12 A My client has submitted three proposals to Mrs. McIntyre.
13 The first one being an offer to purchase the lease for
14 \$35.00 per acre and for her to receive a one-eighth
15 overriding royalty interest. The second proposal was
16 that Mr. Fasken would be assigned this lease for a
17 one-sixteenth overriding royalty until pay-out of all
18 drilling completion costs, after which Mrs. McIntyre
19 could convert the one-sixteenth overriding interest.

20 The third alternative offered was for her to join in
21 the drilling of the well to the extent of her forty
22 acres and participate in the drilling and the cost of
23 the well from inception.

24 MR. STAMETS: Without a risk factor?

25 THE WITNESS: Well, yes. Just for her to participate

1 as a working interest owner on a ground level basis.

2 Q (By Mr. Morris) Mr. Henry, has any reply been received
3 from either Mrs. McIntyre or any other person purporting
4 to own or control the sublease?

5 A Yes. After the submittal to Mrs. McIntyre, I was
6 advised by Mr. Michael P. Grace that this lease is owned
7 by a trust fund for the benefit of his eight-year-old
8 son, Winston Grace.

9 According to him, this was Winston Grace's trust,
10 and that was the description of the ownership given
11 to me.

12 Q As of this time, has either Mrs. McIntyre or Mr. Grace
13 or the Winston trust reached any agreement with Mr.
14 Fasken for pooling of these mineral interests?

15 A There has been no formal agreement. Mr. Grace requested
16 a copy of the A.F.E. I furnished him two copies for
17 execution by the Winston trust, and by the appropriate
18 trustee, and these have not yet been returned.

19 Q So, Mr. Henry, is the situation such that you are
20 hopeful of reaching agreement for pooling of these
21 interests, but that you still see a need for the entry
22 of a pooling order in this matter?

23 A That's correct. We believe they will be resolved,
24 however at this point, they have not been, because they
25 are subject to agreement to a number of particular

1 points within the operating agreement, and within the
2 A.F.E.

3 As yet, no questions have been raised on it, but
4 there was reservation on Mr. Grace's part, and his
5 agreement to join was conditioned upon those particular
6 points being successful.

7 Q So due to the uncertainties of being able to reach
8 an agreement, even though negotiations are in progress,
9 Mr. Fasken still seeks a pooling order in this case?

10 A That's correct. We were not advised until two days
11 ago of Mr. Grace's interest in it, and as yet, there
12 has not been time for any formal consideration of any
13 of the considerations he mentioned.

14 Q You mentioned an A.F.E., Mr. Henry. Would you refer
15 to Exhibit Two and state whether that is the A.F.E.
16 that you have referred to?

17 A Yes, this is the A.F.E. prepared by my firm and submitted
18 to Mr. Richard Brook, general manager for David Fasken,
19 setting out the drilling and completion cost estimates.

20 The second page is a detailed cost estimate for
21 the drilling of the well and its completion.

22 The third and fourth pages reflect detailed
23 procedures that resulted in the cost estimate on the
24 prior page.

25 The last page is a recap of the casing designs.

1 Q Am I correct, Mr. Henry, that your total drilling
2 and completion cost estimate for this well is shown
3 on page two as being \$230,455, and that it would be
4 some \$87,790 less for dryhole cost?

5 A That's correct.

6 Q How do these figures compare with other Morrow completions
7 in this immediate area?

8 A They are comparable to the seven wells we have drilled
9 in the Indian Basin-Morrow Gas Pool. Some of the other
10 Morrow Gas Pool wells were drilled as early as 1965,
11 and were approximately \$10,000 less than this.

12 There have been increases in the cost of materials
13 and most services, however by continued operations in
14 the area and with improved drilling bits, we have been
15 able to reduce the drilling cost enough to offset most
16 of these additional costs.

17 Q Has a copy of this A.F.E. been furnished to any
18 representative of the unleased interest, of the
19 outstanding interest, let's say, of the interest for
20 the McIntyre lease?

21 A Yes, Mr. Grace. At Mr. Grace's request, I delivered
22 this to Mr. Kenneth Smith, who he represented to be
23 an employee or a consultant working for Mr. Grace.
24 They were delivered to his motel in Carlsbad, and he
25 was not in at the time, he was out of town, but he

1 maintained this local residence, and I did deliver
2 them to his motel.

3 Q Next, would you refer jointly to Exhibits Three and
4 Four, and state what those exhibits are, and generally
5 what they do?

6 A The map listed as Exhibit Number Three is a structural
7 contour map on the top of the Morrow Clastics marker,
8 and the Indian Basin-Morrow Gas Pool area.

9 The Morrow production is predominantly in Township
10 21 South, Range 24 East, and in Township 21 South,
11 Range 23 East. The map shows the producing area with
12 the gas wells encircled by large red circles, these
13 being the producing wells in the Morrow-Indian Basin
14 Gas Pool.

15 The township to the north, being Township 20 South,
16 Range 25 East, Section 31, is shown with a red circle,
17 and the proposed location with a red arrow.

18 As you can see, our interpretation at this time
19 shows it to be structurally high to the producers
20 immediately to the south in Sections 4 and 5. The
21 well is located approximately one and a half miles
22 from the nearest producing well in the Indian Basin-
23 Morrow Gas Pool.

24 From our experience in the field, there can be
25 substantial variation, as we think the Morrow has a

1 very unpredictable horizon.

2 The well is also located a mile west from the
3 nearest control by dryhole in Section 32. The well to
4 the south of the producing unit is contained in excess
5 of 900 acres, and we foresee a long step-out to the
6 north.

7 Exhibit Number Four is an isopack map of the main
8 producing interval in the Indian Basin-Morrow field.

9 It is what we determine as being Indian Hills
10 sand occurring immediately below the contact between
11 the Morrow carbonates and the Morrow Clastics. It is
12 the most widespread of the sands that produce in this
13 field.

14 There are some other sands of limited areal extent
15 producing in the Indian Basin-Morrow Gas Pool. Again,
16 I might point out that we are making a step-out one
17 and a half miles from existing production, and in the
18 Morrow, I think this is incurring as much risk as we
19 have ever incurred in drilling any Morrow well.

20 Q In that connection, Mr. Henry, recognizing that the
21 Commission by statute is empowered to impose a maximum
22 of 200 percent for the risk involved in the drilling
23 of a well, what would be your recommendation to the
24 Examiner and the Commission as to the risk factor to
25 be established for the drilling of this well?

1 A I believe it should be the maximum 200 percent for
2 this Morrow well. I have personally worked with other
3 Morrow completions, and the indicated success rate
4 ratio is approximately sixty percent for a commercial
5 gas well-- Excuse me. The dryhole risk occurrence is
6 sixty percent, and it is about forty percent for a
7 producer.

8 Roughly about one-third of the wells have been
9 profitable gas wells; approximately one-third have
10 returned the cost of completing the well; and
11 approximately one-third have been dryholes.

12 Q Would you have any recommendation to the Examiner
13 concerning the charges that should be specified in the
14 pooling order with respect to supervision?

15 A Our client is recommending \$100.00 a month for operations
16 of a producing well, and \$500.00 per month as an
17 overhead charge for supervising and completing the
18 drilling of the well.

19 Q Mr. Henry, were Exhibits One through Four prepared by
20 you or under your direction?

21 A Yes, they were.

22 MR. MORRIS: Mr. Examiner, we move for the
23 introduction of Exhibits One through Four at this time.

24 MR. STAMETS: Without objection, these exhibits
25 will be admitted into evidence.

1 (Whereupon Applicant's Exhibits One through Four
2 were admitted in evidence.)

3 MR. MORRIS: That's all I have on direct examination.

4 * * * *

5 CROSS EXAMINATION

6 BY MR. STAMETS:

7 Q Mr. Henry, you have proposed a 200 percent risk factor.
8 This is the most the Commission is allowed to give,
9 and I would think that the intent of the legislature
10 would be to give the maximum 200 percent to wells with
11 the highest risk.

12 In your opinion, is this the highest type risk
13 well that you can conceive of, or would it be somewhere
14 a little more moderately risky?

15 A It has been our experience in the Morrow that offset
16 locations have been as risky as wildcat locations.
17 There seems to be erratic development of these Morrow
18 sands, and they are very unpredictable, and it is very
19 hard to define a trend.

20 The only case where I think we should reduce the
21 risk factor would be on an offset less than one-half
22 mile with conclusive dip meter data establishing the
23 trend of the sand. Otherwise I think the Morrow should
24 be considered maximum risk wells.

25 Q I might as well rephrase my question, and see if I can

1 elicit some slightly modified response. Mr. Henry,
2 if after evaluating the exhibits and the testimony
3 here, the Commission should decide that some lesser
4 risk factor, let's say something between 100 percent
5 and 200 percent, would be adopted, would that have any
6 adverse effect on the drilling of this well?

7 A That is really outside of my purview, and I have not
8 discussed it with my client. I do not know what his
9 response would be to that.

10 Q Would you agree that the Commission does have the
11 responsibility to utilize its discretion in these matters
12 and to try and come up with an equitable risk factor
13 for wells based on the risk present?

14 A I agree that you have the responsibility to establish
15 the risk consistent with the charges, consistent with
16 the risk. I do not think the size of the lease should
17 be considered. I think the risk is the same for a
18 \$10.00 investment as it is for a \$100,000.00 investment.
19 I do not believe the size of the investment should
20 have a bearing on the size of the risk.

21 MR. STAMETS: Are there any other questions of
22 the witness?

23 (No response)

24 MR. STAMETS: The witness may be excused.

25 (Witness excused.)

1 MR. STAMETS: Is there anything further in this
2 case?

3 MR. MORRIS: No, sir.

4 MR. STAMETS: The case will be taken under advisement.

5 * * * *

6
7 STATE OF NEW MEXICO)
8) SS
9 COUNTY OF BERNALILLO)

10 I, RICHARD E. McCORMICK, a Certified Shorthand
11 Reporter, in and for the County of Bernalillo, State of New
12 Mexico, do hereby certify that the foregoing and attached
13 Transcript of Hearing before the New Mexico Oil Conservation
14 Commission was reported by me; and that the same is a true
15 and correct record of the said proceedings to the best of
16 my knowledge, skill and ability.

17
18 *Richard E. McCormick*
19 CERTIFIED SHORTHAND REPORTER

20
21
22 I do hereby certify that the foregoing
23 is a complete record of the proceedings
24 of the hearing on July 25, 1973
25 *Richard D. Stamets*
New Mexico Oil Conservation Commission

I N D E X

WITNESS

PAGE

JAMES B. HENRY

Direct Examination by Mr. Morris

3

Cross Examination by Mr. Stamets

13

E X H I B I T S

EXHIBIT

ADMITTED OFFERED

Applicant's #1

Application

13

4

Applicant's #2

A.F.E.

13

8

Applicant's #3

Structural contour map

13

10

Applicant's #4

Isopack map

13

11



OIL CONSERVATION COMMISSION

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

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

August 14, 1973

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: CASE NO. 5037

ORDER NO. R-4613

Applicant:

David Fasken

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Rose McIntyre, 3006 Sentinel Drive, Midland, Texas 79701

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:

CASE NO. 5037
Order No. R-4613

APPLICATION OF DAVID FASKEN
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 25, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of August, 1973, 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, David Fasken, seeks an order pooling
all mineral interests in the Morrow formation underlying all
of Section 31, Township 20 South, Range 25 East, NMPM, Indian
Basin-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well in Unit J of said Section 31.

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

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

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

-2-

Case No. 5037

Order No. R-4613

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 130 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$100.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying all of Section 31, Township 20 South, Range 25 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit to be dedicated to a well to be drilled in Unit J of said Section 31.

-3-

Case No. 5037

Order No. R-4613

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of November, 1973, 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 November, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Commission and show cause why Order (1) of this order should not be rescinded.

(2) That David Fasken is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the 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.

-4-

Case No. 5037

Order No. R-4613

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 130 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$100.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision 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 such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(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.


-5-
Case No. 5037
Order No. R-4613

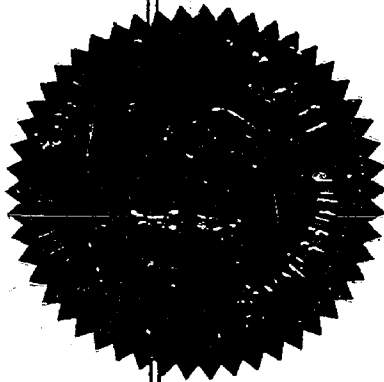
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


ALEX J. ARMIJO, Member


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



S E A L

dr/

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 25, 1973

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

The following cases will be heard before Richard L. Stamets, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 5028: Application of Great Basins Petroleum for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Antebellum Unit Area comprising 3840 acres, more or less, of State and Federal lands in Township 23 South, Range 34 East, Lea County, New Mexico.

CASE 5029: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Old Indian Draw Unit Area comprising 3,128 acres, more or less, of Federal and fee lands in Township 22 South, Range 28 East, Eddy County, New Mexico.

CASE 5030: Application of Yates Drilling Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Artesia Metex Unit Area comprising 2,000 acres, more or less, of State lands in Township 18 South, Ranges 27 and 28 East, Eddy County, New Mexico.

CASE 5031: Application of Yates Drilling Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Artesia Metex Unit Area by the injection of water into the Grayburg formation through 14 wells located in Sections 24, 25, 26, 35, and 36 of Township 18 South, Range 27 East, and Sections 19 and 30 of Township 18 South, Range 28 East, Eddy County, New Mexico.

Applicant further seeks an administrative procedure whereby the locations of said wells can be changed without further notice and hearing.

CASE 5032: Application of Anadarko Production Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Burnham GSA Unit Area by the injection of water into the Grayburg-San Andres formation through six wells in Section 2, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico.

CASE 5033: Application of Continental Oil Company for a special gas-oil ratio limit or in the alternative, a lease casinghead gas allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the special pool rules for the Bell Lake-Bone Spring Pool to provide a gas-oil ratio limit of 5000 to 1 or in the alternative to provide for lease casinghead gas allowable in said pool.

- CASE 5034: Application of Mark Production Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Red Lake-Pennsylvanian Pool, Eddy County, New Mexico, including a provision for 320-acre drilling and proration units. In the absence of objection, this pool will be placed on 320-acre spacing rather than the present 160-acre spacing.
- CASE 5035: Application of Texaco Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formation in the open-hole interval from 3373 feet to 3731 feet in its B. V. Lynch "A" Fed Well No. 1 and from 3712 feet to 3734 feet in its Well No. 10 located in Units J and C, respectively, Section 34, Township 20 South, Range 34 East, Lynch Yates-Seven Rivers Pool, Lea County, New Mexico.
- CASE 5036: Application of The Wil-Mc Oil Corporation for salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the San Andres formation in the perforated interval from 4208 feet to 4282 feet in its Champlin State Well No. 1 located in Unit M of Section 3, Township 8 South, Range 33 East, Chaveroo-San Andres Pool, Chaves County, New Mexico.
- CASE 5037: Application of David Fasken for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying Section 31, Township 20 South, Range 25 East, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled in Unit J of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.
- CASE 5038: Application of Twinlakes Oil Company for a dual completion and salt water disposal exception, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its O'Brien "C" Well No. 3 located in Unit K of Section 1, Township 9 South, Range 28 East, Chaves County, New Mexico, as a dual completion (tubingless) to produce oil from the Twin Lakes-San Andres Pool and gas from an undesignated Cisco gas pool through parallel strings of 2 7/8" casing cemented in a common wellbore. Said well was formerly dually completed for San Andres production and Devonian salt water disposal pursuant to Order No. R-4497. Applicant further seeks the amendment of Order No. R-3636 which authorized, as an exception to Order R-3221, the disposal of Devonian and San Andres water production in unlined surface pits; applicant seeks authority to also dispose of water produced from the aforesaid Cisco gas pool in said pits.

CASE 5039: Southeastern nomenclature case calling for an order for the abolishment and extension of certain pools in Lea County, New Mexico.

(a) Abolish the East Brunson-Granite Wash Pool in Lea County, New Mexico, described as:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 13: W/2

Section 24: W/2 and SE/4

Section 25: NW/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Section 19: SW/4

(b) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 13: W/2

Section 24: W/2 and SE/4

Section 25: NW/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Section 19: SW/4

(c) Abolish the North Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 17: SW/4

Section 18: E/2

Section 19: NE/4

Section 20: NW/4

(d) Extend the Teas Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 17: SW/4

Section 18: E/2, SW/4, and E/2 NW/4

Section 19: NE/4

Section 20: NW/4

(e) Extend the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM

Section 2: N/2

Section 3: N/2

(f) Extend the Eunice-Monument Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 7: NW/4

(g) Extend the Justis-Blinbry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 12: N/2

(h) Extend the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 35: NW/4

(i) Extend the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM
Section 23: E/2 SW/4

TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM
Section 5: NW/4
Section 6: N/2 and SE/4

(j) Extend the Triple X-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 1: SE/4

(k) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 17: SW/4
Section 18: SE/4
Section 21: NW/4

Docket No. 21-73

DOCKET: REGULAR HEARING - TUESDAY - AUGUST 7, 1973

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING - SANTA FE, NEW MEXICO

CASE 5007: (Continued from the June 28, 1973, Regular Hearing)
Application of Belco Petroleum Corporation for a drilling permit in the Potash-Oil Area, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed Belmont Federal Well No. 1 to test the Morrow formation adjacent to the South Salt Lake-Morrow Gas Pool at a location 660 feet from the North line and 1980 feet from the East line of Section 25, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico, said location being within the boundaries of the Potash-Oil Area as defined by Commission Order No. R-111-A, and having been objected to by the owners of potash leases in the area.

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒OTHER ☐SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

David Fasken

3. ADDRESS OF OPERATOR

608 First National Bank Building, Midland, Texas 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1650' FSL & 1650' FEL, Sec. 31, T-20-S, R-25-E, NMPM

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

11 miles southwest from Lakewood

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any)

1650

16. NO. OF ACRES IN LEASE

599.2

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

Same

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3708' G.L.

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
20"	13-3/8"	48#	30'	3 yards Redi-Mix Concrete
12 1/4" & 11"	8-5/8"	24 & 32#	3200'	900 sxs. (Est.)
7-7/8"	4-1/2"	11.6#	9800'	450 sxs.

1. Drill 20" hole to 30' with Rat Hole machine and set 13-3/8" conductor with concrete.
2. Drill 12 1/4" hole with first bit and 11" hole thereafter to 3000'. Set and cement 8-5/8" casing.
3. Install 8-5/8" x 10" - 3000# W.P. wellhead, choke manifold & spool, 12" x 3000# W.P. Shaffer Type "E" double ram B.O.P., and 12" x 3000# W.P. Hydril G.K. hydraulic stripper type B.O.P. Yellow Jacket Test well head and B.O.P. stack to 3000 psig.
4. Drill 7-7/8" hole to T.D. 9800' using fresh water to 7000', 2% KCl water to 9200' and starch-Drispac-Flo-sal mud to T.D. Install PVT equipment, flow sensor, and pump stroke counter at 7000'.
5. DST all pay zones.
6. Run logs at total depth.
7. Set 4 1/2" casing at T.D.
8. Perforate and test Morrow Pay Zones.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

James B. Henry

SIGNED

(This space for Federal or State office use)

PERMIT NO.

APPROVED BY

CONDITIONS OF APPROVAL, IF ANY:

TITLE

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

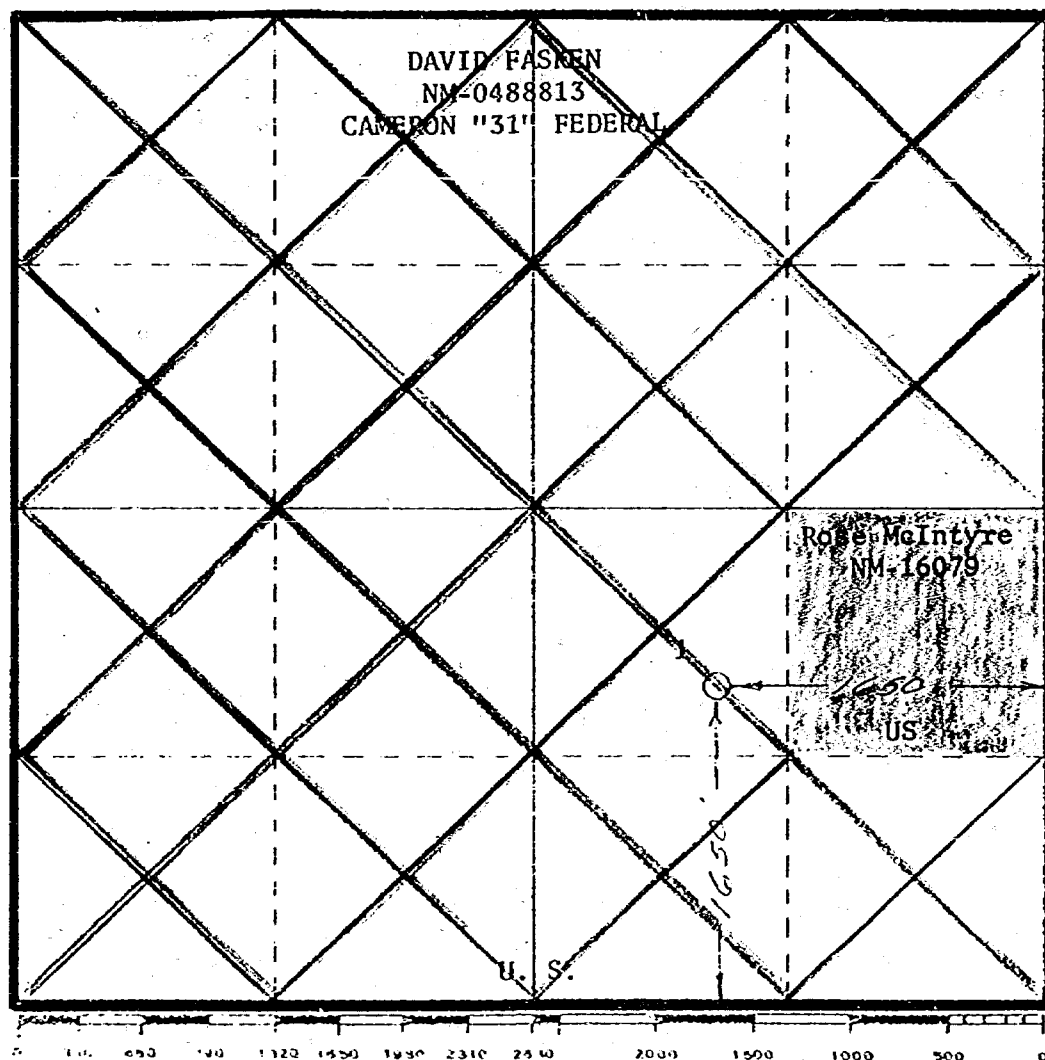
Operator DAVID FASKEN		Lease CAMERON "31" FEDERAL		Well No. 1
Unit "J"	Section 31	Township 20 South	Range 25 East	County Eddy
Actual Well Location of Well:				
1650	feet from the South	line and	1650	feet from the East
Ground Level Elev. 3700	Producing Formation Morrow	Pool Indian Basin Morrow	Dedicated Acreage 639.2 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests 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.) NMOCC Force Pooling Hearing Set July 25, 1973 Santa Fe, New Mexico.

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 interests, has been approved by the Commission.



CERTIFICATION

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

Name

James B. Henry

Position

Agent

Company

David Fasken

Date

July 10, 1973

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.

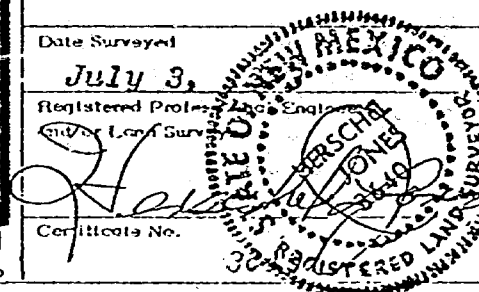
Date Surveyed

July 3,

Registered Professional Engineer

and/or Land Surveyor

Certificate No.



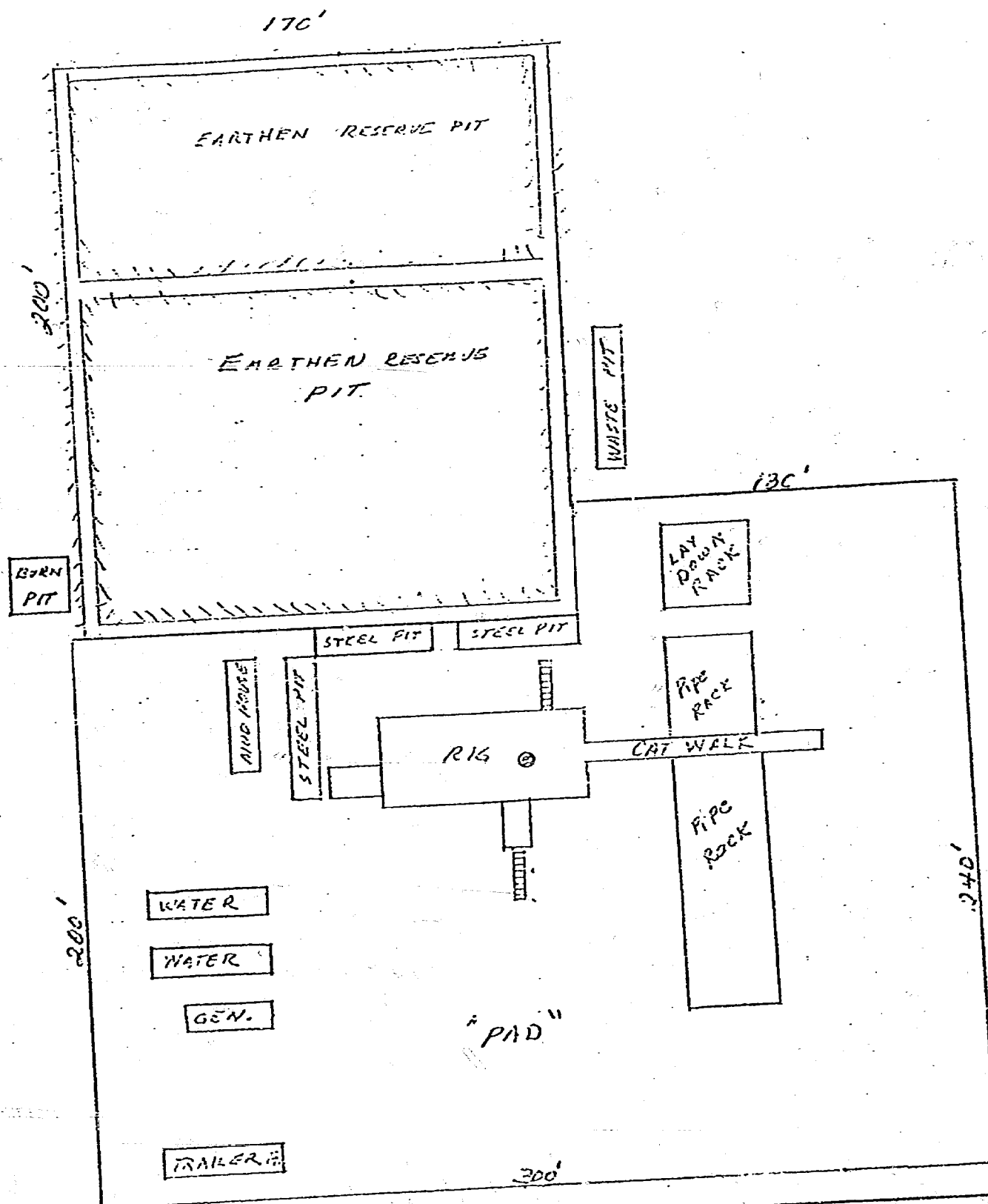
DEVELOPMENT PLAN FOR SURFACE USE

for the

DAVID FASKEN

Cameron "31" Federal No. 1
1650' FS & EL, Sec. 31-T30S-R25E
Eddy County, New Mexico

1. The attached map "Area Roads and Locations" shows the existing and proposed roads and locations in the area.
2. The attached drawing "Location Diagram" shows the location layout. The location is in sandy gypsum soil.
3. Water will be supplied by a water well in Section 32 through a temporary line.
4. All waste disposal except drilling fluids will be immediately buried. Drilling fluid wastes will be into temporary pits which will be filled in later.
5. Mud pits will be stirred and allowed to dry. The pits and location will then be levelled.
6. If the well is a producer, a supplemental location diagram will be furnished showing surface production equipment.

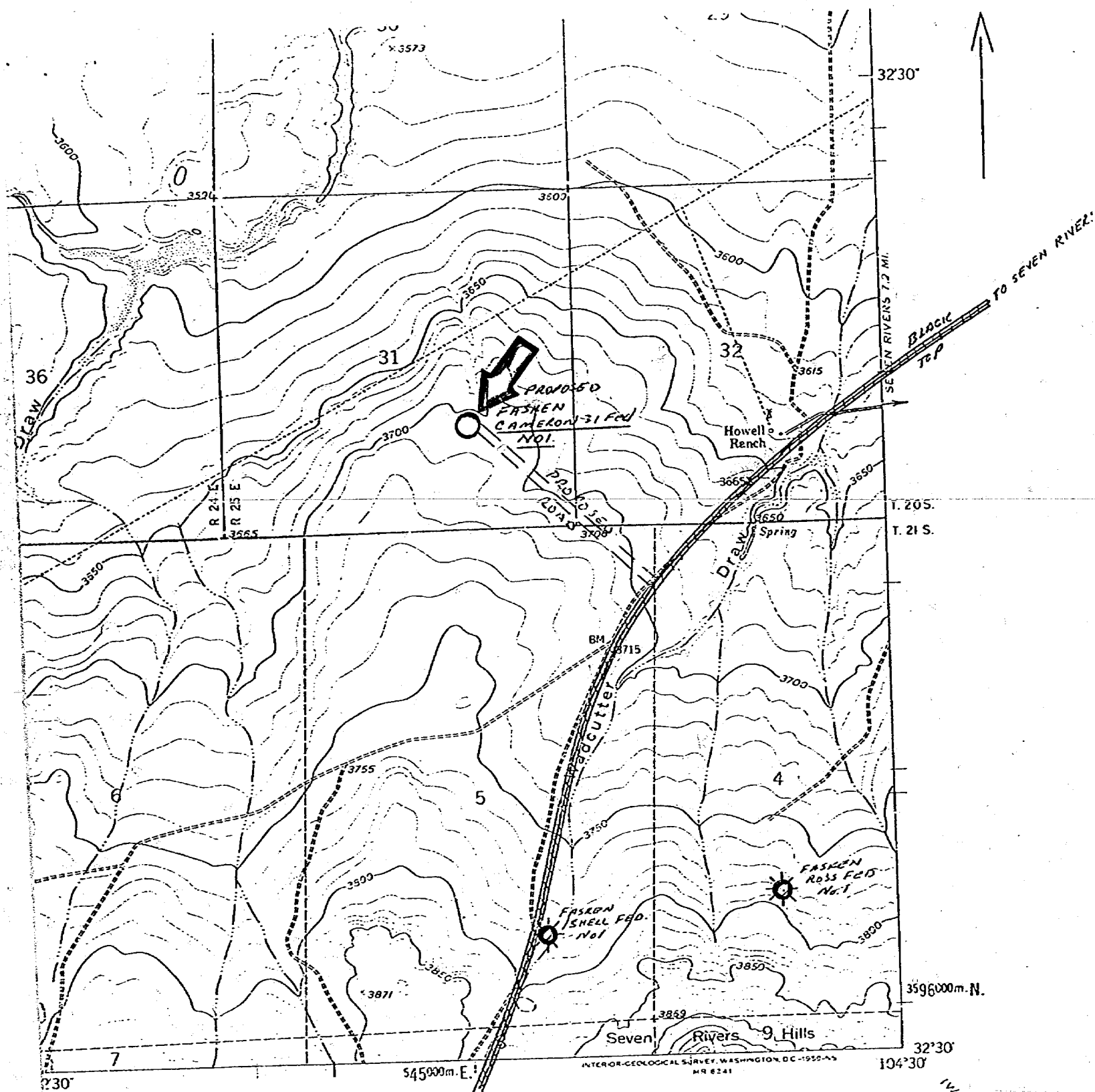


DAVID FASKEN

CAMERON "31" FEDERAL NO. 1
1650' FS & EL, Sec. 31-T20S-R25E
Eddy County, New Mexico

HENRY ENGINEERING
MIDLAND, TEXAS

RIG & WELL SITE PLAT



ROAD CLASSIFICATION

Light-duty ————— Unimproved dirt —————



QUADRANGLE LOCATION

FOSTER RANCH, N. MEX.

N3230-W10430/7.5

1957

HENRY ENGINEERING
Petroleum Engineers
807 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

May 24, 1973

*Gen Mgr &
Legal Counsel
For Am*

Mr. Richard S. Brooks
608 First National Bank Building
Midland, Texas 79701

Re: A.F.E. No. 249
Drill and Complete
David Fasken
Cameron "31" Federal No. 1
1650' FSL & 1650' FSL,
Sec. 31, T-20-S, R-25-E,
NMPM Indian Basin Morrow
Field, Eddy County, New
Mexico

Dear Mr. Brooks:

The cost to drill and complete the Cameron "31" Federal No. 1
as a producing gas well from the Morrow Formation connected to
a sales line is estimated to be:

	Tangible	Intangible	Total
Drilling Cost	\$ 12,540	\$ 130,125	\$ 142,665
Completion Cost	\$ 56,790	\$ 31,000	\$ 87,790
	\$ 69,330	\$ 161,125	\$ 230,455

Attached are schedules reflecting the detailed cost estimate,
recommended drilling procedure and proposed casing string
designs.

If this proposal meets with your approval, please signify by
signing and returning a copy of this letter, and we will proceed
with this work on the date you designate.

Yours very truly,

HENRY ENGINEERING

James B. Henry

JBH:bh
Attach.
APPROVED:
DAVID FASKEN

By Richard S. Brooks

Date _____

BEFORE EXAMINER STATES	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2
CASE NO.	5037
Submitted by	Fasken
Hearing Date	7/25/73

AUTHORITY FOR EXPENDITURE

A.F.E. NO. 249

David Fasken ----- CAMERON "31" FEDERAL NO. 1 ----- Eddy Co., N.M.

DRILLING COST ESTIMATE

Footage Drilling Cost 9800' @ \$8.00-----	\$ 78,400
Day Work Drilling Cost 4 days @ \$1625 -----	6,500
Water -----	5,000
Drilling Mud -----	8,000
Cementing Service & Supplies -----	7,000
Wellhead Equipment -----	1,000
Conductor Casing, 40' of 13-3/8" @ \$8.50 -----	340
Concrete for Conductor Pipe -----	200
Intermediate Casing, 3200' of 8-5/8" @ \$3.50 -----	11,200
Road, Pad, Cattle Guard & Damages -----	5,000
Trucking, Welding & Rental -----	500
Surveying -----	225
Logging -----	11,600
Drill Stem Testing, 3 @ \$900 -----	2,700
Miscellaneous Services & Supplies -----	2,000
Geological & Supervisory Expense -----	3,000
Total Drilling Cost -----	\$ 142,665

COMPLETION COST ESTIMATE

Double Derrick Pulling Unit, 120 hrs. @ \$40.00 -----	\$ 4,800
Oil String Casing, 9800' @ \$2.35 -----	23,030
Ruff Coat -----	600
Cementing Services & Supplies -----	3,600
Casing Crew -----	800
Logging, GR, CCL & Perforating -----	3,000
Packer -----	850
Tubing Head w/valves -----	2,000
Christmas Tree -----	2,000
Stimulation Service -----	10,000
Rental of Equipment -----	1,000
Back Pressure Test & BHP Build Up -----	1,000
Roustabout Labor -----	2,000
Tubing, N-80 - 9800' @ \$1.20 -----	11,760
Tubing Testing -----	700
Anchors for Mast and Line -----	400
Welding -----	750
Trucking -----	1,000
Gas Production Unit -----	8,000
Storage Tanks -----	3,000
Valves, Piping & Connections -----	3,000
Dirt Work -----	500
Miscellaneous Services & Supplies -----	2,000
Supervision -----	2,000
Total Completion Cost -----	\$ 87,790
TOTAL DRILLING and COMPLETION COST ESTIMATES -----	\$ 230,455

JBH:5-24-73

— HENRY ENGINEERING —

RECOMMENDED DRILLING & COMPLETION PROCEDURES

A.P.E. NO. 249

David Pasken --- CAMERON "31" FEDERAL NO. 1 ----- Eddy County, N.M.

1. Set 13-3/8" conductor @ 30' w/Readymix concrete and install 12" X 3000 PSI W.P. casing head.
2. Drill 12-1/4" hole for first bit and 11" hole with water, to 3200' control seepage with paper. Dry drill if complete loss of returns is experienced.
3. Load hole with 34 Sec. viscosity mud saturated with cotton seed hulls at 3200' if hole is showing seepage.
4. Set and cement 8-5/8" casing at 3200' with sufficient cement to circulate. (Est. 700 sx. "Halliburton-Lite", 1/2# floccle, slurry wt. 12.8#/gal. plus 200 sx. Incor neat 2# CaCl, slurry wt. 14.8#/gal.). WOC 24 hours. Install 12" - 3000 PSI W.P. X 10" - 3000 PSI W.P. spool with secondary seal.
5. Test casing, casing spool, B.O.P. and choke manifold to 2500 psig.
6. Drill 7-7/8" hole to a total depth of 9800' using water to drill to 7000', use 2# KCl brine to 9200', mud up with polymer starch mud w/8.7#/gal., wt. 45, Sec. viscosity, 10 cc water loss. At 9200', increase viscosity as necessary to maintain hole.
7. Drill stem test all shows.
8. Run logs (Combination GNL - FDC w/Gamma Ray, DLL, and Dip Meter).
9. Set and cement 4-1/2" oil string (resin coated and centralized through pay zone), 450 sx. Incor cement with 7.6# salt and 1# Halad-9. Pump plug down with 2# KCl packer fluid.
10. Install 10" - 3000 PSI W.P. X 6" - 3000 PSI W.P. tubing head and Christmas tree.
11. Move out rotary rig and move in pulling unit.

Recommended Drilling and Completion Procedures
Cameron "31" Federal No. 1

-2-

12. Pressure test casing and head to 4000 psig.
13. Run tubing open ended with packer and tubing overshoot seal divider.
14. Swab hole down to 3000' of fluid in hole.
15. Perforate pay zones through tubing using controlled pressure perforating technique.
16. Production test well.
17. Stimulate well as necessary.
18. Clean up treating fluid.
19. Flow test well.
20. Run CAOPF and pressure build up.
21. Connect surface equipment.

RECOMMENDED CASING PROGRAM

A.F.E. NO. 249

David Fasken ----- CAMERSON "31" FEDERAL NO. 1 ----- Eddy Co., N.M.

	<u>Footage</u>	<u>Size</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>
Conductor	30'	13-3/8"	48#/ft.	H-40	ST&C
Surface Casing	2500'	8-5/8"	24#/ft.	J-55	ST&C
	700'	8-5/8"	32#/ft.	J-55	ST&C
	<u>3200'</u>				
Oil String	1650'	4-1/2"	11.6#/ft.	J-55	Buttress
	5850'	4-1/2"	11.6#/ft.	J-55	LT&C
	2300'	4-1/2"	11.6#/ft.	N-80	LT&C
	<u>9800'</u>				

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

OIL CONSERVATION COMMISSION
Santa Fe, N.M.

APPLICATION OF DAVID FASKEN)
FOR COMPULSORY POOLING,)
INDIAN BASIN-MORROW GAS)
POOL, EDDY COUNTY, NEW)
MEXICO)

Case No. 5037

APPLICATION

Comes now David Fasken by his attorneys and applies to the New Mexico Oil Conservation Commission for an Order pooling all mineral interests in Section 31, Township 20 South, Range 25 East, Eddy County, New Mexico, for the purpose of forming a 639.20 acre proration and spacing unit in the Indian Basin-Morrow Gas Pool, and in support of his Application states:

1. Applicant is the operator and working interest owner under federal Oil and Gas Lease No. NM-0488813 covering Lots 1, 2, 3 and 4, E/2 W/2, W/2 E/2, E/2 NE/4 and SE/4 SE/4 of Section 31, Township 20 South, Range 25 East, Eddy County, New Mexico, comprising 599.20 acres, more or less.

2. Applicant is informed and believes that Rose McIntyre is the owner of federal Oil and Gas Lease No. NM-16079 covering the NE/4 SE/4 of said Section 31, containing 40 acres, more or less.

3. Applicant proposes to drill a well to the Morrow formation at a location 1650 feet from the South line and 1650 feet from the East line of said Section 31. Applicant is ready, willing and able to commence the drilling of the proposed well within a reasonable time following approval of this Application.

4. Applicant's proposed location is within one mile from the Indian Basin-Morrow Gas Pool, as presently defined by the

DOCKET MAILED

Date 7-13-73 -1-

DOCKET MAILED

Date 7-13-73

Commission, and is not within any other defined Morrow Gas Pool. The proposed location conforms with the well location requirements of the special rules and regulations governing the Indian Basin-Morrow Gas Pool, which special rules and regulations also specify 640 acre proration and spacing units as standard for the said pool.

5. Applicant proposes to dedicate all of the said Section 31, comprising 639.20 acres, more or less, to its proposed well. Inasmuch as all mineral interests in said Section 31 have not agreed to pool their interests for the drilling of the proposed well, applicant seeks an Order of the Commission pooling all mineral interests in said Section 31 to form a 639.20 acre proration and spacing unit in the Indian Basin-Morrow Gas Pool to be dedicated to the proposed well.

6. The Order entered by the Commission should designate the Applicant as the operator of the proposed well and should provide a reasonable charge for supervision and for the risk involved in the drilling of the proposed well. The Applicant requests that 200% of any non-consenting working interest owners' prorata share of the cost of drilling and completing the well be fixed as the charge for the risk involved in the drilling of the proposed well.

7. Approval of this Application will protect correlative rights, prevent waste and avoid the drilling of unnecessary wells.

WHEREFORE, the Applicant requests that this Application be set for hearing before the Commission or one of its Examiners and that the Commission enter its Order of Compulsory Pooling

as to all mineral interests in Section 31, Township 20 South,
Range 25 East, Eddy County, New Mexico, in accordance with this
Application.

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & MORRIS

By Richard S. Morris
Post Office Box 2307
Santa Fe, New Mexico
Attorneys for David Fasken

DRAFT

dr/

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:

CASE NO. 5037

Order No. R-4613

APPLICATION OF DAVID FASKEN 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 25, 1973
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of , 1973, 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, David Fasken,
seeks an order pooling all mineral interests in the
Morrow formation underlying the all
of Section 31, Township 20 South, Range 25 East,
NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in Unit J of said Section 31.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 130 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$100.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying ~~the~~ all of Section 31, Township 20 South, Range 25 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640- acre gas spacing and proration unit to be dedicated to a well to be drilled in Unit J of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of November, 1973, 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 15 day of November, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

Case No.
Order No. R-

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 Commission and show cause why Order (1) of this order should not be rescinded.

(2) That David Fasken is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} ~~at least~~ 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the 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 estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 130 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$100.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision 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 such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(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.