ASE NO.

695

APPIICATION, TranscripTS, Small Exhibits,

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	2	STATE OF N	EW MEXICO					
		ENERGY AND MINER	ALS DEPARTMENT					
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	8	Application of Depo	o, Inc., for com- CASES					
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		pulsory pooling, Ch						
	9	Mexico.	7695					
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	13	BEFORE: Richard L. Stamets						
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		APPE /	APPEARANCES					
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	19	For the Oil Conservation	W. Perry Pearce, Esg.					
	•	Division:	Legal Counsel to the Divisio	.nl				
	20	D14131011.	State Land Office Bldg.					
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	21		Santa Fe, New Mexico 87501					
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		For the Applicant:	David R. Vandiver, Esq.					
	23		LOSEE, CARSON, & DICKERSON P.A	. [
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1 3 2 MR. STAMETS: Without objection we will 3 be calling the next two cases at the same time, and I would 4 ask that Cases 7694 and 7695 be called. 5 MR. PEARCE: Both of those cases are on 6 the application of Depco, Inc., for compulsory pooling, 7 Chaves County, New Mexico. 8 MR. VANDIVER: Mr. Examiner, my name is 9 David Vandiver, and I'm with Losee, Carson, and Dickerson, 10 P. A., in Artesia, New Mexico. 11 And I'm appearing in these cases on be-12 half of Depco, Inc., and I have two witnesses, Mr. J. T. 13 Hutchison and Mr. Jack Ahlen. 14 MR. PEARCE: Could I have both witnesses 15 rise, please? 16 17 (Witnesses sworn.) 18 19 MR. VANDIVER: Call Mr. Hutchison first, 20 please. 21 22 J. T. HUTCHISON 23 being called as a witness and being duly sworn upon his oath, 24 testified as follows, to-wit: 25

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1 4 2 3 DIRECT EXAMINATION 4 BY MR. VANDIVER: 5 Would you state your name, please? Q. 6 My name is J. T. Hutchison and I am A. 7 District Landman with Depco, Inc., in Midland, Texas. 8 How long have you been so employed? Q 9 I've been employed with Depco for six A. 10 months. 11 MR. STAMETS: Excuse me, is that Hutchinson 12 or Hutchison? 13 H-U-T-C-H-I-S-O-N. A. 14 MR. STAMETS: Hutchison, thank you. 15 Mr. Hutchison, in your occupation with Q. 16 Depco what do your duties include? 17 Preparing operating agreements, farm out A. 18 agreements; title checking, and curing titles. 19 And are you familiar with the applications Q 20 of the applicant before the Division? 21 Yes, I am. λ. 22 Could you briefly state the nature of Q. 23 these applications? 24 This is in the forced pooling? L 25 Yes. ۵

1 5 2 We are endeavoring to force pool Corona 3 in two wells that we are trying to develop. And in one of the 4 wells we are also trying to force pool Mesa Petroleum. 5 Is that Corona Oil Company? Q. 6 Yes, it is, A. 7 And are you also seeking to have Depco Q. 8 designated as operator of your proposed wells? 9 Yes, we are. A. 10 Have you compiled certain exhibits upon Q. 11 which you intend to rely? 12 Yes, sir, we have. A. 13 Would you please refer to the applicant's Q. 14 Exhibit Number One and describe for the Examiner what that 15 shows? 16 Exhibit Number One is an application to 17 for permit to drill the well deeper and to plug back the well. 18 And which well is that? Q. 19 And this is going to be the Rose Federal A. 20 Com No. 12. 21 Did it originally have another name? Q. 22 A Yes, sir, it was the Rose Federal Com 23 No. 3. 24 Why was the name changed? a 25 There was, I think at the time that they 1

1 6 2 were -- the application was sent in that they were misnamed 3 and NMOCD requested that they change the numbers on them. What's the location of your proposed Rose Q. 5 Federal Com No. 12? 6 1980 from -- from the west line and 660 A. 7 from the north line of Section 21, 5 South, Range 25 East. 8 What does the second page of Exhibit One Q. 9 show? 10 The second page shows the dedication plat A 11 and the location of the particular well. 12 And what lands are to be dedicated to Q. 13 your Rose Federal Com No. 12? 14 This will be the northwest quarter of A. 15 Section 21. 16 Depco's acreage is outlined in red? Q. 17 ۰A. Yes, it is. 18 On that plat. And you own a Federal Oil a 19 and Gas Lease covering the north half of the northwest quarter 20 of Section 21? 21 L Yes, we do. 22 Would you refer the Examiner to Exhibit a 23 Number -- Applicant's Exhibit Number Two, and briefly describe 24 what that is? 25 Page one is the application for permit **L**

7 1 to drill the Rose Federal Com No. 2, which was later changed 2 to the Rose Federal Com No. 11. 3 And the second page of that exhibit? ۵ 4 Page -- page two shows the land plat, A. 5 dedication plat of the acreage that we're going to include in 6 the unit. 7 What is the acreage to be dedicated to Q 8 your Rose Federal Com No. 11? Q This will be the northwest quarter of A. 10 Section 21. I'm sorry, the northeast corner. 11 Northeast quarter? Q. 12 Northeast quarter, yes. L 13 What is the location of that well? 14 660 from the north line and 660 from the 15 east line. 16 And Depco's acreage is outlined in red? Q 17 Yes, it is. 18 On the acreage dedication plat. And you 19 have a Federal lease covering the east half northeast quarter 20 and northwest guarter northeast guarter? 21 Yes, we do. 22 With respect to Exhibits One and Two, a 23 who owns the oil and gas leasehold estate covering the south 24 half of the northwest quarter with respect to the Rose Federal 25

1 8 2 Com No. 12? 3 E. That is Mesa Petroleum. I believe they 4 are working as MTS Limited, and Corona Oil. 5 Mesa Petroleum Company is the general ۵ 6 partner of MTS Limited Partnership, is that correct? 7 A Yes, they are. 8 And with respect to your Rose Federal Com ۵ 9 No. 11, who owns the oil and gas leasehold estate covering 10 the southwest guarter northeast guarter? 11 This is also MTS Limited and Corona Oil. X. 12 I'd like you to refer the Examiner to ۵ 13 Applicant's Exhibit Three and Four and briefly describe what 14 they are. 15 Three is my initial written notification 16 to Mesa as a general partner for MTS that we are proposing 17 a well in the northeast quarter of Section 21, and also indi-18 cating that we will forward an AFE very shortly. 19 What is an AFE? Q 20 An Authorization for Expenditure. 21 And does that set forth the estimated a 22 well costs? 23 Yes, it certainly does. 24 And did you forward an AFE to Mesa on 25 behalf of MTS Limited Partnership?

1 9 2 Yes, we did. A. 3 With respect to the Rose Federal Com No. 0. 4 12, did Mesa execute your AFE? 5 No, they have not. A. 6 With respect to your Rose Federal Com No. Q 7 12, did MTS, Mesa on behalf of MTS Limited Partnership exe-8 cute your AFE? Q Would you ask your previous question, Ά. 10 please? 11 My first question was with respect to Q 12 your proposed Rose Federal Com No. 11 Well, did MTS Limited 13 Partnership sign your AFE? 14 Yes, they did. A. 15 a With respect to your Rose Federal Com No. 16 12 did MTS sign your proposed AFE? 17 A. They did not. 18 When you submitted your proposals for ۵ 19 these two wells to MTS Limited Partnership, was it your under 20 standing that you were also submitting the proposals to 21 Corona Oil Company? 22 Yes, it was. A. 23 Is it your understanding that Mesa is Q. 24 authorized to act on behalf of Corona Oil Company with respect 25 to their joint leasehold estate?

1 10 2 A. When I initially talked with them, that 3 was my understanding. 4 Has Corona Oil Company been furnished .0. 5 copies of your proposed AFE's for these two wells? 6 No, they have not. Α. 7 ۵ Have you discussed your proposals with 8 officers of Corona Oil Company? 9 Yes, sir, I have. A. 10 Q. And have they indicated whether or not 11 they would desire to join in the drilling of these two wells? 12 Yes, sir, I have been in telephone con-A. 13 tact with the vice president of Corona Oil and they have indi-14 cated by way of telegram that they will not participate in 15 the drilling of these wells, the Rose Federal Com No. 11 or 16 Rose Federal Com No. 12. 17 Do you know why they're not willing to <u>,</u> 18 participate? 19 Yes, sir, it's my understanding that they A. 20 are currently out of drilling funds. 21 I will hand you what has been marked as 22 Applicant's Exhibit Number Five and ask you to explain this 23 for the Examiner. 24 Exhibit Number Five is a letter from Mesa 25 Petroleum to me at Depco, indicating that they will not parti

1 11 2 cipate in the drilling of the Rose Federal Com No. 12 and that 3 they are in fact desirous of being the operators and have ex-4 tended an AFE for our examination. 5 So the situation is that Mesa on behalf ۵ 6 of MTS Limited Partnership has executed your AFE and agreed 7 to participate in drilling the Rose Federal Com No. 11 but 8 Corona Oil Company has not agreed to participate in your No. 9 11 Well, and MTS Limited Partnership has not agreed nor has 10 Corona Oil Company to participate in the drilling of your 11 proposed Rose Federal Com No. 12, is that correct? 12 That is correct. A. 13 When you submitted your AFEs to MTS Ø. 14 Limited Partnership, did you also submit an operating agreement? 15 A. No, we did not. 16 But they have agreed to sign and join in Q. 17 an operating agreement covering your No. 11 Well? 18 Yes, they have. J. 19 Is that on -- what sort of operating Q. 20 agreement is that? 21 It is a 1977 operating agreement with A. 22 the COPAS accounting procedures attached to it. 23 In your proposed No. 11 well what super-Q. 24 vision rates does your proposed operating agreement allow? 25 I am not sure what the price is. It is

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1 12 2 currently being revised right now and I have not seen the --3 seen what price they have set on there. 4 In your experience what are the customary Q 5 charges for drilling and producing well supervision rates? 6 Well --A. 7 For wells of this type in the area? a 8 I believe the rate is roughly around \$3000. Å. 9 For a drilling well? Q 10 Yes, it is. A 11 And for a producing well? a 12 It is around \$300 per day -- or per A. 13 month, I'm sorry. 14 Does your proposed operating agreement on Q. 15 the No. 11 have a penalty for nonconsenting parties? 16 Yes, sir, it does and it's 300 percent. A 17 You mean return of your investment p is Q, 18 200 percent? 19 Yes, it is. A 20 I'll hand you what's been marked as Appli-۵ 21 cant's Exhibit Number Six and ask you what that is. 22 Exhibit Number Six is my letter to Mesa ۵. 23 Petroleum indicating that the Rose Federal Com No. 2, that 24 the name has been changed to Rose Federal Com No. 11. 25 And I'll hand you what's been marked as Q.

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13 2 Applicant's Exhibits Seven and Eight and ask you to describe 3 those documents, what they are? Δ Exhibit Number Seven and Eight are revised A. 5 Authorities for Expenditures on the Rose Federal Com No. 11 6 and Rose Federal Com No. 12. 7 And that's, I believe you testified earlier Q 8 these are estimated costs? 9 Yes, they are. λ. 10 Q. But you will keep up with the actual costs 11 incurred in connection with drilling these wells? 12 Yes, we will. A. 13 I hand you what's been marked as Appli-Q. 14 cant's Exhibit Number Nine and ask you to describe what that 15 is. 16 This is a telegram from Western Union A. 17 from Don Williams, the Vice President of Corona Oil Company, 18 indicating that they will not agree to pool its interests 19 in the northeast quarter or the northwest quarter of Section 20 21, 5 South, 25 East, for the drilling of the Rose Federal 21 Com No. 11 or 12. 22 And each of these exhibits were prepared 23 by you or under your supervision or authority or correspon-24 dence which you received in the regular course of business? 25 Yes, they were.

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1 14 2 MR. VANDIVER: Mr. Examiner, I would move 3 the admission of Exhibits One through Nine at this time, and 4 I have no further questions. 5 MR. STAMETS: These exhibits will be ad-6 mitted. 7 Are there any questions of the witness? 8 MR. PEARCE: If I may briefly. 9 10 CROSS EXAMINATION 11 BY MR. PEARCE: 12 I may have missed, Mr. Hutchison, I apol-Q. 13 ogize, the AFEs which were sent to Mesa MTS on these two 14 wells --15 Yes. A, 16 When were those AFEs sent? I notice two n 17 Depco letters saying we're preparing them and we're going to 18 send them, and I notice that the revised is dated September 19 the 28th. 20 The revised has not in fact been Yes. ١. 21 sent. 22 Okay. Q. 23 They were -24 When did the initial go? Do you have Q 25 something there which indicates?

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2	MR. PEARCE: We'll just atke one minute
3	off the record, Sally.
4	
5	(Thereupon a discussion was
6	had off the record.)
7	
8	MR. PEARCE: If we could go back on the
9	record.
10	Q Mr. Hutchison, do you now have information
11	which indicates either the date on which the initial AFEs were
12	sent to Mesa Petroleum?
13	A. Yes, sir, that was July the 26th, 1982.
14	Q Okay. Thank you, fir.
15	MR. PEARCE: One other thing, Mr. Exa-
16	miner, if I might, I would like the record to reflect that
17	in the application filed on Cases 7694 and 7695 there are
18	affidavits of mailing, which indicate that copies of the ap-
19	plication for compulsory pooling and the docket for this
20	hearing in the case of Case 7694 was mailed on September 20th
21	to MTS Limited Partnership and Corona Oil Company, and that
22	in Case 7695 a copy of the compulsory pooling application and
23	the docket of this hearing was mailed to Corona Oil Company
24	on September the 20th, 1982.
25	I have nothing further, sir.

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16 1 2 MR. STAMETS: Any other questions of the 3 witness? He may be excused. MR. VANDIVER: Mr. Examiner, the applicant 4 will call Mr. Jack Ahlen at this time. 5 6 JACK AHLEN 7 8 being called as a witness and being previously sworn upon his 9 oath, testified as follows, to-wit: 10 11 DIRECT EXAMINATION 12 BY MR. VANDIVER: You are Mr. Jack Ahlen? 13 Q 14 That is correct. A. How do you spell your last name, sir? 15 ۵ I spell my last name A-H-L-E-N. 16 Δ Where do you reside, Mr. Ahlen? 17 Q. 18 I reside in Roswell, New Mexico. A. įĝ What's your occupation? Ω 20 I am a consulting geologist. ١. And have you previously testified before 21 a the Division and are your credentials a matter of record? 22 23 Yes, sir. MR. VANDIVER: I would tender Mr. Ahlen 24 25 as an expert in geology.

1 17 2 MR. STAMETS: The witness is considered 3 qualified. 4 What is your connection with the applicant, Q. 5 Depco, in these cases? 6 I am a consulting geologist for Depco, Ā. 7 Incorporated, and I have been working with Depco in this par-8 ticular area for several years and they requested that I re-9 present them at this particular hearing for this purpose. 10 Mr. Ahlen, have you made a study to ascer-**Q**. 11 tain the facts upon which you will express an opinion regarding 12 the proposed risk penalty to be imposed on these force pooled 13 interests? 14 A. Yes, sir. 15 ۵ Mr. Ahlen, I'd ask you to refer the Exa-16 miner to what's been marked as Applicant's Exhibit Number Ten, 17 and ask you to describe what that shows. 18 Exhibit Number Ten is a structure map on 19 the top of the Abo formation in the vicinity of the acreage 20 in Section 21 of Township 5 South, Range 25 East. It shows 21 regional structure contours on the top of the Abo. It shows 22 that the top of the Abo varies from a subsea datum of appro-23 ximately 200 feet in the northwest to approximately 100 feet 24 in the southeast, relatively normal regional southeast dip. 25 What pertinent information is reflected a

1 18 2 by this exhibit that bears on the risk involved in drilling 3 these two wells? 4 "The -- no apparent -- there's no apparent A. 5 indication of the risk in this -- on this particular map, in 6 that structural configuration has very little influence as to 7 the location of gas in the Abo formation. 8 And was that Exhibit Ten prepared by you 0. 9 or under your supervision? 10 Yes, it was. A. 11 I'll hand you what's been marked as Ap-Q 12 plicant's Exhibit Number Eleven in these cases and ask you 13 what that is. 14 In the same vicinity this is what I call A. 15 a net sand Isopach. It reflects the estimated thickness of 16 those sands within the Abo section that could be producable -17 This is a summation of several sands taken from well log in-18 formation on all of the surrounding wells. It considers both 19 the shaliness of the formation as well as permeability. 20 And what pertinent information on this Q 21 exhibit bears on the risk involved in drilling these two 22 wells? 23 The information on this wells -- on this 24 map suggests that the sand is continuous over the prospect 25 area; however, just being continuous does not necessarily

1 19 2 mean that the wells will be productive. 3 In this particular area of Chaves County 4 the success ratio of wells being completed as producers is 5 approximately 95 percent; however, the probability of comple-6 tion is not necessarily a reflection as to whether the well 7 is a commercial well or not. The Abo Gas Field is so youth-8 ful, in an early stage of development, that it is still dif-9 ficult to tell the payout life of a well, the final cumulative 10 productive nature of a particular well, so there is some risk 11 there as to the length of the well, the life of the well, as 12 well as the productive rate. Some of the wells in this area 13 produce at very low rates and are non-commercial. Some of 14 the wells in this area are extremely good producers and pay 15 out in just a very few months. 16 So this is a primary element of the risk 17 involved with these wells and I have not yet found a good way 18 of mapping and determining which wells to drill, those wells 19 that will pay out in three months and those wells that will 20 take three years, and I do not know of anyone in the industry 21 who does know before a well is drilled. 22 And I take it from your testimony that

And I take it from your testimony that there's a fairly good chance that a producing well will be drilled but it's unknown whether, when you speak of commercial, whether they will ever pay out?

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1	20
2	A. That is correct.
3	Q From your study of wells in the area,
4	what percentage of wells drilled in this area will pay out?
5	Or you will expect will pay out?
6	A Okay. One of the great unknowns in
7	whether a well will pay out in this area is the price that
8	the operator will get for the gas, and at this particular
9	moment there is a great deal of concern throughout the country
10	as to the price paid for natural gas, and there has been a
11	very dramatic decrease in drilling of gas wells recently,
12	especially in deep basins and in the tight gas area because
13	the customers for natural gas object to paying very high
14	prices for the product.
15	Therefor, the tight gas designation that
16	we have for the Abo Sand does not necessarily mean that you
17	will get the tight gas price, the full tight gas price.
18	So that is a variable as well.
19	Under the tight gas price system, pay
20	out would occur much earlier in the life of a well and at
21	that time I was I had the feeling that perhaps 50 to 75
22	percent of the wells would indeed pay out within three years.
23	If the price is diminished from the full
24	tight gas price, it is it will extend the pay out period
25	for most wells to beyond a three year limit, making some of

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2	those wells noncommercial. I would say it would be close to
3	the 50 percent of the wells will will pay out within the
4	three year life now with the significant decrease in the price
5	of gas.
6	Q. I'll refer you now to what's been marked
7	as Applicant's Exhibit Number Twelve and ask you to describe
8	what that is.
9	A. This is a map I prepared which is an indi-
10	cation of the gross sand Isopach. It is perhaps a less dis-
11	tinctive map than the net sand map is. It shows that there
12	are it includes the total thickness of everything that I
13	thought was a sand on the electric log.
14	Discounting any shaliness or any perme-
15	ability, all sands were included, even those that were com-
16	pletely nonpermeable, and it has it's additional informa-
17	tion to help drill a well but very little indication as to
18	the quality of the well.
19	Q. Mr. Ahlen, based on your study of this
20	area and your review of the applicant's exhibits, Ten through
21	Twelve, have you formed an opinion as to the risk that you
22	recommend the Division impose upon the interests to be pooled?
23	A Yes, I have formed an opinion and I think
24	the penalty should be allowed in this instance, the full
25	penalty of 200 percent.
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2	Q. In your professional opinion, Mr. Ahlen,
3	would the granting of these applications be in the interest
4	of conservation, the prevention of waste, and the protection
5	of correlative rights?
6	A. Yes, sir, I do.
7	MR. VANDIVER: Mr. Examiner, I'd move
8	admission of the Applicant's Exhibits Ten through Twelve.
9	MR. STAMETS: These exhibits will be ad-
10	mitted.
11	MR. VANDIVER: I have no more questions
12	at this point.
13	MR. STAMETS: Are there any questions of
14	this witness? He may be excused.
15	Anything further in these cases?
16	They will be taken under advisement.
17	MR. VANDIVER: Thanks.
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19	(Hearing concluded.)
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CERTIFICATE

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BOYD, C.S.R. Box 191-B New Mexico X7301 1 (303) 455-7409

SALI

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.

Surry Cor

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

Oil Conservation Division

DEPCO, Inc.

PRODUCTION & EXPLORATION

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OIL CONS.

October 15, 1982

State of New Mexico Enregy & Minerals Department: Oil Conservation Division P.O. Box 2088 Santa Fe, New Mexico 87501

Attn: Joe D. Ramey

Re: Order #7101 Case #7695

Dear Mr. Ramey:

By order of the Division, on October 7, 1982, all mineral interest underlying the NE/4 of Section 21 of Township 5 South, Range 25 East, were force pooled. In compliance with the pooling order, DEPCO, Inc., as operator, is required to furnish the Division with an itemized schedule of estimated well cost. Therefore, enclosed, please find an AFE covering the cost of drilling the Rose Fed Com #11.

Sincerely yours,

Joe Tom Hutchison Land Department

JTH:clp Enclosure

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52	Stimulation		47,500	
53	Completion Day Work		10,000	
54	SHARK KODER CASING CREW		4,000	
55	Completian Miscellaneous 14		3,000	**
58	Abondonment	8,000		-
60	Supervision - Geological	4.000	4,000	
61	Engineering	4,000	4,000	
63	Communication	3.000	5,000	
65 66	Miscelloneous Overhead			
50 1	TOTAL INTANGIBLES			
		147.840	227.170	· · ·
- F	TANGIBLES			•
09	Surface Casing 10001 - 10 3/4"	20,000	20,000	·····
11	KARENTINGE CONDUCTOR PIPE	2,500	2,500	
10	Production Cosing 42801 - 4 1/2"	<u></u>	25,500	
20	Tubing 4200! - 2 3/8"		13,000	
21	Wellheod Equipment		9,650	
22	Flowlines		1,500	•
24	Pumping Unit .			
25	Motor Sucker Rods			
26	Other			
27	Equipment Installation			·
28 30	Linepipe, Volves & Fittings		5,000	
33	Separators, Heaters, Treaters	:	7.500	
34	Tonks		3.600	
35	Meters			
36	Building			······································
37	Road and Locations			
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39	Disposal Facilities			
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	TOTAL TANGIBLES	24,500	- 97,250	•
	L WELL COST	172,340	324,420	
		Cost	_	
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STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BRUCE KING GOVERNOR LARRY KEHOE

October 8, 1982

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

Carlinson received

Mr. David Vandiver Losee, Carson & Dickerson Attorneys at Law Post Office Box 239 Artesia, New Mexico 88210 Re: CASE NO. 7695 ORDER NO. R-7191

Applicant:

Depco, Inc.

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. 7695 Order No. R-7101

APPLICATION OF DEPCO, INC. FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>7th</u> day of October, 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, Depco, Inc., seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the NE/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves 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. -2-Case No. 7695 Order No. R-7101

(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 \$3000.00 per month while drilling and \$300.00 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 January 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever. -3-Case No. 7695 Order No. R-7101

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down through the Abo formation underlying the NE/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico, are hereby pooled to form a standard 160-acre gas spleing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abc formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1983, 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 Depco, Inc. 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 -4-Case No. 7695 Order No. R-7101

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 \$3000.00 per month while drilling and \$300.00 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. 7695 Order No. R-7101

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 Chaves 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 hereinahove designated.

STATE OF NEW MEXICO

JOE D. RAMEY Director

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OIL CONSCRVATION DIVISION

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DEPCO, Inc.

PRODUCTION & EXPLORATION

July 8, 1982

MESA Petroleum 1000 Vaughn Bldg. Midland, Texas 79701

Attn: Kevin Dentzer

Re: Well Proposal <u>Township 5 South, Range 25 East</u> Section 21: NE/4 Chaves County, New Mexico

Dear Kevin:

This letter is your written notification that DEPCO, Inc. proposes the drilling of a well in the NE/4 of Section 21. Said well will be drilled to the approximate depth of 4500' or to a depth to sufficiently test the entire Abo Formation, which ever is the lesser depth. DEPCO proposes to be the operator and will commence operation within 90 (ninety) days from the date of a mutually acceptable operating agreement.

I have taken the liberty of having an Authorization for Expenditure and an Operating Agreement drawn up and they will be forwarded to you for your approval and execution as soon as possible.

Also, should you have any title opinion, title curative or access to any Abstracts, I would appreciate the temporary use of them in order to cure the title for drilling.

Very truly yours,

Joe Tom Hutchiso**BEFORE EXAMINER STAMETS** OIL CONSERVATION DIVISION Applicants EXHIBIT NO. <u>3</u> CASE NO. <u>7694 + 7695</u> Submitted by <u>Depre</u>, Tuc.

JTH:clp

SUITE 875, EMPIRE PLAZA . MIDLAND, TEXAS 79701 . PHONE 995,09

States States

DEPCO, Imo.

#12-

PRODUCTION & EXPLORATION

July 16, 1982

Mesa Petroleum 1000 Vaughn Building Midland, Texas 79701

Re: Township 5 South, Range 25 Fast, N.M.P.M. Section 21: NW4 Chaves County, New Mexico Proposed Well

Attn: Kevin Dentzer

Dear Kevin:

In reference to my letter dated July 8, 1982, DEPCO proposed the drilling of a well in the NE% of Section 21. We feel that the NW% of this section will also be productive and therefore propose the drilling of an Abo Test to an approximate depth of 4500', whichever is the lesser depth. The location for the proposed well will be 1980' FWL & 660' FNL of Section 21. We plan to spud the well within the next 60 days or no later than September 30, 1982.

An AFE is currently being prepared for your examination an approval and will be sent to you as soon as possible. Should you not wish to sign the AFE and join in the drilling of this proposed well, we would welcome a Farmout of your acreage.

Sincerely,

J. T. Hutchison

JTH/lo

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
$\frac{F \times 12}{14 \times 1695}$
Submitted by Depco, Tue.
Hearing Date 9/29/82

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SUITE 875, EMPIRE PLAZA • MIDLAND, TEXAS 79701 • PHONE 915/682-6308



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August 4, 1982

Depco, Inc. Suite 875 Empire Plaza Midland TX 79701

Attention: Joe Tom Hutchison

Gentlemen:

Subject: Well Proposals Depco Rose Federal Com. #2 NE/4 Sec. 21, T-5-5, R-25-E Chaves County, New Mexico OA #82 NM 22

Mesa #1 Rose Federal Com. (Depco Rose Federal Com. #3) NW/4 Sec. 21, T-5-S, R-25-E Chaves County, New Mexico Mesa OP 05-NM-0138-260

Mesa Petroleum Co. acknowledges receipt of your letter of July 26, 1982 wherein you proposed the drilling of the two captioned wells with Depco as Operator. With regard to the Rose Federal Com. #2, please be advised that subject to management's approval, MTS Limited Partnership plans to participate as to its 12.5% working interest in the well. Your AFEs are in the process of being executed, and we will forward an original to you as soon as it is available.

However, Mesa proposes to drill and operate our #1 Rose Federal Com. at the location proposed by Depco for your Rose Federal Com. #3. We invite your participation in the #1 Rose Federal Com. and enclose herewith for your execution two copies of our estimated AFE. If this meets with your approval, please execute and return to this office one copy of this letter and one AFE at your earliest convenience. An operating agreement will be sent for execution as soon as possible.

Should you need anything else, or wish to discuss the matter further, please let us know.

Very truly yours,

INCLAR K. R. Dement

cs - Enclosures

Mesa #1 Rose Federal Com.

Join Not Join

DEPCO, INC. By:

MESA PETROLEUM CO./VAUGHN BUILDING/SUITE 1000/AC 915/683-5391/MIDLAND, TEXAS 79701-4493

BEFORE EXAMINER STAMETS
BEFORE EXAMINER STATICS
OIL CONSERVATION DIVISION
Having EXHIBIT NO.
Applicate EXFIBIT NO. 2 CASE NO. 7694 + 7695
CASE NO. <u>10</u>
Submitted by Depen Tue
Hearing Date 9 29 22

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COMPANY LABOR, SUPERVISION,			3,000	2,000	5,000
RENTAL EQUIPMENT & TOOLS			5,000	3,000	8,000
ROCK BITS, HOLE OPENERS, REAL	MERS, STABILIZERS		10,000		
HAULING & FREIGHT		, 	3.000	4.000	7.000
MOBILIZATION - INSTALLATION				n an ann an an an Anna an Anna Anna Ann	n 1. 1. 1. Andrew Marine Management (1. Andrew Marine M 1. Andrew Marine Mari
DEMOBILIZATION - DISMANTLING		.		n Barrowania na mana amin'ny manana mandritra amin'ny fisiana amin'ny fisiana.	موجود المراجع ا المراجع المراجع
SUPPLYBOATS CREWBOATS BAR	GES, 10GS	: 		י יישער יייר ערשיינערי אר איי איי איי איי	
SHOREBASE, OFFICE, DOCK FEE			4,500		4,500
AIRCRAFT RENTALSHELICOPTER	and a second				
DIVERS AND RELATED EQUIPMEN	محاجبه محاجبة الجاريمين محاجا والجميم محاج فيستمح والمتحاج والمحاجب والمتعادية الم				······
MISCELLANEOUS			5,000	2,000	7,000
COST IN ABANDON INOT INCLUE	ED IN PRODUCER TOTAL	Ī	* 7,000		
MUD ENGINEER 4	DAYS ALS 250 /DAY		1,000		1,000
CONSULTING ENGINEER					
A: DRILLING	DAYS AT S /DAY				-
B: COMPLETION	DAYS At \$ /DAY				<u>.</u>
GEOLOGICAL CONSULTANT 2	DAYS ALS 250 /DAY	, 	500		500
Total Intangible & Non-Controllat	ole Costs	S	173.000	<u>\$ 87,000</u>	<u>\$ 253,000</u> *
BUOYS AND MARKERS		S		<u>S</u>	3
CASING/TUBULARS			>		
(A) 900 FT. OF10 3	14 OD \$ 21.00 /FT.		18,900		18,900
18 1,700 FT OF 7 5			23,800		23,800
C 4,300 FT OF 4 1 D 4,000 FT OF 2 3				32,000	32,000
E FT. OF	OD \$ 4.00 /FT.		· · · · · · · · · · · · · · · · · · ·	.0,000	1.0,000
WELL HEAD & GUIDE STRUCTURE	JE J / [1.	-	2,300	5,200	7,500
SUB-SURFACE WELL EQUIPMENT			000	3,200	
SURFACE WELL EQUIPMENT		 	······		•
OTHER MAJOR EQUIPMENT	na an ann an ann an an an ann an an ann an a			>	
A SEPARATOR		1		7,800	7,800
B) 210-BBL FIBERGLASS	TANK	1		3,000	3,000
	······································	I	1		
BUILDINGS	مراجع المراجع				
ELECTRICAL & INSTRUMENTATION		+			
INSTALLATION, MATERIALS, & SEA	and the second sec	-		3,000	3,000
Total Tangible Controllable & Nor	Controllable Costs	15-	45,000	And the second se	<u>\$_112,000</u>
Totai Costs		13	218,000	<u>s 154,000</u>	<u>\$ 365,000 *</u>
William K hait fi	DIV DRLG SPVR Dere 8-3-	-82	Mesa Wi Others Wi	•	
Michael P Howetter				•	· · ·
This hall f. Maria	OPS MGR Dore 8-3-	-02		· · · · · · · · · · · · · · · · · · ·	
an a	title Date		••••••		*
Depco, Inc.	tule Date		e e e e e e e e e e e e e e e e e e e	میں میں الیکی دیکری کری ہے۔ مراجع کی الیکی میں میں دارا ہے کا میں ا	
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DEPCO, Inc.

PRODUCTION & EXPLORATION

September 1, 1982

Mesa Petroleum 1000 Vaughn Bldg. Midland, Texas 79701

Attn: Mark Hannifin

Re: Rose Fed Com #11 Township 5 South, Range 25 East Section 21: NE/4 Chaves County, New Mexico

Dear Mark:

Please be advised that the name of the Rose Fed Com #2 has been changed. The proper name for the well in the NE/4 will be the Rose Fed Com #11.

Sincerely yours,

5

Joe Tom Hutchison

JTH:clp

BEFORE EXAMINER STAMETS
BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
Halinto EXHIBIT NO.
Haplint EXHIBIT NO. 16 CASE NO. 7694 + 7695
Submitted by Depco, Tue.
Hearing Date 9/29/82
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ase a	and Well NoROSE_FEDERAL_COM #11		Dote SEPTEMBER	
catio	660' FRL & 660' FEL, SEC	21, T-5-S, R-25-E	Contractor	
	and State CHAVES COUNTY, NEW MEXICO			
eld ose r			Total Depth	
			-	6
DDE	DESCRIPTION	a second as a seco	ATED COST	ACTUAL CO
		DRY HOLE	PRODUCER	
	INTANGIBLES			
			0.000	
31 32	Surveying and Right-of-Way Lease and Road Construction	2,000	2,000	
40	Drilling - Footage	4,000	4,000	
41	Doywork	6,850		
42	QUER PIT LINER			
43	Mud - Materials	17,000	17,000	
48	Water	6,500_		
49	Oil	1,750		
44 45	Equipment Rentals	11 2	4,000	
45	Coring Equipment and Service	1,000	17,000	
47	Kaning Egophen and Service	2,000	3,580	
50	Cementing and Services	7,500		
51	Perforating		4,500	
52	Stimulation		47,500	-
53	Completion Day Work		10,000	
54	SHORE CASING CREW	1,750	4,000	
55	Completion Miscellaneous			
58	Abandonment Supervision - Geological	8,000	4,000	
60 61	Supervision - Geological Engineering	4,000	4,000	1
63	Communication		4,000	1
65	Miscellaneous	3,000	5,000	
66	Overhead			
	TOTAL INTANGIBLES			
		147.840	227.170	
	TANGIBLES			
<u> </u>				
09	Surface Casing 1000' - 10 3/4"	20,000	20,000	#
10	Production Casing 42801 - 4 1/2"		25,500	1
20	Tubing 4200' - 2 3/8"		13,000	
21	Wellheod Equipment		9,650	
22	Flowlines		1,500	· · ·
24	Pumping Unit			
25	Motor Sucker Rods			
26 27	Other	. <u></u>		╫
28	Equipment Installation			1
30	Linepipe, Volves & Fittings		5,000	1
33	Separators, Heaters, Treaters		7,500	
34	Tonks		3,600	
35	Meters			
36	Building			
37	Road and Locations			#
38 39	Battery Installation Disposal Facilities		5,000	╂─────
<u>50</u>	Miscellaneous	2.000	4,000	╢
<u>~ </u>			<u></u>	†
	TOTAL TANGIBLES	24,500	- 97,250	
	L WELL COST			
		172.340	324,420	<u>I</u>
	4 4 4 4	Cost		n n
	Company Working Int.	Dry Hole Produce		
		BEFORE	EXAMINER STAME	rs -
2			SERVATION DIVISION	
		Applicants	EXHIBIT NO.	
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		Submitted	by Deacon	<i>T</i> .
otal		Hearing C	Date 9/29/	¥ <u>~</u>
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Compony		-	Working Int.	Dry Hole	Producer	Approved By	Date
>			<u> </u>		REFORE EXAM	NER STAMETS	1 339
-2			<u> </u>		OIL CONSERVA		
	·						
	<u> </u>				privents EXHIBI	- 3.4	
	<u> </u>				- CASE NO. 76	94 + 7695	
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Lo I Particionalista I		<u> </u>			Submitted by	2000 - Tore	
			<u> </u>		Hearing Date	DIALDA	
Total				-	nearing Date	9/29/82	
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·	•	CO, Inc. OR EXPENDITURE	F	
•		UK LAILILL	• • • • • • • • • • • • • • • • • • •	
	ntion DRILL & COMPLETE and Well No ROSE FEDERAL CON # 12		Doie SEPTEMBER 28	3. 1982
Localia	011 660' FUL & 1980 FWL SEC 2	21, T-5-S, R-25-E	Contractor	
County	ond Store CHAVES COUNTY, NEW MEXICO		Spudded Released	
Lease : Field_	NoPECOS_BLOPE_ABD		Totol Depth42	
			ATED COST	
CODE	DESCRIPTION	DRY NOLE		ACTUAL COST
	INTANGIBLES			
231	Surveying and Right-of-Way	2,000	2,000	
232	Lease and Road Construction	4,000	4.000	
240 241	Drilling - Footage Daywork	58,490		
241 242	QUANT PIT LINER	6,8502,000		
243	Mud - Materials	17,000	17,000	
248	Water	6,500	6,500	
249	Oil Equipment Populat	1,750	1,750	í
244 245	Equipment Rentals	2,000	4,000	1
245 246	Coring Equipment and Service			·
247	KANINHASHXIKAN HAULING	2,000	3,580	
250	Cementing and Services	7,500	22,000	
251	Perforating		4,500	I
252 253	Stimulation Completion Day Work		47,500	· · · · · · · · · · · · · · · · · · ·
253	Completion Day Work SAVXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	1,750	4,000	· · · · · · · · · · · · · · · · · · ·
255	Completion Miscellaneous		3,000	
258	Abandonment	8,000		
260	Supervision - Geological	4,000	4,000	i
261 263	Engineering Communication	4,000	4,000	······
<u>263</u> 265	<u> </u>	3,000	5,000	
265 266	Overhead			
	TOTAL INTANGIBLES	147,840	227.170	
	TANGIBLES			
309	Surface Casing 1000' - 10 3/4"	20,000	20,000	
311	WARRENIST CONDUCTOR PIPE	2,500	2,500	
310	Production Cusing 42801 - 4 1/2" Tubing 42001 - 2 3/8"		25,500	
320	Tubing 4200! - 2 3/8!! Wellhend Equipment		13,000	
322	Flowlines		1,500	
324	Pumping Unit	·		
325	Motor			
326	Sucker Rods Other			
<u>327</u> 328	Other Equipment Installation			
330	Linepipe, Valves & Fiftings		5,000	· · · · · · · · · · · · · · · · · · ·
333	Separators, Heaters, Treaters	· .	7,500	
334	Tonks		3,600	
335 336	Meters Building			
336	Building Rood and Locations			
338	Battery Installation		5,000	
339	Disposal Facilities			
350	Miscellaneous	2,000	4,000	
{	TOTAL TANGIBLES	24,500	97,250	
TOT	AL WELL COST	172.340	324,420	
	Company Working Int.	Cost Dry Hole Produce	er Approved B	By Date
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CORONA GIL COMPANY HAS NOT AGREED TO POOL ITS INTERESTS IN THE NW/4 AND THE NE/4, SECTION 21, TOWNSHIP 5 SOUTH, RANGE 25 EAST, CHAVES COUNTY NEW MEXICO FOR THE PURPOSE OF DRILLING WELLS.

DON E. WILLIAMS, VICE PRESIDENT CORONA OIL COMPANY 4835 LBJ FREEWAY SUITE 635 DALLAS TX 75234 1700 EST

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1	BEFORE EXAMINER STAMETS
	CIL CONSERVATION DIVISION
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1958 1692: Application of Porister & Sweatt for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-scyled cause, seeks approval of an unorthodox location 390 feet from the North line and 1650 feet from the East line of Section 5, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the 2/2 of said Section 5 to be dedicated to the well.

- CASE 7693: Application of Forister & Sweatt for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Southeast Chaves Queen Gas Area underlying the E/2 of Section 5, fornship 13 South, Range 31 East, to be dedicated to a well to be drilled at an unorthodox location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof to well as actual operating costs and charges for supervision, designation of of applicant, as operator of the well and a charge for risk involved in drilling said well.
- CASE 7681: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Ordevician gas well to be drilled 330 feet from the North line and 990 feet from the Eost line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 1682: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Mississippian gas well drilled 330 feet from the North line and 330 feet from the West line of Section 34, Township 11 South, Range 28 East, the W/2 of said Section 34 to be dedicated to the well.

<u>CASES 7694 and 7695</u>: Application of Depco, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case 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 7694: NW/4 Section 21; and

CASE 7695: NE/4 Section 21

Both in Township 5 South, Range 25 East.

CASE 7696: Appication of Arco Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian through Ellenburger formations underlying the 2/2 of Section 31, Township 20 South, Range 36 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.

CASES 7528 and 7529: (Continued and Readvertised)

Application of JJ-CC, Limited for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case 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:

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CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

CASE 7697: Application of Oxoco Production Corp. for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Mesaverde formation underlying Sections 7, 8, 17, 18, 19 and 20, Township 32 North, Range 8 West, containing 3160 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

Dockets Nes. 32-82 and 33-82 are tentatively sub for Getober 13 and Getober 27, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - VEDNESDAY - SEPIEMBER 29, 1982 9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- CASE 7686: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Energetics Corporation, United States Fidelity and Guaranty Company, and all other interested parties to appear and show cause why the Hanes Corporation Well No. 1, Incated in Unit F of Section 9, Township 24 South, Range 2 East, Don Ana County, should not be plugged and abandoned in accordance with a Divisionapproved plugging program.
- CASE 7687: Application of Amoto Production Company for salt water disposal, Union County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Glorieta formation in the perforated interval from 1718 feet to 1780 feet in its former State FI Vell No. 2 (2034 362P) located 660 feet from the South line and 1320 feet from the East line of Section 36, Township 20 North, Range 34 East.
- CASE 7688: Application of Mountain States Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the North and East lines of Section 19, Township 15 Bouth, Range 28 East, Buffalo Valley-Fenn Gas Pool, the N/2 of said Section 19 to be dedicated to the well.
- CASE 7689: Application of Tesoro Petroleum Corporation for a tertiary oil recovery project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Hospan Sand Unit Waterflood Project to a polymer-augmented waterflood and, pursuant to Section 212.73 of the U.S. Department of Energy Regulations and Section 4993 of the Internal Revenue Code, seeks certification of said project as a qualified tertiary oil recovery project.
- CASE 7690: Application of C & K Petroleum. Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formations underlying the E/2 SW/4 of Section 27, Township 16 South, Range 37 East, Caesy-Strawn Pool, 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 7679: (Continued from September 15, 1982, Examiner Hearing)

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Application of C 5 K Petroleum, Inc. for the amendment of Order No. R-4857-A and for computatory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the attendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 5E/4 of Section 27, Township 16 South, Range 37 East, dedicated to its Shipp 27 Well No. 2 located in Unit O in said Section 27. Applicant, further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the Z/2 SE/4 of the aforesaid Section 27, to be dedicated to a well to be drilled in Unit P of said Section 27. 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 for risk involved in drilling said well.

CASE 7680: (Continued and Readvertised)

Application of Unichem International, Inc. for an exception to Order No. 3-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. 8-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 2, Township 23 South, Range 29 East.

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CASE 7691: Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Dakot. Pool underlying the W/2 of Section 5, Township 24 North, Range 9 West, 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.

METOPE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

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IN THE MATTER OF THE APPLICATION OF : DEPCO, INC. FOR COMPULSORY POOLING, : CHAVES COUNTY, NEW MEXICO

APPIDAVIT OF MAILING

STATE OF NEW MEXICO) SS. COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that on the 20th day of September, 1982, the undersigned did mail in the United States Post Office at Artesia, New Mexico, true copies of the following instruments:

- 1. Application for Compulsory Pooling of mineral interests in the Rose Federal Com. No. 11 Well; located in NE/4 Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico; and
- 2. Docket reflecting hearing on such Application at the Oil Conservation Division in Santa Fe, New Mexico, on the 29th day of September, 1982;

in a securely sealed postage prepaid envelope addressed to the following named party: NAME

ADDRESS

Corona Oil Company

4835 LBJ Freeway, Suite 635 Dallas, Texas 75234

mine Menefee

SUBSCRIBED AND SWORN TO before me this 20th day of

September, 1982.

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My commission expires:

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A.J. LOSEE JOEL M. CARSON CHAD DICKERSON DAVID R. VANDIVER ELIZABETH LOSEE LOSEE, CARSON & DICKERSON, F.A. 300 AMERICAN HOME BUILDING P.O. DRAWER 239 ARTESIA, NEW MEXICO 88211-0239

LAW OFFICES

August 25, 1982



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AREA CODE 505

746-3508

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

Dear Mr. Ramey:

Enclosed for filing, please find three copies each of two Applications of DEPCO, Inc. for Compulsory Pooling in Chaves County, New Mexico.

We ask that these cases be set for hearing before an examiner and that you furnish us with a docket of said hearings.

Thank you.

Very truly yours,

LOSEE, CARSON & DICKERSON, P.A.

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David R. Vandiver

DRV:pvm Enclosures

cc: DEPCO, Inc.

REFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE	MATTER OF THE APPLICATION OF	
DEPCO,	INC. FOR COMPULSORY POOLING,	
CHAVES	COUNTY, NEW MEXICO	

CASE NO. 2695

(41)62世纪88

SANTA FE

APPLICATION

COMES NOW DEPCO, Inc., by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rose Federal Com. No. 11 Well as a gas well, to a depth sufficient to test the Abo formation, which is to be located at a lawful location in NE/4 Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.

2. The applicant intends to dedicate the NE/4 of said section to this well, and there is an interest owner in the proration unit who has not agreed to pool its interest. The party who has not agreed to pool its interest, and its address is as follows:

NAME

Corona Oil Company

ADDRESS

4835 LBJ Freeway, Suite 635 Dallas, Texas 75234

3. Applicant should be designated the operator of the well and the proration unit.

4. 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, its just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the surface to the base of the Abo formation, underlying the NE/4 of said Section 21, should be pooled.

5. 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.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

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

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface to the base of the Abo formation, underlying the NE/4 of said Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico, to form a 160-acre spacing unit dedicated to applicant's well.

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

DEPCO, INC. David Vandiver R .

III, COM

SANYA FE

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239 Artesia, New Mexico 88210

Attorneys for Applicant

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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:

APPLICATION OF DEPCO, INC. FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO

CASE NO. 7695 Order No. R-

M.S. 1.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of October, 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, Depco, Inc., seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the NE/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico.

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

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

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

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have

withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That $\frac{3000}{2}$ per month while drilling and $\frac{300}{2}$ - 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 $\frac{1983}{1983}$ -, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down through the Abo formation underlying the NE/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico, are hereby pooled to form a standard $\underline{//e O}$ -acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the <u>1</u> day of <u>functory</u>, 1983, 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.

<u>PROVIDED FURTHER</u>, 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 Depco, Inc. 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, <u>200</u> 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 \$ 3000 per month while drilling and \$ 300 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 Chaves County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

JOE D. RAMEY, Director

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HASTINGS. MN-LOS ANGELES LOGAN ON MORTEGOS. TX U. S. A

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DOCKET MAILED 9/20/82 (00 10/1/87 10/15/82 Date