

Case No.

7292

Application

Transcripts

Small Exhibits

ETC



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2000
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

January 27, 1982

Montgomery & Andrews
Attorneys at Law
Box 2307
Santa Fe, New Mexico 87504-2307

Attention: Mr. Gary R. Kilpatrick

Gentlemen:

As provided in Order No. R-6731, the time for ARCO
to commence drilling a well is extended to May 1,
1982.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

26-1982
J. O. SETH (1883-1963)
FRANK ANDREWS (1914-1981)

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

A. K. MONTGOMERY
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
VICTOR R. ORTEGA
JOHN E. CONWAY
JEFFREY R. BRANNEN
JOHN B. POUND
GARY R. KILPATRICK
THOMAS W. OLSON
WALTER J. MELENDRES
BRUCE L. HERR
MICHAEL W. BRENNAN
ROBERT P. WORCESTER
JOHN B. DRAPER
NANCY M. ANDERSON
RUDOLPH B. SACKS, JR.
JANET MCL. MCKAY
EDWARD F. MITCHELL III
ALLEN H. BRILL
CARRIE L. PARKER
RANDALL GLOVER
MAUREEN A. SANDERS

SANTA FE OFFICE
325 PASEO DE PERALTA
POST OFFICE BOX 2307
SANTA FE, NEW MEXICO 87504-2307
TELEPHONE (505) 982-1821
TELECOPY (505) 982-4289

ALBUQUERQUE OFFICE
SUITE 916
FIRST INTERSTATE BANK BUILDING
4TH AND GOLD AVENUE, S.W.
POST OFFICE BOX 1396
ALBUQUERQUE, NEW MEXICO 87103-1396
TELEPHONE (505) 242-9677

January 26, 1982

REPLY TO SANTA FE OFFICE

HAND DELIVERED

Mr. Joe D. Ramey
Director
State of New Mexico
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

File Case 7292

Re: Extension of Forced Pooling Order R-6731

Dear Mr. Ramey:

Order R-6731 provides for a compulsory pooling of the south half of Section 6, Township 25 South, Range 37 East, Lea County, New Mexico. This Order will expire on February 1, 1982 unless an extension is granted.

ARCO intends to drill this well with Forex Neptune Rig #48. This rig is currently drilling ARCO's Langley Esmond #1 well. Due to a 34 day fishing job and lost circulation problems, the rig will not be finished with the Langley Esmond #1 well before February 1, 1982, when Order R-6731 is set to expire. Therefore, I am hereby requesting on behalf of ARCO an extension of the above-referenced Order to May 1, 1982.

If you require anything further in order to process and to rule upon this request, please do not hesitate to contact me.

Very truly yours,

Gary R. Kilpatrick

GRK:cs
7748-81-5

cc: Mr. B. L. Stokely
Mr. H. N. Burton
Mr. H. Q. Pham



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

October 7, 1981

Mr. Allen H. Brill
Montgomery & Andrews
P. O. Box 2307
Santa Fe, New Mexico 87501

Dear Mr. Brill:

As provided in Division Order No. R-6731, ARCO is granted an extension of time to February 1, 1982, to commence drilling of a well.

It is my understanding that ARCO has been unable to obtain a drilling rig to meet the November 1, 1981, date that Order No. R-6731 stipulates.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

J. O. SETH (1883-1963)
FRANK ANDREWS (1914-1981)

A. K. MONTGOMERY
SETH D. MONTGOMERY
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JANET MCL. MCKAY
EDWARD F. MITCHELL III
ALLEN H. BRILL
CARRIE L. PARKER

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW
325 PASEO DE PERALTA
POST OFFICE BOX 2307
SANTA FE, NEW MEXICO 87501
TELEPHONE 505-982-3873
TELECOPY 505-982-4289

ALBUQUERQUE OFFICE
SUITE 916
BANK OF NEW MEXICO BUILDING
4TH AND GOLD AVENUE, S.W.
POST OFFICE BOX 1398
ALBUQUERQUE, NEW MEXICO 87103
TELEPHONE 505-243-3733

October 2, 1981

Mr. Joe D. Ramey
Director
New Mexico Oil Conservation Division
P.O. Box 2088
State Land Office
Santa Fe, New Mexico 87501

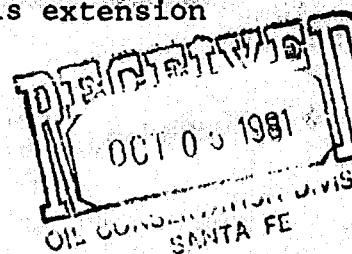
Re: Amendment of Oil Conservation Division
Order No. R-6731

Dear Mr. Ramey:

This firm represents ARCO Oil and Gas Company. On July 28, 1981, the Oil Conservation Division issued Order No. R-6731 granting ARCO's application in Case No. 7292 for an order pooling all mineral interests from the top of the Devonian through the base of the Ellenburger formations underlying subject acreage. The Division's order required that ARCO as operator commence drilling its well on or before November 1, 1981. If the well is not so drilled, the order will expire unless extended by the Division for good cause shown.

ARCO has made good faith efforts to secure a drilling rig and to spud its well by November 1, 1981, but it has been unable to do so. ARCO has available a rig presently engaged in drilling on the N/2 of Section 6, Township 25 South, Range 37 E., NMPM, Custer Field, Lea County, New Mexico, which will be available on January 15, 1982. ARCO is requesting an extension until February 1, 1982 to allow for any unforeseen delays that may occur.

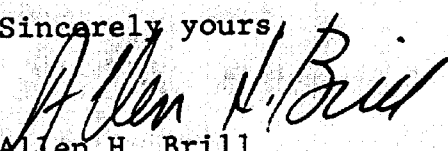
ARCO requests that the Division administratively approve an extension of time in which to commence the drilling requirements set forth in the Division's order to February 1, 1982. As the Division has retained jurisdiction in Case No. 7292 and ARCO has shown good cause for extending the date by which the subject well must be drilled, we respectfully request that this extension



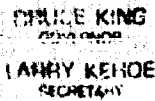
Mr. Joe D. Ramey
October 2, 1981
Page Two

be administratively granted.

Sincerely yours,


Allen H. Brill

AHB/ss



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

PO BOX OFFICE BOX 2000
STATE LABOR OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2436

July 29, 1981

Mr. Allen H. Brill
Montgomery & Andrews
Attorneys at Law
P. O. Box 2307
Santa Fe, New Mexico

Re: CASE NO. 7292
ORDER NO. R-6731

Applicant:

ARCO Oil and Gas Company

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

JED/fd

Copy of order also sent to:

Robbs OCD	X
Artesia OCD	X
Aztec OCD	

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. 7292
Order No. R-6731

APPLICATION OF ARCO OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th 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, ARCO Oil and Gas Company, seeks an order pooling all mineral interests from the top of the Devonian formation through the base of the Ellenburger formation underlying the S/2 of Section 6, Township 25 South, Range 37 East, NMPM, Custer Field, Lea 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 proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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Case No. 7292
Order No. R-6731

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

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

(8) That any non-consenting working interest owner 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.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$2400.00 per month while drilling and \$240.00 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.

(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.

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Case No. 7292
Order No. R-6731

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the top of the Devonian formation through the base of the Ellenburger formation underlying the S/2 of Section 6, Township 25 South, Range 37 East, NMPM, Custer Field, Lea County, New Mexico, are hereby pooled to form a standard 320-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 first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Ellenburger 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 ARCO Oil and Gas Company 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.

(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.

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Case No. 7292
Order No. R-6731

(5) That 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 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.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$2400.00 per month while drilling and \$240.00 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

-5-

Case No. 7292
Order No. R-6731

operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea 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.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director



SEAL

rd/

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

15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of ARCO Oil and Gas
Company for compulsory pooling,
Lea County, New Mexico.

CASE
7292

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

Allen Brill, Esq.
MONTGOMERY & ANDREWS
Paseo de Peralta
Santa Fe, New Mexico 87501

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I N D E X

BEN STOKELY

Direct Examination by Mr. Brill 4
Cross Examination by Mr. Nutter 12

THOMAS S. MUTRANOWSKI

Direct Examination by Mr. Brill 13
Cross Examination by Mr. Nutter 18

E X H I B I T S

Applicant Exhibit One, Map 7
Applicant Exhibit Two, Log 8
Applicant Exhibit Three, Log 8
Applicant Exhibit Four, Log 9
Applicant Exhibit Five, Contour Map 9
Applicant Exhibit Six, Contour Map 9
Applicant Exhibit Seven, Letter, etc. 15
Applicant Exhibit Eight, Document 16

MR. NUTTER: Call next Case Number 7292.

MR. PEARCE: Application of ARCO Oil
and Gas Company for compulsory pooling, Lea County, New Mexico.

MR. BRILL: Mr. Examiner, my name is
Allen Brill. I'm with the law firm of Montgomery and Andrews,
and I'm here to represent ARCO, in this matter.

We will have two witnesses in this case,
Mr. Stokely and Mr. Mutranowski.

MR. NUTTER: Will you spell your last
name, Mr. Brill?

MR. BRILL: B-R-I-L-L.

MR. NUTTER: Thank you.

MR. BRILL: And the first name is spelled
A-L-L-E-N.

MR. NUTTER: Thank you.

(Witnesses sworn.)

BEN STOKELY

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

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4

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DIRECT EXAMINATION

3

BY MR. BRILL:

4

Q

Please state your name and address?

5

A

My name is Ben Stokely. I live at 3602

6

Godfrey Court, in Midland, Texas.

7

Q

By whom are you employed, Mr. Stokely?

8

A

ARCO Oil and Gas Company.

9

Q

And in what capacity?

10

A

As a petroleum engineer.

11

Q

Have you testified before the Division

12

at a previous time?

13

A

No, I have not.

14

Q

Would you then please describe in summary

15

fashion your professional qualifications and experience?

16

Q

I have a BS in petroleum engineering

17

from the University of Texas and recently I've attended com-

18

pany sponsored training sessions in waterflood operations,

19

transient pressures, core analysis, and electric logging.

20

I've been employed by ARCO for 32 years,

21

the last 15 of which have been spent in Midland performing

22

reservoir engineering operations, and analytical engineering.

23

I've performed engineering and super-

24

visory duties on all pay zones in the Permian Basin geological

25

section from the Ellenburger to the Yates. I have recently

1
2 been assigned to New Mexico duty.

3 I am a member of the AIME, a 25-year
4 member, and a registered professional engineer in Texas, No.
5 21475.

6 MR. BRILL: Mr. Examiner, we would tender
7 Mr. Stokely as an expert in petroleum engineering, qualified
8 to testify before the Division.

9 MR. NUTTER: Mr. Stokely is qualified.

10 Q Mr. Stokely, are you familiar with ARCO's
11 application in this case?

12 A Yes, I am.

13 Q Could you describe briefly the subject
14 matter of that application?

15 A ARCO Oil and Gas Company applies for
16 compulsory pooling in Lea County, New Mexico, ordering all
17 mineral interests in the Devonian through the Ellenburger
18 formations underlying the south half of Section 6, Township
19 25 South, Range 37 East, Custer Field, to be dedicated to
20 a well to be drilled at a standard location in the letter K
21 in that half section.

22 Also to be considered will be the cost
23 of drilling and completing the well and the allocation of
24 the cost, as well as actual operating cost and charges for
25 supervision, and the designation of ARCO as operator of the

1
2 well with a charge for risk involved in drilling the well.

3 MR. BRILL: Mr. Examiner, as you may
4 have noted, the application we propose to amend in two re-
5 spects.

6 First of all, rather than designating
7 the particular point, we would propose to drill the well in
8 a standard location in the K area, and second, the penalty
9 has been changed from 200 percent to 300 percent.

10 MR. NUTTER: Wait a minute. Now you
11 can't change the penalty to 300 percent because 200 percent
12 is the maximum statutory limit.

13 MR. BRILL: Well, I guess we would then
14 ask to simply amend as far as the location, the standard
15 location.

16 MR. NUTTER: Now, there may be some
17 confusion as to the 300 percent. Any operator owes 100 per-
18 cent of his share and then there can be assessed a 200 per-
19 cent penalty, which makes 300 percent of his share to be
20 payable.

21 MR. BRILL: I think that's --

22 MR. NUTTER: That may be the source of
23 the confusion.

24 MR. BRILL: I think you're exactly right.
25 We would --

1
2 MR. NUTTER: You request a 300 percent
3 payment of his share.

4 MR. BRILL: That's right. That's right.
5 The penalty would be 200.

6 MR. NUTTER: Okay.

7 MR. BRILL: So we would ask that we be
8 allowed to make this amendment without a new publication.

9 MR. NUTTER: Okay. Neither one of those
10 items was specified in the location -- in the advertisement
11 of the case. It was specified it would be at a standard
12 location. Now you're still proposing a standard location.

13 MR. BRILL: That's correct.

14 MR. NUTTER: And it simply said that
15 a charge for risk would be assessed without specifying the
16 percentage, so we'll consider the application amended and
17 no -- no problem on the legal notice.

18 Q Mr. Stokely, I'm going to show you a
19 document that has been marked for identification purposes
20 as Exhibit One. Can you identify that?

21 A Yes, I can. It is an area map showing
22 the south half of Section 6 and the proposed well marked with
23 a red dot.

24 The half section dedicated to this well
25 is outlined in red and on the left side of the section is a

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green dot, which is Conoco Wells B-1 No. 5.

MR. BRILL: We would move the admission of this exhibit at this time.

MR. NUTTER: Exhibit One will be admitted in evidence.

Q. Mr. Stokely, I'm now going to show you a second document which has been marked as Exhibit Two. Can you identify that document?

A. Yes. This is a portion of the log of Conoco Wells B-1 No. 5, showing the Devonian formation and the perforated interval which currently produces.

Q. Now is this log from the well which is represented on the plat that is identified as Exhibit One?

A. Yes, this is the log from the well marked with the green dot.

Q. And what does the log show, Mr. Stokely?

A. The log shows the top of the Devonian formation and it shows the perforated interval marked in red, indicating where the well is currently producing from.

Q. I'm going to show you another exhibit, which is marked as Exhibit Three. Can you identify that?

A. Yes. It is the portion of the log of the same well showing the Siluro-Devonian -- I mean Silurian-Fusselman area of the log. The red portion marked on the

right indicates the porosity in the Silurian and Fusselman zones, which our log analyst and I have determined would produce if completed.

On the lefthand side of the log the porosity and water saturation and gas from the mud logger units are shown, indicating that indeed these sections would produce if completed.

Q. And finally I'm showing you a third document marked Exhibit Four. Can you identify that?

A. Exhibit Four is the Ellenburger portion of the log on the same well. It shows the red marking indicating the perforations in the Ellenburger, which are currently producing in the Wells B-1 No. 5, and the top of the Ellenburger formation.

Q. And yet two more documents that I will show you as a pair, and they are labeled Exhibits Five and Six. Can you identify each of these?

A. Yes, I can.

Exhibit Number Five is a contour map on the top of the Siluro-Devonian formation with a contour interval of 100 feet to 7000 feet. The scale is one inch to 1000.

The Custer Wells proposed well 1-A, is shown in the lower righthand corner of this map and the half

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section dedicated to it is outlined in red.

3

Q Is the Conoco well to which we have been referring, is that shown on this exhibit?

5

A Yes, immediately to the northwest of the half section dedicated to the well, you will see a well, gas well marked No. 5. That is the Conoco Wells B-1 No. 5.

8

Q Would you identify now for us Exhibit Six?

10

A Exhibit Six is a contour map based on the top of the Ellenburger and it shows the same general area, including at the lower righthand end the half section dedicated to the Custer Wells A No. 1 and the Conoco Wells B-1 No. 5 at the northwest corner of that.

15

MR. BRILL: At this time we would move the admission of Exhibits Two through Six.

17

MR. NUTTER: Exhibits Two through Six will be admitted in evidence.

19

Q Mr. Stokely, taking these exhibits into account, what conclusions do you reach about the productive possibilities of the proposed well?

22

A According to the structure maps as shown the ARCO Custer Wells A No. 1 is as high or higher than the Conoco Wells B-1 No. 5 on structure, and as such it should be productive in the same formations that the Conoco Wells B-1

25

No. 5 is producing from.

Now the two formations which were not completed, the Silurian and the Fusselman, are in between the other two formations and should continue on to the ARCO Wells B-1 No. 5 at the same relative elevation, and therefor, they should also be productive in the Wells A No. 1.

Q Based on this conclusion, then, and any other factors, do you believe, Mr. Stokely, that there exists sufficient evidence to justify compulsory pooling the interests in this unit?

A I believe that these exhibits prove conclusively that these four reservoirs will produce in the Custer Wells A No. 1 and that they should be compulsory pooled.

Q Have you had the opportunity to do a cost workup for the proposed well?

A Referring to the Custer Wells No. 1, which was the subject of a hearing here this morning, we have estimated the cost of drilling A No. 1 to be \$2.8 million including a recent increase in drilling costs.

The supervision and overhead which we used for this is \$2400 a month while drilling and we ask, as was earlier said, 200 percent risk cost, which would be 300 percent total payment.

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2 MR. BRILL: Mr. Examiner, we have no
3 further questions of this witness.
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Stokely, you mentioned \$2400 a month
8 as combined fixed rates overhead while drilling. What about
9 while producing?

10 A These wells are quite expensive to
11 operate. I would guess it will be from \$12,000 -- I mean
12 from \$1200 to \$1800 a month. I don't know what exactly it
13 will be. It will be in that neighborhood.

14 Q Normally I see most of these combined --
15 now this is just for overhead I'm talking about, and normally
16 combined fixed rate for overhead is about 10 percent in a
17 producing what it is for a drilling well.

18 A Well, yes, the overhead won't be that
19 much. I was thinking operating --

20 Q And then you have directly chargeable
21 expenses are something else.

22 A Right, right. Okay. I would --

23 Q So we'll put down 10 percent or \$240
24 for overhead, how's that?

25 A I think that would be a good number for

1
2 overhead.

3 Q Now you expect this well to cost \$2.8
4 million?

5 A Yes, sir.

6 Q The well to the north is going to cost
7 more because of directional --

8 A Yes, sir.

9 Q -- drilling.

10 A It will.

11 MR. NUTTER: Are there any further ques-
12 tions of Mr. Stokely? He may be excused.

13 MR. BRILL: We would now like to call
14 Mr. Mutranowski.

15
16 THOMAS S. MUTRANOWSKI
17 being called as a witness and being duly sworn upon his oath,
18 testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. BRILL:

22 Q Please state your name and address.

23 A My name is Thomas Mutranowski and I
24 reside in Midland, Texas.

25 Q By whom are you employed, Mr. Mutranowski?

1

2

A. ARCO Oil and Gas Company.

3

Q. In what capacity?

4

A. I'm a petroleum landman.

5

6

MR. NUTTER: You know, I'd ask you how to spell your last name if I didn't know.

7

A. Okay.

8

MR. NUTTER: Go ahead and do it anyway.

9

A. M-U-T-R-A-N-O-W-S-K-I.

10

MR. NUTTER: M-U-T-R-A-N-O-W-S-K-I.

11

A. Yes.

12

MR. NUTTER: Thank you.

13

A. You're welcome.

14

15

Q. Mr. Mutranowski, are your qualifications a matter of record and have they been accepted before by the Division?

16

17

A. Yes, they are and yes, they have.

18

19

Q. And are you familiar with the ownership of working and non-working interests in the south half of Section 6, Township 25 South, Range 37 East, Lea County, New Mexico?

20

21

22

A. Yes, I am.

23

24

MR. BRILL: Are the witness' qualifications acceptable?

25

MR. NUTTER: They are.

1

2

Q

Mr. Mutranowski, are you aware of how

3

many divided ownership tracts there are in that location?

4

A

Yes, there are two undivided tracts in

5

the south half of section 6.

6

Q

And do you know whether the leases have

7

pooling provisions?

8

A

No, they do not.

9

Q

And is that why compulsory pooling is

10

necessary?

11

A

Yes, it is.

12

Q

You have heard the testimony of Mr.

13

Stokely concerning ARCO's plans to drill in the south half

14

of Section 6, is that correct?

15

A

Yes.

16

Q

And are you familiar with the efforts

17

that ARCO has made to seek commitment of all working and

18

non-working interest in the south half of Section 6?

19

A

Yes, I am. A letter was sent to all

20

working interest parties on April 6, 1981, and they were

21

provided with an AFE and joint operating agreement. Also,

22

there was a letter mailed to all other owners in production

23

on May 6th, 1981.

24

Q

I will show you a document which has

25

been marked for identification purposes as Exhibit Seven.

1
2 Do you recognize that document?

3 A. Yes, I do.

4 Q. What is that document?

5 A. That is the letter dated May 6th, 1981,
6 containing a proposed communitization agreement and consent
7 and ratification to communitization agreement, which was sent
8 to all royalty owners and other owners with interest in pro-
9 duction in the south half of section 6.

10 Q. I will also show you an exhibit which
11 has been marked as Exhibit Eight. Do you recognize that
12 document?

13 A. Yes, I do.

14 Q. What is that document?

15 A. That is a breakdown of the various
16 interest in production in the south half of Section 6.

17 Q. Are all the working interests in the
18 south half of Section 6 committed?

19 A. Not at this time. The working interest
20 breakdown in the south half of Section 6 is ARCO 25 percent
21 and Phillips Petroleum 75 percent.

22 Phillips, however, has a development
23 agreement with Union Oil of California whereby upon payout
24 of any well drilled in this area Union of Cal will come in
25 for a 50 percent working interest out of Phillips interest.

Union of Cal has ratified the joint operating agreement and I do have verbal commitment from Phillips to either join or farmout in the south half of Section 6.

Q. Are there any other working interests?

A. No.

Q. Are you aware of the penalty provision of 200 percent or 300 percent payment provision that is being proposed in this application?

A. Yes, I am.

Q. Is that a standard in the industry?

A. Yes, it is for this area.

Q. Concerning non-working interests, are all non-working interests committed at this point?

A. No, they are not. We have by that letter of May 6th, we sent the consent and ratification to the proposed communitization agreement to all overriding royalty owners and royalty owners, and as of this date we have received 62-1/2 percent response.

Q. And response by -- by that you mean --

A. By signed returned copies of this consent and ratification.

Q. In your opinion as a qualified landman, do you believe it is likely that you will obtain voluntary

1
2 commitment by all the outstanding non-working interest?

3 A. No, I do not believe so. Based on my
4 familiarity with this situation and past experience in securing
5 commitments from royalty owners, I do not believe that we
6 will obtain 100 percent response to pooling.

7 Q. Is all the acreage within the south half
8 of Section 6 fee land?

9 A. No, it is not.

10 Q. Could you elaborate, please?

11 A. Yes. The tract that ARCO is committing,
12 is on a Federal lease. The tract Phillips is committing is
13 a fee lease.

14 Q. Mr. Mutranowski, again in your opinion
15 as a qualified landman, will the approval of this application
16 now pending prevent the drilling of unnecessary wells and
17 otherwise prevent waste and protect correlative rights?

18 A. Yes, it will.

19 MR. BRILL: I have nothing further of
20 this witness.

21
22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q. Mr. Mutranowski, Now ARCO owns 25 per-
25 cent. That's the 80-acre tract, Tract No. 1, right?

1
2 A. Yes, sir.

3 Q And the Federal government is the royalty
4 owner and then you have a group of overriding royalty owners.

5 A. Yes, sir.

6 Q And Phillips owns the working interest
7 in the remaining 236 acres and there is a lessor, C. D. Wool-
8 worth, et al, listed. Now the et al would be all this list
9 of royalty owners that's shown on page one -- two of Exhibit
10 Eight, right?

11 A. Yes.

12 Q Okay, now when Phillips -- Phillips has
13 agreed to this well, have they?

14 A. Yes, they have.

15 Q Now by Phillips agreeing to it, are they
16 committing Union's interest at this time?

17 A. Union's interest right now before payout
18 is an overriding royalty interest.

19 Q That's all they've got right now.

20 A. That's all they have right now.

21 Q But when Phillips commits its working
22 interest, it's committing Union for its 50 percent working
23 interest --

24 A. Correct.

25 Q -- later on.

1

2

A. That's exactly correct. Union is in correspondence with Phillips when they are making the determination to join or farmout, to participate or not to participate in a well, and Phillips' decision is based on their communication with Union of Cal.

7

Q. Uh-huh.

8

9

A. Union of Cal has signed the joint operating agreement and has committed to --

10

11

Q. But as far as their concerned right now they can only do it as an override.

12

A. Overriding royalty owner, correct.

13

14

Q. So you do have 100 percent working interest commitment.

15

A. Yes.

16

Q. Okay.

17

MR. BRILL: Mr. Examiner, I would --

18

19

Q. That's the only part that has to share in well costs.

20

A. Yes,

21

22

Q. So you have voluntary consent from everyone on well costs.

23

A. Yes, I do.

24

Q. And operating costs and all that.

25

A. Right. Right.

1
2 MR. BRILL: Mr. Examiner, I would move
3 the admission of Exhibits Seven and Eight at this time.

4 MR. NUTTER: Exhibits Seven and Eight
5 will be admitted.

6 Are there any other questions of Mr.
7 Mutranowski? He may be excused.

8 Do you have anything further, Mr. Brill?

9 MR. BRILL: We have nothing further.

10 MR. NUTTER: Does anyone have anything
11 they wish to offer in Case Number 7292?

12 We'll take the case under advisement.

13
14 (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 HEREPY 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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7292
heard by me on 7/15 1981.

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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

15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of ARCO Oil and Gas
Company for compulsory pooling,
Lea County, New Mexico.

CASE
7292

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

Allen Brill, Esq.
MONTGOMERY & ANDREWS
Paseo de Peralta
Santa Fe, New Mexico 87501

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I N D E X

BEN STOKELY

Direct Examination by Mr. Brill
Cross Examination by Mr. Nutter

THOMAS S. MUTRANOWSKI

Direct Examination by Mr. Brill
Cross Examination by Mr. Nutter

E X H I B I T S

Applicant Exhibit One, Map
Applicant Exhibit Two, Log
Applicant Exhibit Three, Log
Applicant Exhibit Four, Log
Applicant Exhibit Five, Contour Map
Applicant Exhibit Six, Contour Map
Applicant Exhibit Seven, Letter etc.
Applicant Exhibit Eight Document

MR. NUTTER: Call next Case Number 7292.

MR. PEARCE: Application of ARCO Oil
and Gas Company for compulsory pooling, Lea County, New Mexico.

MR. BRILL Mr. Examiner, my name is
Allen Brill. I'm with the law firm of Montgomery and Andrews
and I'm here to represent ARCO, in this matter.

We will have two witnesses in this case,
Mr. Stokely and Mr. Mutranowski.

MR. NUTTER: Will you spell your last
name, Mr. Brill?

MR. BRILL: B-R-I-L-L.

MR. NUTTER: Thank you.

MR. BRILL: And the first name is spelled
A-L-L-E-N.

MR. NUTTER: Thank you.

(Witnesses sworn.)

BEN STOKELY

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

DIRECT EXAMINATION

BY MR. BRILL:

Q Please state your name and address?

A My name is Ben Stokely. I live at 3602
Godfrey Court, in Midland, Texas.

Q By whom are you employed, Mr. Stokely?

A ARCO Oil and Gas Company.

Q And in what capacity?

A As a petroleum engineer.

Q Have you testified before the Division
at a previous time?

A No, I have not.

Q Would you then please describe in summary
fashion your professional qualifications and experience?

Q I have a BS in petroleum engineering
from the University of Texas and recently I've attended com-
pany sponsored training sessions in waterflood operations,
transient pressures, core analysis, and electric logging.

I've been employed by ARCO for 32 years,
the last 15 of which have been spent in Midland performing
reservoir engineering operations, and analytical engineering.

I've performed engineering and super-
visory duties on all pay zones in the Permian Basin geological
section from the Ellenburger to the Yates. I have recently

1
2 been assigned to New Mexico duty.

3 I am a member of the AIME, a 25-year
4 member, and a registered professional engineer in Texas, No.
5 21475.

6 MR. BRILL: Mr. Examiner, we would tender
7 Mr. Stokely as an expert in petroleum engineering, qualified
8 to testify before the Division.

9 MR. NUTTER Mr. Stokely is qualified.

10 Q Mr. Stokely, are you familiar with ARCO's
11 application in this case?

12 A Yes I am.

13 Q Could you describe briefly the subject
14 matter of that application?

15 A ARCO Oil and Gas Company applies for
16 compulsory pooling in Lea County, New Mexico, ordering all
17 mineral interests in the Devonian through the Ellenburger
18 formations underlying the south half of Section 6, Township
19 25 South, Range 37 East, Custer Field, to be dedicated to
20 a well to be drilled at a standard location in the letter K
21 in that half section.

22 Also to be considered will be the cost
23 of drilling and completing the well and the allocation of
24 the cost, as well as actual operating cost and charges for
25 supervision, and the designation of ARCO as operator of the

1
2 well with a charge for risk involved in drilling the well.

3 MR. BRILL: Mr. Examiner, as you may
4 have noted, the application we propose to amend in two re-
5 spects.

6 First of all, rather than designating
7 the particular point, we would propose to drill the well in
8 a standard location in the K area, and second, the penalty
9 has been changed from 200 percent to 300 percent.

10 MR. NUTTER: Wait a minute. Now you
11 can't change the penalty to 300 percent because 200 percent
12 is the maximum statutory limit.

13 MR. BRILL: Well, I guess we would then
14 ask to simply amend as far as the location, the standard
15 location.

16 MR. NUTTER: Now, there may be some
17 confusion as to the 300 percent. Any operator owes 100 per-
18 cent of his share and then there can be assessed a 200 per-
19 cent penalty, which makes 300 percent of his share to be
20 payable.

21 MR. BRILL: I think that's --

22 MR. NUTTER: That may be the source of
23 the confusion.

24 MR. BRILL: I think you're exactly right.

25 We would --

1
2 MR. NUTTER: You request a 300 percent
3 payment of his share.

4 MR. BRILL: That's right. That's right.
5 The penalty would be 200.

6 MR. NUTTER: Okay.

7 MR. BRILL: So we would ask that we be
8 allowed to make this amendment without a new publication.

9 MR. NUTTER: Okay. Neither one of those
10 items was specified in the location -- in the advertisement
11 of the case. It was specified it would be at a standard
12 location. Now you're still proposing a standard location.

13 MR. BRILL: That s correct.

14 MR NUTTER: And it simply said that
15 a charge for risk would be assessed without specifying the
16 percentage, so we'll consider the application amended and
17 no -- no problem on the legal notice.

18 Q Mr. Stokely, I'm going to show you a
19 document that has been marked for identification purposes
20 as Exhibit One. Can you identify that?

21 A Yes, I can. It is an area map showing
22 the south half of Section 6 and the proposed well marked with
23 a red dot.

24 The half section dedicated to this well
25 is outlined in red and on the left side of the section is a

1
2 green dot, which is Conoco Wells B-1 No. 5.

3 MR. BRILL: We would move the admission
4 of this exhibit at this time.

5 MR. NUTTER: Exhibit One will be admitted
6 in evidence.

7 Q Mr. Stokely, I'm now going to show you
8 a second document which has been marked as Exhibit Two. Can
9 you identify that document?

10 A Yes. This is a portion of the log of
11 Conoco Wells B-1 No. 5, showing the Devonian formation and
12 the perforated interval which currently produces.

13 Q Now is this log from the well which is
14 represented on the plat that is identified as Exhibit One?

15 A Yes, this is the log from the well
16 marked with the green dot.

17 Q And what does the log show, Mr. Stokely?

18 A The log shows the top of the Devonian
19 formation and it shows the perforated interval marked in red,
20 indicating where the well is currently producing from.

21 Q I'm going to show you another exhibit,
22 which is marked as Exhibit Three. Can you identify that?

23 A Yes. It is the portion of the log of
24 the same well showing the Siluro-Devonian -- I mean Silurian-
25 Fusselman area of the log. The red portion marked on the

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9

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right indicates the porosity in the Silurian and Fusselman zones, which our log analyst and I have determined would produce if completed.

4

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8

On the lefthand side of the log the porosity and water saturation and gas from the mud logger units are shown, indicating that indeed these sections would produce if completed.

9

10

Q And finally I'm showing you a third document marked Exhibit Four. Can you identify that?

11

12

13

14

15

A Exhibit Four is the Ellenburger portion of the log on the same well. It shows the red marking indicating the perforations in the Ellenburger, which are currently producing in the Wells B-1 No. 5, and the top of the Ellenburger formation.

16

17

18

Q And yet two more documents that I will show you as a pair, and they are labeled Exhibits Five and Six. Can you identify each of these?

19

20

21

22

23

A Yes, I can.

Exhibit Number Five is a contour map on the top of the Siluro-Devonian formation with a contour interval of 100 feet to 7000 feet. The scale is one inch to 1000.

24

25

The Custer Wells proposed well 1-A, is shown in the lower righthand corner of this map and the half

1
2 section dedicated to it is outlined in red.

3 Q Is the Conoco well to which we have been
4 referring, is that shown on this exhibit?

5 A Yes immediately to the northwest of the
6 half section dedicated to the well, you will see a well, gas
7 well marked No. 5. That is the Conoco Wells B-1 No. 5.

8 Q Would you identify now for us Exhibit
9 Six?

10 A Exhibit Six is a contour map based on the
11 top of the Ellenburger and it shows the same general area,
12 including at the lower righthand end the half section dedi-
13 cated to the Custer Wells A No. 1 and the Conoco Wells B-1
14 No. 5 at the northwest corner of that.

15 MR. BRILL: At this time we would move
16 the admission of Exhibits Two through Six

17 MR. NUTTER: Exhibits Two through Six
18 will be admitted in evidence.

19 Q Mr. Stokely, taking these exhibits into
20 account, what conclusions do you reach about the productive
21 possibilities of the proposed well?

22 A According to the structure maps as shown
23 the ARCO Custer Wells A No. 1 is as high or higher than the
24 Conoco Wells B-1 No. 5 on structure, and as such it should be
25 productive in the same formations that the Conoco Wells B-1

No. 5 is producing from.

Now the two formations which were not completed, the Silurian and the Fusselman, are in between the other two formations and should continue on to the ARCO Wells B-1 No. 5 at the same relative elevation, and therefor, they should also be productive in the Wells A No. 1.

Q Based on this conclusion, then, and any other factors, do you believe, Mr. Stokely, that there exists sufficient evidence to justify compulsory pooling the interests in this unit?

A. I believe that these exhibits prove conclusively that these four reservoirs will produce in the Custer Wells A No. 1 and that they should be compulsory pooled.

Q Have you had the opportunity to do a cost workup for the proposed well?

A. Referring to the Custer Wells No. 1, which was the subject of a hearing here this morning, we have estimated the cost of drilling A No. 1 to be \$2.8 million including a recent increase in drilling costs.

The supervision and overhead which we used for this is \$2400 a month while drilling and we ask, as was earlier said, 200 percent risk cost, which would be 300 percent total payment.

1
2 MR. BRILL: Mr. Examiner, we have no
3 further questions of this witness.
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Stokely, you mentioned \$2400 a month
8 as combined fixed rates overhead while drilling. What about
9 while producing?

10 A These wells are quite expensive to
11 operate. I would guess it will be from \$12,000 -- I mean
12 from \$1200 to \$1800 a month. I don't know what exactly it
13 will be. It will be in that neighborhood.

14 Q Normally I see most of these combined --
15 now this is just for overhead I'm talking about, and normally
16 combined fixed rate for overhead is about 10 percent in a
17 producing what it is for a drilling well.

18 A Well, yes, the overhead won't be that
19 much. I was thinking operating --

20 Q And then you have directly chargeable
21 expenses are something else.

22 A Right, right. Okay. I would --

23 Q So we'll put down 10 percent or \$240
24 for overhead, how's that?

25 A I think that would be a good number for

1
2 overhead.

3 Q Now you expect this well to cost \$2.8
4 million?

5 A Yes, sir.

6 Q The well to the north is going to cost
7 more because of directional --

8 A Yes, sir.

9 Q -- drilling.

10 A It will.

11 MR. NUTTER: Are there any further ques-
12 tions of Mr. Stokely? He may be excused.

13 MR. BRILL: We would now like to call
14 Mr. Mutranowski.

15
16 THOMAS S. MUTRANOWSKI

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

19
20 DIRECT EXAMINATION

21 BY MR. BRILL:

22 Q Please state your name and address.

23 A My name is Thomas Mutranowski and I
24 reside in Midland, Texas.

25 Q By whom are you employed, Mr. Mutranowski?

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A ARCO Oil and Gas Company.

Q In what capacity?

A I'm a petroleum landman.

MR. NUTTER: You know, I'd ask you how
to spell your last name if I didn't know.

A Okay.

MR. NUTTER: Go ahead and do it anyway.

A M-U-T-R-A-N-O-W-S-K-I.

MR. NUTTER: M-U-T-R-A-N-O-W-S-K-I.

A Yes.

MR. NUTTER: Thank you.

A You're welcome.

Q Mr. Mutranowski, are your qualifications
a matter of record and have they been accepted before by the
Division?

A Yes, they are and yes, they have.

Q And are you familiar with the ownership
of working and non-working interests in the south half of
Section 6, Township 25 South, Range 37 East, Lea County, New
Mexico?

A Yes, I am.

MR. BRILL: Are the witness' qualifica-
tions acceptable?

MR. NUTTER: They are.

1
2 Q. Mr. Mutranowski, are you aware of how
3 many divided ownership tracts there are in that location?

4 A. Yes, there are two undivided tracts in
5 the south half of section 6.

6 Q. And do you know whether the leases have
7 pooling provisions?

8 A. No, they do not.

9 Q. And is that why compulsory pooling is
10 necessary?

11 A. Yes, it is.

12 Q. You have heard the testimony of Mr.
13 Stokely concerning ARCO's plans to drill in the south half
14 of Section 6, is that correct?

15 A. Yes.

16 Q. And are you familiar with the efforts
17 that ARCO has made to seek commitment of all working and
18 non-working interest in the south half of Section 6?

19 A. Yes, I am. A letter was sent to all
20 working interest parties on April 6, 1981, and they were
21 provided with an AFE and joint operating agreement. Also,
22 there was a letter mailed to all other owners in production
23 on May 6th, 1981.

24 Q. I will show you a document which has
25 been marked for identification purposes as Exhibit Seven.

1
2 Do you recognize that document?

3 A Yes I do.

4 Q What is that document?

5 A That is the letter dated May 6th. 1981,
6 containing a proposed communitization agreement and consent
7 and ratification to communitization agreement, which was sent
8 to all royalty owners and other owners with interest in pro-
9 duction in the south half of section 6.

10 Q I will also show you an exhibit which
11 has been marked as Exhibit Eight. Do you recognize that
12 document?

13 A Yes, I do.

14 Q What is that document?

15 A That is a breakdown of the various
16 interest in production in the south half of Section 6.

17 Q Are all the working interests in the
18 south half of Section 6 committed?

19 A Not at this time. The working interest
20 breakdown in the south half of Section 6 is ARCO 25 percent
21 and Phillips Petroleum 75 percent.

22 Phillips, however, has a development
23 agreement with Union Oil of California whereby upon payout
24 of any well drilled in this area Union of Cal will come in
25 for a 50 percent working interest out of Phillips interest.

1 Union of Cal has ratified the joint
2 operating agreement and I do have verbal commitment from
3 Phillips to either join or farmout in the south half of Sec
4 tion 6.

5 Q Are there any other working interests?

6 A No.

7 Q Are you aware of the penalty provision
8 of 200 percent or 300 percent payment provision that is being
9 proposed in this application?

10 A Yes, I am.

11 Q Is that a standard in the industry?

12 A Yes, it is for this area.

13 Q Concerning non-working interests, are
14 all non-working interests committed at this point?

15 A No, they are not. We have by that
16 letter of May 6th, we sent the consent and ratification to
17 the proposed communitization agreement to all overriding
18 royalty owners and royalty owners, and as of this date we
19 have received 62-1/2 percent response.

20 Q And response by -- by that you mean --

21 A By signed returned copies of this
22 consent and ratification.

23 Q In your opinion as a qualified landman,
24 do you believe it is likely that you will obtain voluntary
25

1
2 commitment by all the outstanding non-working interest?

3 A No, I do not believe so. Based on my
4 familiarity with this situation and past experience in securing
5 commitments from royalty owners, I do not believe that we
6 will obtain 100 percent response to pooling.

7 Q Is all the acreage within the south half
8 of Section 6 fee land?

9 A No, it is not.

10 Q Could you elaborate please?

11 A Yes. The tract that ARCO is committing.
12 is on a Federal lease. The tract Phillips is committing is
13 a fee lease.

14 Q Mr. Mutranowski, again in your opinion
15 as a qualified landman, will the approval of this application
16 now pending prevent the drilling of unnecessary wells and
17 otherwise prevent waste and protect correlative rights?

18 A Yes, it will.

19 MR. BRILL: I have nothing further of
20 this witness.

21
22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Mutranowski, Now ARCO owns 25 per-
25 cent. That's the 80-acre tract, Tract No. 1, right?

1

2

A Yes, sir.

3

Q And the Federal government is the royalty

4

owner and then you have a group of overriding royalty owners.

5

A Yes, sir.

6

Q And Phillips owns the working interest

7

in the remaining 236 acres and there is a lessor, C. D. Wool-

8

worth, et al, listed. Now the et al would be all this list

9

of royalty owners that's shown on page one -- two of Exhibit

10

Eight, right?

11

A Yes.

12

Q Okay, now when Phillips --- Phillips has

13

agreed to this well, have they?

14

A Yes, they have.

15

Q Now by Phillips agreeing to it. are they

16

committing Union's interest at this time?

17

A Union's interest right now before payout

18

is an overriding royalty interest.

19

Q That's all they've got right now.

20

A That's all they have right now.

21

Q But when Phillips commits its working

22

interest, it's committing Union for its 50 percent working

23

interest --

24

A Correct.

25

Q -- later on.

1

2

A. That's exactly correct. Union is in correspondence with Phillips when they are making the determination to join or farmout, to participate or not to participate in a well, and Phillips' decision is based on their communication with Union of Cal.

7

Q Uh-huh.

8

9

A. Union of Cal has signed the joint operating agreement and has committed to --

10

11

Q But as far as their concerned right now they can only do it as an override.

12

A. Overriding royalty owner, correct.

13

14

Q So you do have 100 percent working interest commitment.

15

A. Yes.

16

Q Okay.

17

MR. BRILL: Mr. Examiner, I would --

18

19

Q That's the only part that has to share in well costs.

20

A. Yes.

21

22

Q So you have voluntary consent from everyone on well costs.

23

A. Yes, I do.

24

Q And operating costs and all that.

25

A. Right. Right.

1
2 MR. BRILL: Mr. Examiner, I would move
3 the admission of Exhibits Seven and Eight at this time.

4 MR. NUTTER: Exhibits Seven and Eight
5 will be admitted.

6 Are there any other questions of Mr.
7 Mutranowski? He may be excused.

8 Do you have anything further, Mr. Brill?

9 MR. BRILL: We have nothing further.

10 MR. NUTTER: Does anyone have anything
11 they wish to offer in Case Number 7292?

12 We'll take the case under advisement.

13
14 (Hearing concluded.)
15
16
17
18
19
20
21
22
23
24
25

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) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 2292
heard by me on 7/15 1981.

[Signature], Examiner
Oil Conservation Division

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 ARCO Oil and Gas
Company for compulsory pooling,
Lea County, New Mexico.

CASE
7292

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:

1

2

2

MR. STAMETS: We'll call next Case 7292.

3

MR. PEARCE Application of ARCO Oil and

4

Gas Company for compulsory pooling, Lea County, New Mexico.

5

MR. STAMETS: At the request of the

6

applicant, this case will be continued to the July 15th Examiner

7

Hearing.

8

9

(Hearing concluded.)

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7292
heard by me on 7-7 1981.
Richard L. Ham Examiner
Oil Conservation Division

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

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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:

MR. STAMETS: We'll call next Case 7292.

MR. PEARCE: Application of ARCO Oil and
Gas Company for compulsory pooling. Lea County, New Mexico.

MR. STAMETS: At the request of the
applicant, this case will be continued to the July 15th Examiner
Hearing.

(Hearing concluded.)

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) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

Area Map
Exhibit I



Con.
A.R.Co.
U.S.

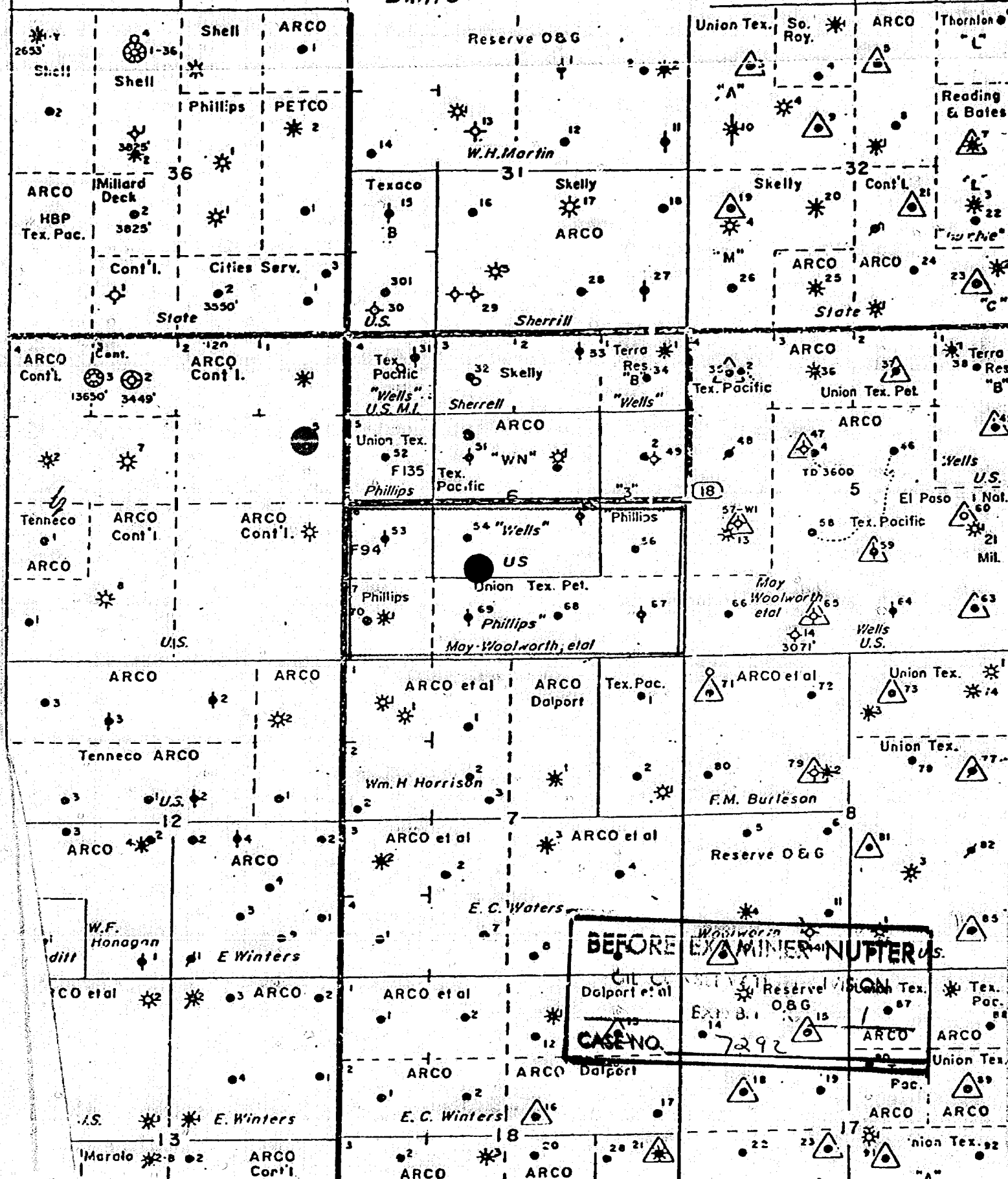
T.P.C. 60.

1-2b
J.W. Von Zant
10416

SW Harrison

H. Harrison

U.S.



ARCO Oil and Gas Company
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0130
Curt Krehbiel
District Landman



May 6, 1981

TO: All Royalty Owners and Other Owners
of Interest in Production

RE: Proposed Well and Working Interest Unit
Custer-Wells "A" Federal Com. #1
S/2 Section 6, T-25-S, R-37-E
Lea County, New Mexico
SOC-5031

Dear Interest Owners:

Atlantic Richfield Company, as operator, has proposed to the Working Interest Owners the drilling of a well on a 320 acre spacing unit. The Custer Wells "A" Federal Com. #1 will be drilled as an Ellenburger test with a possible completion in the Devonian.

The New Mexico Oil Conservation Commission, in the interest of conservation, to avoid waste, and to prevent the drilling of unnecessary wells, designates 320 acre spacing for the drilling of wells in the Ellenburger and Devonian formations for the production of gas. As operator, to accomplish the pooling of gas rights in the above named formations and other formations, please find enclosed herewith a "Communitization Agreement," the purpose of which is to allow pooling of royalty and other interest in production throughout the S/2 of Section 6.

The effect of pooling in the S/2 of Section 6 will be that all owners thereunder will share on an acreage basis the royalties accruing therein irrespective of the location of the captioned well.

Also find herewith three (3) copies of the "Consent and Ratification to Communitization Agreement." Please sign, acknowledge and return two (2) copies of said Ratification. The Communitization Agreement and remaining copy of the Ratification is for your files.

Please note that attached to each Ratification is an acknowledgment page which must be notarized. Instructions for execution

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EX. B. NO. 7

CASE NO. 7292

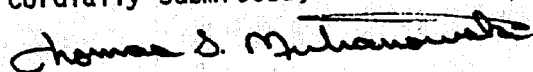
ARCO Oil and Gas Company is a Division of Atlantic Richfield Company

All Royalty Owners and Other Owners
of Interest in Production
April 14, 1981
Page 2

and acknowledgement of instruments for New Mexico properties
are enclosed for your information, as is a stamped self-
addressed envelope for your convenience.

If you have any questions, please feel free to call me
collect at (915) 684-0132.

Cordially Submitted,



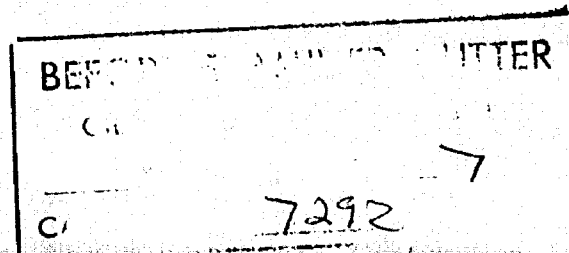
Thomas S. Mutranowski
Landman

TSM/jo

Enclosures:

CONSENT AND RATIFICATION TO
COMMUNITIZATION AGREEMENT

In consideration of the execution of that certain Communitization Agreement covering the South half (S/2) of Section 6, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, covering all formations individually between the top of the Wolfcamp Formation to the base of the Ellenburger Formation, dated April 20, 1981, (a copy of which has been delivered to the undersigned), the undersigned owners of lands or interests in lands or of royalties or other interests in production from lands, lying within the boundaries of the Communitized Area described and designated in said Communitization Agreement; hereby severally, and each to the extent of his, her or its particular ownership or interest, consent to commitment of said lands to said Communitization Agreement, adopt, ratify, and confirm the terms of said Communitization Agreement, and any modifications thereof approved by the Director of the United States Geological Survey or other Federal officer authorized to approve Communitization Agreements as applicable to their respective lands, royalties and interests in all things with the same force and effect as if the undersigned had duly executed said Communitization Agreement and said modifications, and specifically agree that the term of any lease, sublease, or contract relating to the operation and development for oil or gas from any lands within said Communitized Area, given or entered into by the undersigned or under which the undersigned claim an interest, is extended, modified, and amended to the extent necessary to make the same conform to the terms of said Communitization Agreement; that the drilling and development requirements of all leases, subleases, and other contracts in which their several rights and interests are created or defined shall, as to all lands lying within said Communitized Area, be deemed fully performed by performance of the provisions of said Communitization Agreement, and that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production, allocated under said Communitization Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases, subleases or



other contracts.

This Consent and Ratification shall become effective and be binding upon each party executing the same (regardless of whether or not it is executed by all or any of the other parties to said Communitization Agreement) upon the approval of said Communitization Agreement by the Director of the United States Geological Survey or other Federal officer authorized to approve Communitization Agreements.

With respect to and for the purposes of this agreement each of the undersigned hereby releases and waives any right of homestead.

EXECUTED the day and year hereinbelow set forth.

DATE: _____

(PERSONAL ACKNOWLEDGMENT)

(PERSONAL ACKNOWLEDGMENT)

(PERSONAL ACKNOWLEDGMENT)

(ACKNOWLEDGMENT BY ATTORNEY)

(ACKNOWLEDGMENT BY CORPORATION)

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ }
COUNTY OF _____ } ss:
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by
_____, _____ of _____ (CORPORATION)
(NAME) (TITLE)
_____, _____ corporation, on behalf of said corporation.

My commission expires: _____ Notary Public

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under Section 17(j) of a Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order dated June 14, 1962 (27FR. 6395), I do hereby:

- A. Approve the attached Communitization Agreement covering the South Half (S/2) Section 6, T-25-S, R-37-E, N.M.P.M., Lea County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from all formations individually between the top of the Wolfcamp formation and the base of the Ellenburger Formation.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Regional Oil and Gas Supervisor
U. S. GEOLOGICAL SURVEY

DATED: _____

CONTRACT NO.: _____

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the 20th day of April, 1981, by and between the parties subscribing, ratifying or consenting hereto, such parties being referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq., authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty and other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing dry gas and associated liquid hydrocarbons in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

S/2 Section 6, T-25-S, R-37-E, N.M.P.M.,
Lea County, New Mexico,

containing 316.61 acres, more or less, and this agreement shall extend to and include only the depth between the top of the Wolfcamp Formation and the base of the Ellenburger Formation in the same manner as though a separate agreement for each formation had been entered into, underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation or formations.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A" showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands, if any, within the communitized area. In this connection, this agreement when recorded by the Operator shall be Lessee's recorded Declaration of Pooling or Unit Designation referred to in the leases covering the fee (patented) lands portion, if any, of the communitized area.
3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interests in the communitized area and four (4) executed copies of a Designation of Successor Operator shall be filed with the Area Oil and Gas Supervisor.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any wells drilled on the communitized area, monthly reports of operations, statements of sales of gas and associated liquid hydrocarbons produced therewith, and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States as specified in the applicable oil and gas operating regulations of the United States.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement among the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

6. (a) The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.
- (b) It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any non-communitized lease production provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such lease and any non-communitized lease production.
7. There shall be no obligation on the Lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any Lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the Lessees hereto shall not be released from their obligation to protect such communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or productions pursuant to this agreement shall be deemed to be

operations or productions as to each lease committed hereto.

9. The production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal or State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or such failure results from, compliance with any such laws, orders, rules or regulations.
10. This agreement shall be effective as of the date hereof, upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect as to all formations individually between the top of the Wolfcamp Formation and the base of the Ellenburger Formation for a period of two (2) years and so long thereafter as communitized substances are, or can be, produced from the communitized areas in paying quantities, from communitized formations or formation, provided that, prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non-production. The two year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. It is agreed that between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is Lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. The covenants herein shall be construed as covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates, and any grant, transfer or conveyance of such lands or interests subject hereto whether voluntary or not, shall be and are hereby conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successors in interests, and shall be subject to approval by the Secretary of the Interior.
13. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR. 12319), which are hereby incorporated by reference in this agreement.
14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
15. Atlantic Richfield Company shall be the Unit Operator of said communitized area, and all matters of operations shall be determined and performed by Atlantic Richfield Company.
16. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as to the day and year first above written and have set opposite their respective names, the dates of execution.

ATLANTIC RICHFIELD COMPANY

By: C. E. Cardwell Jr.
Attorney-In-Fact

OK
JRM
TSM

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared C. E. Cardwell, Jr., Attorney-in-Fact for ATLANTIC RICHFIELD COMPANY, a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said Atlantic Richfield Company, for the purposes and considerations and in the capacity therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 11 day of May, 1981.

Yvonne Brooks

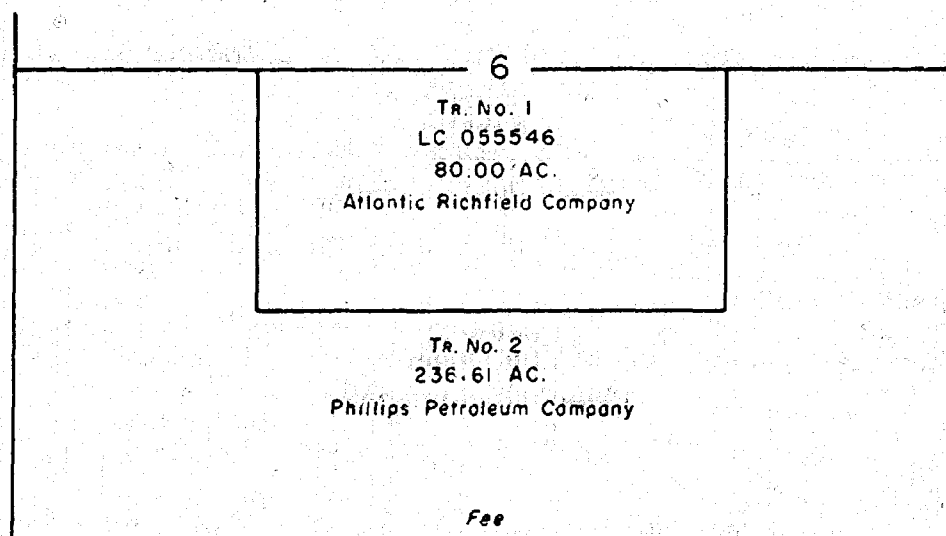
Notary Public

Yvonne Brooks

My Commission Expires
July 3, 1984

EXHIBIT "A"

PLAT OF COMMUNITIZED AREA COVERING
S/2 SECTION 6, T-25-S, R-37-E N.M.P.M.
LEA COUNTY, NEW MEXICO



WELL TO BE LOCATED 1650' FSL AND 1980'
FWL, WHICH IS IN Tr. No. 1.
TOTAL ACREAGE WITHIN COMMUNITIZED AREA
316.61 ACRES, MORE OR LESS.

INSTRUCTIONS FOR EXECUTING AND ACKNOWLEDGING PAPERS
(New Mexico Properties)

The attached instruments should be executed pursuant to the following instructions:

1. Married Persons (with the interest being community property). If you are a married man (or a married woman), the papers should be executed by both the husband and the wife. The acknowledgment should state the names of both parties expressly identifying them as husband and wife.
2. Married Persons (with the interest being either his or her separate property). For the purposes of these instructions, separate property shall mean property that has been inherited, received as a gift or acquired prior to the date of marriage. If the husband or wife is executing papers concerning either of their separate property, they should execute as follows: "John Doe, a married man dealing in his sole and separate property," or "Jane Doe, a married woman dealing in her sole and separate property." The acknowledgment should also contain the identical name and description.
3. Single Men. A single man should execute papers as follows: "John Doe, a single man." The acknowledgment should also contain the identical name and description.
4. Single Women. If a single woman is executing papers, she should execute as follows: "Jane Doe, a single woman," or "Jane Doe, a widow." The acknowledgment should also contain the identical name and description.
5. Corporations. If the entity executing the papers is a corporation, the execution should state: "XYZ Company, a corporation" beneath which should appear the signature of the president, vice-president or attorney-in-fact, his title appearing under his signature. In addition, a corporation's execution should be attested to by the secretary or the assistant secretary, his title appearing under his signature, and be sealed with the corporate seal, or a recital entered that the corporation has no seal. The acknowledgment should show the name of the company, that it is a corporation, the name of the executing officer and his capacity. If the execution is by an attorney-in-fact, a copy of his power of attorney should be furnished.
6. Partnerships. If the entity executing the instrument is a co-partnership, either general or limited, that fact should be stated as follows: "ABC Oil Producers, a co-partnership," and the papers should be executed by at least two partners or by at least one general partner if it is a limited partnership. Under each signature the word "partner" or "general partner" should appear. The acknowledgment should name the executing partners and state that they executed on behalf of ABC Oil Producers, a co-partnership. It is not necessary for the partners' wives to execute an instrument which affects only partnership property.
7. Trustees. If the execution is by a trustee, it should be signed by John Jones under which his capacity as trustee is stated. The acknowledgment likewise should reflect that the instrument was executed by John Jones, Trustee.
8. Executors, Administrators and Guardians. If the instrument is to be executed by an executor or by an administrator, an attempt should be made to have it jointly executed by the executor or administrator and also by the heirs and devisees of the deceased person. Most commonly this will appear in the following manner: "Jane Doe, a widow, Individually and as Executrix of the Estate of John Doe, deceased, and John Doe, Jr., as the sole heirs and devisees of John Doe, deceased." Guardians' executions are similar except no attempt should be made to secure the ward's execution. It is quite possible that additional material such as an affidavit of heirship or copies of probate proceedings will be required to be furnished for examination, and in some cases it might also be necessary to obtain a court order approving the execution. Every attempt will be made to keep such requirements within the bounds of reason and your cooperation and understanding are greatly appreciated.
9. Capacity Not Covered. If your capacity to execute papers is not covered above and you have any doubt about the procedure, you should address your inquiry to the party who sent you the papers for execution.
10. Acknowledgments. The acknowledgment must be taken by a Notary Public whose commission is presently in effect and must bear the impression of his seal of office. In foreign countries acknowledgments may be taken by a consular agent of the U.S., resident in the country where the acknowledgment is taken having a seal. Persons on active duty in the U.S. military service, inside or outside this country, may have their acknowledgment taken by a commissioned officer of at least the rank of second lieutenant or ensign, the acknowledgment containing the signature, rank and branch of service of such officer. It might be necessary to have more than one acknowledgment if the parties do not appear before the same notary public. Such additional acknowledgment may be typewritten on the instrument or on an additional page or taped or stapled over an acknowledgment form that is not usable. In any case, the acknowledgment should reflect the identity and capacity of the parties in exactly the same manner that they have executed the instrument.

EXHIBIT "B"
To Communitization Agreement dated April 20, 1981
embracing the South Half (S/2) Section 6, Township 25 South,
Range 37 East, N.M.P.M., Lea County, New Mexico, containing
316.61 acres, more or less.

Operator of Communitized Area: Atlantic Richfield Company

Description of Leases Committed

Tract No. 1

Lease Serial No.: LC 055546
Lease Date: January 4, 1935
Lease Term: 20 years
Lessor: United States of America
Original Lessee: E. J. Wells
Present Lessee: Atlantic Richfield Company
Description of Lands Committed: Township 25 South, Range 37 East, N.M.P.M.
NE/4 SW/4 and NW/4 SE/4 Section 6
Number of Acres: 80.00
Royalty Rate: On Gas and Casing-Head Gasoline:
12½ when average daily production is less
than 3,000,000 cubic feet; 16 2/3 when
average daily production is 3,000,000
cubic feet or more on oil:
12½ to 33 1/3 sliding scale

Name and Percent ORRI Owners:

5% owned as follows:
Terra Resources, Inc.----- .036705
Robert Bivens----- .00022375
The Marbet Company----- .000446
Marguerite B. Poynter----- .00022375
Red Feather Oil Company----- .003125
Virginia B. Bryan----- .00022375
Douglas O. Williams----- .00022375
J. Reuel Armstrong----- .001319
Helen H. Benedict----- .00019600
Leland Standford Jr. University--- .000446
Ruby C. Bowen----- .001319
Clyde C. Dawson----- .000196
Alice H. Fox----- .000049
Elizabeth G. Henry----- .000049
S. Arthur Henry, Jr.----- .000049
Pauson Oil Company----- .000446
Diane Rene Stewart, Conservator
for Elizabeth O. Tucker----- .001319
Helen H. Utter----- .000049
Jean Wells Klaasse, Guardian of
the Person & Property of
Martha Noel Wells----- .003392
Atlantic Richfield Company----- 100%

Name and Percent WI Owners:

Tract No. 2

Lease Dated: November 27, 1925
Recorded: Book 3, Page 247, Records of
Lea County, New Mexico
Lessor: C. D. Woolworth, et al
Lessee: The Pure Oil Company
Land Covered: W/2 SW/4, SE/4 SW/4, SW/4 SE/4, E/2 SE/4,
and other lands not included within said
communitized area, Section 6, T-25-S,
R-37-E, N.M.P.M.
Primary Term: 10 years
Royalty: 1/8 on oil and gas
Record Title to Lease: Phillips Petroleum Company
Name and Percent of Royalty Owners: T. J. Horsley----- .0004883
Atlantic Richfield Company----- .0074218
Atlantic Richfield Company----- .0003907
Cathie Auvenshine----- .0000976
Virginia L. Barnes----- .0003472

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

CASE NO.

7292

Jane C. Balckford-----	.001770
W. C. Stroube & William J. Collins, Independent Exec. of the Estate of J. L. Collins-----	.0010417
Clifford Cone-----	.0000977
Douglas Cone-----	.0000977
Kathleen Cone-----	.0004883
Kenneth G. Cone-----	.0000976
Katherine Cone Keck 1971 Trust "C"-----	.0003255
Tom R. Cone-----	.0000977
Mrs. Martha Watkins Harris-----	.0012206
Winona C. Jones-----	.0003472
Marjorie Cone Kastman-----	.0001628
Mrs. Clyde Watkins Miller-----	.0004612
Winona C. Jones-----	.0003472
Marjorie Cone Kastman-----	.0001628
Mrs. Clyde Watkins Miller-----	.0004612
Trustees of the Jal Public Library Fund-----	.0026313
Andrew S. Pearson, Jr.-----	.0003472
H. Dillard Schenck-----	.0004883
The First National Bank of Corsicana, Texas and H. R. Stroube, Jr., Ancillary Co-Executors of Estate of H. R. Stroube, Deceased-----	.0010417
Joseph Edward Stroube Ancillary Executor of the Estate of W. C. Stroube-----	.0010417
Myrtis D. Watkins-----	.0012206
Robert L. Wheelock, Jr. and Betty Wheelock Kennaugh Co-Executors of the Estate of Maure C. Wheelock-----	.0005208
First National Bank of Corsicana, Texas, Trustee of the Susan Jane Wheelock Trust-----	.0003438
Bank of Oklahoma and Rita L. Willis, Co-Trustees of the Rita L. Willis Trust-----	.0004883

PROVISIONS OF FEE LEASES AUTHORIZING POOLING:

None, however ratifications are being obtained from all mineral interest owners, and those not replying will be Force Pooled.

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres</u>	<u>Percent of Pool</u>
1	80.00	25.2676795
2	236.61	74.7323205
	316.61 acres	100.0000000%

Area Map
Exhibit I

1-26

J.W. Von Zant
10416

10416

S.W. Morrison

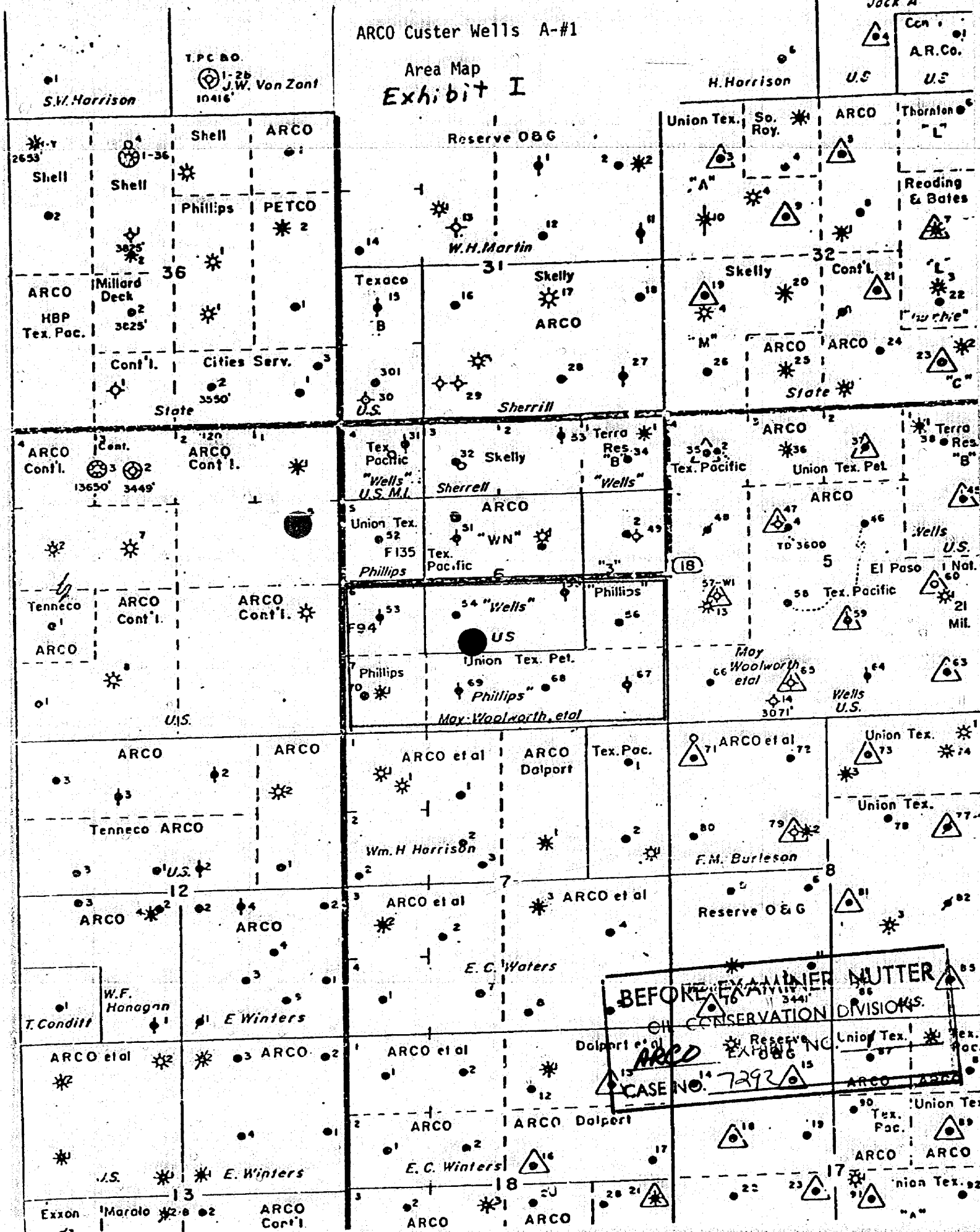
Jack A



Can :

U.S.

U.E.



CONOCO INC
WELLS B-1 NO. 5

1650' FNL & 660' FEL
SEC. 1, T-25-S, R-36-E
LEA COUNTY, NEW MEXICO
EL. KB 3253

BEFORE E. J. NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 7292

DEVONIAN

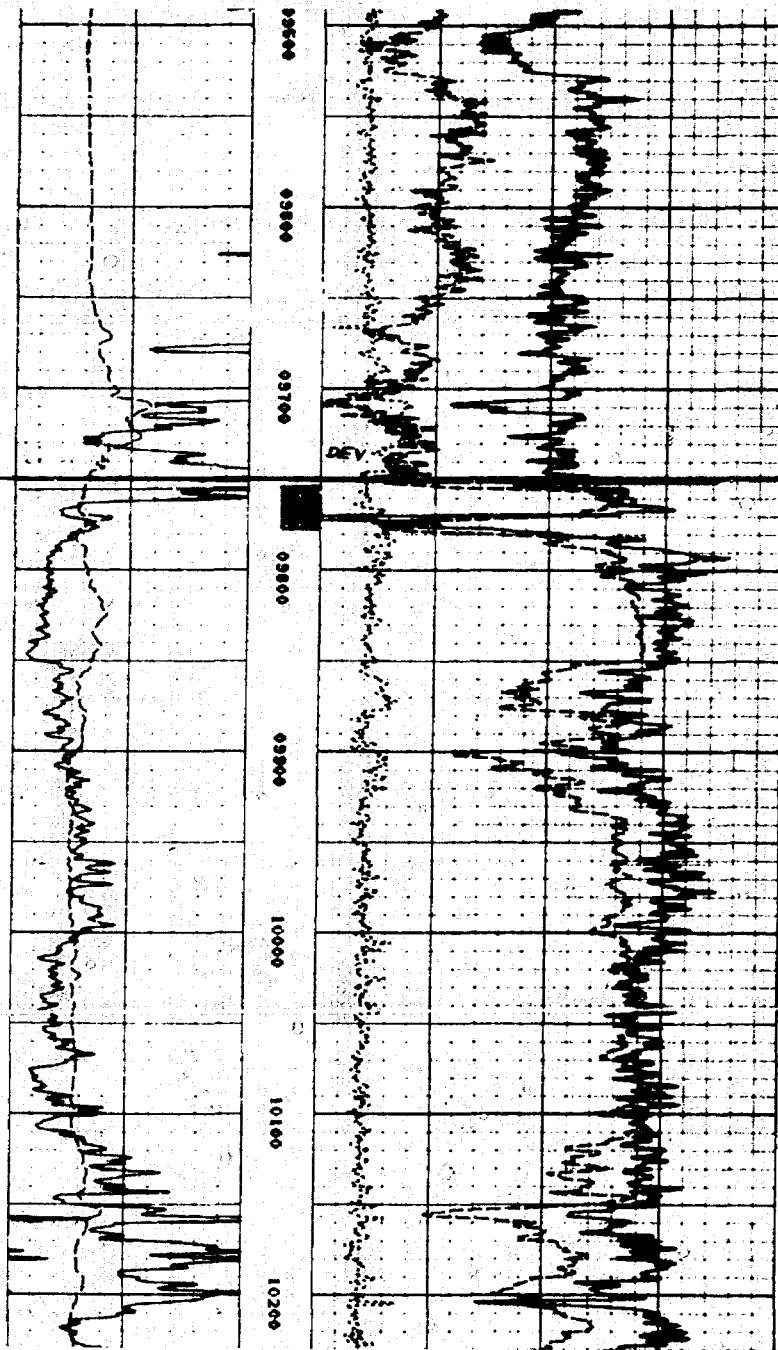
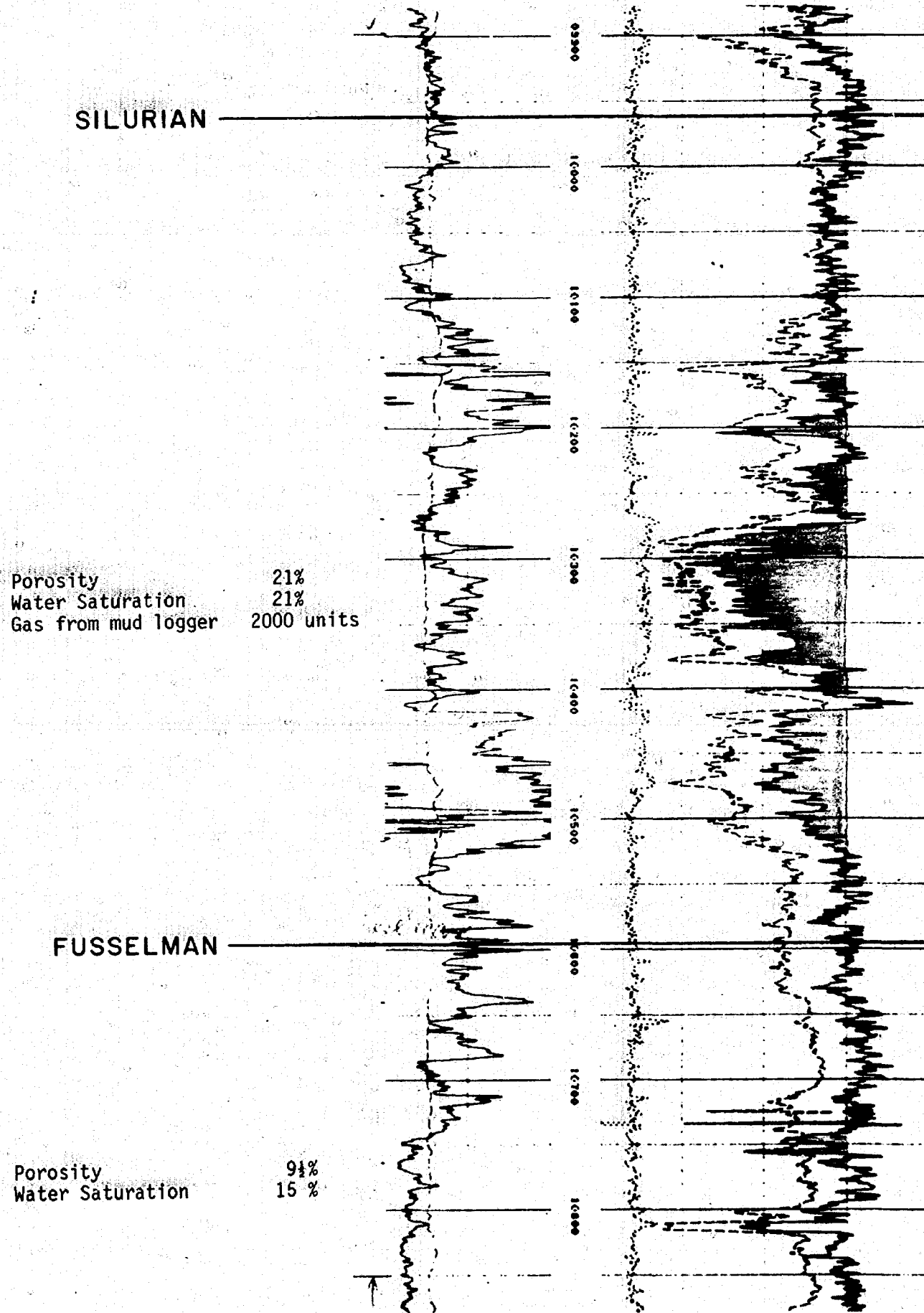


EXHIBIT 3

CONOCO INC.
WELLS B-1 NO. 5

1650' FNL B 660' FEL
SEC. 1, T-25-S, R-36-E
LEA COUNTY, NEW MEXICO
EL. KB 3253

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. 7293

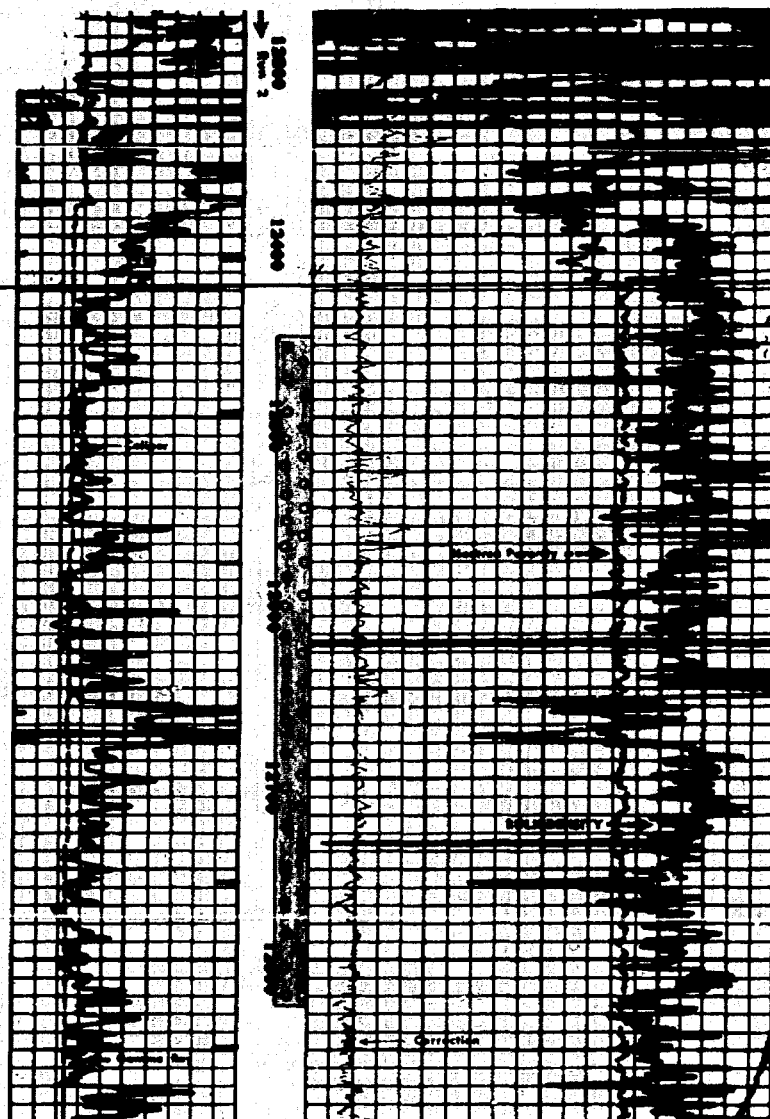


CONOCO INC
WELLS B-1 NO. 5

1650 FNL & 660' FEL
SEC. 1, T-25-S, R-36-E
LEA COUNTY, NEW MEXICO
EL. KB 3253

BEFORE EXAMINER NUTTER
CIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 7292

ELLENBURGER



ARCO Oil and Gas Company
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0130
Curt Krehbiel
District Landman



May 6, 1981

TO: All Royalty Owners and Other Owners
of Interest in Production

RE: Proposed Well and Working Interest Unit
Custer-Weils "A" Federal Com. #1
S/2 Section 6, T-25-S, R-37-E
Lea County, New Mexico
SOC-5031

Dear Interest Owners:

Atlantic Richfield Company, as operator, has proposed to the Working Interest Owners the drilling of a well on a 320 acre spacing unit. The Custer Wells "A" Federal Com. #1 will be drilled as an Ellenburger test with a possible completion in the Devonian.

The New Mexico Oil Conservation Commission, in the interest of conservation, to avoid waste, and to prevent the drilling of unnecessary wells, designates 320 acre spacing for the drilling of wells in the Ellenburger and Devonian formations for the production of gas. As operator, to accomplish the pooling of gas rights in the above named formations and other formations, please find enclosed herewith a "Communitization Agreement," the purpose of which is to allow pooling of royalty and other interest in production throughout the S/2 of Section 6.

The effect of pooling in the S/2 of Section 6 will be that all owners thereunder will share on an acreage basis the royalties accruing therein irrespective of the location of the captioned well.

Also find herewith three (3) copies of the "Consent and Ratification to Communitization Agreement." Please sign, acknowledge and return two (2) copies of said Ratification. The Communitization Agreement and remaining copy of the Ratification is for your files.

Please note that attached to each Ratification is an acknowledgment page which must be notarized. Instructions for execution

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	7
CASE NO.	7292

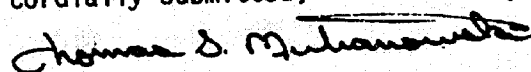
ARCO Oil and Gas Company is a Division of Atlantic Richfield Company

All Royalty Owners and Other Owners
of Interest in Production
April 14, 1981
Page 2

and acknowledgement of instruments for New Mexico properties
are enclosed for your information, as is a stamped self-
addressed envelope for your convenience.

If you have any questions, please feel free to call me
collect at (915) 684-0132.

Cordially Submitted,



Thomas S. Mutranowski
Landman

TSM/jo

Enclosures:

CONSENT AND RATIFICATION TO
COMMUNITIZATION AGREEMENT

In consideration of the execution of that certain Communitization Agreement covering the South half (S/2) of Section 6, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, covering all formations individually between the top of the Wolfcamp Formation to the base of the Ellenburger Formation, dated April 20, 1981, (a copy of which has been delivered to the undersigned), the undersigned owners of lands or interests in lands or of royalties or other interests in production from lands, lying within the boundaries of the Communitized Area described and designated in said Communitization Agreement; hereby severally, and each to the extent of his, her or its particular ownership or interest, consent to commitment of said lands to said Communitization Agreement, adopt, ratify, and confirm the terms of said Communitization Agreement, and any modifications thereof approved by the Director of the United States Geological Survey or other Federal officer authorized to approve Communitization Agreements as applicable to their respective lands, royalties and interests in all things with the same force and effect as if the undersigned had duly executed said Communitization Agreement and said modifications, and specifically agree that the term of any lease, sublease, or contract relating to the operation and development for oil or gas from any lands within said Communitized Area, given or entered into by the undersigned or under which the undersigned claim an interest, is extended, modified, and amended to the extent necessary to make the same conform to the terms of said Communitization Agreement; that the drilling and development requirements of all leases, subleases, and other contracts in which their several rights and interests are created or defined shall, as to all lands lying within said Communitized Area, be deemed fully performed by performance of the provisions of said Communitization Agreement, and that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production, allocated under said Communitization Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases, subleases or

other contracts.

This Consent and Ratification shall become effective and be binding upon each party executing the same (regardless of whether or not it is executed by all or any of the other parties to said Communitization Agreement) upon the approval of said Communitization Agreement by the Director of the United States Geological Survey or other Federal officer authorized to approve Communitization Agreements.

With respect to and for the purposes of this agreement each of the undersigned hereby releases and waives any right of homestead.

EXECUTED the day and year hereinbelow set forth.

DATE: _____

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

My commission expires: _____ Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

My commission expires: _____ Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

My commission expires: _____ Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by
_____ as attorney-in-fact in behalf of

My commission expires: _____ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

_____ of _____
(NAME) (TITLE) (CORPORATION)
a _____ corporation, on behalf of said corporation.

My commission expires: _____ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ } ss:
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

_____ of _____
(NAME) (TITLE) (CORPORATION)
a _____ corporation, on behalf of said corporation.

My commission expires: _____ Notary Public

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under Section 17(j) of a Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order dated June 14, 1962 (27FR. 6395), I do hereby:

- A. Approve the attached Communitization Agreement covering the South Half (S/2) Section 6, T-25-S, R-37-E, N.M.P.M., Lea County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from all formations individually between the top of the Wolfcamp formation and the base of the Ellenburger Formation.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Regional Oil and Gas Supervisor
U. S. GEOLOGICAL SURVEY

DATED: _____

CONTRACT NO.: _____

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the 20th day of April, 1981, by and between the parties subscribing, ratifying or consenting hereto, such parties being referred to as "parties hereto",

W I T N E S S E I H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq., authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty and other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing dry gas and associated liquid hydrocarbons in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

S/2 Section 6, T-25-S, R-37-E, N.M.P.M.,
Lea County, New Mexico,

containing 316.61 acres, more or less, and this agreement shall extend to and include only the depth between the top of the Wolfcamp Formation and the base of the Ellenburger Formation in the same manner as though a separate agreement for each formation had been entered into, underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation or formations.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A" showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands, if any, within the communitized area. In this connection, this agreement when recorded by the Operator shall be Lessee's recorded Declaration of Pooling or Unit Designation referred to in the leases covering the fee (patented) lands portion, if any, of the communitized area.
3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interests in the communitized area and four (4) executed copies of a Designation of Successor Operator shall be filed with the Area Oil and Gas Supervisor.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any wells drilled on the communitized area, monthly reports of operations, statements of sales of gas and associated liquid hydrocarbons produced therewith, and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States as specified in the applicable oil and gas operating regulations of the United States.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement among the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

6. (a) The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.
- (b) It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any non-communitized lease production provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such lease and any non-communitized lease production.
7. There shall be no obligation on the Lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any Lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the Lessees hereto shall not be released from their obligation to protect such communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or productions pursuant to this agreement shall be deemed to be

operations or productions as to each lease committed hereto.

9. The production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal or State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or such failure results from, compliance with any such laws, orders, rules or regulations.
10. This agreement shall be effective as of the date hereof, upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect as to all formations individually between the top of the Wolfcamp Formation and the base of the Ellenburger Formation for a period of two (2) years and so long thereafter as communitized substances are, or can be, produced from the communitized areas in paying quantities, from communitized formations or formation, provided that, prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non-production. The two year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. It is agreed that between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is Lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. The covenants herein shall be construed as covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates, and any grant, transfer or conveyance of such lands or interests subject hereto whether voluntary or not, shall be and are hereby conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successors in interests, and shall be subject to approval by the Secretary of the Interior.
13. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR. 12319), which are hereby incorporated by reference in this agreement.
14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
15. Atlantic Richfield Company shall be the Unit Operator of said communitized area, and all matters of operations shall be determined and performed by Atlantic Richfield Company.
16. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as to the day and year first above written and have set opposite their respective names, the dates of execution.

ATLANTIC RICHFIELD COMPANY

By: C. E. Cardwell Jr.
Attorney-In-Fact

UK
ifm
TSM

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared C. E. Cardwell, Jr., Attorney-in-Fact for ATLANTIC RICHFIELD COMPANY, a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said Atlantic Richfield Company, for the purposes and considerations and in the capacity therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 11 day of May, 1981.

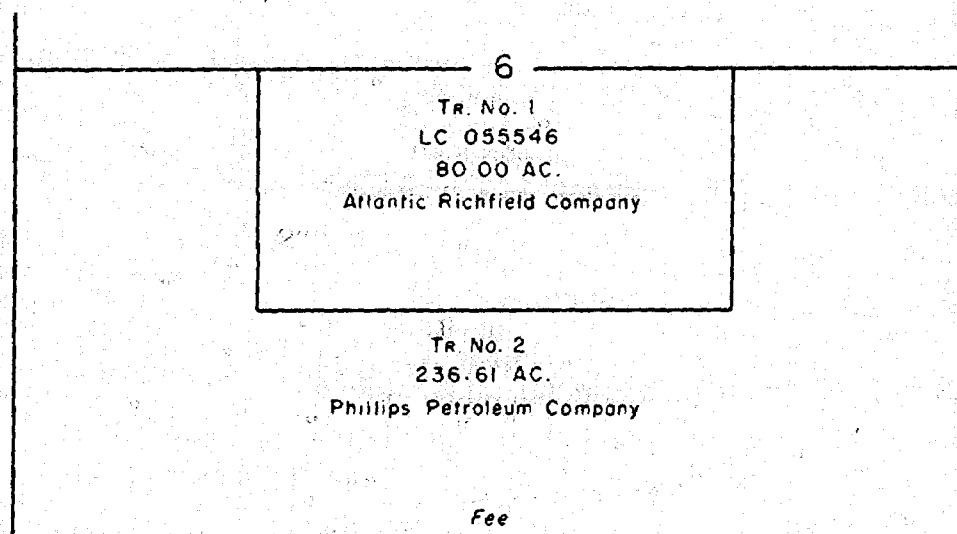
Yvonne Brooks

Notary Public

My Commission Expires
July 3, 1984

EXHIBIT "A"

PLAT OF COMMUNITIZED AREA COVERING
S/2 SECTION 6, T-25-S, R-37-E N.M.P.M.
LEA COUNTY, NEW MEXICO



WELL TO BE LOCATED 1650' FSL AND 1980'
FWL, WHICH IS IN Tr. No. 1.
TOTAL ACREAGE WITHIN COMMUNITIZED AREA
316.61 ACRES, MORE OR LESS.

INSTRUCTIONS FOR EXECUTING AND ACKNOWLEDGING PAPERS
(New Mexico Properties)

The attached instruments should be executed pursuant to the following instructions:

1. Married Persons (with the interest being community property). If you are a married man (or a married woman), the papers should be executed by both the husband and the wife. The acknowledgment should state the names of both parties expressly identifying them as husband and wife.
2. Married Persons (with the interest being either his or her separate property). For the purposes of these instructions, separate property shall mean property that has been inherited, received as a gift or acquired prior to the date of marriage. If the husband or wife is executing papers concerning either of their separate property, they should execute as follows: "John Doe, a married man dealing in his sole and separate property," or "Jane Doe, a married woman dealing in her sole and separate property." The acknowledgment should also contain the identical name and description.
3. Single Men. A single man should execute papers as follows: "John Doe, a single man." The acknowledgment should also contain the identical name and description.
4. Single Women. If a single woman is executing papers, she should execute as follows: "Jane Doe, a single woman," or "Jane Doe, a widow." The acknowledgment should also contain the identical name and description.
5. Corporations. If the entity executing the papers is a corporation, the execution should state: "XYZ Company, a corporation" beneath which should appear the signature of the president, vice-president or attorney-in-fact, his title appearing under his signature. In addition, a corporation's execution should be attested to by the secretary or the assistant secretary, his title appearing under his signature, and be sealed with the corporate seal, or a recital entered that the corporation has no seal. The acknowledgment should show the name of the company, that it is a corporation, the name of the executing officer and his capacity. If the execution is by an attorney-in-fact, a copy of his power of attorney should be furnished.
6. Partnerships. If the entity executing the instrument is a co-partnership, either general or limited, that fact should be stated as follows: "ABC Oil Producers, a co-partnership," and the papers should be executed by at least two partners or by at least one general partner if it is a limited partnership. Under each signature the word "partner" or "general partner" should appear. The acknowledgment should name the executing partners and state that they executed on behalf of ABC Oil Producers, a co-partnership. It is not necessary for the partners' wives to execute an instrument which affects only partnership property.
7. Trustees. If the execution is by a trustee, it should be signed by John Jones under which his capacity as trustee is stated. The acknowledgment likewise should reflect that the instrument was executed by John Jones, Trustee.
8. Executors, Administrators and Guardians. If the instrument is to be executed by an executor or by an administrator, an attempt should be made to have it jointly executed by the executor or administrator and also by the heirs and devisees of the deceased person. Most commonly this will appear in the following manner: "Jane Doe, a widow, Individually and as Executrix of the Estate of John Doe, deceased, and John Doe, Jr., as the sole heirs and devisees of John Doe, deceased." Guardians' executions are similar except no attempt should be made to secure the ward's execution. It is quite possible that additional material such as an affidavit of heirship or copies of probate proceedings will be required to be furnished for examination, and in some cases it might also be necessary to obtain a court order approving the execution. Every attempt will be made to keep such requirements within the bounds of reason and your cooperation and understanding are greatly appreciated.
9. Capacity Not Covered. If your capacity to execute papers is not covered above and you have any doubt about the procedure, you should address your inquiry to the party who sent you the papers for execution.
10. Acknowledgments. The acknowledgment must be taken by a Notary Public whose commission is presently in effect and must bear the impression of his seal of office. In foreign countries acknowledgments may be taken by a consular agent of the U.S., resident in the country where the acknowledgment is taken having a seal. Persons on active duty in the U.S. military service, inside or outside this country, may have their acknowledgment taken by a commissioned officer of at least the rank of second lieutenant or ensign, the acknowledgment containing the signature, rank and branch of service of such officer. It might be necessary to have more than one acknowledgment if the parties do not appear before the same notary public. Such additional acknowledgment may be typewritten on the instrument or on an additional page or taped or stapled over an acknowledgment form that is not usable. In any case, the acknowledgment should reflect the identity and capacity of the parties in exactly the same manner that they have executed the instrument.

EXHIBIT "B"
To Communitization Agreement dated April 20, 1981
embracing the South Half (S/2) Section 6, Township 25 South,
Range 37 East, N.M.P.M., Lea County, New Mexico, containing
316.61 acres, more or less.

Operator of Communitized Area: Atlantic Richfield Company

Description of Leases Committed

Tract No. 1

Lease Serial No.: LC 055546
Lease Date: January 4, 1935
Lease Term: 20 years
Lessor: United States of America
Original Lessee: E. J. Wells
Present Lessee: Atlantic Richfield Company
Description of Lands Committed: Township 25 South, Range 37 East, N.M.P.M.
NE/4 SW/4 and NW/4 SE/4 Section 6
Number of Acres: 80.00
Royalty Rate: On Gas and Casing-Head Gasoline:
12½ when average daily production is less
than 3,000,000 cubic feet; 16 2/3 when
average daily production is 3,000,000
cubic feet or more on oil:
12½ to 33 1/3 sliding scale
5% owned as follows:

Name and Percent ORRI Owners:

Terra Resources, Inc.	0.036705
Robert Bivens	0.00022375
The Marbet Company	0.000446
Marguerite B. Poynter	0.00022375
Red Feather Oil Company	0.003125
Virginia B. Bryan	0.00022375
Douglas O. Williams	0.00022375
J. Reuel Armstrong	0.001319
Helen H. Benedict	0.0019600
Leland Stanford Jr. University	0.000446
Ruby C. Bowen	0.001319
Clyde C. Dawson	0.000196
Alice H. Fox	0.000049
Elizabeth G. Henry	0.000049
S. Arthur Henry, Jr.	0.000049
Pauson Oil Company	0.000446
Diane Rene Stewart, Conservator for Elizabeth O. Tucker	0.001319
Helen H. Utter	0.000049
Jean Wells Klaasse, Guardian of the Person & Property of Martha Noel Wells	0.003392
Atlantic Richfield Company	100%

Name and Percent WI Owners:

Tract No. 2

Lease Dated: November 27, 1925
Recorded: Book 3, Page 247, Records of
Lea County, New Mexico
Lessor: C. D. Woolworth, et al
Lessee: The Pure Oil Company
Land Covered: W/2 SW/4, SE/4 SW/4, SW/4 SE/4, E/2 SE/4,
and other lands not included within said
communitized area, Section 6, T-25-S,
R-37-E, N.M.P.M.
Primary Term: 10 years
Royalty: 1/8 on oil and gas
Record Title to Lease: Phillips Petroleum Company
Name and Percent of Royalty Owners:

T. J. Horsley	0.0004883
Atlantic Richfield Company	0.0074218
Atlantic Richfield Company	0.0003907
Cathie Auvenshine	0.0000976
Virginia L. Barnes	0.0003472

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

CASE

7292

Jane C. Balckford-----	.001770
W. C. Stroube & William J. Collins, Independent Exec. of the Estate of J. L. Collins-----	.0010417
Clifford Cone-----	.0000977
Douglas Cone-----	.0000977
Kathleen Cone-----	.0004883
Kenneth G. Cone-----	.0000976
Katherine Cone Keck 1971 Trust "C"-----	.0003255
Tom R. Cone-----	.0000977
Mrs. Martha Watkins Harris-----	.0012206
Winona C. Jones-----	.0003472
Marjorie Cone Kastman-----	.0001628
Mrs. Clyde Watkins Miller-----	.0004612
Winona C. Jones-----	.0003472
Marjorie Cone Kastman-----	.0001628
Mrs. Clyde Watkins Miller-----	.0004612
Trustees of the Jal Public Library Fund-----	.0026313
Andrew S. Pearson, Jr.-----	.0003472
H. Dillard Schenck-----	.0004883
The First National Bank of Corsicana, Texas and H. R. Stroube, Jr., Anncillary Co-Executors of Estate of H. R. Stroube, Deceased-----	.0010417
Joseph Edward Stroube Ancillary Executor of the Estate of W. C. Stroube-----	.0010417
Myrtis D. Watkins-----	.0012206
Robert L. Wheelock, Jr. and Betty Wheelock Kennaugh Co-Executors of the Estate of Maure C. Wheelock-----	.0005208
First National Bank of Corsicana, Texas, Trustee of the Susan Jane Wheelock Trust-----	.0003438
Bank of Oklahoma and Rita L. Willis, Co-Trustees of the Rita L. Willis Trust-----	.0004883

PROVISIONS OF FEE LEASES AUTHORIZING POOLING:

None, however ratifications are being obtained from all mineral interest owners, and those not replying will be Force Pooled.

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres</u>	<u>Percent of Pool</u>
1	80.00	25.2676795
2	236.61	74.7323205
	316.61 acres	100.0000000%

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 7292

AMENDED APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located at a standard location in Unit K of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought

joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 300% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

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

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By

Allen H. Brill

Gary R. Kilpatrick

P.O. Box 2307

Santa Fe, New Mexico 87501

(505) 982-3873

200%
penalty
plus
100% of
share

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 1292

AMENDED APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located at a standard location in Unit K of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought

joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

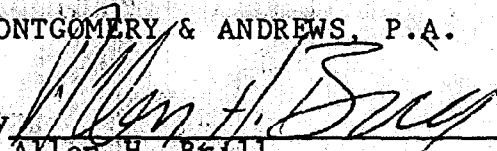
6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 300% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

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

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By


Allen H. Brill
Gary R. Kilpatrick
P.O. Box 2307
Santa Fe, New Mexico 87501
(505) 982-3873

CASE 7250: (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 Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 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 7292: (Continued from July 2, 1981, Examiner Hearing)

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: (Continued from July 2, 1981, Examiner Hearing)

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: (Continued from July 2, 1981, Examiner Hearing)

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 7280: (Continued from July 2, 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.

Dockets Nos. 23-81 and 24-81 are tentatively set for July 29 and August 12, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 15, 1981

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for August, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7302: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbores of four wells to be drilled in the SE/4 and SW/4 of Section 34, Township 27 North, Range 7 West, and the SW/4 and NW/4 of Section 2, Township 26 North, Range 7 West, respectively.

CASE 7303: Application of Florida Hydrocarbons Company for surface commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the surface commingling of Morrow, Strawn, Atoka, and Wolfcamp gas produced from five wells located in Unit F of Section 10, Units C and O of Section 15, and Units A and I of Section 22, all in Township 23 South, Range 34 East, Antelope Ridge Field, after separately metering the gas produced from each well and each zone. Lease liquids would be separated out at the wellhead and the gas processed in a plant, allocating plant production back to each well on the basis of meter readings. Applicant further seeks a procedure whereby additional wells could be similarly commingled in said system.

CASE 7304: Application of ARCO Oil and Gas Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Custer Well No. 1, the surface location of which is 810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, Custer Field, to a bottom hole location within 100 feet of a point 1650 feet from the North line and 660 feet from the West line of said Section 6, at a true vertical depth of approximately 12,800 feet.

CASE 7305: Application of Amoco Production Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 34. 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 7306: Application of Getty Oil Company for pool creation, special pool rules, and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Lower Pennsylvanian gas pool for its Federal 33 Well No. 1 located in Unit G of Section 33, Township 26 South, Range 33 East, and the promulgation of special rules therefor, including provisions for 640-acre spacing. Applicant also seeks approval of a 616.24-acre non-standard gas proration unit comprising Sections 33 and 34, Township 26 South, Range 33 East.

CASE 7307: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the W/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 12E drilled at a standard location thereon.

CASE 7308: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the E/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 11E drilled at a standard location thereon.

CASE 7074: (Reopened and Readvertised)

In the matter of Case 7074 being reopened pursuant to the provisions of Order No. R-6565, which order created the South Elkins-Fusselman Gas Pool in Chaves County, New Mexico, to permit all interested parties to appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined to be a retrograde gas condensate reservoir.

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-6382, 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 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 Inxco 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 Merrion 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 NCPA 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 G 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 73,016 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 Emmerich 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

(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 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-Blaine 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

DOCKET: 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 Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E 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 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.

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.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 1292

AMENDED APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located at a standard location in Unit K of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought

joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 300% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

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

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By


Allen H. Brill

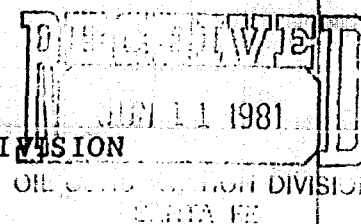
Gary R. Kilpatrick

P.O. Box 2307

Santa Fe, New Mexico 87501

(505) 982-3873

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION



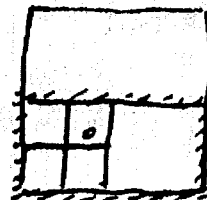
APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 7292

APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located 1,650 feet from the south line and 1,980 feet from the west line of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought



joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

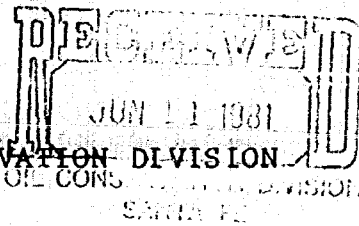
5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 200% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

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

Respectfully submitted,
MONTGOMERY & ANDREWS, P.A.

By Gary R. Kilpatrick
Gary R. Kilpatrick
P.O. Box 2307
Santa Fe, New Mexico 87501
(505) 982-3873



BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 2292

APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located 1,650 feet from the south line and 1,980 feet from the west line of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought

joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 200% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

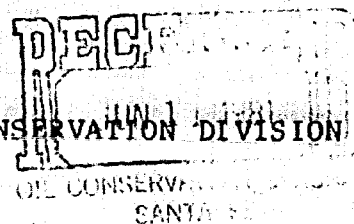
7. Approval of this Application will prevent the drilling of unnecessary wells, protect correlative rights and prevent waste.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By Gary R. Kilpatrick
Gary R. Kilpatrick
P.O. Box 2307
Santa Fe, New Mexico 87501
(505) 982-3873

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION



APPLICATION OF ARCO OIL AND
GAS COMPANY FOR COMPULSORY
POOLING IN THE DEVONIAN,
SILURIAN, FUSSELMAN, AND
ELLENBURGER FORMATIONS UNDERLYING
SECTION 6, TOWNSHIP 25 SOUTH,
RANGE 37 E., NMPM, CUSTER FIELD,
LEA COUNTY, NEW MEXICO

Case No. 7292

APPLICATION

COMES NOW, ARCO Oil and Gas Company (ARCO), by and through its attorneys, Montgomery and Andrews, P.A., and applies for an order pooling all mineral interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., N.M.P.M., Custer Field, Lea County, New Mexico, for the purpose of forming a 320 acre proration and spacing unit in the Devonian, Silurian, Fusselman, and Ellenburger formations in Lea County, New Mexico, and in support of its application states:

1. Applicant is a working interest owner of certain interests in the S. 1/2 of Section 6, T. 25 S., R. 37 E., Lea County, New Mexico.
2. Applicant has proposed to drill a well (ARCO Custer Wells "A" No. 1) on the aforesaid acreage, the well being located 1,650 feet from the south line and 1,980 feet from the west line of said Section 6, which well is presently projected to be drilled from the top of the Devonian to the base of the Ellenburger, approximately 13,000 feet in total depth.
3. The Devonian, Silurian, Fusselman and Ellenburger formations underlying the subject acreage are considered to have potential for production based upon mud log, porosity and resistivity logs interpretation and production history.
4. Applicant proposes to dedicate the entire S. 1/2 of Section 6, comprised of 320 acres, to the well and has sought

joinder of all other mineral interest owners in the S. 1/2 of Section 6 for said purpose.

5. Although Applicant has attempted to obtain voluntary agreements of all mineral interest owners in the drilling of the well, there are still some mineral interest owners who have refused to join in dedicating their acreage, and Applicant seeks an order from the Division pooling all mineral interests in the Devonian, Silurian, Fusselman and Ellenburger formations underlying the S. 1/2 of Section 6, pursuant to Section 70-2-17, N.M.S.A. 1978.

6. The Division's order to be entered pursuant to this Application should designate Applicant as operator of the proposed well and should provide a reasonable charge for supervision of and for the risk involved in drilling this well. Applicant requests that 200% of the non-consenting working owners' pro-rata share of the cost of drilling and completing this well be fixed as the charge for the risk involved in its drilling.

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

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By Gary R. Kilpatric

Gary R. Kilpatric
P.O. Box 2307
Santa Fe, New Mexico 87501
(505) 982-3873

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. 7292

Order No. R- 6731

APPLICATION OF ARCO OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of July, 19 81, 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, ARCO Oil and Gas Company,
seeks an order pooling all mineral interests ^{from top of the} in the Devonian
^{through the base of the} Ellenburger formations
formation thru underlying the S/2
of Section 6, Township 25 South, Range 37 East
NMPM, Custer Field, Lea 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 proration unit who have not agreed to pool their interests.

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

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

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

(8) That any non-consenting working interest owner 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.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$ 2400.00 per month while drilling and \$ 240.00 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.

(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, ~~from the~~ ^{top of the} ~~the~~ ^{formation through the base of the} Devonian ~~the~~ ^{Ellenburger} formation underlying the S/2 of Section 6, Township 25 South, Range 37 East, NMPM, Custer field, Lea County, New Mexico, are hereby pooled to form a standard 320-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 first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Ellenburger 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 ARCO Oil and Gas Company 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.

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

(5) That the operator shall furnish the 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 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.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$ 2400.00 per month while drilling and \$ 240.00 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.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea 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.

(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 herein-
above designated.