

Case No.

7287

Application

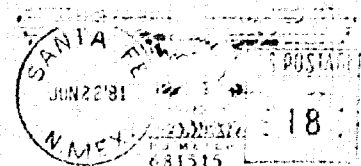
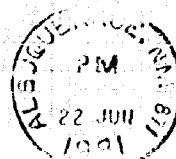
Transcripts

Small Exhibits

ETC

ENERGY and MINERALS DEPARTMENT

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



Richard Simmons
23362 Suncrest
Dearborn Heights, Michigan 48127

(a) EXTEND the Tomahawk-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 19: NW/4

(b) EXTEND the Wanta-Aho Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 11: SW/4
Section 16: NW/4

Doc No. 21-81

MARKET: COMMISSION HEARING - WEDNESDAY - JULY 8, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7226: (DE NOVO)

Application of Ensorch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E of Section 22, Township 5 South, Range 33 East.

Application of Ensorch Exploration, Inc. this case will be heard de novo pursuant to the provisions of Rule 1220.

CASE 7275: (Continued from June 17, 1981, Examiner Hearing)

Application of S. P. Yates for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

- (o) EXTEND the Southwest Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NE/4

- (p) EXTEND the Gem-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 31: E/2

- (q) EXTEND the Gladiola-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM
Section 20: NE/4
Section 21: N/2

- (r) EXTEND the Grayburg Jackson Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 1: W/2 SW/4

- (s) EXTEND the North Illinois Camp-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 16: E/2

- (t) EXTEND the Langlie Mattix Seven Rivers-Queen-Grayburg Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 31: SW/4

- (u) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 7: S/2

- (v) EXTEND the West Nadine-Blinbry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 5: E/2
Section 8: NE/4

- (w) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: W/2 NE/4 and NW/4 SE/4

- (x) EXTEND the Richard Knob Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 9: N/2

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

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM
Section 16: S/2

- (z) EXTEND the Scharb-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 5: E/2

(f) EXTEND the vertical limits of the Lusk-Yates Pool in Eddy and Lea Counties, New Mexico, to include the Seven Rivers formation and redesignate pool as the Lusk Yates-Seven Rivers Pool described as:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 24: All

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 19: W/2 and W/2 NE/4

(g) EXTEND the Angell Ranch Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 11: S/2
Section 14: All

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 32: S/2

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

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 2: W/2 and NE/4
Section 11: W/2

(i) EXTEND the Atoka-Teso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: NW/4 SW/4
Section 33: S/2 SE/4

TOWNSHIP 19 SOUTH, RANGE 26 EAST, NMPM
Section 4: NW/4 NE/4

(j) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 34: S/2

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 34: E/2

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 3: All
Section 10: N/2
Section 11: W/2

(k) EXTEND the Bull's Eye-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 12: N/2 SE/4

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 7: N/2 SW/4

(l) EXTEND the South Culebra Bluff-Bone Springs Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 27: N/2 NE/4

(m) EXTEND the Dublin Ranch-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 33: N/2

(n) EXTEND the East Eagle Creek Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 30: N/2

CASE 7298: (This case will be dismissed.)

Application of Amoco Production Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Lancaster Springs Com Well No. 1 in Unit I of Section 1, Township 22 South, Range 26 East.

CASE 7299: (This case will be dismissed.)

Application of Amoco Production Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its State 1L Com Well No. 1 in Unit C of Section 3, Township 19 South, Range 24 East.

CASE 7300: Application of Dome Petroleum Corporation for designation of a tight formation, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Chacra formation underlying portions of Townships 21 and 22 North, Ranges 5, 6, and 7 West, containing 73,018 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 19 C.F.R. Section 271.701-705.

CASE 7301: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, redesignating, and extending vertical and horizontal limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the East Lusk-Morrow Gas Pool. The discovery well is Grace Petroleum Corporation West Tonto Federal Com Well No. 1 located in Unit L of Section 24, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 24: W/2

(b) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Mississippian production and designated as the Peterson-Mississippian Pool. The discovery well is Enserch Exploration, Inc. Finley Well No. 1 located in Unit A of Section 6, Township 5 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 28: SW/4
Section 29: S/2
Section 32: W/2

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 5: NW/4
Section 6: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Salado Draw-Wolfcamp Gas Pool. The discovery well is Amoco Production Company State GR Well No. 1 located in Unit G of Section 17, Township 26 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 33 EAST, NMPM
Section 17: E/2

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Strawn production and designated as the Talco-Strawn Gas Pool. The discovery well is American Trading and Producing Corporation Talco Unit Well No. 1 located in Unit H of Section 11, Township 26 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 35 EAST, NMPM
Section 11: E/2

(e) REDESIGNATE the Lusk-Seven Rivers Pool in Lea County, New Mexico, to the North Lusk-Seven Rivers Pool described as:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 3: All

- CASE 7291:** Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Silurian and Fusselman formations underlying the N/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7292:** Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian thru Ellenburger formations underlying the S/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7293:** Application of ARCO Oil and Gas Company for an amendment to Order No. R-6649, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-6649 which authorized compulsory pooling in Section 33, Township 22 South, Range 36 East, Langlie Field, to extend to February 1, 1982, the commencement of drilling required in said order.
- CASE 7294:** Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers-Queen formation at a depth of 2996 feet to 3186 feet in its R. S. Crosby Well No. A-2 located in Unit L of Section 28, Township 25 South, Range 37 East, Langlie Mattix Pool.
- CASE 7248:** (Continued from June 3, 1981, Examiner Hearing)
Application of Inexco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit L of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.
- CASE 7280:** (Continued from June 17, 1981, Examiner Hearing)
Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7295:** Application of Gulf Oil Corporation for rescission of Division Order No. R-2429-C, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Division Order No. R-2429-C which authorized 320-acre spacing units in the White City-Pennsylvanian Gas Pool. Applicant seeks the reinstatement of 640-acre spacing units in said pool with provision for 320-acre infill drilling and appropriate findings relative thereto.
- CASE 7296:** Application of J. Gregory Merriam and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Devils Fork-Gallup Associated Pool Rules to provide for 160-acre spacing rather than 80 acres. Applicant further seeks the contraction of the Otero-Gallup Pool by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, and the E/2 of Section 35, Township 25 North, Range 6 West. Applicant seeks the extension of the Devils Fork-Gallup Associated Pool to include the following acreage: In Township 24 North, Range 6 West: All of Sections 2 and 3; S/2 and NE/4 of Section 4; S/2 of Section 5; S/2 of Section 6; and N/2 of Section 11. In Township 25 North, Range 6 West: SE/4 of Section 33; S/2 of Section 34; and all of Section 35.
- CASE 7297:** (This case will be dismissed.)
Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Alley Unit Well No. 1 in Unit E of Section 1, Township 19 South, Range 25 East.

Dockets Nos. 22-81 and 23-81 are tentatively set for July 15 and 29, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JULY 2, 1981

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 7283: Application of Harvey E. Yates Company for amendment of Division Order No. R-6387, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-6387 to provide that said order authorizing the McDonald Unit Agreement shall have an effective date of June 1, 1981.
- CASE 7284: Application of Energy Reserves Group, Inc. for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Cisco location of its Miller Well No. 1 located 660 feet from the South and West lines of Section 12, Township 6 South, Range 33 East, the S/2 of said Section 12 to be dedicated to the well.
- CASE 7285: Application of J. C. Williamson for two non-standard gas proration units and two unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard 320-acre Wolfcamp gas proration units in Section 10, Township 23 South, Range 34 East, the first comprising the NW/4, W/2 NE/4, and N/2 SW/4, and the second comprising the E/2 NE/4, S/2 SW/4, and SE/4. Applicant further seeks approval for two unorthodox locations, the first for a well drilled 1560 feet from the North line and 1830 feet from the West line of said Section 10, and the second for a well to be drilled 1980 feet from the South and East lines of the section.
- CASE 7286: Application of Supron Energy Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Blanco Mesaverde production in the wellbore of its Jicarilla F Well No. 6 located in the SW/4 of Section 34, Township 26 North, Range 4 West.
- CASE 7287: Application of Benson-Montin-Greer Drilling Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying a previously approved 640-acre non-standard proration unit comprising the W/2 of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, to be dedicated to a well to be drilled thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7288: Application of Southern Union Exploration Company of Texas for contraction of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the West Puerto Chiquito-Mancos Oil Pool by the deletion of Section 36, Township 24 North, Range 1 West, therefrom.
- CASE 7251: (Continued from June 3, 1981, Examiner Hearing)
Application of Southern Union Exploration Company of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 36, Township 24 North, Range 1 West, to be dedicated to its Mobil Federal Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7289: Application of Exxon Corporation for a salt water disposal well, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation at a depth of 2638 feet to 2774 feet in its Strange Federal Well No. 3 in Unit J of Section 25, Township 7 South, Range 31 East, Tomahawk-San Andres Pool.
- CASE 7290: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the NE/4 of Section 26, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
2 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer
Drilling Corporation for compulsory
pooling, Rio Arriba County, New
Mexico.

CASE
7287

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

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A P P E A R A N C E S

For Southland Royalty Co.:	William F. Carr, Esq. CAMPBELL, BYRD, & BLACK P.A. Jefferson Place Santa Fe, New Mexico 87501
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I N D E X

ALBERT R. GREER	
Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Stamets	24
Cross Examination by Mr. Carr	28

E X H I B I T S

Applicant Exhibit One, Packet of Exhibits	4
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MR. STAMETS: We'll call next Case 7287.

MR. PEARCE: Application of Benson-Montin-
Greer Drilling Corporation for compulsory pooling, Rio Arriba
County, New Mexico.

MR. KELLAHIN; If the Examiner please,
I'm Tom Kellahin, Kellahin and Kellahin, Santa Fe, appearing
on behalf of the applicant, and I have one witness.

MR. STAMETS: Other appearances?

MR. CARR: May it please the Examiner,
my name is William F. Carr, with the law firm of Campbell,
Byrd, and Black, P.A., Santa Fe, New Mexico, appearing on
behalf of Southland Royalty Company.

MR. STAMETS: Do you have a witness?

MR. CARR: No, I don't.

(Witness sworn.)

ALBERT R. GREER

being called as a witness and being duly sworn upon his oath,
testified as follows, to wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q

Mr. Greer, for the record would you

1
2 please state your name and occupation?

3 A. Albert R. Greer. I'm a petroleum engineer.

4 Q. You'll have to speak up a little bit.

5 It's hard to hear you, Mr. Greer.

6 A. Albert R. Greer. I'm a petroleum engineer.

7 Q. Mr. Greer, have you previously testified
8 before the Division and had your qualifications as a petroleum
9 engineer accepted and made a matter of record?

10 A. Yes, sir.

11 Q. And are you familiar with the subject
12 matter surrounding this application?

13 A. Yes, sir.

14 MR. KELLAHIN: We tender Mr. Greer as
15 an expert petroleum engineer.

16 MR. STAMETS: He is considered qualified.

17 Q. Mr. Greer, I'd like to direct your
18 attention to the packet of exhibits that we have marked as
19 Exhibit One, and have you turn to the first plat contained in
20 the packet of exhibits, and identify for us the subject 640-
21 acre unit for which you seek compulsory pooling.

22 A. Yes, sir. Under Section A, this plat
23 is an outline of the East and West Puerto Chiquito-Mancos
24 Pool. The nonstandard proration unit which we're discussing
25 today covers the -- in Township 26 North, Range 1 West, Section

17, the west half, and Section 20, the west half.

The proposed well location is in the northwest quarter of Section 20, to be designated as our No. F-20, Canada Ojitos Unit F-20.

Q The nonstandard proration unit for which you propose the drilling of this well has already been approved by the Division as a nonstandard proration unit, has it not, Mr. Greer?

A Yes, sir, pursuant to hearing last August, the nonstandard proration units for the West Puerto Chiquito Pool were established and they're shown on this plat by the gray shaded blocks on this first plat under Section A.

MR. KELLAHIN: If the Examiner please, that's Division Order R-6469.

Q What are the reasons for filing a compulsory pooling application for the drilling of this well?

A Two primary reasons. One is since there are some unleased Federal lands under -- under this unit, when they are leased the lessee will be given the opportunity of paying his share of the well costs or to go non-consent, and in that event we need to know what the penalty will be.

Also we think we are entitled to interest on our money that we have invested until such time as -- as

1
2 the lands are leased and the lessee is known.

3 Q The proposed unit is all Federal acreage,
4 is it?

5 A Yes, sir.

6 Q And have you discussed the forced
7 pooling of unleased Federal acreage with U. S. Geological
8 Service?

9 A Yes, sir, I have and we don't really
10 need the forced pooling order to communitize the leased and
11 unleased Federal lands. They, the USGS will enter into the
12 communitization voluntarily, but when you get to the issue of
13 interest on our investment and the penalty factor, these are
14 things to which I understand the USGS would prefer not to be
15 the arbitrator of.

16 Q All right, sir, let me direct your
17 attention to the next exhibit in the packet of exhibits and
18 have you describe that for us.

19 A This exhibit shows the formations with
20 which we'll be concerned. They're all members of the Mancos.
21 We have three separate combinations of these formations that
22 are involved here. One is the Canada Ojitos Unit, which
23 offsets the location we're discussing, has unitized all forma-
24 tions, and within the unit is a participating area which
25 comprises the Niobrara member of the Mancos down through the

Greenhorn.

The West Puerto Chiquito Mancos Pool, the vertical limits include only the Niobrara member of the Mancos.

Now we have proposed a third expansion to the Canada Ojitos Unit. Some of the working interest owners do not want to include all of the formations and so we have agreed that in the event the third expansion goes through, that there will be included in the third expansion area formations from the top of the Mancos to the base of the Greenhorn.

So we have these three different situations that need to be understood as we discuss it.

In the forced pooling that we're asking today we can, of course, consider only the Niobrara member of the Mancos because that's the vertical limits of the formation that's -- carries the 640-acre spacing order.

We propose to drill the well to the Greenhorn, so this means that we would ask for the Niobrara member to be force pooled. We'd keep separate accounting of the costs of extending the well from the Niobrara to the Greenhorn and in the event the Greenhorn is nonproductive, our orders and regulations will be simplified.

Q What's the spacing if there's production obtained in the Greenhorn formation?

1
2 A I think the Greenhorn is now on 40 acres.

3 Q And what would be the commitment of the
4 ownership in that 40-acre tract to the Greenhorn well?

5 A The -- the ownership, of course, would
6 be under the lands which we are currently pooling on a voluntary
7 basis owners in the third expansion area. They would own the
8 rights to the Greenhorn.

9 Q There is no need at this time for a
10 pooling of the Greenhorn?

11 A No, sir.

12 Q All right, sir.

13 A I might add that if the Greenhorn is
14 productive, then we will probably be back to the Commission
15 for some further consideration, whether it be dual completion,
16 commingling, or extending the vertical limits of the West
17 Puerto Chiquito Pool.

18 Q All right, sir. Will you turn to the
19 next page in the packet of exhibits, Mr. Greer, and identify
20 that exhibit for us?

21 A This is page one of the unit operating
22 agreement for the Canada Ojitos Unit now, in which we have
23 defined this part of the Mancos formation which will be unitized
24 in the third expansion area in the event it goes into effect.

25 It also defines the vertical limits of

1
2 the formations which are being pooled voluntarily by some of
3 the owners in the third expansion area.

4 Q All right, sir.

5 MR. STAMETS: On that, now, the third
6 expansion has not taken place?

7 A No, sir, it's in the process. Whether
8 it will finally be expanded as we have requested or not, we
9 don't know at this time. My feeling is it probably will be.

10 MR. STAMETS: And the third expansion
11 would include the formations below the base of the Niobrara?

12 A No, sir. The third expansion area,
13 lands in the third expansion area will include only those
14 members of the Mancos from its top to the base of the Green-
15 horn.

16 Now the main Canada Ojitos Unit it's in
17 all --

18 MR. STAMETS: I think that's what I
19 asked. Let's go back a minute to Exhibit Number Two.

20 A Okay.

21 MR. STAMETS: Now the subject of this
22 hearing is the Niobrara, Niobrara member, on the righthand
23 log there from 1997 to 2818, is that correct?

24 A Yes, sir.

25 MR. STAMETS: Okay, but you're going to

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drill the well on down to the base of the Greenhorn, which is identified at 3143.

A Right, that's our intention now.

MR. STAMETS: Okay. Now, I'm trying to get all these things put together. If you do get the extension of the unit --

A Right.

MR. STAMETS: -- will that lower section of the Carlisle and the Greenhorn then be unitized?

A Yes, sir.

MR. STAMETS: And you wouldn't have to come back to us under any circumstances, but those then would be -- well, whatever acreage you finally wound up with for those members.

A Right, we would not have to come back to the Commission unless there are some lands within the unit area which are not committed to the unit, and then if we have a well which involves those lands, then we'll have to come back to the Commission.

MR. STAMETS: Okay, now, does the 640-acre spacing apply to the Carlisle and the Greenhorn anywhere in this area?

A Not that I know of. The only exceptions in this general area that I know of to the Commission's

1 standard spacing order are the East and West Puerto Chiquito
2 Mancos formations, I believe, that include only the Niobrara.

3 MR. STAMETS: So if you get production
4 in those lower zones, you will have to make a dual completion
5 out of the well.

6 A. Either dual completion, come back and
7 ask for commingling, or ask for a change in the vertical
8 limits of the pools. It appears to me you have one of three
9 things to do.

10 MR. STAMETS: All right, thank you.
11 I think we had to clarify that.

12 Q. Now, Mr. Greer, let's turn to the series
13 of exhibits that's identified commencing with the index B,
14 and have you turn to the information contained in that section
15 of exhibits.

16 A. The first map under Section B is a
17 structural contour map, colored to, approximately according
18 to flexing of the formation. Also we show at the bottom of
19 this plat a schematic cross section, three cross sections,
20 which also show by the same color coding how the formation
21 is flexed through the area that's productive.

22 It's my thinking that the reservoir owes
23 its existence primarily to the flexing and fracturing of this
24 formation, and as a result, progressing west across the colored
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2 area to the white, to the gray shaded area and the white area,
3 we have found lower productivities, lower permeability, and
4 moving west in other relationships we find the productivities
5 and character of the formation to be considerably poorer than
6 in the unit area.

7 Q Would you define for us the significance
8 of the different colored areas on the structure?

9 A The blue color, blue shaded area, shows
10 where the flex of the formation is approximately 1000
11 feet per mile.

12 Not shown on the structural contour
13 map but is shown on the schematic cross sections, just east
14 of the blue colored area, about the center of the unit, the
15 dip of the formation from outcrop to this point is about
16 3000 feet a mile, so that's what we consider our first flex
17 in round numbers across the center of the unit, changing from
18 3000 feet a mile to 1000 a mile.

19 The green colored area falls off to
20 about 400 feet a mile and the brown shaded areas are something
21 like 200 feet a mile.

22 The gray shaded area is something less
23 than that. Perhaps there's a hinge line on the west side of
24 the gray shaded area. We don't know that.

25 But we do know that as we move west

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2 the reservoir deteriorates and as a result we consider this
3 a risky location and is entitled to the maximum penalty the
4 Commission would allow for -- for drilling a well on a non-
5 consent basis.

6 The closest well to the southeast is
7 about two miles away; the closest well to the northeast is
8 about two miles away; and the closest well to the southwest
9 is about two to two and a half miles away; and the one to the
10 southwest has not produced but it has been completed and the
11 report, I believe, shows something like 8 barrels a day and
12 180,000 feet of gas. How it will hold up under production we
13 don't know, but it probably is a noncommercial well.

14 Q All right, sir, let me direct your
15 attention to the comparison study of histories between the
16 Canada Ojitos Unit and the West Lindrith Gallup-Dakota wells.

17 A As I indicated earlier, moving west
18 from Canada Ojitos Unit we anticipate reservoir character
19 similar to that found in the West Lindrith Gallup-Dakota wells
20 and in the West Lindrith Gallup-Dakota Pool the Gallup and
21 Dakota commingle, so we don't know exactly how much oil comes
22 from the Gallup and how much from the Dakota.

23 The Gallup in the West Lindrith Pool
24 is the same formation as the Niobrara in Canada Ojitos Unit.
25 The steeply declining curve on the right is for the first three

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2 wells which Cotton Petroleum Company drilled in the West
3 Lindrith Gallup-Dakota Pool. By comparison are three of the
4 small wells on the west side of the Canada Ojitos Unit with
5 the flat decline curves.

6 Part of the reason why the Canada Ojitos
7 Unit wells have flat declines is because of the pressure
8 maintenance project which we're continuing.

9 Q What's the conclusion you draw from the
10 structure map and comparison studies of the histories between
11 the two pools?

12 A The conclusion I draw is that as we move
13 west from the existing unit area the quality of the formation
14 deteriorates and the risk of obtaining a commercial well in-
15 creases.

16 Q All right, sir, let's turn to the series
17 of exhibits indexed under C of the exhibits, and have you
18 turn to that first plat and identify that for us.

19 A The first plat is a copy of Exhibit A,
20 the proposed third expansion area to the Canada Ojitos Unit.
21 The lands colored show the nonstandard proration unit. The
22 yellow colored lands are those which are under lease now either
23 to the existing unit owners, shown as B-M-G here, or by
24 Southland Royalty. The land colored in red is unleased
25 Federal land, a 40-acre tract in the southwest of the southwest

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2 of 20. The green shaded lease is -- or tract is one which
3 was offered under the Bureau of Land Management simultaneous
4 filing some years ago, and the lease has not been issued and
5 the case is apparently under appeal. We do not know who the
6 owner, ultimate owner of those lands will be; whether it will
7 come as a result of that earlier filing or whether the lands
8 will go back and be issued again.

9 Q All right. Let me ask you some questions
10 with regards to those tracts that are involved under the
11 appealed Federal lease.

12 Are those identified in the green shaded
13 areas?

14 A Yes, sir.

15 Q And there are two separate tracts in-
16 volved in that lease?

17 A Yes, sir, they were two separate tracts
18 in this proration unit.

19 Q The one in the northern part of Section
20 17 and except for the 40-acre tract down in the southwest
21 corner, it involved the entire south half of 20?

22 A Yes, sir.

23 Q All right, sir. Now, --

24 A 200 acres total.

25 Q All right, sir. With regards to those

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2 200 acres, what if any effort have you made to notify any of
3 the interested parties that may or may not have an eventual
4 interest in that lease?

5 A Well, they've been advised of -- of this
6 hearing and Southland Royalty Company, who I understand has
7 purchased some of the rights of the drawees, plans to, well,
8 is aware of all of our operations and proposals here and
9 Southland, we think, is going to join in the voluntary pooling
10 of the other lands, and we have an agreement with Southland
11 as to these lands under appeal as to how they will be treated
12 in the event Southland becomes the lessee.

13 Q All right. The other Federal acreage
14 under question is Tract 42?

15 A Yes, sir.

16 Q And that is unleased Federal acreage?

17 A Yes, sir.

18 Q All right, sir.

19 With regards to both of those tracts,
20 how do you propose to grant each of those interest owners an
21 opportunity to join the well without incurring the risk factor
22 penalty?

23 A Well, when the lease or leases are
24 issued, we suggest the lessee have a reasonable period of
25 time, like 30 days, in which to make a decision either to

2 pay his share of the cost of the well plus our interest from
3 the time we have invested our money until he pays it, or to
4 elect to go nonconsent, and if he goes nonconsent, then we
5 need to know what the penalty will be if he chooses that
6 course.

7 MR. KELLAHIN: If the Examiner please,
8 we have some suggested language that might be included in a
9 proposed order to handle this kind of situation.

10 MR. STAMETS: Good; appreciate that.

11 Q All right, sir, let's go to Section D
12 of the exhibit package, Mr. Greer, and have you identify the
13 AFE that's contained.

14 A The first page is the AFE we have sub-
15 mitted to the parties who have -- we have invited to join in
16 the voluntary pooling of the 400 acres of leased lands under
17 this tract, along with their other lands in the third ex-
18 pansion area, and is our suggested -- in a way shows our sug-
19 gested way of drilling and completing the wells. Once we know
20 just who will be involved in the voluntary pooling, we will
21 discuss in detail with them the drilling plan and whether
22 they accept this or we decide on a different one is something
23 yet to be determined, but I think that the chances are pretty
24 good that we will wind up with something about like this plan.
25 In round numbers we're talking about a cost approaching

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2 \$1,300,000. If we cover the diesel, we're planning on using
3 jelled diesel for frac jobs, and we can sell it as oil, which
4 we have in the past, then we'll get a reduction in the cost,
5 and if we don't need a contingency, then our costs will approx-
6 imate \$1,000,000. I think that's a fair estimate of what the
7 well will ultimately cost. That includes complete surface
8 equipment, gas gathering lines, gas injection lines for gas
9 lift, and oil gathering line, which incidentally, on this wide
10 spacing they become substantial items, where we'd have over
11 a mile of gathering line to -- to reach our other systems.

12 Q Let me ask you to clarify at this time,
13 Mr. Greer, what working interests are going to bear the costs
14 indicated on the AFE and also bear the risk penalty, the risk
15 of drilling the well?

16 A Okay, so we show those on the next page.

17 Q All right.

18 A I might point out first that we do not
19 show a dry hole cost. We think that there's no way to make
20 a dry hole assessment like one ordinarily does in a lot of
21 wells.

22 In this instance we just have to complete
23 the well, frac it, put it on production, test it before we
24 know whether it will be a keeper. If it's one that we have
25 to plug, then there'll be some salvage value of some of the

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2 equipment, but we don't show a dry hole cost.

3 Then the costs will be shared, as we show
4 on page two under this Section D, of the 400 acres which are
5 now under lease under this proration unit, and which will be
6 pooled with other lands in the third expansion area, those
7 owners are yet to be determined.

8 Everyone in the third expansion area is
9 invited to pool their lands and join in drilling this well
10 voluntarily if they so elect.

11 The share represented by the voluntarily
12 pooled group is 400 acres out of 640 and that's shown in the
13 first column at the top of this page. 400/640ths are about
14 \$800,000 for that share.

15 As to the unleased land and those we
16 don't know who the owner is, those -- that share of the cost
17 will be borne by the existing unit owners, and we identify
18 them as B-M-G Group No. 1, and they're set out on this
19 schedule. They're the ones who will finance the share of the
20 costs represented by the unleased lands and will in a sense
21 hold the money in suspense or put -- or the money really that
22 accrues if there is any production and production income ac-
23 crues to the well. That part that's attributable to those
24 unleased lands will be put in escrow in an interest bearing
25 account as prescribed by the USGS, and then when the lands are

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2 leased, we'll take whatever course then follows, depending on
3 the lessee's option which he chooses.

4 Q In the event the well is drilled and
5 production is obtained and for some reason after the lease is
6 issued or the appeal resolved there are still working interest
7 owners that elect not to participate in the well and thereby a
8 risk factor penalty is incurred, what is done with the proceeds
9 derived from the risk factor? How do you allocate those?

10 A If the lessee elects to go nonconsent,
11 and their -- and the -- then the income from this 240/640th
12 share of the well, whatever -- or -- and that could be in two
13 parts, one would be -- the lands could be determined to be
14 owned by the present drawees and Southland or they could go
15 back, but to whatever extent the lands which are now either
16 unleased or unknown, whatever share they'd bear in the well,
17 their proportion of the lands represent, and are paid for by
18 B-M-G Group No. 1, then if that owner elects to go nonconsent,
19 then this Group 1 will receive all of the income until they
20 receive the cost of the well plus whatever penalty this Com-
21 mission decides and then the lessee will come in for his share
22 of the production.

23 Q Okay, sir, if you'll turn to the next
24 information contained under Section C -- I'm sorry, is it --

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Q D, and have you identify that.

A This is page 3 out of the accounting provision of the Canada Ojitos operating agreement, effective for 1980, showing drilling well rates and producing well rates. Those rates were increased April 1st by 9.3 percent and the resulting rates then are shown on the last page under Section D, which would be \$1658 a month for drilling well, \$298 per month for a producing well for overhead rates.

Q Are those the recommendations you'd make to the Examiner for inclusion of overhead rates in the pooling order?

A Yes, sir.

Q Let me ask you a question on the COPAS instruction. There's a charge indicated for compressor operating rates of \$273.

A Right.

Q Is that a cost included in the producing well rate or in addition to it?

A That's in addition to the producing well rate.

Q Is that an overhead charge for the compressor operator?

A That's an overhead charge primarily to take care of the fact that it's a pressure maintenance project.

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There's a lot of costs involved that you don't have with an ordinary operation and this is one way of recognizing those costs.

Q All right. In order to keep the costs involved in a pooling order on the same basis as participation is in the unit, Mr. Greer, would you recommend the inclusion of that \$273 into the \$273 for the producing well rate?

A Well, if the lands are brought into participation in the unit, then that's what it will be, and I don't know that we need that in this order.

The order needs to deal with the situation if it's not unitized, I believe.

Q If it's not unitized, Mr. Greer, would you recommend the inclusion of the compressor operating rates in the overhead charge?

A If it's not unitized, then presumably the well will not be in the reservoir, not be involved in the pressure maintenance project and so it would not bear part of the pressure maintenance project.

So it would not apply.

Q I wanted a clear understanding of what numbers you were proposing to include in the pooling order.

A Right.

Q All right.

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2 MR. STAMETS: Now I'm a little confused
3 with that clarification. Will there be a compressor charge
4 applicable against this well charge apropos against this well
5 if it's not in the unit?

6 A. No, sir, if it's not in the unit there
7 would not be a compressor charge. We --

8 MR. STAMETS: And then if it's in the
9 unit the charge will be automatic, so really we don't need to
10 speak to it in this order in any sense, is that right?

11 A. That's my understanding. The only thing
12 that might have to come up, which I would think could be
13 handled between the -- the unit operator and the -- and the
14 owners of the well, is that we propose to produce the well
15 with gas lift and of course that comes with a high pressure
16 gas system in which a compressor is involved, but I think that
17 a reasonable charge could be worked out for that.

18 Q Mr. Greer, were the exhibits you've
19 discussed prepared by you directly or compiled under your
20 direction and supervision?

21 A. Yes, sir.

22 Q And in your opinion will approval of
23 this application be in the best interest of conservation, the
24 prevention of waste, and the protection of correlative rights?

25 A. Yes, sir.

1 MR. KELLAHIN: We move the introduction
2 of Benson-Montin-Greer Exhibit.
3

4 MR. STAMETS: The exhibit will be admitted.
5

6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. Greer, do you have any idea of when
9 the unleased acreage will be leased and the acreage in dispute
10 might be resolved?

11 A No, sir. As we see it, there is no --
12 no big rush. We're currently involved in trying to -- in dis-
13 cussing with owners in the third expansion area the issue of
14 joining the unit and not joining the unit, and -- and we would
15 not ask that the lands come up for sale immediately. I'd like
16 to get the unit situation settled first.

17 Q How will you keep track of whether or
18 not the lands are leased and then when you do find out, how
19 will you go about notifying the owners?

20 A The -- we really won't have to notify
21 them. The USGS will see to it when the lands are put up for
22 sale, that -- if they do as they have in the past, and I pre-
23 sume they will now, the sale notice will provide that one of
24 two things; either that the lessee will be required to commun-
25 itize or -- or I guess ratify the communitization which the

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2 USGS will already have effected, and make his election one way
3 or the other to pay his share of the costs or to go nonconsent.
4 And so he's going to get that notice from the USGS.

5 Then in addition, it's my understanding
6 the USGS wants us to put all of the money in escrow, the royalty
7 interest share as well as the working interest share, and so
8 as soon as the lands are leased I'm sure we'll get a demand
9 from the USGS to pay the royalty which is in suspense, and so
10 I believe there are plenty of normal regulatory procedures
11 there to keep everybody advised.

12 Q The law seems to say that any order that
13 we issue be on terms and conditions as are just and reasonable
14 and will afford the owner or owners of each tract or interest
15 in the unit the opportunity to recover or receive without un-
16 necessary expense his just and fair share of oil or gas or both
17 under such unit.

18 What kind of interest rates do you anti-
19 cipate?

20 A Well, of course, that's one of the
21 reasons for this hearing because this is unusual.

22 Let me explain first what our burden is.
23 In round numbers we're looking at a half a million dollars
24 that will be advanced to the benefit of the unknown lessee.
25 We don't know how long that will be in effect until the lands

1 are leased and the course by the lessee chosen.

2 But at current interest rates, and if
3 it should go for a year, why, we're talking about \$100,000
4 in interest at 18, 20, percent.

5 So it is a matter which does need to be
6 considered and we would think that the interest rate should be
7 something on the order of the prime rates which the larger
8 banks charge for the period of time that's involved.

9 Q It raises an interesting question. What
10 input do you have relative to the geological survey moving
11 ahead with leasing or not leasing the lands?

12 A The leasing of these lands I think is,
13 there other people that have more influence than we have.
14 One is the Forest Service. At the last simultaneous filing
15 that I remember for this area some of the lands in some of the
16 leases were decided by the Forest Service as being -- covering
17 part of the forest with exceptionally sensitive soil. I believe
18 that's the term they used, sensitive soil, and they asked that
19 even after the -- the filing was made and the leases drawn,
20 that some of those lands between those particular leases be
21 withdrawn, and they were.

22 And so some of those leases were reduced
23 at that time because of the Forest Service.

24 And the Bureau of Land Management, of

2 course, handles this part of it and the USGS has, of course,
3 input and some kind of authority that I don't understand quite
4 between the USGS and the Bureau of Land Management.

5 But all three, all three authorities are
6 involved, the Forest Service, the BLM, and USGS, and then of
7 course, I presume our voice would have -- be considered by some
8 of them.

9 As we see it, as I see it, it's not a
10 big issue whether the lands are leased or unleased.

11 Q Well, it might be the fellow that gets
12 them if his share goes from \$500,000 to \$600,000. I can see
13 that that certainly would be -- certainly would be a factor,
14 so I'm certain that whoever eventually gets the land would
15 like to see it move along swiftly, and I would hate to see an
16 order of the Division come out on this matter which -- which
17 could be interpreted as cause for the delay in the -- to any-
18 body's benefit.

19 So you can see my concern and why I have
20 it.

21 A We see your concern. There's two sides
22 to that coin, though, sir, if I might -- might point it out.
23 One is that the longer the time lapse between drilling of the
24 well and issuing of the lease, the more definite is known the
25 character of the well, and so if for instance it's known to be

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2 a good well, then the lessee has in a sense, looked at the
3 hole card before he makes his bet.

4 On the other hand, another feature is
5 that whatever income the well generates, his share is put in
6 an interest bearing account, so he's going to get interest
7 on that.

8 So I feel the lessee is being fairly
9 treated regardless of when the sale is. But we would not
10 delay the sale intentionally.

11 MR. STAMETS: Any other questions of
12 the witness?

13 MR. CARR: Yes.

14 MR. STAMETS: Mr. Carr, I'm sorry.

15
16 CROSS EXAMINATION

17 BY MR. CARR:

18 Q Mr. Greer, supposing Southland Royalty
19 Company joins in the drilling of the well by committing its
20 40 acres and then pays its share, and then subsequent to that
21 time the third expansion of the Canada Ojitos Unit becomes
22 effective, how are these sums it's paid based on its 40 acre
23 interest going to be handled?

24 A Okay, its 40 acre interest, the way
25 we've discussed it, the 40 acres that Southland shows to own

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2 under this tract will have no bearing whatsoever on Southland's
3 interest.

4 As we've discussed with Southland,
5 Southland proposes to pool with us and whoever other owners
6 want to pool all of the interests which they own in the third
7 expansion area. In round numbers I think Southland has about
8 1000 acres. Who all will be involved in this voluntary pooling
9 we don't know, but for example, if there's 5000 acres total
10 in the voluntary pooling and Southland owns 1000, then South-
11 land will own 20 percent of all of the pooled lands, which
12 would include then the 400 acres of leased land, and so
13 Southland then would own 20 percent of 400 acres, and the 40
14 acres now shown in Southland's name would have no -- no bearing
15 whatsoever on Southland's interest.

16 Q So if they paid based on 40 acres in 640
17 and then the third expansion area goes into effect --

18 A First, I don't think they'll pay based
19 at 40 on the 640. They will pay based on their share of 1000
20 acres out of the entire pooled area, and so their 40 acres
21 just has no bearing, the 40 acres shown as now being owned
22 by Southland, I think, will have no bearing on Southland's
23 interest in the well. That's just going to be a part of the
24 pooled area.

25 Q But if the area isn't pooled, then they

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2 pay based 40 on --

3 A Oh, if they elect not to pool, then
4 we're back to pool, then we're back to a new ballgame.

5 Q But if we're operating just under the
6 order that comes from this Commission today based on 640 acres,
7 and they join with you --

8 A And they elect not to --

9 Q -- and then the expansion area comes in,
10 is there an accounting adjustment so that after the expansion
11 area comes in they would be accountable only for their interest
12 in the expansion area, not just in the area governed by the
13 order coming from this hearing?

14 A Well, let me take these one at a time.
15 You're assuming now that Southland will not join in the pool.

16 Q No, I'm not. I'm assuming that they
17 did and I'm assuming that we operate just under the order that
18 comes from this Commission and focussing just at a 640-acre
19 spacing unit.

20 A Okay, but Southland has first pooled
21 on the voluntary pooling that we've suggested.

22 Q Maybe the question should be, when does
23 the third expansion of the Canada Ojitos Unit become effective?

24 A Well, this we don't know. It may never
25 become effective. I think it will, and in the past the USGS

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2 has given us something like a year ordinarily from the time
3 we asked for it, and we asked for it in May to be effective
4 June 1st. Ordinarily they give us a year in which to come up
5 with the proper commitments.

6 So it could be any time between now and
7 next June, let's say.

8 Q Prior to the time that that expansion,
9 the third expansion becomes effective --

10 A Okay.

11 Q -- what adjustment -- wouldn't we be
12 looking at spacing this well under this pooling order that
13 you're seeking today?

14 A Well, the -- there are so many ramifi-
15 cations. The application for permit to drill, which we have
16 made to the USGS but not yet received it, we anticipate
17 getting in a few days, undoubtedly will carry the stipulation
18 that if the well is productive and in communication with the
19 Canada Ojitos reservoir, that it will -- there'll be a re-
20 quirement that that well in fact be committed to the Canada
21 Ojitos Unit. And so whether the third expansion is ineffective
22 or not --

23 Q It will be in the unit.

24 A It would be part of the unit, yes.

25 Q Okay.

1
2 A. And in that event, then, there would be
3 an investment adjustment between the existing unit and the
4 new lands that come in, and I would think that if it's pro-
5 ductive, commercially productive, that not only would the
6 spacing unit be brought in but some adjoining, additional
7 adjoining lands would be brought in.

8 Q And then their payment would be based
9 on their percentage of interest in the larger area, not just
10 the 640 acres?

11 A. Right, and if there's only three sections
12 brought in, then Southland will get a reimbursement.

13 Q And as I understand your testimony,
14 Southland will not be called upon to, because of this 40 acres,
15 bear any of the -- advance any costs for this acreage in this
16 spacing unit which is not -- which is now --

17 A Which is not leased. That's right,
18 Southland has no -- no obligation, no cost in that part of the
19 well that's borne by the unleased lands.

20 Q And since they're not advancing any costs
21 then they wouldn't be involved with the risk factor.

22 A. Right, they would not be involved with
23 the risk factor whatsoever.

24 MR. CARR: That's all the questions I
25 have.

1 MR. STAMETS: Any other questions of the

2 witness? He may be excused.

3 Anything further in this case?

4 The case will be taken under advisement.

5
6 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 453-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 2287
heard by me on 7-27-87 19-87.
Richard L. Stamm, Examiner
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

August 7, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-8434

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico 87501

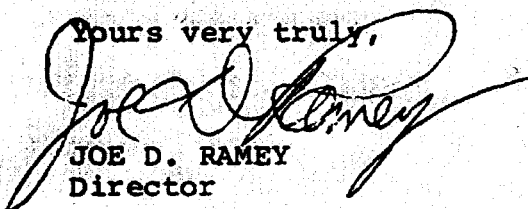
Re: CASE NO. 7287
ORDER NO. R-6750

Applicant:
Benson-Montin-Greer Drilling
Corporation

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7287
Order No. R-6750

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR COMPULSORY
POOLING, RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of August, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Benson-Montin-Greer Drilling
Corporation, seeks an order pooling all mineral interests in
the West Puerto Chiquito-Mancos Oil Pool underlying a previously
approved 640-acre non-standard proration unit comprising the
W/2 of Section 17 and the W/2 of Section 20, Township 26 North,
Range 1 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location thereon.

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

(5) That within the unit proposed for compulsory pooling
there is a federal lease consisting of approximately 200 acres
the ownership of which is in dispute and an unleased federal
tract consisting of 40 acres.

-2-

Case No. 7287

Order No. R-6750

(6) 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.

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

(8) That any non-consenting working interest owner including the eventual lessor of the unleased acreage and the successful litigant to the disputed acreage 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.

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

(10) 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.

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

(12) That \$1658.00 per month while drilling and \$298.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-3-
Case No. 7287
Order No. R-6750

(13) 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.

(14) 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 1, 1981, 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 West Puerto Chiquito-Mancos Oil Pool underlying a previously approved 640-acre non-standard proration unit comprising the W/2 of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mancos formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Benson-Montin-Greer Drilling Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs provided, however, that such schedule shall be submitted to the lessor of currently unleased acreage and the successful litigant to the disputed acreage within the pooled unit within the foregoing

-4-

Case No. 7287
Order No. R-6750

90-day period or not later than 90 days following the awarding of the lease and 90 days following resolution of the disputed ownership, respectively, whichever is later.

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

(6) That relative to both the unleased acreage and the disputed acreage, the schedules of estimated and final well costs may be submitted simultaneously if the well has been completed prior to leasing or resolution of the dispute, respectively, and the operator may include a reasonable charge for interest for the portion of well costs attributable to said interests.

(7) That interest may not be charged against the costs attributable to any non-consenting interest owner.

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

(9) 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 as herein provided.

- (8) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs as herein provided.

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

(11) That \$1658.00 per month while drilling and \$298.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That any unserved 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.

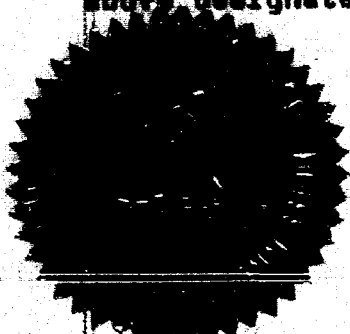
(13) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) That all proceeds from production from the subject well which are not disbursed for any reason including all income attributable to the unleased and disputed acreage prior to leasing and resolution of the dispute, respectively, shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

6-
Case No. 7287
Order No. R-6750

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

rd/

That in order to protect correlative rights and to afford any eventual interest owner of the unleased or disputed lease of federal acreage within the subject unit an opportunity to pay his share of estimated well costs to the operator without liability for risk charges, said interest owner within 30 days of the issuance of any federal oil & gas lease or within 30 days of the resolution of any appeal of the issuance of any federal oil & gas lease, whichever is later, shall pay his share of estimated well costs, plus reasonable interest thereon, to the operator and shall execute such forms as may be required designating Benson-Montin-Greer Drilling Corporation as operator for that portion of the federal acreage contained within this unit.

BENSON-MONTIN-GREER DRILLING CORP.
EXHIBITS IN CASE 7287
BEFORE THE OIL CONSERVATION DIVISION
JULY 2, 1981
FORCED POOLING, W/2 SECTIONS 17 & 20
TOWNSHIP 26 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

INDEX OF EXHIBITS
IN CASE 7287
BEFORE THE OIL CONSERVATION DIVISION
OF THE NEW MEXICO DEPARTMENT OF MINES AND MINERALS
JULY 2, 1981

FORCED POOLING
WEST HALF SECTION 17, WEST HALF SECTION 20
TOWNSHIP 26 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

SECTION A

1. PLAT OF EAST AND WEST PUERTO CHIQUITO MANCOS POOLS SHOWING NON-STANDARD SPACING UNITS, WEST PUERTO CHIQUITO POOL.
2. TYPE LOG OF FORMATIONS TO BE POOLED.
3. DEFINITION OF FORMATIONS TO BE POOLED.

SECTION B

1. STRUCTURAL CONTOUR MAP OF CANADA OJTOS UNIT WITH SCHEMATIC CROSS-SECTIONS.
2. GRAPH OF PRODUCTION HISTORIES OF SELECTED WELLS, CANADA OJTOS UNIT AND WEST LINDRITH GALLUP-DAKOTA.

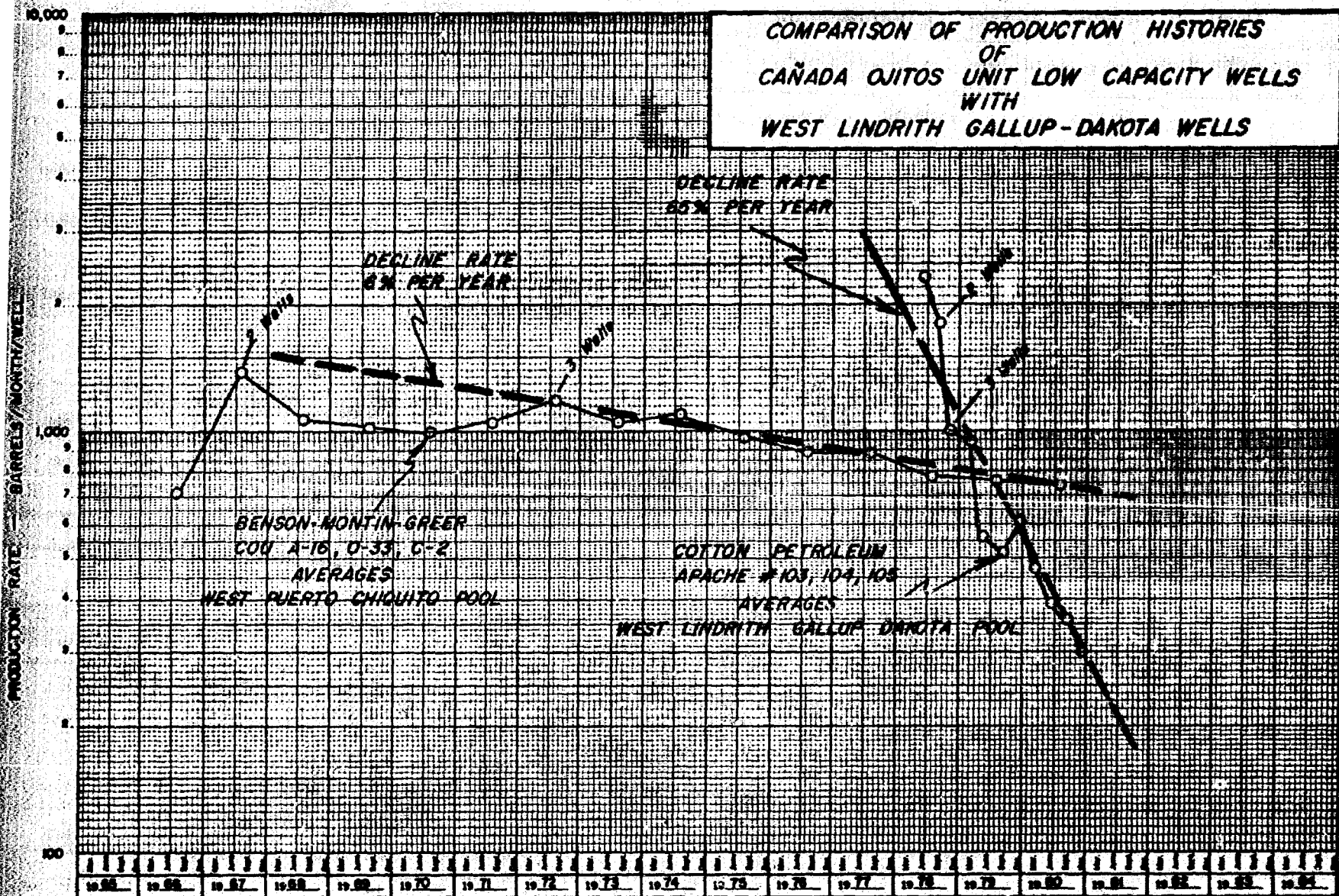
SECTION C

EXHIBIT A OF PROPOSED THIRD EXPANSION AREA, CANADA OJTOS UNIT.

SECTION D

1. AFE FOR CANADA OJTOS UNIT F-20, TOWNSHIP 26 NORTH, RANGE 1 WEST.
2. PAGE 3 OF ACCOUNTING PROCEDURE, CANADA OJTOS UNIT OPERATING AGREEMENT, SHOWING OVERHEAD RATES.
3. OVERHEAD RATES, CANADA OJTOS UNIT, EFFECTIVE APRIL 1, 1981.

COMPARISON OF PRODUCTION HISTORIES OF CAÑADA OJITOS UNIT LOW CAPACITY WELLS WITH WEST LINDRITH GALLUP-DAKOTA WELLS



BENSON-MONTIN-GREER DRILLING CORP. **AUTHORITY FOR EXPENDITURE** DATE June 26, 1981 Prospect Canada Ojitos Unit (West) Well Canada Ojitos Unit #22 (P-20) Section 20 Township 26N Range 1W County Rio Arriba State New Mexico Producing Formation or Formations Niobrara - Greenhorn Projected Depth 8200' **INTANGIBLE COSTS**

Surveying Road and Location	\$ 2,000
Roads and Location	7,500
Drilling: Type of Bid (Day Work) 30 days @ \$7,500/day	225,000
Day Work - Completion Rig - Day Work 20 days @ \$1,250/day	25,000
Transportation and Hauling (Including Rig)	25,000
Mud and Water	15,000
Circulating System - Gas Line to Location and Gas	40,000
Equip. Rentals - Drilling - Rotating Head - Bore Line - Straight Hole Bits	15,000
Logging	30,000
Cement and Cementing	25,000
Acidizing, Fracing, Perforating (Two 100M gals jelled diesel frac jobs)	400,000
Engineering & Supervision	3,500
Labor	15,000
Overhead	3,500
Contingencies	135,000
TOTAL INTANGIBLE COSTS	\$ 981,500

 TANGIBLE COSTS

Well Equipment	\$ 17,000
Casing and Tubing: 1000' 10-3/4" + 1-1/4" satellite	135,000
7350' 7-5/8" N-80 & K-55	7,500
1000' 5" X-line	27,000
8100' 2-3/8" EUE tubing, plastic lined	1,000
Gas Lift Subsurface Equipment	10,000
Wellhead Equipment - Tubinghead, Valves, etc.	2,500
Well Flow Lines	1,500
Noncontrollable Well Equipment	3,000
Installation Costs	
Lease Equipment	4,000
Tank Battery	25,000
Separators and Treeters	2,500
Processing, Compressing, Measuring & Monitoring Equipment	17,500
Lease Lines: Oil Gathering 7500' 3" fiberglass	22,500
Gas Gathering 7500' 3" steel	
Gas Lift Gas 7500' 2" steel (also to be used for drilling gas)	25,000
Other Controllable Equipment	5,000
Noncontrollable Equipment	2,500
Installation Costs	15,000
Contingencies	5,000
TOTAL TANGIBLE COSTS	\$ 328,500
TOTAL DRILLING, COMPLETION AND EQUIPMENT COSTS	\$ 1,310,000
Less: Frac Diesel if recovered	170,000
Less: Contingency costs if not required	140,000
NET COST IF FRAC DIESEL RECOVERED & CONTINGENCIES NOT REQUIRED	\$ 1,000,000

See Page 2 for participating interests.

AUTHORITY FOR EXPENDITURE
CANADA OILS UNIT NO. 22 (F-20)
June 26, 1981

ALLOCATION OF DRILLING COSTS ITEMIZED ON PAGE 1

SHARE	400/640	240/640	100%
AMOUNT	\$819M	\$492M	\$1,310M
EXPENSE BEARING PARTIES	As provided in 3rd expansion Pooling Agreement*	B-H-G Group #1**	

* Participating interests will be as shown on Exhibit II of the June 1, 1981 Pooling Agreement.

** Owners and percentages of B-H-G Group #1 are:

Stoabs Oil Corp.	2.785237%	Acme, Inc.	7.496125%
Tom Bolack	5.000000%	John R. Anderson Est.	1.294738%
Carpenter Corp.	2.500000%	Albert R. Greer	3.554375%
Bill L. Harbert	.889000%	Greer Enterprises Ltd.	10.297333%
Jack London, Jr.	2.500000%	Montin-Harbert Constr.	11.663000%
Wm. V. Montin	5.000000%	Jessie Stanley	.379313%
Rocky Mtn. Ltd.	8.804261%	Virgil L. Stoabs	11.237367%
Sun Gas Company	19.990551%	B-H-G Montin-Greer	6.608700%

APPROVED: FOR UNIT OPERATOR: **VIRGIL L. STOABS**

APPROVED: PARTICIPANT: _____
 BY: _____

March 1, 1981

COPAS

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

I. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

II. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1,517.00
 Producing Well Rate \$ 273.00
 Compressor Operating Rate \$273.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (6) An observation well shall be considered an active well.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

CANADA OJITOS UNIT
OVERHEAD RATES EFFECTIVE 4-1-81

	<u>1980</u> <u>RATES</u> (\$/month)	<u>RATE</u> <u>INCREASE</u>	<u>1981 RATE</u> <u>EFFECTIVE</u> <u>4-1-81</u> (\$/month)
Drilling well	1517	9.3%	1658
Producing well	273	9.3%	298

That in order to protect correlative rights and to afford any eventual interest owner of the unleased or disputed lease of federal acreage within the subject unit an opportunity to pay his share of estimated well costs to the operator without liability for risk charges, said interest owner within 30 days of the issuance of any federal oil & gas lease or within 30 days of the resolution of any appeal of the issuance of any federal oil & gas lease, whichever is later, shall pay his share of estimated well costs, plus reasonable interest thereon, to the operator and shall execute such forms as may be required designating Benson-Montin-Greer Drilling Corporation as operator for that portion of the federal acreage contained within this unit.

That in order to protect correlative rights and to afford any eventual interest owner of the unleased or disputed lease of federal acreage within the subject unit an opportunity to pay his share of estimated well costs to the operator without liability for risk charges, said interest owner within 30 days of the issuance of any federal oil & gas lease or within 30 days of the resolution of any appeal of the issuance of any federal oil & gas lease, whichever is later, shall pay his share of estimated well costs, plus reasonable interest thereon, to the operator and shall execute such forms as may be required designating Benson-Montin-Greer Drilling Corporation as operator for that portion of the federal acreage contained within this unit.

RENSON-MONTIN-GREER DRILLING CORP.
EXHIBITS IN CASE 7287
BEFORE THE OIL CONSERVATION DIVISION
JULY 2, 1981
FORCED POOLING, W/2 SECTIONS 17 & 20
TOWNSHIP 26 NORTH, RANGE 1 WEST
RIO ARriba COUNTY, NEW MEXICO

INDEX OF EXHIBITS
IN CASE 7287
BEFORE THE OIL CONSERVATION DIVISION
OF THE NEW MEXICO DEPARTMENT OF MINES AND MINERALS
JULY 2, 1981

FORCED POOLING
WEST HALF SECTION 17, WEST HALF SECTION 20
TOWNSHIP 26 NORTH, RANGE 1 WEST
RIO ARRIEA COUNTY, NEW MEXICO

SECTION A

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2. TYPE LOG OF FORMATIONS TO BE POOLED.
3. DEFINITION OF FORMATIONS TO BE POOLED.

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2. GRAPH OF PRODUCTION HISTORIES OF SELECTED WELLS, CANADA OJTOS UNIT AND WEST LINDRITH GALLUP-DAKOTA.

SECTION C

EXHIBIT A OF PROPOSED THIRD EXPANSION AREA, CANADA OJTOS UNIT.

SECTION D

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3. OVERHEAD RATES, CANADA OJTOS UNIT, EFFECTIVE APRIL 1, 1981.

BENSON-MONTIN-GREEN DRILLING CORP.**AUTHORITY FOR EXPENDITURE**DATE June 26, 1981Prospect Canada Ojitos Unit (West) Well Canada Ojitos Unit #22 (F-20)Section 20 Township 26N Range 1W County Rio Arriba State New MexicoProducing Formation or Formations Niobrara - Greenhorn Projected Depth 8200'**INTANGIBLE COSTS**

Surveying Road and Location	\$ 2,000
Roads and Location	7,500
Drilling: Type of Bid (Day Work) 30 days @ \$7,500/day	225,000
Day Work - Completion Rig - Day Work 20 days @ \$1,250/day	25,000
Transportation and Hauling (Including Rig)	25,000
Mud and Water	15,000
Circulating System - Gas Line to Location and Gas	40,000
Equip. Rentals - Drilling - Rotating Head - Bloop Line - Straight Hole	15,000
Bits	15,000
Logging	30,000
Cement and Cementing	25,000
Acidizing, Fracing, Perforating (Two 100M gals jelled diesel frac jobs)	400,000
Engineering & Supervision	3,500
Labor	15,000
Overhead	3,500

Contingencies 135,000**TOTAL INTANGIBLE COSTS** \$ 981,500**TANGIBLE COSTS****Well Equipment**

Casing and Tubing: 1000' 10-3/4" + 1-1/4" satellite	\$ 17,000
7350' 7-5/8" N-80 & K-55	135,000
1000' 5" X-line	7,500
8100' 2-3/8" EUE tubing, plastic lined	27,000
Gas Lift Subsurface Equipment	1,000
Wellhead Equipment - Tubinghead, Valves, etc.	10,000
Well Flow Lines	2,500
Noncontrollable Well Equipment	1,500
Installation Costs	3,000

Lease Equipment

Tank Battery	4,000
Separators and Treeters	25,000
Processing, Compressing, Measuring & Monitoring Equipment	2,500
Lease Lines: Oil Gathering 7500' 3" fiberglass	17,500
Gas Gathering 7500' 3" steel	22,500
Gas Lift Gas 7500' 2" steel (also to be used for drilling gas)	25,000
Other Controllable Equipment	5,000
Noncontrollable Equipment	2,500
Installation Costs	15,000

Contingencies 5,000**TOTAL TANGIBLE COSTS** \$ 328,500**TOTAL DRILLING, COMPLETION AND EQUIPMENT COSTS** \$ 1,310,000Less: Frac Diesel if recovered 170,000Less: Contingency costs if not required 140,000**NET COST IF FRAC DIESEL RECOVERED & CONTINGENCIES NOT REQUIRED** \$ 1,000,000

See Page 2 for participating interests.

AUTHORITY FOR EXPENDITURE
CANADA OILS UNIT NO. 22 (F-20)
June 26, 1981

ALLOCATION OF DRILLING COSTS ITEMIZED ON PAGE 1

SERVE	400/640	240/640	100%
AMOUNT	\$819M	\$492M	\$1,310M
EXPENSE BEARING PARTIES	As provided in 3rd expansion Pooling Agreement*	B-M-G Group #1**	

* Participating interests will be as shown on Exhibit II of the June 1, 1981 Pooling Agreement.

** Owners and percentages of B-M-G Group #1 are:

Stoabs Oil Corp.	2.785237%	Asco, Inc.	7.496125%
Tom Bolack	5.000000%	John R. Anderson Est.	1.294738%
Carpenter Corp.	2.500000%	Albert R. Greer	3.554375%
Bill L. Harbert	.889000%	Greer Enterprises Ltd.	10.297333%
Jack London, Jr.	2.500000%	Martin-Harbert Constr.	11.663000%
Wm. V. Martin	5.000000%	Jessie Stanley	.379313
Rocky Mtn. Ltd.	8.804261%	Virgil L. Stoabs	11.237367%
Sun Gas Company	19.990551%	Benson-Martin-Greer	6.608700

APPROVED: **FOR UNIT OPERATOR:** **VIRGIL L. STOABS**

APPROVED: **PARTICIPANT:** _____

BY: _____

March 1, 1981

COPAS

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1,517.00
 Producing Well Rate \$ 273.00
 Compressor Operating Rate \$ 273.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (6) An observation well shall be considered an active well.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

CANADA OJITOS UNIT
OVERHEAD RATES EFFECTIVE 4-1-81

	<u>1980</u> <u>RATES</u> (\$/month)	<u>RATE</u> <u>INCREASE</u>	<u>1981 RATE</u> <u>EFFECTIVE</u> <u>4-1-81</u> (\$/month)
Drilling well	1517	9.3%	1658
Producing well	273	9.3%	298

Dockets Nos. 22-81 and 23-81 are tentatively set for July 15 and 29, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JULY 2, 1981

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 7283: Application of Harvey E. Yates Company for amendment of Division Order No. R-6387, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-6382 to provide that said order authorizing the McDonald Unit Agreement shall have an effective date of June 1, 1981.
- CASE 7284: Application of Energy Reserves Group, Inc. for an unorthodox gas well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Cisco location of its Miller Well No. 1 located 660 feet from the South and West lines of Section 12, Township 6 South, Range 33 East, the S/2 of said Section 12 to be dedicated to the well.
- CASE 7285: Application of J. C. Williamson for two non-standard gas proration units and two unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard 320-acre Wolfcamp gas proration units in Section 10, Township 23 South, Range 34 East, the first comprising the NW/4, W/2 NE/4, and N/2 SW/4, and the second comprising the E/2 NE/4, S/2 SW/4, and SE/4. Applicant further seeks approval for two unorthodox locations, the first for a well drilled 1560 feet from the North line and 1830 feet from the West line of said Section 10, and the second for a well to be drilled 1980 feet from the South and East lines of the section.
- CASE 7286: Application of Supron Energy Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Blanco Mesaverde production in the wellbore of its Jicarilla F Well No. 6 located in the SW/4 of Section 34, Township 26 North, Range 4 West.
- CASE 7287: Application of Benson-Montin-Greer Drilling Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying a previously approved 640-acre non-standard proration unit comprising the W/2 of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, to be dedicated to a well to be drilled thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7288: Application of Southern Union Exploration Company of Texas for contraction of the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the West Puerto Chiquito-Mancos Oil Pool by the deletion of Section 36, Township 24 North, Range 1 West, therefrom.
- CASE 7251: (Continued from June 3, 1981, Examiner Hearing)
- Application of Southern Union Exploration Company of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 36, Township 24 North, Range 1 West, to be dedicated to its Mobil Federal Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7289: Application of Exxon Corporation for a salt water disposal well, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation at a depth of 2638 feet to 2774 feet in its Strange Federal Well No. 3 in Unit J of Section 25, Township 7 South, Range 31 East, Tomahawk-San Andres Pool.
- CASE 7290: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the NE/4 of Section 26, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

- CASE 7291:** Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Silurian and Fusseiman formations underlying the N/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7292:** Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian thru Ellenburger formations underlying the S/2 of Section 6, Township 25 South, Range 37 East, Custer Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7293:** Application of ARCO Oil and Gas Company for an amendment to Order No. R-6649, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-6649 which authorized compulsory pooling in Section 33, Township 22 South, Range 36 East, Langlie Field, to extend to February 1, 1982, the commencement of drilling required in said order.
- CASE 7294:** Application of ARCO Oil and Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers-Queen formation at a depth of 2996 feet to 3186 feet in its R. S. Crosby Well No. A-2 located in Unit L of Section 28, Township 25 South, Range 37 East, Langlie Mattix Pool.
- CASE 7248:** (Continued from June 3, 1981, Examiner Hearing)
Application of Inexco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit L of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.
- CASE 7280:** (Continued from June 17, 1981, Examiner Hearing)
Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7295:** Application of Gulf Oil Corporation for rescission of Division Order No. R-2429-C, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Division Order No. R-2429-C which authorized 320-acre spacing units in the White City-Pennsylvanian Gas Pool. Applicant seeks the reinstatement of 640-acre spacing units in said pool with provision for 320-acre infill drilling and appropriate findings relative thereto.
- CASE 7296:** Application of J. Gregory Merriam and Robert L. Bayless for amendment of pool rules, contraction of the Otero-Gallup Pool, and extension of the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Devils Fork-Gallup Associated Pool Rules to provide for 160-acre spacing rather than 80 acres. Applicant further seeks the contraction of the Otero-Gallup Pool by the deletion of the following acreage: E/2 and NE/4 SW/4 of Section 2, Township 24 North, Range 6 West, and the E/2 of Section 35, Township 25 North, Range 6 West. Applicant seeks the extension of the Devils Fork-Gallup Associated Pool to include the following acreage: In Township 24 North, Range 6 West: All of Sections 2 and 3; S/2 and NE/4 of Section 4; S/2 of Section 5; S/2 of Section 6; and N/2 of Section 11. In Township 25 North, Range 6 West: SE/4 of Section 33; S/2 of Section 34; and all of Section 35.
- CASE 7297:** (This case will be dismissed.)
Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Alley Unit Well No. 1 in Unit E of Section 1, Township 19 South, Range 25 East.

CASE 7298: (This case will be dismissed.)

Application of Amoco Production Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Lancaster Springs Com Well No. 1 in Unit I of Section 1, Township 22 South, Range 26 East.

CASE 7299: (This case will be dismissed.)

Application of Amoco Production Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its State IL Com Well No. 1 in Unit C of Section 3, Township 19 South, Range 24 East.

CASE 7300: Application of Dome Petroleum Corporation for designation of a tight formation, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Chacra formation underlying portions of Townships 21 and 22 North, Ranges 5, 6, and 7 West, containing 73,018 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

CASE 7301: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, redesignating, and extending vertical and horizontal limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the East Lusk-Morrow Gas Pool. The discovery well is Grace Petroleum Corporation West Tonto Federal Com Well No. 1 located in Unit L of Section 24, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 24: W/2

(b) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Mississippian production and designated as the Peterson-Mississippian Pool. The discovery well is Enserch Exploration, Inc. Finley Well No. 1 located in Unit A of Section 6, Township 5 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 28: SW/4
Section 29: S/2
Section 32: W/2

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 5: NW/4
Section 6: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Salado Draw-Wolfcamp Gas Pool. The discovery well is Amoco Production Company State GR Well No. 1 located in Unit G of Section 17, Township 26 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 33 EAST, NMPM
Section 17: E/2

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for St. Lawrence production and designated as the Talco-Strawn Gas Pool. The discovery well is American Trading and Producing Corporation Talco Unit Well No. 1 located in Unit H of Section 11, Township 26 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 35 EAST, NMPM
Section 11: E/2

(e) REDESIGNATE the Lusk-Seven Rivers Pool in Lea County, New Mexico, to the North Lusk-Seven Rivers Pool described as:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 3: All

(f) EXTEND the vertical limits of the Lusk-Yates Pool in Eddy and Lea Counties, New Mexico, to include the Seven Rivers formation and redesignate pool as the Lusk Yates-Seven Rivers Pool described as:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 24: All

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 19: W/2 and W/2 NE/4

(g) EXTEND the Angell Ranch Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 11: S/2
Section 14: All

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 32: S/2

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

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 2: W/2 and NE/4
Section 11: W/2

(i) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: NW/4 SW/4
Section 33: S/2 SE/4

TOWNSHIP 19 SOUTH, RANGE 26 EAST, NMPM
Section 4: NW/4 NE/4

(j) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 34: S/2

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 34: E/2

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 3: All
Section 10: N/2
Section 11: W/2

(k) EXTEND the Bull's Eye-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 12: N/2 SE/4

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 7: N/2 SW/4

(l) EXTEND the South Culebra Bluff-Bone Springs Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 27: N/2 NE/4

(m) EXTEND the Dublin Ranch-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 33: N/2

(n) EXTEND the East Eagle Creek Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 30: N/2

- (o) EXTEND the Southwest Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NE/4

- (p) EXTEND the Gem-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 31: E/2

- (q) EXTEND the Cladiola-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM
Section 20: NE/4
Section 21: N/2

- (r) EXTEND the Grayburg Jackson Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 1: W/2 SW/4

- (s) EXTEND the North Illinois Camp-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 16: E/2

- (t) EXTEND the Langlie Mattix Seven Rivers-Queen-Grayburg Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 31: SW/4

- (u) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 7: S/2

- (v) EXTEND the West Nadine-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 5: E/2
Section 8: NE/4

- (w) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: W/2 NE/4 and NW/4 SE/4

- (x) EXTEND the Richard Knob Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 9: N/2

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

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM
Section 16: S/2

- (z) EXTEND the Scharb-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 5: E/2

(aa) EXTEND the Tomahawk-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 19: NW/4

(bb) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 11: SW/4
Section 14: NW/4

Docket No. 21-81

COMMISSION HEARING - WEDNESDAY - JULY 8, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7226: (DE NOVO)

Application of Enserch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Moxaya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit B of Section 32, Township 5 South, Range 33 East.

Upon application of Enserch Exploration, Inc. this case will be heard De Novo pursuant to the provision of Rule 1220.

CASE 7275: (Continued from June 17, 1981, Examiner Hearing)

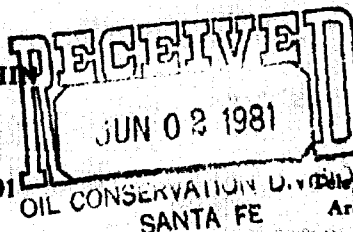
Application of S. P. Yates for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7270: (Continued from June 17, 1981, Examiner Hearing)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501



May 29, 1981

Mr. Joe Ramey
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 7287

RE: BMG

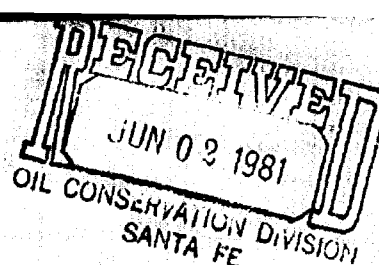
Dear Joe:

Please set the enclosed application for hearing
at the Examiner Hearing scheduled for July 2, 1981.

Very truly yours,

W. Thomas Kellahin
W. Thomas Kellahin *jm*

WTK:jm
Enclosure
cc: Al Greer



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

IN THE MATTER OF THE APPLICATION
OF BENSON-MONTIN-GREER DRILLING
CORPORATION FOR COMPULSORY
POOLING, RIO ARriba COUNTY, NEW
MEXICO

Case 7287

A P P L I C A T I O N

COMES NOW BENSON-MONTIN-GREER DRILLING CORPORATION,
and applies to the New Mexico Oil Conservation Division for
an order pooling the mineral interests in the West Puerto
Chiquito-Mancos Oil Pool underlying the following acreage:

Township 26 North, Range 1 West, NMPM
Section 17: W/2
Section 20: W/2

consisting of 640 acres

and in support thereof would show:

1. Applicant is the lessee of certain federal leases located in the above referenced unit.
2. The subject unit consists of 640 acres of Federal Oil & Gas Minerals and has been approved by Oil Conservation Division Order R-6469 as a non-standard unit.
3. This application is necessary because of a forty acre unleased federal tract within the unit and because of an additional 200 federal acres under Federal Oil and Gas Lease NM-29756, which is the subject of a dispute and appeal.

4. Applicant has sought the cooperation of all interested parties involved in the 240 federal acres and has been unable to obtain the necessary approvals or commitments to form a voluntary unit for this well.

5. Those parties who have not or who are unable to join in the drilling of the well for this unit are as follows:

(a) For the SW/4SW/4 of Section 20, T26N, R1W, NMPM:
being unleased federal oil & gas minerals:

1. United States Geological Survey
P.O. Box 26124
Albuquerque, New Mexico 87125
2. Bureau of Land Management
Attention: Mr. Raul Martinez
P.O. Box 1449
Santa Fe, New Mexico 87501

(b) For N/2NW/4 of Section 17 and the N/2SW/4 and SE/4SW/4 of Section 20, NMPM:

acreage designated as federal Oil & Gas Lease
NM-29756

1. First Drawee:

Richard Simmons
23362 Suncrest
Dearborn Heights, Michigan 48127

Dick O'Connell
P.O. Box 2063
Capser, Wyoming

2. Southland Royalty
Attention: Mr. Roy Williams
410 17th Street
Denver, Colorado 80202
First Optionee under this lease if
issued to Simmons

3. United States Geological Survey
P.O. Box 26124
Albuquerque, New Mexico 87125

Bureau of Land Management
P.O. Box 1449
Santa Fe, New Mexico 87501
Attention: Mr. Raul Martinez

Copies of this application have been mailed to all interest parties named in paragraph (5) herein.

6. Applicant desires to be designated operator of the pooled unit.
7. Applicant requests the Division to pool the subject acreage and provide for a procedure whereby any lessee of the federal acreage shall be required to reimburse the applicant for the said lessee's share of the reasonable costs of the well and risk factor, if any.
8. That the order further provides that in the event the subject spacing unit is committed to the Canada Ojitos Unit or any expansion thereof, then the costs, expenses, penalties, if any, and revenues shall be reallocated based upon the terms and conditions of the Canada Ojitos Unit Agreement and any amendments thereof.
9. 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 oil in said unit, all mineral interests, whatever they may be, for the West Puerto Chiquito-Mancos Oil Pool underlying the subject unit, should be pooled.
10. 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 200% thereof as a reasonable charge for the risk involved in the drilling of the well.
11. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each

non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order granting the application as requested.

C. And for such other relief as may be just in the premises.

KELLAHIN & KELLAHIN

By

W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico 87501
(505) 982-4285

Attorneys for Applicant

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7287

Order No. R- 6750

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR COMPULSORY
POOLING, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 2
1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets
NOW, on this day of July, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Benson-Montin-Greer Drilling / Corporation
seeks an order pooling all mineral interests in the West Puerto
Chiquito-Mancos Oil Pool a previously approved 640-acre
underlying the non-standard proration
unit comprising the W/2 of Section 17 and the W/2 of
of Section 20, Township 26 North, Range 1 West
NMPM, , Rio Arriba County, New
Mexico.

~~(1) That the SW 1/4 of said Section 20~~
~~is an unleased Federal tract.~~

-2-

Case No.

Order No. R-

(3) That the applicant has the right to drill and proposes to drill a well _____ at a standard location thereon.

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

(5) That within the unit proposed for compulsory pooling there is a ~~approximately 200 acres of~~ federal lease consisting of approximately 200 acres. The ownership of which is in dispute and ~~there~~ and an unleased federal tract consisting of 40 acres.

(6) 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.

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

(8) That any non-consenting working interest owner including the eventual lessor of the unleased acreage and the successful litigant to the disputed acreage 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.

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

(10) ~~(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.

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

(11) That \$ 1658⁰⁰ per month while drilling and \$ 298⁰⁰ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(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 1, 1981, 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, West Puerto Chiquito-Mancos Oil Pool in the / ~~formation~~ underlying ~~the~~ a previously approved 640-acre non-standard proration unit ~~of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, NMPM,~~ ~~comprising the W/2 of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, NMPM,~~ comprising the W/2 of Section 17 and the W/2 of Section 20, Township 26 North, Range 1 West, NMPM, Rio Arriba 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 at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mancos formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Benson-Montin-Greer Drilling ^{Corporation} is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs provided, however,

that such schedule shall be submitted to the lessor or currently unleased acreage and the successful litigant to the disputed acreage within the pooled unit within the ~~90 day~~ foregoing 90-day period or not later than 90 days following the awarding of the lease and 90 days following resolution of the disputed ownership, respectively, whichever is later.

(4) That within 30 days from the date the schedule of

estimated well costs is furnished to him any non-consenting

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

(2) That Benson-Montin-Greer Drilling/is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs *provided, however,*

that such schedule shall be submitted to the lessor or currently unleased acreage and the successful litigant to the disputed acreage within the pooled unit within the ~~90-day~~ foregoing 90-day period or not later than 90 days following the awarding of the lease and 90 days following resolution of the disputed ownership, respectively, whichever is later.

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

Said schedule to be submitted to the lessor or currently unleased acreage and the successful litigant to the disputed acreage within the pooled unit within the 90-day period or not later than 90 days following the awarding of the lease and 90 days following resolution of the disputed ownership, respectively, whichever is later.

submitted to the lessor or the split owner or the pooled unit or the successful litigant to the disputed acreage within the 90-day period or not later than 90 days following the awarding of the lease and 90 days following resolution of the disputed ownership, respectively, whichever is later.

(6) That relative to both the unleased acreage and the disputed acreage, the schedules of estimated and final well costs may be submitted simultaneously if the well has been completed prior to leasing or resolution of the dispute, respectively, and the operator may include a reasonable charge for interest for the portion of well costs attributable to said interests.

(7) That interest may not be charged against the ~~the~~ costs attributable to any ~~a~~ non-consenting interest owner.

(8) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) (a) 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 *as herein provided* ~~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, *200* percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated *as herein provided, except that* ~~well costs within 30 days from the date the schedule of estimated well costs is furnished to him.~~

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

(11) (a) That \$ *1658.00* per month while drilling and \$ *298.00* per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

(12) ~~(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.

(13) ~~(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.

(14) ~~(12)~~ That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

including all income attributable to the unleased and disputed acreage prior to leasing and resolution of the disputes, respectively,