

cont to Dec 2  
and records. to  
pool all interests  
down to and incl the 100.

poolers?

2009.

2500/mo delg  
400/mo prod

DOCKET MAILED  
~~10/23/81~~  
11/20/81

Case No.

7402

Application  
Transcripts.

Small Exhibits

ETC

And copy of order in this case to

Farmers Bank - Trust Dept

P. O. Box 8888

Wilmington, Delaware 19399

and

James Mercer

Trust Real Estate

Girard Bank

Three Girard Plaza

Philadelphia, Pa 19101

# MGF

**OIL CORPORATION**

MAILING ADDRESS:  
P.O. Box 360 • Midland, Texas 79702-0360

CORPORATE HEADQUARTERS:  
Seventh Floor • Vaughn Building

TELEPHONE:  
915 / 685-9700

December 17, 1981

State of New Mexico  
Energy and Minerals Department  
Oil Conversation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

RE: Case No. 7402  
Order No. R-6851  
East Nadine (M11)  
Lea County, New Mexico

Gentlemen:

Pursuant to the above referenced order, enclosed is the itemized schedule of estimated well costs, relative to force pooling of the NW/4 NW/4 Section 5, T-20-S, R-29-E, Lea County, New Mexico.

Very truly yours,

MGF OIL CORPORATION

*W. M. Gibson*

W. M. Gibson  
Landman

WMG/cj  
Enclosure

**AUTHORITY FOR EXPENDITURES**

Operator: MGF Type of Operation: Drilling Date: 10-5-21  
 Lease: \_\_\_\_\_ Well No. 1 Field: House OIL CONSERVATION Corral Lea  
 Location: 660' ELL & ELL Sec. 5, T-20-5, R-39-E Prospect: SANTA FE DIVISION  
 AFE No. \_\_\_\_\_ Proposed I.D. 7800

**INTANGIBLE DRILLING COSTS**

		Completed Well	To Casing Point
216-009	Road, Location & Survey	10,000	10,000
216-008	Damages	5,000	5,000
216-002	Drilling-Footage: ft. @ /ft.	-	-
216-003	Drilling, daywork: 25 days @ 6800 /day	170,000	170,000
216-021	Fuel	20,000	20,000
216-033	Water	15,000	15,000
216-020	Bits	15,000	15,000
216-004	Mud and Chemicals	10,000	10,000
216-006	Cement Services	25,000	10,000
216-025	BST's 5 Coring ft. Mud Logging 10 Days	15,000	15,000
216-015	Logging	15,000	10,000
216-016	Perforating	5,000	-
216-011	Treating-Acid ze/frac	20,000	-
216-014	Well Service Unit	20,000	-
216-013	Rental Equipment	5,000	3,000
216-005	Trucking	35,000	30,000
216-022	Frac Oil & Wash Oil	-	-
216-023	Labor	5,000	3,000
216-034	Direct Supervision	10,000	8,000
216-036	Contingencies 8 %	32,000	25,000
		<b>\$432,000</b>	<b>\$349,000</b>

**WELL EQUIPMENT**

	Casing	Footage	Size	Grade Thread	Weight	Price		
214-001	Surf.							
214-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
214-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Insp						6,000	1,200
	Coiled	1500	5 1/2			2.75	4,125	-
214-004	Tubing	7000	2 3/8	J-EUE	47	3.65	25,550	-
214-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
214-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
214-014	Packers/Anchors	TAC					1,000	-
Total							<b>\$ 181,063</b>	<b>\$ 25,880</b>

**LEASE EQUIPMENT**

214-011	Tanks 2-500 BBL	1-210' BBL	17,000	-
214-024	Separation Equipment	4 x 20 Heater	7,000	-
214-012	Line Pipe		2,000	-
214-013	Fittings		3,000	-
214-016	Installation		10,000	-

**APPROVAL:**

Engineering WAB 10/8/21

Geologic WAB 10-8-21

Land WAB 10-8-21

Managerial WAB 10/9/21

Working Interest Owners

Total

\$ 39,000

\$ -

Total AFE

\$ 652,063

\$374,883

%W.I.

TO

\$

\$

Working Interest Owner Approval:

This AFE is approved for the account of \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_

Remarks:



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

ELIJAH KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

December 9, 1981

POST OFFICE BOX 2086  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 427-8434

Mr. William F. Carr  
Campbell, Byrd & Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico

Re: CASE NO. 7402  
ORDER NO. R-6857

Applicant:

MGF Oil Corporation

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD       

Other Farmers Bank, James Mercer

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. 7402  
Order No. R-6851

APPLICATION OF MGF OIL CORPORATION 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 December 2, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of December, 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, MGF Oil Corporation, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 East, NMPM, 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 oil and 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 \$3500.00 per month while drilling and \$400.00 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 March 1, 1982, 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, down to and including the Abo formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil 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 March, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of March, 1982, 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 MGF Oil Corporation is hereby designated the operator of the subject well and unit.

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

(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 \$3500.00 per month while drilling and \$400.00 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.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a

-5-  
Case No. 7402  
Order No. R-6851

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 interest.

(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 hereinafter designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



*Joe D. Ramey*  
JOE D. RAMEY,  
Director

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

EXAMINER HEARING

IN THE MATTER OF:

Application of MGF Oil Corporation      **CASE**  
for compulsory pooling, Lea County,      **7402**  
New Mexico.

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation      W. Perry Pearce, Esq.  
Division:      Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:      William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P.A.  
Jefferson Place  
Santa Fe, New Mexico 87501

1  
2 MR. NUTTER: The hearing will come to  
3 order, please.

4 We'll call next Case Number 7402.

5 MR. PEARCE: Application of MGF Oil  
6 Corporation for compulsory pooling, Lea County, New Mexico.

7 MR. CARR: Mr. Examiner, this case was  
8 heard four weeks ago today. We have no new evidence to pre-  
9 sent at this time.

10 It was readvertised to correct an error  
11 in the readvertisement.

12 We would, however, ask that the order be  
13 expedited inasmuch as the rig is available today and we hope  
14 to spud the well on the 5th.

15 MR. NUTTER: Are there any appearances  
16 in Case Number 7402?

17 The case has been heard and will stand  
18 on the record as presented previously, and we'll take the  
19 case under advisement.

20  
21 (Hearing concluded.)  
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 Conservation 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. 7404 heard by me on 12/2 1981.  
[Signature], Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Box 1 Box 195-B  
Santa Fe, New Mexico 87508  
Phone (505) 455-7419

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

EXAMINER HEARING

IN THE MATTER OF:

Application of MGF Oil Corporation  
for compulsory pooling, Lea County,  
New Mexico.

CASE  
7402

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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

For the Applicant:

William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P.A.  
Jefferson Place  
Santa Fe, New Mexico 87501



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I N D E X

WILLARD M. GIBSON

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Nutter	11

JACK R. BIRCHUM

Direct Examination by Mr. Carr	15
Cross Examination by Mr. Nutter	22

E X H I B I T S

Applicant Exhibit One, Plat	6
Applicant Exhibit Two, List	6
Applicant Exhibit Three, Documents	8
Applicant Exhibit Four, AFE	9
Applicant Exhibit Five, Structure Map	16
Applicant Exhibit Six, Production Figures	17

1  
2 MR. NUTTER: We'll call next Case Number  
3 7402.

4 MR. PEARCE: Application of MGF Oil Cor-  
5 poration for compulsory pooling, Lea County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 my name is William F. Carr with the law firm Campbell, Byrd,  
8 and Black, P. A., of Santa Fe, appearing on behalf of the  
9 applicant.

10 I have two witnesses who need to be  
11 sworn.

12  
13 (Witnesses sworn.)

14  
15 MR. CARR: Mr. Nutter, initially I'd like  
16 to point out that this case was advertised only for pooling  
17 the Strawn formation.

18 Our application requested all formations  
19 from the surface down through the Abo and there was appar-  
20 ently a mix-up when the ad was called in.

21 For that reason the case will have to  
22 be re-advertised to include those formations but we request  
23 permission to go ahead and present the testimony today.

24 It will be the same. I think as the  
25 case develops you will see that we are pooling some interests

1  
2 that are -- that the chance of anyone opposing at a later  
3 hearing are remote at best, and we believe it would be easiest  
4 to proceed with the hearing today.  
5

6 WENDALL M. GIBSON

7 being called as a witness and being duly sworn upon his oath,  
8 testified as follows, to-wit:  
9

10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Will you state your full name and place  
13 of residence?

14 A WENDALL M. Gibson, Midland, Texas.

15 Q Mr. Gibson, by whom are you employed and  
16 in what capacity?

17 A MGF Oil Corporation as Division Landman.

18 Q Have you previously testified before  
19 this Commission?

20 A No, sir.

21 Q Would you briefly summarize for Mr.  
22 Nutter your educational background and your work experience?

23 A I have a Bachelor's degree in '57 and  
24 a Master's degree in '62, a law degree in '73 from South  
25 Texas College of Law.

1  
2 I worked 20 years for Texaco of which  
3 10 was in the land, or 5 years, another 5 years with the  
4 First National Bank of Midland as the real estate and oil and  
5 gas vice president, and have -- I've been employed this year  
6 with MGF Oil Corporation.

7 Q Are you familiar with the application  
8 filed on behalf MGF?

9 A Yes, I am.

10 Q Are you familiar with the subject lands?

11 A Yes.

12 MR. CARR: Are the witness' qualifica-  
13 tions acceptable?

14 MR. NUTTER: Yes, they are.

15 Q Mr. Gibson, will you briefly state what  
16 MGF seeks with this application?

17 A We seek an order to compulsorily pool  
18 under the northwest quarter of the northwest quarter of Sec-  
19 tion 5, Township 20 South, Range 39 East, Lea County, New  
20 Mexico. And we need to -- we're force pooling for all the  
21 formations down to and including the Abo.

22 Q Have you prepared certain exhibits for  
23 introduction in this case?

24 A Yes, we have.

25 Q Will you please refer to what has been

1  
2 marked for identification as Applicant's Exhibit Number One  
3 and review this for Mr. Nutter?

4 A This is the proposed location of the  
5 well in the northwest quarter northwest quarter of Section 5.  
6 It's a standard location on 40 acres, 660 from the north and  
7 660 from the west line.

8 Q Is this a standard spacing unit?

9 A Yes, it is.

10 Q Is the ownership common from the surface  
11 down through the Abo formation?

12 A Yes.

13 Q And exactly how deep do you propose to  
14 drill this well?

15 A 70 -- well, we're going to go through  
16 the Abo formation, which is approximately 7800 feet in this  
17 area.

18 Q Will you now refer to your Exhibit  
19 Number Two? And review this for the Examiner.

20 A This is from a title opinion that we  
21 acquired and it reflects the breakdown of the ownership of  
22 the -- under this 40 acres, and like you can say, there's a  
23 lot of minute interests, 1/80th, which is a half an acre  
24 under the 40, but it breaks down the ownership.

25 Q What percentage of the acreage has at

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present been committed to this well?

A. Actually in hand we have 45 percent and we have about 88 percent that has been committed, but I do not have it in hand, and of this percentage which we're seeking to pool are the ones with the 1/80th interest, which is about 11 percent which we have not been able to obtain. And I'd like to add this, we've been working on this thing, it started in December of 1977, and we have had three landmen working on this, and they started getting leases in on this area in 1979.

To explain why we ask for forced pooling is in 1930 a Mr. Catliff (sic) bought this 80 acres and he conveyed --

MR. NUTTER: How do you spell his name?

A. C-A-T-L-I-F-F, Catliff. And he conveyed about 17 acres on 16 mineral deeds, 1/80th interest, which is like one acre all along the east coast, and this is 1930.

We have written the probate courts, Chamber of Commerce, banks, and have made a diligent effort to locate these people and some of them, they must have been at an age in 1930, because we've found that some of the children have even passed away of these people.

And we have made a diligent effort to locate them.

1

2

Q Have you made an effort to contact each  
3 of the individuals named on Exhibit Number Two?

4

A We have.

5

6

Q And you have made a good faith effort  
to obtain voluntary joinder from each of those individuals?

7

A Yes, we have.

8

9

10

Q Would you please refer to what has been  
marked as Exhibit Number Three and identify this for Mr.  
Nutter?

11

12

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14

15

A These are the known addresses of most  
of the ones that we have not been able to -- we've contacted  
these people and have sent leases and these are the ones  
we've sent certified letters to notifying of the forced  
pooling?

16

17

Q But you have contacted each of these  
individuals and given them an opportunity to lease.

18

A Yes.

19

Q And to join in the well.

20

A Right.

21

22

23

24

Now, may I clarify, though, some of  
these, one that we've had -- found out it was the wrong lady  
but no one knows where -- the location on one of them, but  
that's what we ran into on one.

25

Q So you have one individual who's mis-

1  
2 named and you don't know the identity of the correct indivi-  
3 dual.

4 MR. NUTTER: Who would that be?

5 A That was -- this is McCray. We chased  
6 one down, Mr. Examiner, on to in Delaware, and we thought it  
7 was Bessie McCray. I made a phone call and she says, you've  
8 got the wrong McCray. It was in the same city. This lady  
9 was supposed to be her, she's a widow, and I had the wrong  
10 one. We contacted the banks in that area, probate court,  
11 Chamber of Commerce, and with just no trace of some of these  
12 people since 1930.

13 MR. NUTTER: That would be the Clyde  
14 McCray on your --

15 A Yes, sir.

16 MR. NUTTER: -- Exhibit Number Two?

17 Q Mr. Gibson, will you now refer to what  
18 has been marked Exhibit Number Four and review this for Mr.  
19 Nutter?

20 A This is our AFE on the proposed drilling  
21 of the Abo formation.

22 Q Does this reflect the estimated costs  
23 of a dry hole and a completed well?

24 A Yes, sir, it does.

25 Q And what are those figures?



1

2

A. Total AFE for a completed is \$652,063,

3

and to casing point, \$374,883.

4

Q. Are these costs in line with what other

5

operators in the area are charging?

6

A. Yes, they are.

7

Q. Have you made an estimate of the overhead

8

and administrative costs while drilling and producing this

9

well?

10

A. We have.

11

Q. And what would those figures be?

12

A. On the drilling per month is \$3500 and

13

for the production operations is \$400 a month.

14

Q. Are these costs in line with what other

15

operators are charging?

16

A. In the Permian Basin, yes, sir.

17

Q. And do you recommend that these be incor-

18

porated into any order which develops from this hearing?

19

A. I do.

20

Q. Does MGF request to be designated oper-

21

ator of this well?

22

A. It does.

23

Q. In your opinion would granting this

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application be in the best interest of conservation, the

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prevention of waste, and the protection of correlative rights?

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A Yes.

Q Does MGF intend to call another witness to testify as to the risk involved in drilling the subject well?

A Yes, sir.

Q Were Exhibits One through Five either prepared by you or compiled at your direction?

A They were.

MR. CARR: At this time, Mr. Nutter, we would offer Applicant's Exhibits One through Five.

MR. NUTTER: Exhibits One through Five will be entered in evidence.

MR. CARR: And that concludes our direct testimony.

MR. NUTTER: What's your other witness going to testify to?

MR. CARR: He's going to testify as to risk factor.

MR. NUTTER: I see.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Gibson, I noticed among these sheets in Exhibit Number Three, I believe there was a letter to Edwin

1 H. Allen, care of the Farmers Bank in Wilmington, Delaware.

2 A Yes, sir.

3 Q I had a telephone call from the Gerrard  
4 Bank in Philadelphia regarding this interest. Apparently the  
5 Gerrard Bank works with the Farmers Bank in Wilmington in  
6 handling this estate.  
7

8 Have you had any correspondence --

9 A Yes, sir.

10 Q -- or contact with that Philadelphia  
11 bank?

12 A No, sir, just with the Farmers.

13 Q Just the Farmers.

14 A One lady here, the Andrew Oil and Gas  
15 Royalties, Mrs. Wiseman has bought a lot of these minerals  
16 before. She's 92 years old and she was helpful in giving us  
17 this information, which I called the Farmers Bank several  
18 months ago, well, over a month ago, and told what they were,  
19 and they were going to answer me.

20 This Edwin H. Allen, at the time they  
21 didn't think they had any connection with. Then they decided  
22 this Lawrence C. Allen was a son, who has since deceased,  
23 and it's put -- let me point out one more thing.

24 Over here on this Edwin H. Allen, that  
25 undivided 1/60 --

1

2

Q Right.

3

A -- should be a 1/160th. We're talking

4

about a half of an acre that they've got involved, and they've

5

got that split into two trusts now, and they said they'd have

6

to take it to two committees and they would let me know

7

something. I've corresponded with those people.

8

Q Okay, the Philadelphia bank didn't know

9

whether they'd have to be here for the hearing today or not.

10

I told them since their interest was so

11

small they'd just better let the hearing proceed.

12

MR. CARR: Now, Mr. Mercer, I think his

13

name was, with that bank called me about it --

14

Q Yeah, Mercer.

15

MR. CARR: -- and asked if he needed to

16

appear and I referred him to you.

17

A After we got the -- she was reluctant

18

to put some people on it. I worked the trust department, too,

19

and I know how they -- she said I'll put some people on it

20

to see if we have an interest, and once they got this notifi-

21

cation they kind of got excited about it.

22

Q They farmed it out to Philadelphia.

23

A Yes, sir.

24

Q But anyway, these are the letters that

25

were sent on the hearing and some of these parties that are

1  
2 on this list, have they actually joined in the drilling of  
3 the well or --

4 A They've leased.

5 Q Some of these have leased?

6 A Yes, sir.

7 Q Or committed --

8 A Yes, sir, Sabine has committed. I can go  
9 right down the line, if you want to.

10 Q Well, I presume that they're all taken  
11 care of except these that were listed on the application.

12 A Yes, sir.

13 Q Being Allen, Timmons, Barnes -- well,  
14 no, there are more than five.

15 A There's Coleman Timmons, Allen, Barnes,  
16 Chamberlain, Graham, McCray, Sharpless, and Piercy, Comfort  
17 and Mask.

18 Q What were the first three or four?

19 A The first one was that Allen with the  
20 bank, Edwin H. Allen.

21 Q Okay.

22 A And then Coleman Timmons, Addie L.  
23 Barnes, Florence L. M. Chamberlain.

24 Q Okay, I've got it now.

25 A Okay.

Q Those are the ones that are still out-standing.

A Yes, sir. We've sent letters to their last known address.

MR. NUTTER: Okay, are there any other questions of the witness? He may be excused.

JACK R. BIRCHUM

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and your place of residence?

A My name is Jack R. Birchum. I live in Midland, Texas.

Q How do you spell your last name?

A B-I-R-C-H-U-M.

Q Mr. Birchum, by whom are you employed and in what capacity?

A I'm employed by MGF Oil Corporation as a Division Exploration Geologist.

Q Have you previously testified before this

1  
2 Commission or one of its Examiners and had your credentials  
3 accepted and made a matter of record?

4 A Yes.

5 Q Are you familiar with the application  
6 filed in this case on behalf of MGF?

7 A Yes.

8 Q Are you also familiar with the subject  
9 acreage?

10 A Yes.

11 MR. CARR: Are the witness' qualifica-  
12 tions acceptable?

13 MR. NUTTER: Yes, they are.

14 Q Have you prepared certain exhibits for  
15 introduction in this case?

16 A I have.

17 Q What is the closest production to the  
18 proposed well?

19 A The closest production is the San Andres  
20 oil wells immediately to the south of the subject acreage.

21 Q Would you please refer to what has been  
22 marked for identification as Exhibit Number Five and review  
23 this for Mr. Nutter?

24 A Exhibit Number Five is a geological  
25 structure map with the datum point being the San Andres form-

1  
2     ation.

3                     And this map shows the offset producing  
4     wells and we are depicting on this map that the San Andres  
5     formation becomes tight in porosity to the southwest and  
6     certain directions from the offset producing wells.

7                     Q             Mr. Birchum, will you now refer to Exhibit  
8     Number Six and review this for Mr. Nutter?

9                     A             Exhibit Number Six is the cumulative  
10    production figures for the San Andres formation immediately  
11    south of the subject acreage.

12                    Q             Now, I believe on this exhibit, and also  
13    the preceding exhibit, certain acreage is shaded in yellow,  
14    is that correct?

15                    A             Yes.

16                    Q             This is not intended to depict the  
17    spacing unit which is the subject of this hearing, is that  
18    right?

19                    A             That's right.

20                    Q             That merely indicates MGF ownership in  
21    the area.

22                    A             Correct.

23                    Q             Now, directing your attention to Exhibit  
24    Six, when were the wells in the San Andres immediately to the  
25    south of the proposed well drilled?



1  
2 A These wells, the wells immediately to  
3 the south were drilled in the early 1950's.

4 Q And I believe you have figures by each  
5 of those wells. What are they designed to show?

6 A The figures by each of the producing  
7 wells is the total cumulative production currently published  
8 in the State records, and they are written in decimals as  
9 thousands of barrels.

10 Q And so this is the cumulative production  
11 after approximately thirty years of production.

12 A That's right.

13 Q And what cumulative production in your  
14 opinion is required for a commercial well in this area?

15 A 40,000 barrels would be the very lowest  
16 cumulative production for an economical well to a 4500 foot  
17 San Andres well.

18 Q And some of these wells are above that  
19 and some below it, is that correct?

20 A Right.

21 Q But to get to that figure even the wells  
22 that are above that figure have had a very extended commer-  
23 cial life.

24 A That's right.

25 Q How would you characterize the nature

1 of the San Andres formation in this general area?

2 A The San Andres in this area is rather  
3 high risk for an economical return on investment for a 4500  
4 foot well, and we would certainly want to drill deeper for  
5 additional prospective zones.  
6

7 Q Is it fair to characterize the San Andres  
8 formation as a highly variable formation?

9 A It's highly variable. The porosity is  
10 quite risky. It presents a good chance of drilling a non-  
11 commercial, an unsuccessful well.

12 Q What is your primary objective in  
13 drilling this well?

14 A The primary objective is the Abo forma-  
15 tion at 7700 to 7800 feet.

16 Q And how close to the proposed location  
17 is the nearest Abo production.

18 A The hearest -- a reference field is the-  
19 is the DK Field three -- four -- three miles to the south,  
20 and Nadine Field two miles to the northwest.

21 Q Are there dry holes separating the pro-  
22 posed location from each of these fields?

23 A Yes, sir, there are numerous dry holes  
24 between those fields and the subject acreage.

25 Q Is it also possible that you could make

1  
2 a well in the Drinkard at this location?

3 A Well, yes, sir, we intend to evaluate  
4 the Drinkard on the way down to the 7800 foot Abo zone.

5 Q And how good a prospect does the Drinkard  
6 appear to be?

7 A The Drinkard is a poor prospect but we  
8 intend to look at it. There are some plugged out Drinkard  
9 wells one mile to the west.

10 Q You also are going to evaluate the Bline-  
11 bry and the Tubb, is that correct?

12 A We're also going to evaluate the Blinebry  
13 and the Tubb and there are also plugged out wells in the  
14 area and unsuccessful wells in the Tubb and the Blinebry.

15 Q And how close are the nearest Tubb and  
16 Blinebry wells?

17 A The nearest Tubb well is in the Blinebry  
18 Field four miles to the southwest.

19 Q So that's the closest Blinebry and Tubb  
20 production?

21 A Yes, sir.

22 Q Even with the number of potential zones  
23 that you intend to test as you go down, do you consider this  
24 to be a high risk venture?

25 A Yes, sir, this is a high risk venture.

1

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Q

Are you prepared to make a recommendation to the Examiner as to the risk factor which should be imposed on the non-working interest -- or the non-joining working interest owners?

A

Yes, sir. The risk factor, Mr. Examiner, is quite high. We would -- we hope to encounter the San Andres as a secondary objective. We hope to establish production in the Abo formation at 7800 feet, and with the two zones together we think we've got us a commercial prospect well here and we hope to find maybe some production in the Tubb and the Drinkard, and the Blinbry.

Q

What sort of a risk penalty would you recommend to be assessed?

A

I'd recommend the maximum here of 200 percent recoupment over the cost of my well.

Q

Do you have anything further to add to your testimony?

A

No, sir.

Q

Were Exhibits Five and Six prepared by you?

A

They were.

MR. CARR: At this time, Mr. Nutter,

we would offer Exhibits Five and Six.

MR. NUTTER: Exhibits Five and Six will

1  
2 be admitted in evidence.

3 MR. CARR: I have nothing further on  
4 direct.

5  
6 CROSS EXAMINATION

7 BY MR. NUTTER:

8 Q Mr. Birchum, the application was for --  
9 or originally we interpreted the application as being for the  
10 Strawn formation. Do you intend to go to the Strawn at all?

11 A No, sir.

12 Q You'll stop in the Abo, then?

13 A No, sir, that's strictly a typographical  
14 error.

15 Q I see. But anything down to the Abo  
16 could possibly be productive, so you want everything from the  
17 surface down to and including the Abo.

18 A Yes, sir, we do.

19 MR. NUTTER: Are there any other ques-  
20 tions of the witness?

21 Oh, no, that's all right. Are there any  
22 other questions of the witness? He may be excused.

23 Do you have anything further, Mr. Carr?

24 MR. CARR: Nothing further, Mr. Nutter.

25 MR. NUTTER: Does anyone have anything

1  
2 they wish to offer in Case 7402?

3 We'll continue the case to the December  
4 2nd, 1981, hearing and readvertise it for the -- all formations  
5 down to and including the Abo.

6  
7 (Hearing concluded.)  
8  
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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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7102  
heard by me on 11/8 1981.

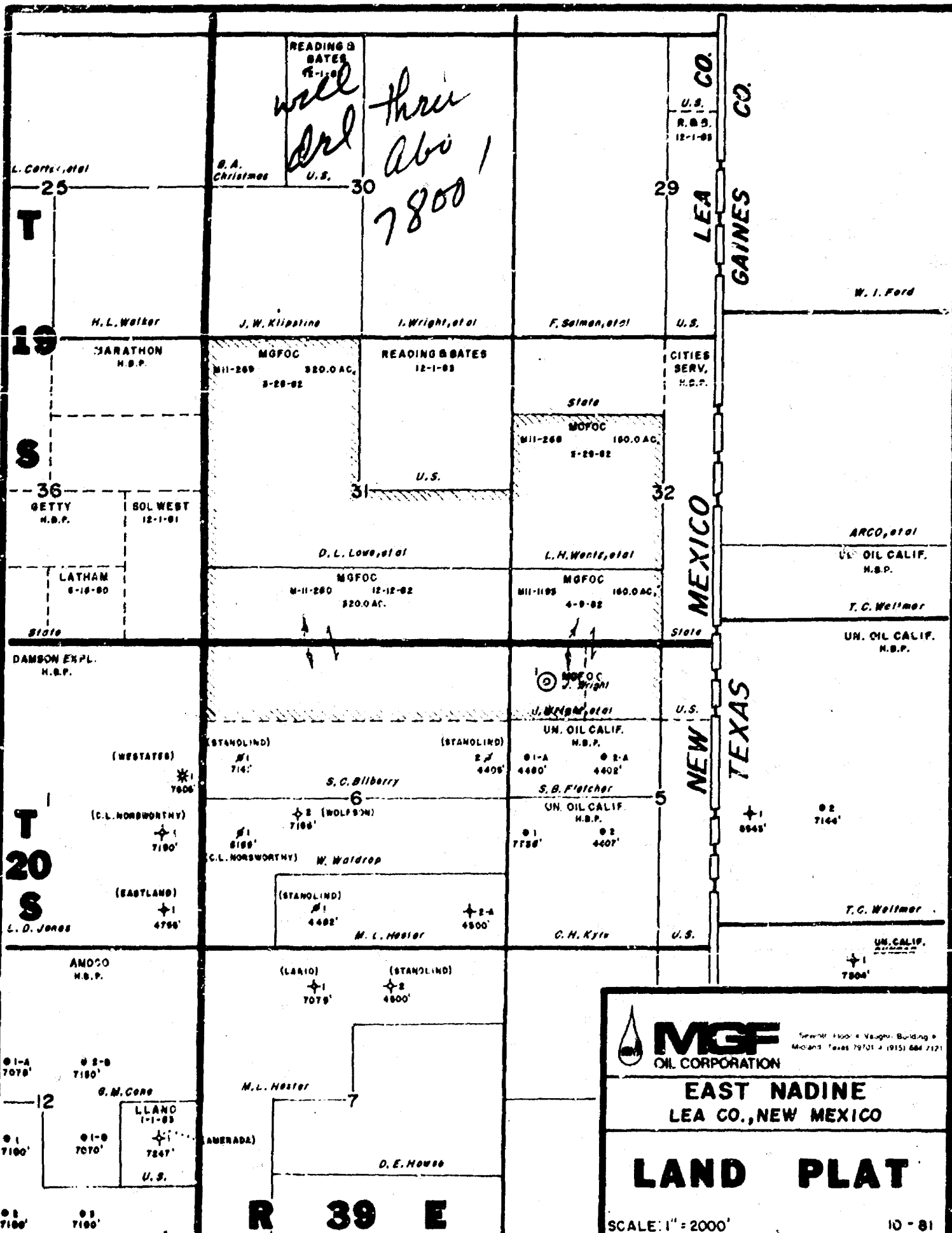
[Signature] Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. : Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409





BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

MAE EXHIBIT NO. 1  
CASE NO. 7402

October 15, 1981

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
MAF	EXHIBIT NO. <u>2</u>
CASE NO. <u>7402</u>	

TITLE OPINION IN RE:

NW/4 NW/4 Section 5, Township 20 South, Range 39 East,  
N.M.P.M., Lea County, New Mexico

FEE SIMPLE TITLE: Fee Simple title to the oil, gas and other minerals in and under the above described land is shown to be vested in the following owners as indicated, to-wit:

<u>OWNER</u>	<u>MINERAL INTEREST OWNED</u>
Sabine Production Company	An undivided 787/8,000 interest
Andrew Oil and Gas Royalties, Inc.	An undivided 3/160 interest
Promco, Inc.	An undivided 1/240 interest
Frank Grier Wakefield	An undivided 1/480 interest
David D. Wakefield	An undivided 1/480 interest
Robert W. Wakefield	An undivided 1/480 interest
John L. Pratt, III	An undivided 1/480 interest
Edwin H. Allen	An undivided 1/60 interest
Raymond A. Weisner	An undivided 1/80 interest
Coleman W. Timmons	An undivided 1/90 interest
Addie L. Barnes	An undivided 1/80 interest
The heirs of Willard Cloud	An undivided 1/80 interest
Florence L. M. Chamberlain	An undivided 1/80 interest
Allen T. H. Graham or Florence May Graham, his wife	An undivided 1/80 interest
Clyde McCray	An undivided 1/80 interest
Laura R. Sharpless	An undivided 1/80 interest
Belle S. Piercy	An undivided 1/80 interest
Dorothy L. Given, a/k/a Dorothy L. Givan	An undivided 1/80 interest
T. Floyd Cropper	An undivided 1/80 interest
Harold W. Comfort	An undivided 1/80 interest
William M. Mask, Jr., and Alice M. Mask	An undivided 1/80 interest
E. C. Townsend or Rega Pearl Townsend	An undivided 1/80 interest
Lydia H. Grier	An undivided 1/80 interest
Alice B. Weidinger	An undivided 1/80 interest
Kirby Exploration Company	An undivided 1,313/8,000 interest

— = still outstanding.

Page 2  
October 15, 1981

Petroleum Corporation of Texas  
(Petco)

An undivided 2/15 interest

Sun Oil Company

An undivided 4/15 interest

Heritage Resources, a general  
partnership

An undivided 1/10 interest

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. SERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
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POST OFFICE BOX 2208  
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TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-8043

October 20, 1981

John L. Pratt III  
c/o Promco, Inc.  
1616 H Street, N.W.  
Washington, D.C. 20006

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
MAF	EXHIBIT NO. 3
CASE NO. 7402	

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

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October 26, 1981

Promco, Inc.  
1616 H Street, N.W.  
Washington, D.C. 20006  
Attn: Ira S. Siegler, Pres.

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

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TELECOPIER: (505) 983-6043

October 26, 1981

Coleman W. Timmons, Dec'd.  
c/o Roy C. Timmons  
Rt. 1, Box 34  
Newark, ND 21841

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

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TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-3043

October 26, 1981

Edwin H. Allen  
Farmer's Bank  
P.O. 8888  
Wilmington, Delaware 19899  
Attn: Virginia Bason

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

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TELEPHONE: (505) 985-4421  
TELECCPIER: (505) 983-6043

October 26, 1981

Lydia H. Grier  
c/o Sabine Production Company  
P.O. Box 3083  
Midland, TX 79702

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

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14 Form 3811, JUL 1978

1. ARTICLE ADDRESSED TO: Lydia H. Grier c/o Sabine Production Co. P.O. Box 3083 Midland, TX 79702		2. ARTICLE DESCRIPTION: P.O. Box 3083 Midland, TX 79702	
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POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Sabine Production Company  
P.O. Box 3083  
Midland, TX 79702

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

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6. RETURN TO: (If different from address above)

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CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Alice B. Weidinger  
c/o Sabine Production Company  
P.O. Box 3083  
Midland, TX 79702

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQ

PS Form 3811, Jan. 1979

1. ARTICLE ADDRESSED TO:  
Alice B. Weidinger  
c/o Sabine Production Co  
P.O. Box 3083  
Midland, TX 79702

2. ARTICLE DESCRIPTION:  
REGISTERED NO. 493-615-1531  
CERTIFIED NO. 79702  
INSURED NO.

(Always obtain signature of addressee or agent)  
SIGNATURE: [Signature] DATE OF DELIVERY: [Signature]

3. ADDRESSEE (Complete only if required)  
DATE OF DELIVERY: [Signature]

4. UNABLE TO DELIVER BECAUSE:

POSTMARK: LAN 28 1981

5. RETURN RECEIPT REQUIRED (Check one)  
☒ Show to whom and date delivered (check one)  
☐ Show to whom, date and address of delivery  
☐ RESTRICTED DELIVERY  
Show to whom and date delivered  
☐ RESTRICTED DELIVERY  
Show to whom, date, and address of delivery \$

(CONSULT POSTMASTER FOR FEES)

6. RETURN RECEIPT REQUIRED (Check one)  
☒ Show to whom and date delivered (check one)  
☐ Show to whom, date and address of delivery  
☐ RESTRICTED DELIVERY  
Show to whom and date delivered  
☐ RESTRICTED DELIVERY  
Show to whom, date, and address of delivery \$

(CONSULT POSTMASTER FOR FEES)

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE C. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Sun Production Co.  
P.O. Box 1861  
Midland, TX 79702

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQ

Form 3811, 1-1-79

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):  
☐ Show to whom and date delivered.....  
☐ Show to whom, date and address of delivery.....  
☐ RESTRICTED DELIVERY  
Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY  
Show to whom, date, and address of delivery.....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:  
Sun Production Co.  
P.O. Box 1861  
Midland, TX 79702

3. ARTICLE DESCRIPTION:  
Mileage to TX 79702

4. REGISTERED NO. 243 075 418

5. CERTIFIED NO.

6. INSURED NO.

7. I have received the article described above.  
SIGNATURE: William F. Carr  
DATE OF DELIVERY: 10/26/81

8. POSTMAN: [Signature]

9. ALONE (if complete only if requested)

10. UNABLE TO DELIVER BECAUSE: [Signature]

11. CARRIER'S INITIALS: [Signature]

12. NO. 1075-500-418

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - NO NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-8043

October 26, 1981

Kirby Exploration Company  
P.O. Box 1745  
Houston, TX 77001

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQD

RETURN RECEIPT, REGISTERED, CERTIFIED MAIL

1. The following service is requested (check one): <input checked="" type="checkbox"/> Show to whom and date delivered..... <input type="checkbox"/> Show to whom, date and address of delivery..... <input type="checkbox"/> RESTRICTED DELIVERY Show to whom and date delivered..... <input type="checkbox"/> RESTRICTED DELIVERY Show to whom, date, and address of delivery &.....		(CONSULT POSTMASTER FOR FEES)	
ARTICLE DELIVERED TO: Kirby Exploration Co. P.O. Box 1745 Houston, TX 77001		REGISTERED NO. 243 575 447	
I have received the article described above. SIGNATURE: [Signature] DATE: OCT 28 1981		MAILING NO. 1581	
6. UNABLE TO DELIVER REASON:		OTHER MAIL	

STANDARD MAIL

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WAFDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Kirby Exploration Company  
P.O. Box 1745  
Houston, TX 77001

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

**CERTIFIED MAIL  
RETURN RECEIPT REQD**

1. The following article is requested (check one):  
☒ Show to whom and date delivered.....  
☐ Show to whom, date and address of delivery.....  
☐ RESTRICTED DELIVERY  
Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY  
Show to whom, date, and address of delivery.....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:  
Kirby Exploration Co.  
P.O. Box 1745  
Houston, TX 77001

3. ARTICLE DESCRIPTION:  
REGISTERED NO. 1 CERTIFIED NO. 1  
143 CTS 60

4. I have received the article described above.  
SIGNATURE Date  
William F. Carr 10/28/81

5. ADDRESSEE (Complete only if requested)  
10/28/81

6. UNABLE TO DELIVER REASON:  
REASON FOR NON-DELIVERY

7. POSTMARK  
10/28/81

8. SENDER'S INITIALS

**CAMPBELL, BYRD & BLACK, P.A.**  
**LAWYERS**

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM E. CARR  
BRADFORD C. SERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 960-1431  
TELECOPIER: (505) 963-6043

**October 26, 1981**

Laura R. Sharpless  
c/o Ruth S. Phipps (Mrs. W. Levis Phipps)  
101 Owls Nest Road  
Wilmington, Delaware 19807

Re: New Mexico Oil Conservation Division Case 7402

**Gentlemen:**

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

**WFC: kb**

**Enclosure**

**CERTIFIED MAIL  
RETURN RECEIPT REQ**

[illegible]

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. SERGE  
WILLIAM G. WARDLE

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POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Laura R. Sharpless  
c/o Ralph Sharpless  
Toughkenamon, PA 19374

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P221117902

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED--  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO STREET ADDRESS P.O. STATE AND ZIP CODE		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	
Laura Sharpless c/o Ralph Sharpless																				10/26/81	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
ORADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-8043

October 26, 1981

Laura R. Sharpless  
c/o Emma S. Pierson (Mrs. Wilson Pierson)  
Box 206 - R.D. 1  
Hockessin, Delaware 19707

Re: New Mexico Oil Conservation Division Case 7402

**Gentlemen:**

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

**Enclosure**

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

**P 243 075 616**

RECEIPT FOR CERTIFIED MAIL

**NO INSURANCE COVERAGE PROVIDED --  
NOT FOR INTERNATIONAL MAIL**

(See Reverse)

SENT TO  
STREET AND NO  
P.O. STATE AND ZIP CODE

[illegible]

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CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 958-4421  
TELECOPIER: (505) 953-6043

October 26, 1981

Coleman W. Timmons, Dec'd  
c/o Olive B. Timmons  
Rt. 1, Box 6  
Newark, MD 21841

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P221127388

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO <i>Coleman W. Timmons</i> STREET AND NO. <i>c/o Olive B. Timmons</i> P.O. STATE AND ZIP CODE		POSTAGE		\$	
CERTIFIED FEE		\$		\$	
SPECIAL DELIVERY		\$		\$	
RESTRICTED DELIVERY		\$		\$	
SHOW TO WHOM AND DATE DELIVERED		\$		\$	
RETURN RECEIPT SERVICE		\$		\$	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY		\$		\$	
DELIVERED WITH RESTRICTED DELIVERY		\$		\$	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$		\$	
TOTAL POSTAGE AND FEES		\$		\$	
POSTMARK OR DATE					

15/9/81

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. SERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 982-8042

October 26, 1981

Coleman W. Timmons, Dec'd  
c/o Carolyn T. Suit  
2500 Baltimore Ave.  
Ocean City, MD

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117900

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
PUT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO Coleman W. Timmons, Dec'd c/o Carolyn T. Suit 2500 Baltimore Ave. Ocean City, MD P.O. STATE AND ZIP CODE		POSTAGE		\$	
CERTIFIED FEE		\$		•	
SPECIAL DELIVERY		\$		•	
RESTRICTED DELIVERY		\$		•	
SHOW TO WHOM AND DATE DELIVERED		\$		•	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		\$		•	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$		•	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$		•	
RETURN RECEIPT SERVICE		\$		•	
OPTIONAL SERVICES		\$		•	
CONSULT POSTMASTER FOR FEES		\$		•	
TOTAL POSTAGE AND FEES		\$		•	
POSTMARK OR DATE		\$		•	

10/26/81

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 26, 1981

Addie L. Barnes  
c/o Mrs. David Jones  
Cedarville Road  
Pottstown, PA 19464

Re: New Mexico Oil Conservation Division Case 7402

Gentlemen:

Enclosed is a copy of the docket for the November 4, 1981 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced case.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117901

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE		TOTAL POSTAGE AND FEES	
SPECIAL DELIVERY		RESTRICTED DELIVERY		RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		CONSULT POSTMASTER FOR FEES		POST MARK ON DATE	

Operator: MGF Type of Operation: Drilling: Oil Well Date: 10-6-81  
 Lease: \_\_\_\_\_ Well No. 1 Field: House County: Lea  
 Location: 660' EN & E 1/4 Sec. 5, T-20-S, R-39-E Prospect: Nadine

AFE No. \_\_\_\_\_ Proposed T.D. 7800

INTANGIBLE DRILLING COSTS

		Completed Well	To Casing Point
216-009	Road, Location & Survey	10,000	10,000
216-008	Damages	5,000	5,000
216-002	Drilling-Footage: ft. @ /ft.	-	-
216-003	Drilling, daywork: 25 days @ 6800 /day	170,000	170,000
216-021	Fuel	20,000	20,000
216-033	Water	15,000	15,000
216-020	Bits	15,000	15,000
216-004	Mud and Chemicals	10,000	10,000
216-006	Cement Services	25,000	10,000
216-025	DST's 5 Coring ft. Mud Logging 10 Days	15,000	15,000
216-015	Logging	15,000	10,000
216-016	Perforating	5,000	-
216-011	Treating-Acidize/frac	20,000	-
216-014	Well Service Unit	20,000	-
216-013	Rental Equipment	5,000	3,000
216-005	Trucking	35,000	30,000
216-022	Frac Oil & Wash Oil	-	-
216-023	Labor	5,000	3,000
216-034	Direct Supervision	10,000	8,000
216-036	Contingencies 8 %	32,000	25,000
		<u>\$432,000</u>	<u>\$349,000</u>

WELL EQUIPMENT

	Casing	Footage	Size	Grade Thread	Weight	Price		
214-001	Surf.							
214-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
214-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Insp.						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
214-004	Tubing	7000	2 3/8	J-FUE	47	3.65	25,550	-
214-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
214-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
214-014	Packers/Anchors	TAC					1,000	-

Total \$ 181,063 \$ 25,880

LEASE EQUIPMENT

214-011	Tanks 2-500 BBL	1-210 BBL	17,000	-
214-024	Separation Equipment	4 x 20 Heater	7,000	-
214-012	Line Pipe		2,000	-
214-013	Fittings		3,000	-
214-016	Installation		10,000	-

APPROVAL: Working Interest Owners Total \$ 39,000 \$ -  
 Engineering WAB 10/8/81

Geologic WAB 10-8-81 \* 67% Total AFE \$ 652,063 \$374,883  
 Land FF 10/8/81

Managerial WAB 10/8/81

W.I. TO \$ \$

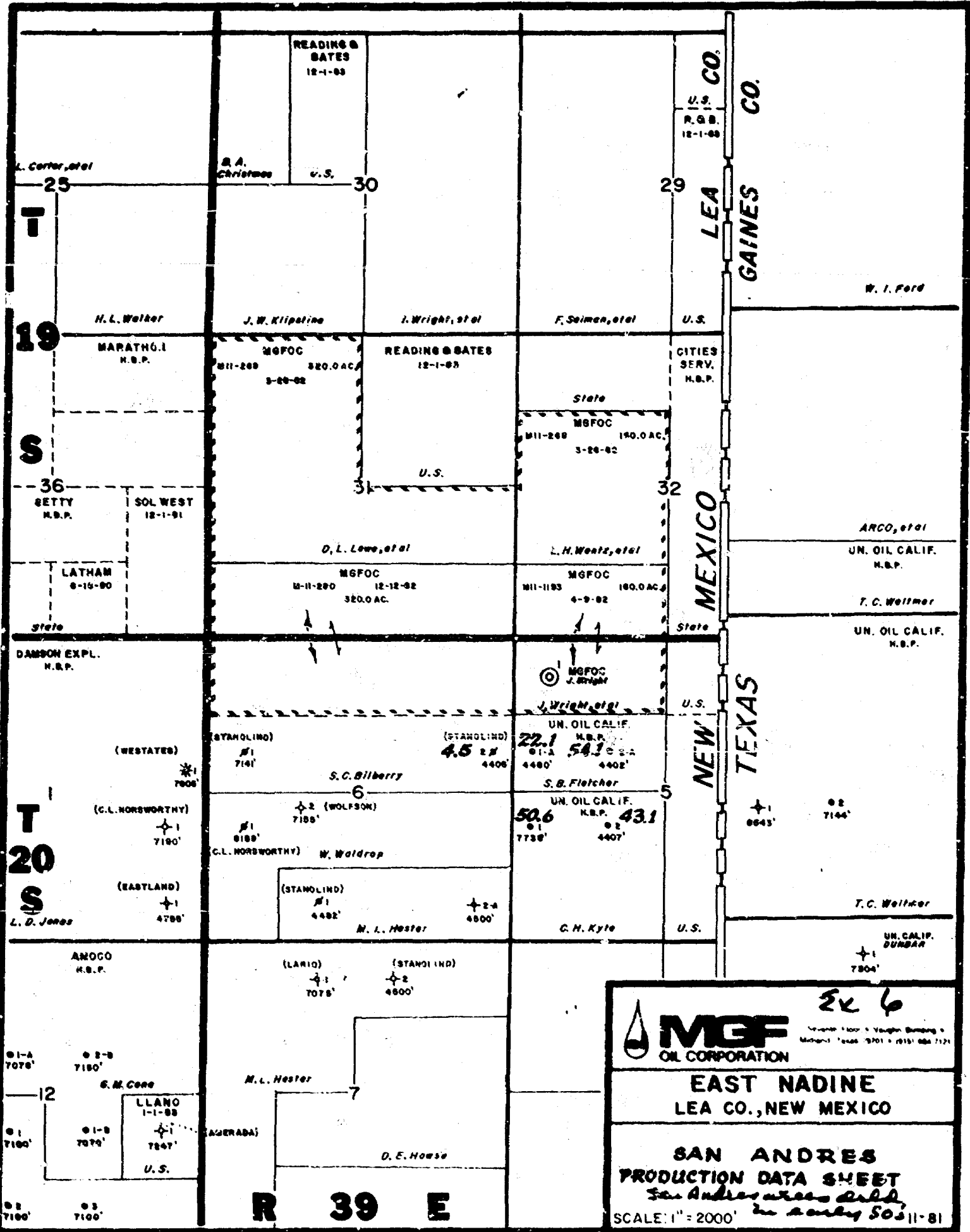
Working Interest Owner Approval:  
 This AFE is approved for the account of \_\_\_\_\_  
 By: \_\_\_\_\_ Date: \_\_\_\_\_


Remarks:

*\* No lower than 67% W.I.*

*Ex. 4  
C-7402*





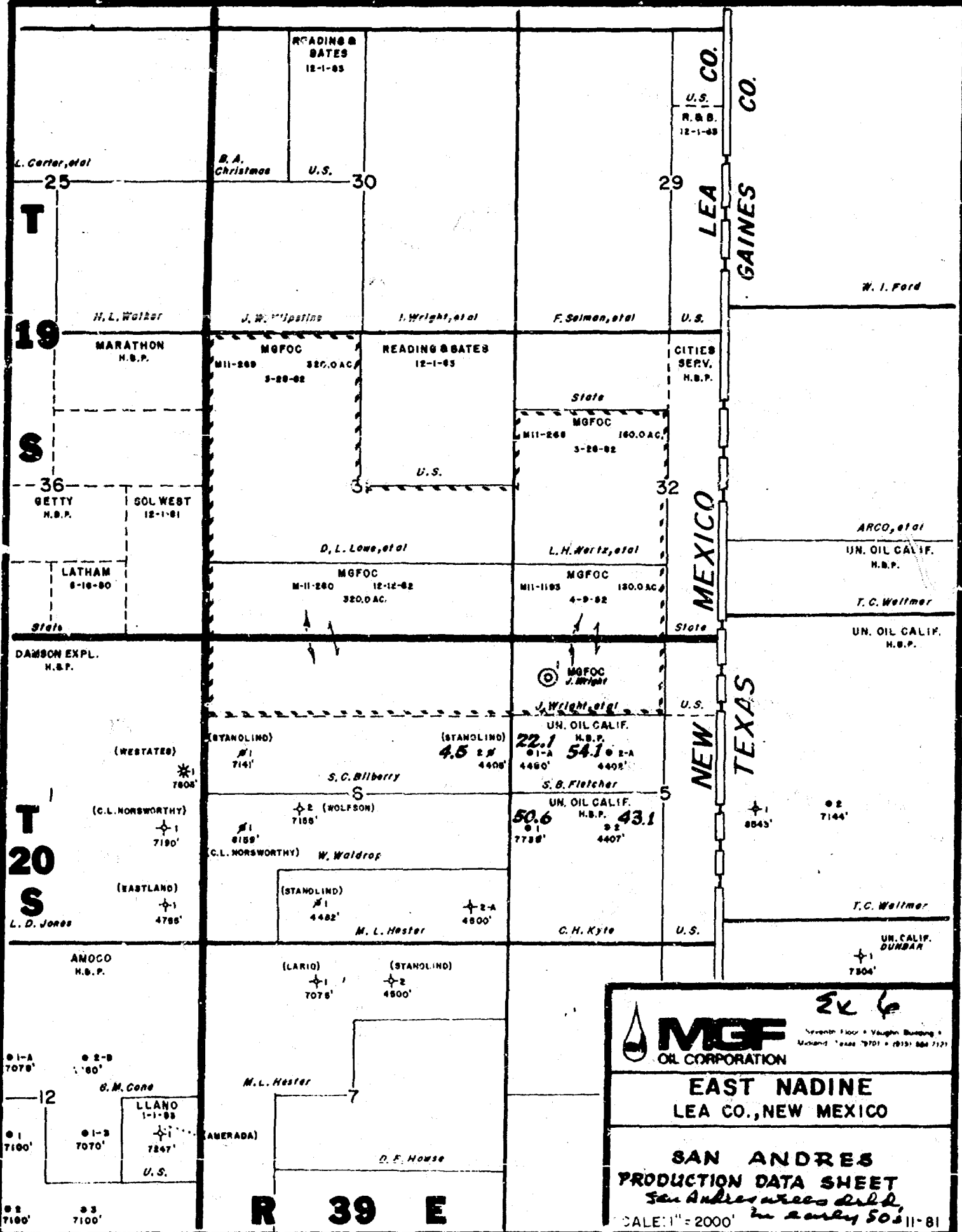
**MGF**  
OIL CORPORATION

2x 6


Traverse 1100' x 1100' Surveying & Mapping, Inc. 1901 & 1915 1100' 1121'

**EAST NADINE**  
**LEA CO., NEW MEXICO**

**SAN ANDRES**  
**PRODUCTION DATA SHEET**  
*San Andres area, 1901 & 1915 1100' 1121'*  
**SCALE: 1" = 2000'**



**2x6**



**MGF**  
OIL CORPORATION

Seventh Floor - Vaughn Building -  
Mineral - Texas 7701 - (512) 864 7121

**EAST NADINE**  
LEA CO., NEW MEXICO

**SAN ANDRES**  
PRODUCTION DATA SHEET  
*San Andres area drill, in early 50's*

SCALE: 1" = 2000'

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

NAF EXHIBIT NO. 6

CASE NO. 7402



**AUTHORITY FOR EXPENDITURES**

Operator: MGF Type of Operation: Drilling: Oil Well Date: 10-6-81  
 Lease: \_\_\_\_\_ Well No. 1 Field: House County: Lea  
 Location: 660' EN & E/4 Sec 5, T-20-5, R-39-E Prospect: Nadine  
 AFE No. \_\_\_\_\_ Proposed T.D. 7800

INTANGIBLE DRILLING COSTS

		Completed Well	To Casing Point
216-009	Road, Location & Survey	10,000	10,000
216-008	Damages	5,000	5,000
216-002	Drilling-Footage ft. @ /ft.	-	-
216-003	Drilling, daywork: 25 days @ 6800 /day	170,000	170,000
216-021	Fuel	20,000	20,000
216-033	Water	15,000	15,000
216-020	Bits	15,000	15,000
216-004	Mud and Chemicals	10,000	10,000
216-006	Cement Services	25,000	10,000
216-025	DST's 5 Coring ft. Mud Logging 10 Days	15,000	15,000
216-015	Logging	15,000	10,000
216-016	Perforating	5,000	-
216-011	Treating-Acidize/frac	20,000	-
216-014	Well Service Unit	20,000	-
216-013	Rental Equipment	5,000	3,000
216-005	Trucking	35,000	30,000
216-022	Frac Oil & Wash Oil	-	-
216-023	Labor	5,000	3,000
216-034	Direct Supervision	10,000	8,000
216-036	Contingencies 8 %	32,000	25,000
		<u>\$432,000</u>	<u>\$349,000</u>

WELL EQUIPMENT

	Casing	Footage	Size	Grade Thread	Weight	Price		
214-001	Surf.							
214-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
214-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Insp						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
214-004	Tubing	7000	2 3/8	J-FUE	47	3.65	25,550	-
214-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
214-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
214-014	Packers/Anchors	TAC					1,000	-

Total \$ 181,063 \$ 25,880

LEASE EQUIPMENT

214-011	Tanks 2-500 BBL	1-210 BBL	17,000	-
214-024	Separation Equipment	4 x 20 Heater	7,000	-
214-012	Line Pipe		2,000	-
214-013	Fittings		3,000	-
214-016	Installation		10,000	-

APPROVAL:

Engineering WAB 10/8/81

Geologic WAB 10-8-81

Land WAB 10/8/81

Managerial WAB 10/9/81

Working Interest Owners

Total

\$ 39,000

\$ -

Total AFE

\$ 652,063

\$374,883

%W.I.

TO

\$

\$

Working Interest Owner Approval:

This AFE is approved for the account of \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_

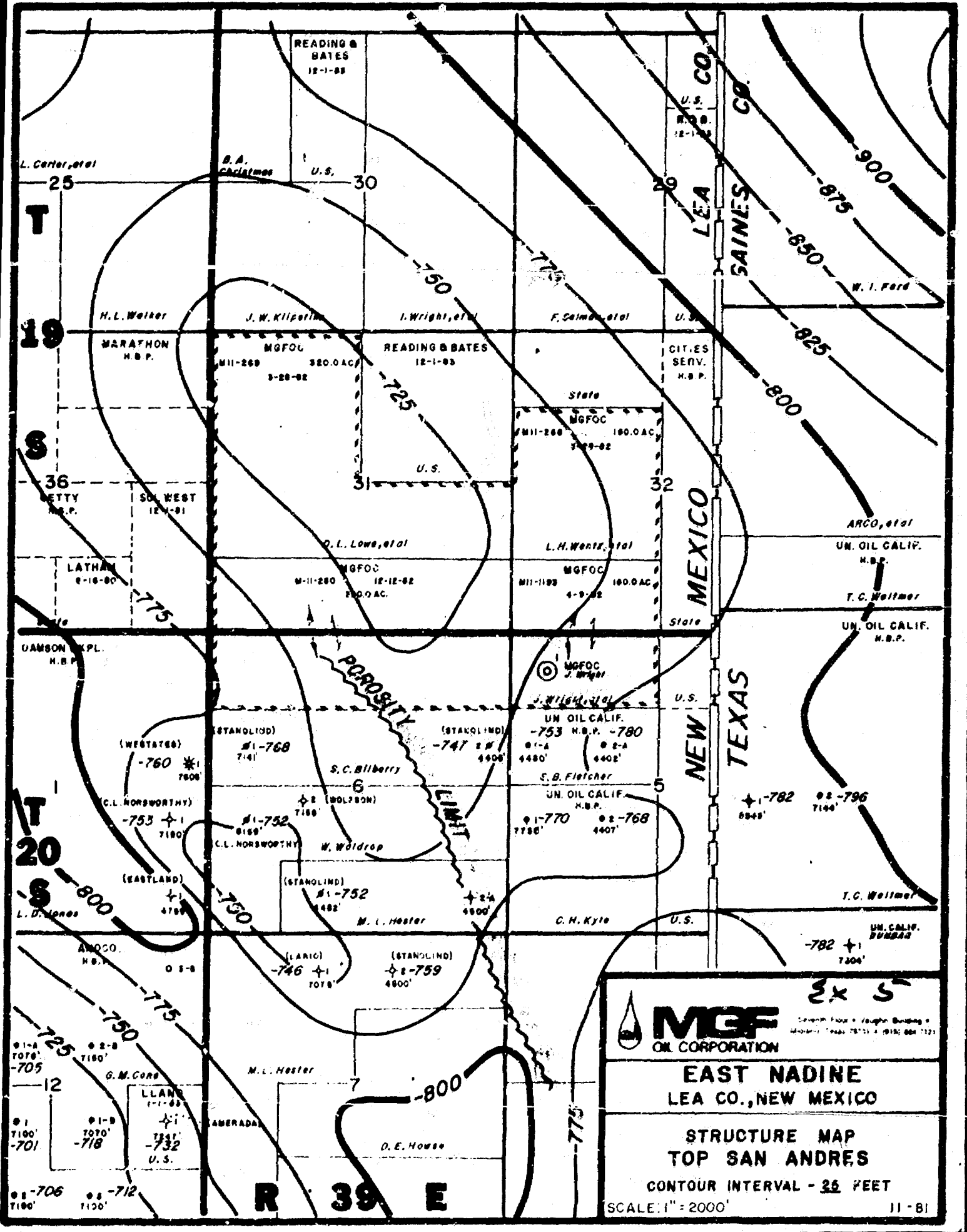
Remarks:


*\* No lower than 67% W.I.*

*SK 4  
CA 7402*

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

MGE EXHIBIT NO. 4  
CASE NO. 7402



**MGF**  
OIL CORPORATION

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**EAST NADINE**  
LEA CO., NEW MEXICO

**STRUCTURE MAP**  
**TOP SAN ANDRES**

CONTOUR INTERVAL - 25 FEET

SCALE: 1" = 2000'

11-81

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

HGF EXHIBIT NO. 5  
CASE NO. 7402

Docket No 40-81 is tentatively set for December 16, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 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 Daniel S. Mutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7396: (Continued from November 4, 1981, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Sentry Oil Exploration Company and Lawyers Surety Corporation to appear and show cause why Farr Well No. 1, located in Unit G of Section 3, Township 31 North, Range 34 East, Union County, New Mexico, should not be ordered plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7429: Application of Mark D. Wilson for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North line and 1650 feet from the East line of Section 12, Township 17 South, Range 27 East, Wolfcamp-Pennsylvanian formations, the W/2 of said Section 12 to be dedicated to the well.

CASE 7430: Application of Amoco Production Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Fruitland and Pictured Cliffs formations in the wellbore of its Gutierrez Gas Com "C" Well No. 1, located in the NE/4 of Section 4, Township 29 North, Range 9 West.

CASE 7431: Application of Mainoco Oil & Gas Company for compulsory pooling and a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Northeast Lovington Penn Pool underlying a 101.65-acre non-standard oil proration unit comprising Lots 3 & 4 of Section 18, Township 16 South, Range 37 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 7425: (Continued and Readvertised)

Application of H. L. Brown, Jr. for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the San Andres formation to the base of the Pennsylvanian formation underlying the S/2 of Section 26, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon, provided that in the event the subject well encounters production in the Casey-Strawn Pool and/or the West Knowles Drinkard Pool, the lands pooled would be the S/2 SW/4 of said Section 26. Applicant further seeks approval for the commencement of a second well within 120 days after completion of the first well, said well to be drilled at an unorthodox location 1650 feet from the South line and 660 feet from the West line of Section 26, and dedicated to the W/2 NW/4 of said Section 26 which applicant also seeks to be pooled. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7402: (Continued and Readvertised)

Application of MCF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 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 7422: Application of Maddox Energy Corporation for compulsory pooling, Pecos County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Bone Spring formation underlying the S/2 SW/4 of Section 27, Township 23 South, Range 28 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 7421: (Readvertised)

Application of Doyle Hartman for compulsory pooling, unorthodox well location and non-standard spacing unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying a 120-acre non-standard spacing unit consisting of the S/2 SW/4 and the NW/4 SW/4 of Section 3, Township 20 South, Range 37 East, to be dedicated to a well to be drilled at an unorthodox location 2,310 feet from the South line and 330 feet from the West line of Section 3. 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.

Dockets Nos. 36-81 and 37-81 are tentatively set for November 19 and December 4, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 4, 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:

- CASE 7396: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Sentry Oil Exploration Company and Lawyers Surety Corporation to appear and show cause why Farr Well No. 1, located in Unit G of Section 6, Township 31 North, Range 31 East, Union County, New Mexico, should not be ordered plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 7380: (Continued and Readvertised)
- Application of Bird Oil Corporation for an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Entrada location of a well to be drilled 2110 feet from the North line and 1120 feet from the East line of Section 10, Township 22 South, Range 9 West, the SE/4 NE/4 of said Section 10 to be dedicated to the well.
- CASE 7397: Application of Belco Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Strawn production in the wellbore of its Kimbley Well No. 1, located in Unit G of Section 21, Township 23 South, Range 28 East.
- CASE 7398: Application of El Paso Natural Gas Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Wolfcamp-Penn well, to be drilled 660 feet from the South and East lines of Section 23, Township 26 South, Range 30 East, Ross Draw Area, the S/2 of said Section 23 to be dedicated to the well.
- CASE 7399: Application of Texaco, Inc. for a Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Vacuum Abo West Unit Area, comprising 2000 acres, more or less, of state lands in Township 17 South, Range 34 East.
- CASE 7400: Application of Texaco, Inc. for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in its North Vacuum Abo West Unit Area by the injection of water into the Abo formation through 13 wells located in Sections 15, 21, 22, 27, 28 and 34, Township 17 South, Range 34 East, North Vacuum-Abo Pool.
- CASE 7401: Application of Morris R. Antweil for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2470 feet from the North line and 330 feet from the West line of Section 21, Township 18 South, Range 38 East, Hobbs Grayburg-San Andres Pool, the SW/4 NW/4 of said Section 21 to be dedicated to the well.
- CASE 7384: (Continued from October 21, 1981, Examiner Hearing)
- Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4 SW/4 of Section 5, Township 20 South, Range 38 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 7402: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 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 7403: Application of Arco Oil and Gas Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Jalmat and Langlie Mattix production in the wellbore of its E. L. Steeler MN Well No. 5, located in Unit J of Section 19, Township 23 South, Range 37 East.

CASE 7359: (Continued from October 7, 1981, Examiner Hearing)

Application of Energy Reserves Group for creation of a new gas pool and an unorthodox location, Roosevelt County, New Mexico.

Applicant, in the above-styled cause, seeks creation of a new Cisco gas pool for its Miller Com Well No. 1, located in Unit M of Section 12, Township 6 South, Range 33 East.

Applicant further seeks approval for an unorthodox location for its Miller "A" Well No. 1-Y, to be drilled 1800 feet from the South line and 1700 feet from the East line of Section 11 of the same township. The S/2 of said Section 11 to be dedicated to the well.

CASE 7383: (Continued from October 21, 1981, Examiner Hearing)

Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation underlying the NW/4 of Section 19, Township 19 South, Range 25 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 7404: Application of TXO Production Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an infill well to be drilled 2000 feet from the North line and 660 feet from the East line of Section 13, Township 21 South, Range 26 East, Catclaw Draw-Morrow gas pool.

CASE 7405: Application of Carl Schellinger for dual completion and an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of his Campbell Station Unit Well No. 1, to produce gas from the Abo and Pennsylvanian formations. Applicant further seeks approval of the unorthodox Pennsylvanian location of said well 660 feet from the South and West lines of Section 34, Township 8 South, Range 27 East, the S/2 of said Section 34 to be dedicated to the Pennsylvanian and the SW/4 to the Abo.

CASE 7406: Application of Depco, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Abo formation underlying the SE/4 of Section 23, 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 7407: Application of Mesa Petroleum Company 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 23, 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 7408: Application of Doyle Hartman for directional drilling, a non-standard proration unit, an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill his Justis Well No. 10, the surface location of which is 1940 feet from the North line and 120 feet from the West line of Section 20, Township 25 South, Range 37 East, in such a manner as to bottom said well in the Jalmat Gas Pool at an unorthodox location 1980 feet from the North line and 330 feet from the East line of Section 19, Township 25 South, Range 37 East. Applicant further proposes to simultaneously dedicate said well and the Bettis, Boyle and Stovall Justis Well No. 1 to an 80-acre non-standard proration unit comprising the E/2 NE/4 of said Section 19.



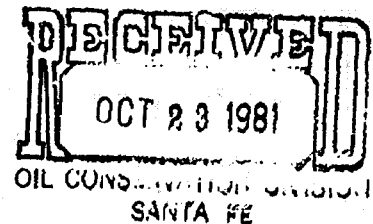
CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

October 23, 1981

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



Re: Application of MGF Oil Corporation for  
Compulsory Pooling, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of MGF Oil Corporation in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on November 4, 1981.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

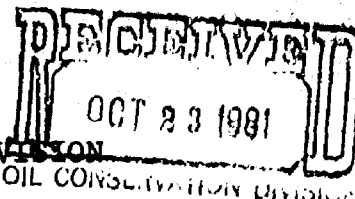
William F. Carr

WFC:lr

Enclosures

cc: Mr. W. M. Gibson

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS



IN THE MATTER OF THE APPLICATION  
OF MGF OIL CORPORATION FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

CASE \_\_\_\_\_

APPLICATION

Comes now, MGF OIL CORPORATION, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests from the surface down through and including the Abo formation in and under the NW/4 NW/4 of Section 5, Township 20 South, Range <sup>39</sup>~~30~~ East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 67% of the working interest in and under the NW/4 NW/4 of said Section 5, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its J. Wright No. 1 Well to be drilled at an orthodox location in said Section 5.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the NW/4 NW/4 of said Section 5 except the following:

Edwin H. Allen	.00625 WI ✓
Coleman W. Timmons	.0125 WI
Addie L. Barnes	.0125 WI

Florence L. M. Chamberlain	.0125	WI
Allen T. H. Graham or Florence May Graham	.0125	WI
Clyde McCray	.0125	WI
Laura R. Sharpless	.0125	WI
Belle S. Piercy	.0125	WI
Harold W. Comfort	.0125	WI
William M. Mask and Alice M. Mask	.0125	WI
Raymond A. Weisner	.0125	WI
Lydia H. Grier	.0125	WI
Alice B. Weidinger	.0125	WI
Kirby Exploration Company	.1641	WI
Sun Oil Company	.2667	WI
Sabine Production Company	.0984	WI
Promco, Inc.	.0042	WI
John L. Pratt, III	.0021	WI

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

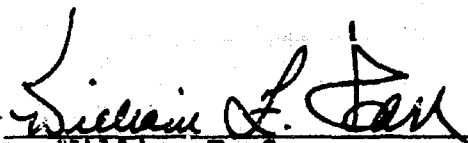
5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions

designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and assessing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises

Respectfully submitted,  
CAMPBELL, BYRD & BLACK, P.A.

By

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorney for Applicant

CASE \_\_\_\_\_

APPLICATION OF MGF OIL CORPORATION  
FOR COMPULSORY POOLING, IEA COUNTY,  
NEW MEXICO.

*Case 7402*

Applicant, in the above-styled cause, seeks an Order pooling all mineral interests from the surface down through and including the Strawn Formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 East to be dedicated to its No. 1 J Wright Well to be drilled at a standard location thereon. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs 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.

HERBIE  
ORDERS

M.S.  
WSP

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:

Bill

JAR

CASE NO. 7402

Order No. R- 6851

APPLICATION OF MGF OIL CORPORATION FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

den

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 2,  
1981, at Santa Fe, New Mexico, before Examiner Daniel S.  
Nutter.

NOW, on this \_\_\_\_\_ day of December, 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, MGF Oil Corporation, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 East, N4PM, 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. <sup>and</sup>

(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 \$ ~~2500.00~~ per month while drilling and \$ 400.00 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 March 1, 1982, 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, down to and including the Abo formation underlying the NW/4 NW/4 of Section 5, Township 20 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre <sup>oil</sup> 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 March, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of March, 1982, 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 MGF Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator

shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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 \$ 3500.00 per month while drilling and \$ 400.00 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.

(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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION