

CASE 7431: MAINOCO OIL & GAS COMPANY
FOR COMPULSORY POOLING AND NON-STANDARD
OIL PRORATION UNIT, LEA COUNTY, NEW
MEXICO

*Diamonds
Comp. pooling as to WI
retention as to royalty*

DOCKET MAILED

Date 11/20/81 (P. 20)
(O. 20.)

CASE NO.

7431

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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 Wainoco Oil & Gas
Company for compulsory pooling and
a nonstandard oil proration unit,
Lea County, New Mexico.

CASE
7431

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:

Ernest L. Padilla, Esq.
P. O. Box 2523
Santa Fe, New Mexico 87501

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I N D E X

HOWARD W. DENNIS

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E X H I B I T S

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MR. NUTTER: Call Case Number 7431.

MR. PEARCE: Application of Wainoco Oil and Gas Company for compulsory pooling and a nonstandard oil proration unit, Lea County, New Mexico.

MR. PADILLA: Mr. Examiner, Ernest L. Padilla, Santa Fe, New Mexico, on behalf of the applicant in this case.

I have one witness who needs to be sworn.

(Witness sworn.)

HOWARD W. DENNIS

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

MR. PADILLA: Mr. Examiner, if I may give a short opening statement in this case.

Yesterday Wainoco received a final execution by a working interest of the operating agreement and therefor the portion seeking to force pool any working interest owners could be dismissed at this time.

However, there are some -- they are producing the proration unit under some oil and gas leases that have been held by production since at least 1948, and

1
2 some of those leases do not have pooling clauses in them, so
3 as to the mineral owners under those leases we would still
4 proceed with the forced pooling portion of the case.

5 MR. NUTTER: Okay, in other words, the
6 working interests are all voluntarily pooled.

7 MR. PADILLA: That's correct.

8 MR. NUTTER: So the compulsory pooling
9 aspect of the case would be directed only to royalty owners.

10 MR. PADILLA: Correct.

11
12 DIRECT EXAMINATION

13 BY MR. PADILLA:

14 Q Mr. Dennis, for the record would you
15 please state your name, by whom you're employed, and in what
16 capacity?

17 A My name is Howard W. Dennis. I'm a land
18 consultant from Denver. I'm employed by, in this case,
19 Wainoco Oil and Gas Company.

20 MR. NUTTER: I missed your name, sir.

21 A Howard Dennis.

22 MR. NUTTER: Thank you.

23 A D-E-N-N-I-S.

24 Q Mr. Dennis, have you previously testi-
25 fied before the Oil Conservation Division?

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A. I have not.

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Q. Would you please state for the Examiner what your educational background is and your work experience in the oil and gas industry?

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A. I have a college education through Phd. I'm -- I have been an independent land consultant on and off since 1955.

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Q. Who have you worked for since 1955, just--

A. In land I've worked for various and sundry

major oil companies out of Denver and most recently I've been working under retainer with Hilliard Oil and Gas as a land consultant, and aiding Wainoco in some of their land problems, specifically this one here in New Mexico.

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Q. Mr. Dennis, are you familiar with what is being sought here today?

A. Yes.

18

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MR. PADILLA: Mr. Examiner, are the witness' credentials acceptable?

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MR. NUTTER: Yes, Mr. Dennis is qualified.

Q. Mr. Dennis, you've been handed what has been marked as Exhibit Number One. Would you please explain what that is and what it contains?

24

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A. Exhibit One is part of a land map showing locations of wells and dry holes in 16 South, 37 East, and

1
2 in 16 South, 36 East, parts of those townships.

3 It also shows outlined in yellow the
4 proposed spacing unit in Section 18, which would normally be
5 the west half of the southwest. Owing to the oversized town-
6 ship here it is Lots 3 and 4 of Section 18.

7 Q Is Wainoco proposing to drill a well on
8 a standard location on that spacing unit?

9 A The location is indicated by the black
10 dot and the arrow. The standard location, as I understand
11 it, is 660 from the lease line, with an allowance of 150 feet,
12 and this will be a standard location.

13 Q Mr. Dennis, the special pool rules for
14 this proration unit indicate that the well should be located
15 within 150 feet of the center of the lot. Is your proposed
16 well located within 150 feet of that -- of that location?

17 A Yes, it is. It's located within 150
18 feet of the center of Lot 4.

19 Q And that's depicted by what on Exhibit
20 Two, is that correct?

21 A This is shown on Exhibit Two, which is
22 the certification of the survey.

23 Q Mr. Dennis, turning to Exhibit Number
24 Three, would you please explain what that is and what it con-
25 tains?

1
2 A Exhibit Three is the drillsite title
3 opinion covering Lot 3 of the proposed spacing unit. Lot 4,
4 by the way, is a State lease.

5 This Lot 3, or this title opinion indi-
6 cates that there are several leases that do not have pooling
7 clauses in them. These leases were taken back in 1948, 1949,
8 and according to the title opinion have been held by production.

9 There are twelve base leases that total
10 approximately 6.47 acres that do not have pooling agreements.

11 Q Mr. Dennis, would you go through the
12 title opinion and indicate for the Examiner what mineral
13 owners have not executed a ratification to the operating
14 agreement or designation of unit?

15 A Okay, would this be by name?

16 Q By name.

17 A All right. We have a lease dated August
18 16th, 1948. The original lessors were R. H. Woods and Lydia
19 and Paul Woods, his wife, both of whom are dead. We finally
20 located an heir, Mr. James Roland Woods, in Socorro, New
21 Mexico, and the ratification for the designation of unit has
22 been sent to him. We have not received it back. He indicated
23 that he would examine the papers and if everything was in
24 accordance, he would sign them.

25 Q When did you start your efforts to

1
2 locate the mineral interest owners?

3 A In October. Those that we were able to
4 obtain addresses for we sent out ratifications on the 30th of
5 October, this year.

6 Q Mr. Dennis, would you now proceed to the
7 next lease?

8 A Okay, we have a lease dated August 16th,
9 1948; original lessor is J. E. Simmons and Beulah H. Simmons,
10 both of whom are deceased.

11 The present lessor is New Mexico Bank and
12 Trust Company, Trustees under the wills of those deceased.
13 This was a -- the ratification had not been received by the
14 time I left Denver. Again the letter, original letter went
15 out on the 30th of October. This covers .64 acres.

16 Q What other leases, Mr. Dennis, have you
17 been unable to secure ratifications for?

18 A We have another lease that has since the
19 original lease was signed in February 4, 1949, the minerals
20 have been split by the will.

21 We have a ratification from one of the
22 present mineral interest owners and three of the other mineral
23 interest owners have not returned their ratifications.

24 They have been contacted originally on
25 the 30th of October. One of them was recontacted on the 27th

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2 of November. This covers two, two and a half acres.

3 Additional lease, we have contacted ori-
4 ginally these people on the 30th of October; recontacted them
5 on the 27th, and by telephone contact on the 30th they indi-
6 cated that they would sign the ratification but we do not
7 have it in hand. This covers a 3.18 acres.

8 And then there are three leases that
9 cover less than .6 of an acre and we have not been able to
10 find the lessors on, the present mineral owners.

11 Q What's the total number of acres of all
12 the --

13 A We're looking at 6.47 acres out of 50.88,
14 so it would be about 11 percent.

15 Q But the working interests have agreed.

16 A All the working interest owners have
17 agreed and signed the operating agreement.

18 Q And Wainoco desires to be the operator
19 of this unit, is that correct?

20 A Yes, Wainoco would like to be the oper-
21 ator and the working interest owners have so indicated by --
22 through the operating agreement.

23 Q Mr. Dennis, would approval of this ap-
24 plication prevent the drilling of unnecessary wells?

25 A Yes.

1
2 Q And would approval of the application
3 enable the various mineral owners to participate in a fair
4 and equitable share of the hydrocarbons under the proration
5 unit?

6 A Yes, it would.

7 MR. PADILLA: Mr. Examiner, I offer Ex-
8 hibits One through Three, and I pass the witness.

9 MR. NUTTER: Exhibits One through Three
10 will be admitted in evidence.

11
12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q Mr. Dennis, first of all, the surveyor
15 has staked this location as being 660 from the south and 660
16 from the west lines.

17 A Yes, sir.

18 Q Of Section 18, which would be in the
19 center of a normal 40-acre tract.

20 A That's correct, yes, sir.

21 Q However, this tract contains 50.77 acres
22 so it's wider east/west than a normal 40-acre tract would be.

23 A Yes, sir, that's correct.

24 Q Now, does this 660 location put that
25 within 150 feet of the center of it, do you know?

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A. You have an extra 10 acres on the west side of this -- of these lots.

Q. Right.

A. That 10 acres would be 115 feet wide, roughly.

Q. Uh-huh. I was making just some preliminary calculations on my little handy-dandy pocket calculator here, and it didn't look like it would, but in the event that it wouldn't fall within that 150-foot circle and was unorthodox, would you be willing to move the location a few feet, or has the well been started or some work been done?

A. The location work has been done, to my-- I have settled the surface damages with the surface owner.

Q. Well, if our further calculations indicate that it's unorthodox, you may have to get approval for an unorthodox location, then, but I don't know if it's correct or not.

A. It's certainly -- well, we know it's 660 feet away from the next --

Q. Right.

A. The closest lease line.

Q. Yeah. Okay. Now, with respect to those parties that have not pooled, you mentioned persons in various of these leases. Would you go back through and name the

parties who have not executed the agreement?

A. Yes, sir. New Mexico Bank and Trust Company, Trustee under the wills of J. E. Simmons and Beulah H. Simmons, both deceased.

Q All right, now that's under lease number two?

A. Yes, sir.

Q And the one who has failed to execute is the New Mexico Bank and Trust Company.

A. Yes, sir.

Q Okay. And then the next one?

A. The next one would be the R. H. Woods and Lydian H. Woods, both deceased, and this is the one that I -- we recently located the heir, James Roland Woods, in Socorro, and --

Q Is that under lease number three?

A. Yes, sir, that would be lease number three.

Q Okay, now R. H. Woods and Lydian are both deceased?

A. Yes, sir.

Q And the heir is Roland?

A. Presumably, but there's nothing in the Lea County Courthouse to indicate that, who the heirs are.

1
2 The heirs of R. H. is Lydian and she is deceased.

3 Q And is Roland their son?

4 A Yes, but I'm not --

5 Q And he's in Socorro.

6 A Yes, sir.

7 Q Have you contacted him?

8 A Yes, sir, I talked to him by phone and
9 sent the papers out to him on the 27th of November.

10 Q Okay, and then the next tract?

11 A The next tract would be lease number
12 seven, which has -- we have a ratification back from one of
13 the mineral, present mineral interest owners, but there are
14 four others that have not returned the ratification; one,
15 J. H. VanZant II. His sister Dorothy Jeanne VanZant Sanders.

16 Harry J. Schafer, Jr., Trustee of the
17 Mary E. Grisso Trust No. 1; and the First National Bank and
18 Trust Company of Oklahoma City was a trustee.

19 Q Okay, which is the one that has executed
20 it?

21 A Mary Kathryn Grisso.

22 Q Okay. And you said you had verbal
23 agreement.

24 A No, no, we don't have any agreement at
25 all with any of these others.

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Q You don't?

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A No, sir, in fact Mr. VanZant said he wanted to join the well, but he can't as a mineral interest owner sign under lease.

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Q He's already leased out his working interest.

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A Yes, this is a Rebel Oil Company lease that's ---

9

10

Q And they have executed?

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A Yes, sir.

12

Q So that concludes the royalty interests that are being pooled?

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A No, sir, there's lease number nine, which is -- present interest owners in that are J. R. McGinley, Jr., Cleroy, Inc., Lanroy, Inc., I have -- they have -- were talked to earlier this week, I think, on the 30th by the land manager from Wainoco, and they agreed to sign the ratification and return it, but again we don't have it in hand.

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Also lease ten, Ronald J. Byers, we don't have his ratification in hand.

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And the leases fifteen, sixteen, and seventeen, the McAdoo heirs, we cannot locate. The McAdoo heirs collectively own less than .6 of an acre.

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Q That's under leases fifteen, --

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A. Sixteen and seventeen.

3

Q Sixteen, and seventeen.

4

A. Yes, sir.

5

Q Where did McAdoo live?

6

A. I think originally there was a McAdoo

7

in Lea County, in Hobbs, but there are numerous McAdoo heirs now, and they're scattered all over.

9

We had addresses in California and in New York. We tried to locate these people through long distance operators and by we contacted people that lived near the last known address by the same name, McAdoo, and they never heard of these people.

14

Q So they haven't refused but they haven't agreed, either?

16

A. No, we haven't found them.

17

Q Yeah.

18

MR. NUTTER: Okay, are there any further questions of Mr. Dennis? He may be excused.

20

Do you have anything further, Mr. Padilla?

21

MR. PADILLA: Mr. Examiner, we'll check on the unorthodox location and have them get back with you on that.

24

MR. NUTTER: Okay, fine. It might be orthodox but it may be 10 feet outside the circle, I don't

25

1
2 know.

3 Does anyone have anything further in
4 Case Number 7431?

5 We'll take the case under advisement.

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

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner's hearing of Case No. 7431,
heard by me on 12/2 1981.

[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Sanita Fe, New Mexico 87501

Phone (505) 455-7409

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STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

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

Mr. Ernest L. Padilla
P. O. Box 2523
Santa Fe, New Mexico 87502

Re: CASE NO. 7431
ORDER NO. R-6887

Applicant:

Wainoco Oil & Gas Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD _____ x
Artesia OCD _____ x
Aztec OCD _____

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7431
Order No. R-6887

APPLICATION OF WAINOCO OIL & GAS
COMPANY FOR COMPULSORY POOLING AND A
NON-STANDARD OIL PRORATION UNIT,
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 20th day of January, 1982, 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, Wainoco Oil & Gas Company, originally requested an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying a 101.65-acre non-standard oil proration unit comprising Lots 3 and 4 of Section 18, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That since filing its application for hearing, applicant has obtained the voluntary consent of all working interest owners in the subject spacing and proration unit and requests that that portion of this case pertaining to the pooling of working interests be dismissed, and that only that portion pertaining to the pooling of royalty and/or overriding royalty interests and the non-standard size of the unit be retained.

(4) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 660 feet from the South line and 660 feet from the West line of said Section 18,

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Case No. 7431
Order No. R-6887

said location being 179.3 feet west of the center of Lot 4 whereas the pool rules specify that wells be drilled within 150 feet of the center of the lot.

(5) That said unorthodox location has previously been approved by Order No. R-6885.

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

(7) 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 in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(9) 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.

(10) 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, in the Northeast Lovington-Pennsylvanian Pool underlying Lots 3 and 4 of Section 18, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 101.65-acre oil proration unit to be dedicated to a well to be drilled 660 feet from the South line and 660 feet from the West line of said Section 18.

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 Pennsylvanian 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

-3-

Case No. 7431

Order No. R-6887

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 Wainoco Oil & Gas Company is hereby designated the operator of the subject well and unit.

(3) 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.

(4) 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

S E

[illegible]

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-101
Effective 1-1-81

All distances must be from the outer boundaries of the Section

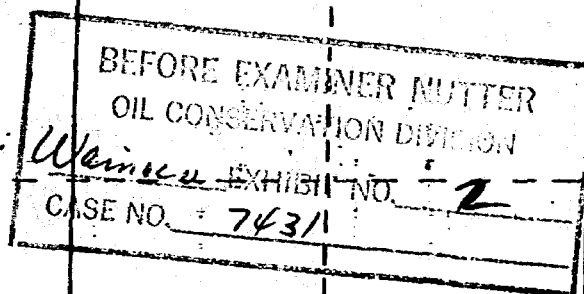
Operator Wainoco Oil & Gas Company		Lease Aztec State		Well No. 3
Unit Letter M	Section 18	Township 16South	Range 37East	County Lea
Actual Footage Location of Well: <div style="display: flex; justify-content: space-between;"> 660 feet from the South line and 660 feet from the West line </div>				
Ground Level Elev. 3844.5'	Producing Formation Pennsylvanian Oil Pool	Pool Lovington, N.E.-Penn.	Dedicated Acreage 80 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). **One Lease**
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? **N/A**
☐ Yes ☐ No If answer is "yes," type of consolidation

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

M.H.



CERTIFICATION

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

Pat Budro

Name
Pat Budro
Position
Regulatory Coordinator
Company
Wainoco Oil & Gas Company

Date
9-22-81

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Sept. 11, 1981

Registered Professional Engineer and/or Land Surveyor

[Signature]

Lat 3 (50.88)

Lat St.

Lat 4 (50.71)

811-4765

660'

Wainoco Oil & Gas Co.

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

AREA CODE 505
746-3508

June 15, 1981

LAND RECEIVED	
JUN 18 1981	
WAH _____	JTW _____
JG <u>/</u>	ALV _____
JH <u>/</u>	ACT _____
HF _____	

IN RE DRILLING OPINION OF TITLE TO MINERALS
ONLY UNDERLYING:

Township 16 South, Range 37 East, N.M.P.M.

Section 18: Lot 3 (NW/4 SW/4),
E/2 SW/4

No. 5185

containing 130.88 acres, more or less

in Lea County, New Mexico.

Bass Enterprises Production Company
Fort Worth National Bank Building
Fort Worth, Texas 76102

Gentlemen:

*red underlines
indicate kayak owners
who have not
signed*

BEFORE EXAMINER	
OIL CONSERVATION DIVISION	
Winnoco	EXHIBIT NO. 3
CASE NO.	7431

In connection with the title to the lands described in the caption
hereof, for drilling purposes, we have examined the following:

1. Abstract of Title No. 81-110, compiled by Elliott & Waldron Abstract Company, Inc., Lovington, New Mexico, containing 782 pages and tracing title to the captioned lands and other lands as reflected by the records in the Offices of the County Clerk and Clerk of the District Court of Lea County, New Mexico from the inception of the records to January 30, 1981 at 7:00 A.M.
2. Court files as follows:
 - a) District Court of Chaves County No. 23404, entitled "In the Matter of the Last Will and Testament of Powhatan Carter, deceased";
 - b) Probate Court of Chaves County No. 6404, entitled "In the Matter of the Last Will and Testament of Effie Carter, deceased";
 - c) Probate Court of Roosevelt County No. 2377, entitled "In the Matter of the Estate of Nelle Carter, deceased", and No. 2516, entitled "In the Matter of the Estate of Lee Carter, deceased";
 - d) District Court of Valencia County No. 477-Probate, entitled "In the Matter of the Estate of R. H. Woods, deceased";
 - e) Probate Court of Eddy County No. 1005 entitled "In the Matter of the Last Will and Testament and Estate of E. C. Higgins, deceased";
 - f) Probate Court of Lea County, No. 1163 entitled "In the Matter of the Last Will and Testament of William Gibbs

McAdoo, a/k/a W. G. McAdoo, deceased"; No. 1212 entitled "In the Matter of the Last Will and Testament of Everett M. Byers, deceased"; No. 1620 entitled "In the Matter of the Estate of W. E. Grisso, deceased"; No. 2814 entitled "In the Matter of the Estate of William Edward Grisso, Jr., deceased"; No. 3857 entitled "In the Matter of the Last Will and Testament of J.E. Simmons, deceased"; No. 3858 entitled "In the Matter of the Last Will and Testament of Beulah H. Simmons, deceased"; No. 3689 entitled "In the Matter of the Estate of George H. Coates, deceased"; No. 1887 entitled "In the Matter of the Estate of J. L. Reed, deceased"; No. 3318 entitled "In the Matter of the Last Will and Testament of S. E. Cone, deceased"; No. 3861 entitled "In the Matter of the Last Will and Testament of Gordon M. Cone, deceased"; and No. 4020 entitled "In the Matter of the Last Will and Testament of Harvey A. Heller, Sr., deceased."

3. Certified copy of Amended Articles of Incorporation of Van-Grisso Oil Company, formerly Grisso Royalty Corporation, recorded Book 385, Page 833, Lea County Records.

From our examination of the foregoing, we report as follows:

I. TITLE TO MINERALS:

See Schedule "A" attached.

II. EFFECTIVE OIL AND GAS LEASES:

The apparently effective oil and gas leases covering less than the entire mineral interest in the captioned lands may be briefly analyzed as follows:

Lease No. 1.

Date:	August 16, 1948
Recorded:	Book 75, Page 283, Oil and Gas
Original Lessors:	Harvey A. Heller and Mary Ann Heller, his wife,
Present Lessors:	Harvey A. Heller, Jr. and Frank Keating, Trustees of the Heller Company revocable trust dated August 1, 1977, as amended January 5, 1979
Original Lessee:	J. D. Hunter
Lands and Mineral Interest Covered:	Captioned lands (.00625000 mineral interest) and other lands totaling 250 acres, more or less.
Delay Rentals:	\$250.00, but subject to lesser interest clause, payable to lessors or to the credit of lessors in First National Bank of <u>Tulsa, Tulsa, Oklahoma</u>

Lease No. (2.)

Date: August 16, 1948

Recorded: Book 75, Page 289, Oil and Gas

Original Lessors: J.E. Simmons and Beulah H. Simmons, his wife

Present Lessor: New Mexico Bank and Trust Company, Trustee under the wills of J.E. Simmons and Beulah H. Simmons, both deceased.

Original Lessee: J. D. Hunter

Lands and Mineral Interest Covered: Captioned lands (.01250000 mineral interest) and other lands totaling 250 acres, more or less.

Delay Rentals: \$250.00, but subject to lesser interest clause, payable to lessor or to the credit of lessor in the Lea County State Bank at Lovington, New Mexico.

Lease No. (3.)

Date: August 16, 1948

Recorded: Book 76, Page 530, Oil and Gas

Original Lessors: R. H. Woods and Lydian Hall Woods, his wife

Present Lessor: Lydian H. Woods, a widow

Original Lessee: J.D. Hunter

Lands and Mineral Interest Covered: Captioned lands (.03750000 mineral interest) and other lands totaling 250 acres, more or less

Delay Rentals: \$250.00, but subject to lesser interest clause, payable to lessor or to the credit of lessor in the Corpus Christi National Bank at Corpus Christi, Texas

Lease No. (4.)

Date: October 7, 1948

Recorded: Book 77, Page 190 Oil and Gas

Original Lessor: Mary Lorena Higgins, Individually, Trustee and Attorney-in-Fact for W. F. Higgins, Mrs. Julia Maddox, Flora May Edwards, Mrs. Eula Higgins, Earl

Hobbs
New
Mexico

Roland Woods is
presume heir
Sacramento

Curtis Higgins, Mrs. Mary Higgins Smith, S. O. Higgins, J.
Vernon Higgins and Samuel Otis Higgins.

Present Lessor: Higgins Trust, Inc.

Original Lessee: J. D. Hunter

ARTESIA
New Mexico

Lands and Mineral Interest Covered: Captioned lands (.16000000
mineral interest) and other lands totaling 570 acres, more or
less

Delay Rentals: \$570.00, but subject to lesser
interest clause, payable to lessor or to the credit of lessor
in the People's Bank at Winder, Georgia

Lease No. 5.

Date: October 14, 1948

Recorded: Book 75, Page 293, Oil and Gas

Original Lessors: Powhatan Carter and Effie Carter,
his wife

Present Lessors: Anderson Carter, as his separate
property, and Powhatan Carter, Jr., as his separate property

Original Lessee: George A. Moberly

Lands and Mineral Interest Covered: Captioned lands (.01369862
mineral interest) and other lands totaling 250 acres, more or
less.

Delay Rentals: \$250.00, but subject to lesser
interest clause, payable to lessors or to the credit of
lessors in the Lea County State Bank at Lovington, New Mexico

Lease No. 6.

Date: November 8, 1948

Recorded: Book 75, Page 291, Oil and Gas

Original Lessor: Lee Carter, a bachelor

Present Lessor: Jones Robinson Company, a
partnership

Original Lessee: George A. Moberly

Roswell
N. Mexico

Lands and Mineral Interest Covered: Captioned lands (.04109589
mineral interest) and other lands totaling 250 acres, more or
less

Delay Rentals: \$250.00, but subject to lesser interest clause, payable to lessor or to the credit of lessor in the First National Bank of Portales, New Mexico

Lease No. 7.

Date: February 4, 1949

Recorded: Book 77, Page 345, Oil and Gas

Original Lessors: Van-Grisso Oil Company, formerly Grisso Royalty Corporation, an Oklahoma corporation, and W. E. Grisso and Maggie Grisso, his wife

Present Lessors: *FT Worth* *OK City* *Abilene Tx*
J. E. VanZant, II, Dorothy Jeanne VanZant Sanders, Harry J. Schafer, Jr., Trustee of the Mary E. Grisso Trust No. 1 dated August 28, 1979, Mary Kathryn *OK City*
Grisso, as her separate property, and First National Bank and Trust Company of Oklahoma City, Trustee

Original Lessee: Fred J. Hill

Lands and Mineral Interest Covered: Captioned lands (.07020544 mineral interest) and other lands totaling 490.88 acres, more or less.

Delay Rentals: \$490.88, but subject to lesser interest clause, payable to lessors or to the credit of lessors in the First State Bank at Seminole, Oklahoma

PPI: \$100.00 per acre for each acre leased therein, payable out of 1/16 of 7/8ths of production, reserved to lessors

Lease No. 8.

Date: August 13, 1952

Recorded: Book 102, Page 523, Oil and Gas

Original Lessors: Kirke C. Veeder and Helen Beth Veeder, his wife.

Present Lessors: E. B. White, Jr. and Harry A. Miller, Jr.

Original Lessee: Tide Water Associated Oil Company

Lands and Mineral Interest Covered: Captioned lands (.00781264 mineral interest) and other lands totaling 250.88 acres, more or less

Delay Rentals: \$250.88, but subject to lesser interest clause, payable to lessors or to the credit of lessors in the Independence State Bank at Independence, Kansas

Lease No. 9:

Date: May 10, 1949
Recorded: Book 78, Page 497, Oil and Gas
Original Lessors: J. R. McGinley and Zuleme T. McGinley, his wife,

Present Lessors: Cleroy, Inc., a Rhode Island corporation, Lanroy, Inc., a Rhode Island Corporation, and J. R. McGinley, Jr.

Original Lessee:
Company

have agreed but have not yet signed
Tide Water Associated Oil

Lands and Mineral Interest Covered: Captioned lands (.06249999 mineral interest) and other lands totaling 250.88 acres, more or less

Delay Rentals: \$250.88, but subject to lesser interest clause, payable to lessors or to the credit of lessors in the National Bank of Tulsa, Tulsa, Oklahoma

Provisions Common to Leases 1 through 9:

Form: Producer's 88 Revised
Present Lessee: Getty Oil Company
Primary Term: 5 years
Royalty: 1/8

Lease No. 10:

Form: Form 88 (Producers Special)
Date: September 8, 1952
Recorded: Book 103, Page 230, Oil and Gas
Original Lessor: Constance E. Byers, individually and as independent executrix of the Estate of Everett M. Byers, deceased.
Present Lessor: Ronald J. Byers, as his separate property
Original Lessee: Tide Water Associated Oil Company
Present Lessee: Getty Oil Company

Lands and Mineral Interest Covered: Captioned lands (.01406250 mineral interest) and other lands totaling 250.88 acres, more or less.

Delay Rentals: None, this is a one year lease
Primary Term: 1 year
Royalty: 1/4

Lease No. 11.

Form: Form 88 (Producers Special)
Date: August 1, 1952
Recorded: Book 103, Page 165, Oil and Gas
Original Lessors: George H. Coates and Elizabeth H. Coates, his wife.

Present Lessors: Elizabeth H. Maddux, as her separate property, and Elizabeth H. Maddux, Betty S. Roberts, John R. Harris and Charles V. Richter, Trustees under the Last Will and Testament of George H. Coates, deceased, d/b/a Coates Energy Trust

Original Lessee: Gerald F. Hooper

Present Lessees: Elizabeth H. Maddux, as her separate property, and Elizabeth H. Maddux, Betty S. Roberts, John R. Harris and Charles V. Richter, Trustees under the Last Will and Testament of George H. Coates, deceased, d/b/a Coates Energy Trust

Lands and Mineral Interest Covered: Captioned lands (.18750000 mineral interest) and other lands totaling 250 acres, more or less

Delay Rentals: \$250.00, but subject to lesser interest clause, payable to lessors or to the credit of lessors in the Frost National Bank at San Antonio, Texas

Primary Term: 5 years
Royalty: 1/4

Lease No. 12:

Form: New Mexico A
Date: February 2, 1953
Recorded: Book 136, Page 87, Oil and Gas
Original Lessor: Harriet McAdoo Platt

Present Lessors: The heirs and devisees of Harriet McAdoo Platt, deceased, who appears to be Nona McAdoo Martin Cooper

Lands and Mineral Interest Covered: Captioned lands (.00354003 mineral interest) and other lands totaling 3,000 acres, more or less

Lease No. 13.

Form: New Mexico A
Date: February 2, 1956
Recorded: Book 136, Page 85, Oil and Gas
Original Lessor: Nona McAdoo Taylor Park, a widow
Present Lessors: The heirs and devisees of Nona McAdoo Taylor Park, deceased, who appears to be Fernanda de Mohrenschildt Hastie

Lands and Mineral Interest Covered: Captioned lands (.00354003 mineral interest) and other lands totaling 3,000 acres, more or less.

Lease No. 14:

Form: New Mexico A
Date: February 2, 1956
Recorded: Book 136, Page 246, Oil and Gas
Lessor: Brice Clagett, sole and only heir at law of Sarah McAdoo Clagett, deceased

Lands and Mineral Interest Covered: Captioned lands (apparently .00354003 mineral interest) and other lands totaling 3,000 acres, more or less

Lease No. 15:

Form: Producer's 88 Revised
Date: March 9, 1956
Recorded: Book 138, Page 422, Oil and Gas
Lessor: Doris Cross McAdoo, widow of W. G. McAdoo, deceased

cannot locate McAdoo heirs

Lands and Mineral Interest Covered: Captioned lands (.00354003 mineral interest) and other lands totaling 2,000 acres, more or less.

Lease No. 16:

Form: Producers 88 Revised
 Date: March 9, 1956
 Recorded: Book 145, Page 47, Oil and Gas
 Lessor: Mary Faith McAdoo Thackwell,
 dealing with her sole and separate property as one of the
 heirs of W. G. McAdoo, deceased

cannot locate

Lands and Mineral Interest Covered: Captioned lands (.00354003
 mineral interest) and other lands totaling 2,000 acres, more
 or less.

Lease No. 17:

Form: Producers 88 Revised
 Date: March 9, 1956
 Recorded: Book 159, Page 305, Oil and Gas
 Original Lessor: William G. McAdoo, a married man,
 dealing with his sole and separate property
 Present Lessors: The heirs and devisees of William
 G. McAdoo, Jr., deceased, who appear to be Marguerite de H.
 McAdoo and Cynthia Nona McAdoo Wheatland

cannot locate

Lands and Mineral Interest Covered: Captioned lands (.00354003
 mineral interest) and other lands totaling 2,000 acres, more
 or less.

Lease No. 18:

Form: New Mexico A
 Date: July 28, 1956
 Recorded: Book 143, Page 417, Oil and Gas
 Original Lessor: Richard Floyd McAdoo, a single
 man
 Present Lessor: Roy G. Barton, Jr.

Lands and Mineral Interest Covered: Captioned lands (.00469970
 mineral interest) and other lands totaling 3,000 acres, more
 or less

Lease No. 19:

Form: New Mexico A
 Date: November 7, 1956
 Recorded: Book 149, Page 3, Oil and Gas

Original Lessor: Eleanor Wilson McAdoo, a widow

Present Lessors: The heirs and devisees of Eleanor Wilson McAdoo, deceased, who appears to be Bank of America National Trust and Savings Association, Trustee under the will of Eleanor Wilson McAdoo, deceased

Lands and Mineral Interest Covered: Captioned lands (.00354003 mineral interest) and other lands totaling 2,000 acres, more or less

Provisions Common to Leases 12 through 19:

Lessee: Rebel Oil Company

Delay Rentals: None, these are paid up leases

Primary Term: 5 years

Royalty: 1/8

Lease No. 20:

Form: New Mexico A

Date: November 20, 1957

Recorded: Book 160, Page 349, Oil and Gas

Original Lessor: J. L. Reed, a widower

Present Lessors: Mary Ruth McCrory, as her separate property, and First National Bank of Lea County, Trustee

Lessee: Rebel Oil Company

Lands and Mineral Interest Covered: Captioned lands (.02083333 mineral interest) and other lands totaling 251 acres, more or less

Delay Rentals: None, this is a paid up lease

Primary Term: 10 years

Royalty: 1/4

Lease No. 21:

Date: August 3, 1979

Recorded: Book 318, Page 696, Oil and Gas

Lessor: The Home-Stake Royalty Corporation

Lands and Mineral Interest Covered: Captioned lands (.07812500 mineral interest) and other lands totaling 170.88 acres, more or less

Lease No. 22:

Date: December 17, 1979
Recorded: Book 324, Page 454, Oil and Gas
Lessor: William Gibbs Hinshaw, a single man

Lands and Mineral Interest Covered: Captioned lands (.00177002 mineral interest) and other lands totaling 610.88 acres, more or less.

Provisions Common to Leases 21 and 22:

Form: Hall-Poorbaugh Press Form 345
Lessee: E. B. White, Jr. (GIS) 682-4434
Delay Rentals: None, these are paid up leases
Primary Term: 5 years
Royalty: 3/16

Leases 8, 12 through 14 and 18 through 22 contain satisfactory shut-in gas, pooling and rework provisions. The remaining leases are subject to a requirement in IV below with respect to these lease clauses.

III. COMMENTS:

1. Irregular 1/16th Governmental Subdivision of a Section. Portions of the captioned lands comprise an irregular 1/16th governmental subdivision of a section containing the number of acres following:

Lot 3 (NW/4 SW/4) - 50.88 acres

When a drilling tract is more or less than a regular subdivision by at least 1.25%, New Mexico Oil Conservation Division Rules provide for increase or decrease in allowable in the proportion that the number of acres in the tract bears to a regular subdivision.

2. Intention of Parties to Assignment. By Assignment of Oil and Gas Lease dated August 2, 1952, recorded Book 103, Page 305, Oil and Gas, Gerald F. Hooper, et ux assigned lease 11 unto George H. Coates, then the owner of the undivided mineral interest subject to this lease. This assignment recites the parties' intention that the mineral and leasehold estates not be merged thereby.

3. S. E. Cone, Jr. Interest. S.E. Cone, owner of 1/80 mineral interest in the captioned lands, died testate May 1, 1970, and his estate was administered in Cause No. 3318 in the Probate Court of Lea County. These proceedings reflect that an undivided 1/240 of this

mineral interest passed to Jack McClendon, Adeline Z. Cone and S.E. Cone, Jr., trustees of Trust "B" for S. E. Cone, Jr. until he reached the age of 33. We have been furnished with a copy of the birth certificate of S.E. Cone, Jr., and it reflects that he was born July 20, 1939, and therefore reached the age of 33 on July 20, 1972. Although there is apparently no recorded conveyance by the trustees to S. E. Cone, Jr., we have examined a Letter in Lieu of Transfer and Division Orders dated July 15, 1972, whereby the trustees conveyed the interest to S.E. Cone, Jr., and we therefore make no requirement.

IV. REQUIREMENTS:

1. Unreleased Oil and Gas Leases. The primary terms of the following oil and gas leases covering the captioned lands and other lands have expired, but no releases thereof appear in the abstract:

- a) Lease dated October 23, 1926, recorded Book 4, Page 603, Oil and Gas from C. L. Clardy, et vir to A. R. Ellett, for a primary term of 10 years and now held by Marland Oil Company of Colorado, and released as to Lot 3 by The Texas Company, a stranger to the title.
- b) Lease dated August 16, 1948, recorded Book 75, Page 295, Oil and Gas, from J. H. Beegle, et ux to J. D. Hunter, now held by Getty Oil Company.
- c) Lease dated August 22, 1955, recorded Book 136, Page 248, Oil and Gas, from Frances Huger McAdoo, individually and as trustee under the Last Will and Testament of W. G. McAdoo, deceased, to Rebel Oil Company for a primary term of five years.
- d) Lease dated February 2, 1956, recorded Book 255, Page 262, Oil and Gas, from Doris Cross McAdoo, a widow, to Rebel Oil Company, for a primary term of five years.
- e) Lease dated February 20, 1968, recorded Book 255, Page 993, Oil and Gas, from The Home-Stake Royalty Corporation to B. L. House, for a primary term of five years, now held by Atapaz Petroleum, Inc., and Pennzoil United, Inc.] Rel.
- f) Lease dated February 1, 1973, recorded Book 281, Page 810, Oil and Gas, from The Home-Stake Royalty Corporation to Pennzoil Company for a primary term of five years, now held by Pennzoil Company, Marshall & Winston, Inc., Tom Brown, Inc., and the heirs and devisees of R. S. Brennand, Jr., deceased, apparently Dawson George and Robert Watson, Trustees.] Rel

Releases of the above oil and gas leases, insofar as they cover the captioned lands, should be obtained and recorded.

2. Extension of Leases. The primary terms of leases 1 through 20 in II above have expired, but you have advised us that these leases are presently held by production.

Satisfy yourselves that production in paying quantities was obtained during the primary terms of leases 1 through 20, continuing to a current date and that the leases are presently in effect.]

3. Unrecorded Trust Instruments. The instruments whereby the following parties derive their authority to act as trustees do not appear in the abstract:

a) First National Bank and Trust Company of Oklahoma City, Oklahoma, Trustee, which acquired its interest from Maggie Grisso, et al, by Mineral Deed dated December 8, 1966, recorded Book 302, Page 596, Deed Records.

b) First National Bank of Lea County, Trustee, which acquired its interest from William T. Reed by Mineral Seed dated September 4, 1979, recorded Book 376, Page 609, Deed Records.

c) Harvey A. Heller, Jr. and Frank Keating, Trustees of the Heller Company Revocable Trust dated August 1, 1977. An amendment of the Heller Company Revocable Trust dated January 5, 1979, recorded Book 357, Page 579, Miscellaneous, appears in the abstract, but the original trust agreement does not appear.

Furnish copies of the foregoing trust instruments for our examination so that we may ascertain the powers of the trustees to execute your division order and accept payment for royalties.

4. Sarah McAdoo Clagett Heirship. William Gibbs McAdoo, then the owner of an undivided 1/32 mineral interest in the captioned lands, died testate February 1, 1941, and ancillary proceedings on his will were conducted in the Probate Court of Lea County, No. 1163. These proceedings reflect that 1/8th of the decedent's estate passed to his daughter, Sarah McAdoo Clagett, a/k/a Sally McAdoo Clagett. The abstract contains an Affidavit of Heirship dated January 27, 1970, recorded Book 289, Page 357, Miscellaneous, executed by Brice M. Clagett, which recites that Sarah Clagett, a/k/a Sally Clagett, died testate August 18, 1953, and left the affiant as her sole heir. The decedent's will, which is recorded in Book 289, Page 354, Miscellaneous, devises her entire estate unto her son, Brice McAdoo Clagett. The abstract does not reflect any administration of the estate of Sarah McAdoo Clagett in New Mexico.

The heirship of Sarah McAdoo Clagett should be determined by a New Mexico court.

5. Higgins Trust, Inc. Interest. E. C. Higgins, then the owner of an undivided 4/25 mineral interest in the captioned lands, died testate April 23, 1941, and ancillary proceedings on his will were conducted in the Probate Court of Eddy County, No. 1005. By his will, the decedent devised 1/5th of his estate to his sister, Mrs. Julia Higgins Maddux. The abstract contains an Affidavit of Heirship dated December 1, 1948, recorded Book 42, Page 279, Miscellaneous, which reflects that Julia Higgins Maddux died February 10, 1948 in Georgia and left her husband, Charley Maddux, as her sole heir. By instrument dated February 24, 1948, recorded Book 42, Page 276, Miscellaneous, as corrected by conveyance dated August 3, 1954, recorded Book 90, Page 248, Miscellaneous, Charley Maddux gave his interest in the Estate of E. C. Higgins unto the heirs and devisees of E.C. Higgins, deceased. The abstract does not reflect any administration of the estate of Julia Higgins Maddux in the State of New Mexico.

The proceedings conducted on the will of E. C. Higgins reflect that the decedent was predeceased by his brother, J.A. Higgins, who was named as a devisee in the decedent's will. In these proceedings, the interest of J. A. Higgins passed to Eula Higgins, his widow, and his children, Earl Curtis Higgins, Samuel O. Higgins, J. Vernon Higgins and Mary Higgins Smith. The notice of hearing on final account and report does not name the unknown heirs of J. A. Higgins, deceased, and the proceedings are subject to collateral attack by any such unknown heirs. The interests of Julia Higgins Maddux and the heirs of J. A. Higgins are now owned by Higgins Trust, Inc.

The unknown heirs of Julia Higgins Maddux and J. A. Higgins, both deceased, should be named defendants in a quiet title suit.

6. Kathleen Cone Interest. Gordon M. Cone, then the owner of an undivided 1/80 mineral interest in the captioned lands, died testate February 14, 1975 and his estate was administered in the Probate Court of Lea County, No. 3861. In these proceedings, the decedent's widow, Kathleen Cone, acquired an undivided 1/160 mineral interest in the captioned lands. By mineral deed dated December 28, 1976, recorded Book 355, Page 905, Deed Records, Kathleen Cone conveyed her 1/160 mineral interest in the captioned lands unto J. U. Cone, Trustee for Five Cone Trusts, reciting therein the intention to make a gift. By five mineral deeds dated June 20, 1978, recorded Book 367, Pages 252, 259, 266, 273 and 280, Kathleen Cone, successor trustee for the Five Cone Trusts, conveyed this 1/160 mineral interest in the captioned lands unto Douglas L. Cone, Clifford Cone, Tom R. Cone, Cathie Auvenshine and Kenneth G. Cone, each of whom thereby received 1/800 mineral interest. By instrument dated June 29, 1979, recorded Book 375, Page 417, Deed Records, Kathleen Cone, individually, and the executors of the estate of Gordon M. Cone, deceased, made a blanket conveyance of the decedent's "non-producing mineral interests" unto Kathleen Cone (50%), and to Douglas Cone, Tom R. Cone, Kenneth G. Cone, Clifford Cone and Cathie Cone Auvenshine (50%), in equal shares. While it is difficult to ascertain the parties' intentions with respect to these conveyances, we believe that Kathleen Cone is estopped from claiming any interest in the captioned lands by virtue of the after acquired title doctrine.

Rathleen Cone should quitclaim any interest in the captioned lands unto Douglas L. Cone, Clifford Cone, Tom R. Cone, Cathie Auvenshine and Kenneth G. Cone, or these parties should stipulate to their interests in the captioned lands. }

7. Heller Interest. Harvey A. Heller acquired title to 1/160 mineral interest in the captioned lands by Mineral Deed dated September 3, 1937, recorded Book 53, Page 173, Deed Records. Through mesne conveyances, title to this interest passed to Harvey A. Heller and Harvey A. Heller, Jr., as joint tenants. Harvey A. Heller, Sr. died testate December 24, 1972 in Tulsa, Oklahoma, and ancillary proceedings on his will were conducted in the Probate Court of Lea County, No. 4020. These proceedings contain an affidavit dated November 10, 1976, executed by Harvey A. Heller, Jr., which recites that the joint tenancy described above was created for convenience only, and that all oil and gas properties located in the State of New Mexico were the property of The Heller Company, a partnership, in which Harvey A. Heller, Sr. had no interest. Through mesne

conveyances from Harvey A. Heller, Jr., ancillary executor and surviving joint tenant, this interest is now owned by Harvey A. Heller, Jr. and Frank Keating, Trustees of The Heller Company Revocable Trust dated August 1, 1977, as amended January 5, 1979. The ancillary proceedings on the will of Harvey A. Heller, Sr. contain several jurisdictional defects which render the proceedings void. The heirs and devisees are not bound by the findings contained in these proceedings as to the ownership of this mineral interest.

The heirs and devisees of Harvey A. Heller, Sr., namely Mary Ann Heller, Harvey A. Heller, Jr., William T. Heller, John E. Heller, II, Stephen Dyer Heller, Teresa Elizabeth Heller and Margaret Ann Heller, should quitclaim the captioned lands unto the trustees named above. This interest will not be merchantable until the unknown heirs of Harvey A. Heller, Sr., have been named defendants in a quiet title suit.

8. Old Oil and Gas Leases. Leases 1 through 7, 9, 10, and 15 through 17 in II above are old form leases which do not contain shut-in gas, pooling and rework provisions.

If the captioned lands are pooled with other lands, the present lessors of the above referenced oil and gas leases should consent in writing to such pooling.

9. Deceased Parties. Although not appearing in the abstracts or other materials examined, we are advised that the following parties are deceased. Our information concerning the heirship of these parties is as follows:

a. Eleanor Wilson McAdoo died testate April 5, 1967, and proceedings on her will were conducted in the Superior Court of the State of California for the County of Santa Barbara, Cause No. 79146. By her will, the decedent devised the residue of her estate to Bank of America National Trust and Savings Association, a national banking association, in trust for the benefit of her daughter, Faith McAdoo Merrick.

b. William G. McAdoo, Jr., appears to have died intestate on November 28, 1960, and left his daughters, Marguerite de H. McAdoo and Cynthia Nona McAdoo Wheatland, as his sole heirs.

c. Harriet McAdoo Platt died testate November 19, 1973, and apparently willed her interest to Nona McAdoo Martin Cooper, her child and sole heir.

d. Nona McAdoo Taylor Park died, apparently intestate, October 17, 1971, and left her daughter, Fernanda de Mohrenschildt Hastie, as her sole heir.

The interests which have passed to the present owners through the above decedents will not be marketable until the heirship of these parties has been determined by a New Mexico Court.

10. Production Payment Interest. As noted in II above, the lessors of lease 7 reserved a production payment of \$100.00 per acre for each acre leased therein, payable out of 1/16th of 7/8ths of production.

Inquiry should be made to determine whether this production payment interest has been paid, and if so, the same should be released of record. If this interest is still outstanding, the lessee should set up its records to comply with the terms thereof.

11. Unleased Interests. We point out that the interests of the following parties are unleased: Cities Service Company; Sohio Producing Company; Marjorie Cone Eastman; S. E. Cone, Jr.; William Myron Keck, II, S. E. Cone, Jr. and Katherine Cone Keck, Trustees under the Will of S.E. Cone, deceased; Douglas L. Cone; Clifford Cone; Thomas R. Cone; Cathie Auvenshine; Kenneth G. Cone; and H. L. Lowe.

Either obtain and record oil and gas leases covering the interests of the foregoing parties, or ascertain that these parties will participate in drilling your proposed well, or an order force pooling their interests should be obtained from the New Mexico Oil Conservation Division prior to conducting drilling operations.

12. Bass Enterprises Production Company Interest. We have not examined any instrument whereby you have acquired the right to drill and operate for oil and gas on the captioned lands, and we leave to your discretion whether you would like for us to examine any such instrument.

When the requirements hereinabove set forth have been satisfied, we will approve title, for drilling purposes, to the lands described in the caption hereof, on the date to which the abstract was last certified, in accordance with the ownership set forth in Schedule "A" attached.

Respectfully submitted,

LOSEE, CARSON & DICKERSON, P.A.


David R. Vandiver

DRV:paf

Abstracts returned under separate cover

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. Nutter, 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 6, 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 N/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 Wainoco 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 13, 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 N/2 SW/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 MGF 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 7432: Application of Maddox Energy Corporation for compulsory pooling, Eddy 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.

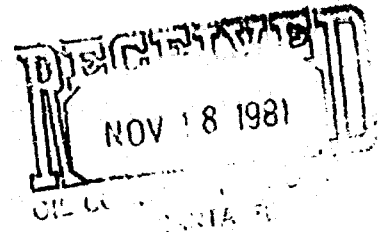
CASE 7421: (Readvertised)

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.

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

November 18, 1981



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

Case 7431

Dear Mr. Ramey:

Enclosed for filing please find the application of Wainoco Oil & Gas Company for compulsory pooling and approval of a non-standard proration unit.

Inasmuch as I have previously made verbal arrangements for this case to be placed on the December 2 Division docket, submittal of this application at this time fulfills the Division's requirement that a written application be submitted at least ten (10) days prior to the hearing.

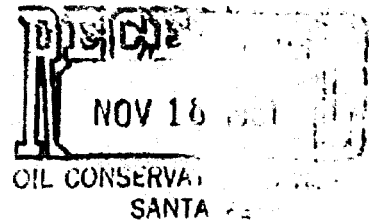
Very truly yours,

Ernest L. Padilla

ELP:eb
Enclosure

cc w/encls: Howard Dennis
Suite 1120
1580 Lincoln Street
Denver, Colorado 80203

Grant Rice
Wainoco Oil & Gas Company
Suite 1710 Dome Tower
1625 Broadway
Denver, Colorado 80202



BEFORE THE OIL CONSERVATION DIVISION

..... X
:
In the Matter of the Application
of Wainoco Oil & Gas Company for
Compulsory Pooling and Nonstandard
Proration Unit
..... X

No. 7431

Application

Applicant, Wainoco Oil & Gas Company, by and through its undersigned attorney, and in support of this application alleges and states as follows:

1. That Applicant is an owner within the meaning of Section 70-2-17(c) NMSA, 1978 Compilation, and as such seeks to force-pool all of the oil and gas mineral interests in the Pennsylvanian formation in Lots 3 and 4 of Section 18, Township 16 South, Range 37 East NMPM, Lea County, New Mexico (said lands).
2. That said lands lie within the vertical and horizontal limits of the Northeast Lovington-Pennsylvanian Pool as defined by Oil Conservation Commission Order No. R-3816 and the special rules and regulations promulgated by such order.
3. That Order No. R-3816 established standard 80-acre spacing consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section.
4. That said lands contain approximately 101.65 acres, more or less, and Applicant seeks an exception to the standard spacing requirements because of a variation in the legal subdivision of the United States Public Land Surveys.
5. That Applicant proposes to drill a well at a standard location on said lands to a depth of approximately 11,600 feet sufficient to test the Strawn Zone.

6. That the Applicant will dedicate said lands to the well and desires to be designated as the operator.

7. That the Applicant has obtained the consent of the working interest and royalty owners in the proposed proration unit except for the following:

<u>Name</u>	<u>Interest</u>
Rebel Oil Company 603 Seto Hobbs, New Mexico 88240	2.51839%

8. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

9. That Applicant should be authorized to withhold from production a reasonable supervision charge, attributable to each non-consenting working interest owner's proportionate share, during the drilling and production stages of the well.

10. That to avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in the proposed proration unit the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons in the unit, said lands should be pooled as proposed herein.

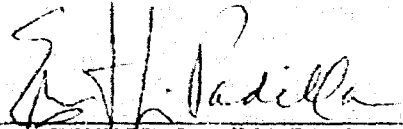
WHEREFORE, Applicant respectfully requests:

1. That this application be set for hearing before an examiner of the Division and that notice of said hearing be given as required by law.

2. That upon hearing the Division enter its order pooling all oil and gas mineral interests in the Pennsylvanian

formation, as a non-standard proration or spacing unit, underlying Lots 3 and 4 of Section 18, Township 16 South Range 37 East, NMPM, Lea County, New Mexico.

3. And for such other relief as the Division may deem appropriate in the premises.



ERNEST L. PADILLA

P. O. Box 2523

Santa Fe, New Mexico 87501

(505) 988-7577

Attorney for Applicant

HERBIE
ORDERS
CASE 7431

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:

Handwritten: ~~Wainoco Oil & Gas Co.~~
~~Lea County, New Mexico~~

CASE NO. 7431

Order No. R-6887

APPLICATION OF WAINOCO OIL & GAS
COMPANY FOR COMPULSORY POOLING AND A
NON-STANDARD OIL PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

Handwritten signature

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:

Handwritten: Ernie:
988-7577
Handwritten signature

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

requested (2) That the applicant, Wainoco Oil & Gas Company, ^{originally} ~~make~~ an order pooling all mineral interests in the Northeast Lovington-Penn ^{oil} Pool underlying a 101.65-acre non-standard oil proration unit comprising Lots 3 and 4 of Section 18, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That since filing its application for hearing, applicant has obtained the voluntary consent of all working interest owners in the subject spacing and proration unit and requests that ~~this case~~ that portion of this case pertaining to the pooling of working interests be dismissed, and that only that portion pertaining to the pooling of royalty and/or overriding royalty interests ~~be retained~~ and the non-standard size of the unit be retained.

(4) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 660 feet from the South line and 660 feet from the West line of said Section 18, said location being 179.3 feet west of the center of Lot 4 whereas the pool rules specify that wells ^{be} drilled within 150 feet of the center of the section.

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

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

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

(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 _____ 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 \$ _____ per month while drilling and \$ _____ 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.

(9) 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.

(10) ~~2~~ 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, in the Northeast Lovington-Penn^{ylvanian} Pool underlying Lots 3 and 4 of Section 18, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 101.65-acre oil proration unit to be dedicated to a well to be drilled 460 feet from the south line and 660 feet from the west line of said Section 18.

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 Pennsylvanian 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 Wainoco Oil & Gas Company is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of

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

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

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

(3) 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.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

Jan 12/2

Wainwright Oil & Gas Co.

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