

CASE NO.

7695

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
29 September 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Depco, Inc., for com-  
pulsory pooling, Chaves County, New  
Mexico.

CASES  
7694  
7695

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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

For the Applicant:

David R. Vandiver, Esq.  
LOSEE, CARSON, & DICKERSON P.A.  
P. O. Drawer 239  
Artesia, New Mexico 88210

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1  
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

## DIRECT EXAMINATION

BY MR. VANDIVER:

Q Would you state your name, please?

A My name is J. T. Hutchison and I am District Landman with Depco, Inc., in Midland, Texas.

Q How long have you been so employed?

A I've been employed with Depco for six months.

MR. STAMETS: Excuse me, is that Hutchinson or Hutchison?

A H-U-T-C-H-I-S-O-N.

MR. STAMETS: Hutchison, thank you.

Q Mr. Hutchison, in your occupation with Depco what do your duties include?

A Preparing operating agreements, farm out agreements, title checking, and curing titles.

Q And are you familiar with the applications of the applicant before the Division?

A Yes, I am.

Q Could you briefly state the nature of these applications?

A This is in the forced pooling?

Q Yes.

1  
2 A 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 Q Is that Corona Oil Company?

6 A Yes, it is.

7 Q And are you also seeking to have Depco  
8 designated as operator of your proposed wells?

9 A Yes, we are.

10 Q Have you compiled certain exhibits upon  
11 which you intend to rely?

12 A Yes, sir, we have.

13 Q Would you please refer to the applicant's  
14 Exhibit Number One and describe for the Examiner what that  
15 shows?

16 A Exhibit Number One is an application to  
17 for permit to drill the well deeper and to plug back the well.

18 Q And which well is that?

19 A And this is going to be the Rose Federal  
20 Com No. 12.

21 Q Did it originally have another name?

22 A Yes, sir, it was the Rose Federal Com  
23 No. 3.

24 Q Why was the name changed?

25 A There was, I think at the time that they

1  
2 were -- the application was sent in that they were misnamed  
3 and NMOCD requested that they change the numbers on them.

4 Q What's the location of your proposed Rose  
5 Federal Com No. 12?

6 A 1980 from -- from the west line and 660  
7 from the north line of Section 21, 5 South, Range 25 East.

8 Q What does the second page of Exhibit One  
9 show?

10 A The second page shows the dedication plat  
11 and the location of the particular well.

12 Q And what lands are to be dedicated to  
13 your Rose Federal Com No. 12?

14 A This will be the northwest quarter of  
15 Section 21.

16 Q Depco's acreage is outlined in red?

17 A Yes, it is.

18 Q On that plat. And you own a Federal Oil  
19 and Gas Lease covering the north half of the northwest quarter  
20 of Section 21?

21 A Yes, we do.

22 Q Would you refer the Examiner to Exhibit  
23 Number -- Applicant's Exhibit Number Two, and briefly describe  
24 what that is?

25 A Page one is the application for permit

1  
2 to drill the Rose Federal Com No. 2, which was later changed  
3 to the Rose Federal Com No. 11.

4 Q And the second page of that exhibit?

5 A Page -- page two shows the land plat,  
6 dedication plat of the acreage that we're going to include in  
7 the unit.

8 Q What is the acreage to be dedicated to  
9 your Rose Federal Com No. 11?

10 A This will be the northwest quarter of  
11 Section 21. I'm sorry, the northeast corner.

12 Q Northeast quarter?

13 A Northeast quarter, yes.

14 Q What is the location of that well?

15 A 660 from the north line and 660 from the  
16 east line.

17 Q And Depco's acreage is outlined in red?

18 A Yes, it is.

19 Q On the acreage dedication plat. And you  
20 have a Federal lease covering the east half northeast quarter  
21 and northwest quarter northeast quarter?

22 A Yes, we do.

23 Q With respect to Exhibits One and Two,  
24 who owns the oil and gas leasehold estate covering the south  
25 half of the northwest quarter with respect to the Rose Federal



1  
2 Com No. 12?

3 A That is Mesa Petroleum. I believe they  
4 are working as MTS Limited, and Corona Oil.

5 Q Mesa Petroleum Company is the general  
6 partner of MTS Limited Partnership, is that correct?

7 A Yes, they are.

8 Q And with respect to your Rose Federal Com  
9 No. 11, who owns the oil and gas leasehold estate covering  
10 the southwest quarter northeast quarter?

11 A This is also MTS Limited and Corona Oil.

12 Q I'd like you to refer the Examiner to  
13 Applicant's Exhibit Three and Four and briefly describe what  
14 they are.

15 A 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 Q What is an AFE?

20 A An Authorization for Expenditure.

21 Q And does that set forth the estimated  
22 well costs?

23 A Yes, it certainly does.

24 Q And did you forward an AFE to Mesa on  
25 behalf of MTS Limited Partnership?

1

2

A Yes, we did.

3

Q With respect to the Rose Federal Com No.

4

12, did Mesa execute your AFE?

5

A No, they have not.

6

Q With respect to your Rose Federal Com No.

7

12, did MTS, Mesa on behalf of MTS Limited Partnership execute your AFE?

8

9

A Would you ask your previous question,

10

please?

11

Q My first question was with respect to

12

your proposed Rose Federal Com No. 11 Well, did MTS Limited Partnership sign your AFE?

13

14

A Yes, they did.

15

Q With respect to your Rose Federal Com No.

16

12 did MTS sign your proposed AFE?

17

A They did not.

18

Q When you submitted your proposals for

19

these two wells to MTS Limited Partnership, was it your understanding that you were also submitting the proposals to

20

21

Corona Oil Company?

22

A Yes, it was.

23

Q Is it your understanding that Mesa is

24

authorized to act on behalf of Corona Oil Company with respect to their joint leasehold estate?

25

1  
2 A When I initially talked with them, that  
3 was my understanding.

4 Q Has Corona Oil Company been furnished  
5 copies of your proposed AFE's for these two wells?

6 A No, they have not.

7 Q Have you discussed your proposals with  
8 officers of Corona Oil Company?

9 A Yes, sir, I have.

10 Q And have they indicated whether or not  
11 they would desire to join in the drilling of these two wells?

12 A Yes, sir, I have been in telephone con-  
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 Q Do you know why they're not willing to  
18 participate?

19 A Yes, sir, it's my understanding that they  
20 are currently out of drilling funds.

21 Q 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 A Exhibit Number Five is a letter from Mesa  
25 Petroleum to me at Depco, indicating that they will not parti-

1  
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 Q So the situation is that Mesa on behalf  
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 A That is correct.

13 Q When you submitted your AFEs to MTS  
14 Limited Partnership, did you also submit an operating agreement?

15 A No, we did not.

16 Q But they have agreed to sign and join in  
17 an operating agreement covering your No. 11 Well?

18 A Yes, they have.

19 Q Is that on -- what sort of operating  
20 agreement is that?

21 A It is a 1977 operating agreement with  
22 the COPAS accounting procedures attached to it.

23 Q In your proposed No. 11 well what super-  
24 vision rates does your proposed operating agreement allow?

25 A I am not sure what the price is. It is

1  
2 currently being revised right now and I have not seen the --  
3 seen what price they have set on there.

4 Q In your experience what are the customary  
5 charges for drilling and producing well supervision rates?

6 A Well --

7 Q For wells of this type in the area?

8 A I believe the rate is roughly around \$3000.

9 Q For a drilling well?

10 A Yes, it is.

11 Q And for a producing well?

12 A It is around \$300 per day -- or per  
13 month, I'm sorry.

14 Q Does your proposed operating agreement on  
15 the No. 11 have a penalty for nonconsenting parties?

16 A Yes, sir, it does and it's 300 percent.

17 Q You mean return of your investment is  
18 200 percent?

19 A Yes, it is.

20 Q I'll hand you what's been marked as Appli-  
21 cant's Exhibit Number Six and ask you what that is.

22 A Exhibit Number Six is my letter to Mesa  
23 Petroleum indicating that the Rose Federal Com No. 2, that  
24 the name has been changed to Rose Federal Com No. 11.

25 Q And I'll hand you what's been marked as

1  
2 Applicant's Exhibits Seven and Eight and ask you to describe  
3 those documents, what they are?

4 A Exhibit Number Seven and Eight are revised  
5 Authorities for Expenditures on the Rose Federal Com No. 11  
6 and Rose Federal Com No. 12.

7 Q And that's, I believe you testified earlier  
8 these are estimated costs?

9 A Yes, they are.

10 Q But you will keep up with the actual costs  
11 incurred in connection with drilling these wells?

12 A Yes, we will.

13 Q I hand you what's been marked as Appli-  
14 cant's Exhibit Number Nine and ask you to describe what that  
15 is.

16 A This is a telegram from Western Union  
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 Q 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 A Yes, they were.

1  
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 Q I may have missed, Mr. Hutchison, I apol-  
13 ogize, the AFEs which were sent to Mesa MTS on these two  
14 wells --

15 A Yes.

16 Q When were those AFEs sent? I notice two  
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 A Yes. The revised has not in fact been  
21 sent.

22 Q Okay.

23 A They were --

24 Q When did the initial go? Do you have  
25 something there which indicates?

1  
2 MR. PEARCE: We'll just take 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

11 Q Mr. Hutchison, do you now have information  
12 which indicates either the date on which the initial AFEs were  
13 sent to Mesa Petroleum?

14 A Yes, sir, that was July the 26th, 1982.

15 Q Okay. Thank you, sir.

16 MR. PEARCE: One other thing, Mr. Exa-  
17 miner, if I might, I would like the record to reflect that  
18 in the application filed on Cases 7694 and 7695 there are  
19 affidavits of mailing, which indicate that copies of the ap-  
20 plication for compulsory pooling and the docket for this  
21 hearing in the case of Case 7694 was mailed on September 20th  
22 to MTS Limited Partnership and Corona Oil Company, and that  
23 in Case 7695 a copy of the compulsory pooling application and  
24 the docket of this hearing was mailed to Corona Oil Company  
25 on September the 20th, 1982.

I have nothing further, sir.



1  
2 MR. STAMETS: Any other questions of the  
3 witness? He may be excused.

4 MR. VANDIVER: Mr. Examiner, the applicant  
5 will call Mr. Jack Ahlen at this time.  
6

7 JACK AHLEN

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:

13 Q You are Mr. Jack Ahlen?

14 A That is correct.

15 Q How do you spell your last name, sir?

16 A I spell my last name A-H-L-E-N.

17 Q Where do you reside, Mr. Ahlen?

18 A I reside in Roswell, New Mexico.

19 Q What's your occupation?

20 A I am a consulting geologist.

21 Q And have you previously testified before  
22 the Division and are your credentials a matter of record?

23 A Yes, sir.

24 MR. VANDIVER: I would tender Mr. Ahlen  
25 as an expert in geology.

1  
2 MR. STAMETS: The witness is considered  
3 qualified.

4 Q What is your connection with the applicant,  
5 Depco, in these cases?

6 A I am a consulting geologist for Depco,  
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 Q Mr. Ahlen, have you made a study to ascer-  
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 Q 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 A 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 approx-  
23 imately 200 feet in the northwest to approximately 100 feet  
24 in the southeast, relatively normal regional southeast dip.

25 Q What pertinent information is reflected

1  
2 by this exhibit that bears on the risk involved in drilling  
3 these two wells?

4 A The -- no apparent -- there's no apparent  
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 Q And was that Exhibit Ten prepared by you  
9 or under your supervision?

10 A Yes, it was.

11 Q I'll hand you what's been marked as Ap-  
12 plicant's Exhibit Number Eleven in these cases and ask you  
13 what that is.

14 A In the same vicinity this is what I call  
15 a net sand Isopach. It reflects the estimated thickness of  
16 those sands within the Abo section that could be producible.  
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 Q And what pertinent information on this  
21 exhibit bears on the risk involved in drilling these two  
22 wells?

23 A 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

mean that the wells will be productive.

In this particular area of Chaves County the success ratio of wells being completed as producers is approximately 95 percent; however, the probability of completion is not necessarily a reflection as to whether the well is a commercial well or not. The Abo Gas Field is so youthful, in an early stage of development, that it is still difficult to tell the payout life of a well, the final cumulative productive nature of a particular well, so there is some risk there as to the length of the well, the life of the well, as well as the productive rate. Some of the wells in this area produce at very low rates and are non-commercial. Some of the wells in this area are extremely good producers and pay out in just a very few months.

So this is a primary element of the risk involved with these wells and I have not yet found a good way of mapping and determining which wells to drill, those wells that will pay out in three months and those wells that will take three years, and I do not know of anyone in the industry who does know before a well is drilled.

Q 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?

1

2

A That is correct.

3

4

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Q From your study of wells in the area, what percentage of wells drilled in this area will pay out? Or you will expect will pay out?

6

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A Okay. One of the great unknowns in whether a well will pay out in this area is the price that the operator will get for the gas, and at this particular moment there is a great deal of concern throughout the country as to the price paid for natural gas, and there has been a very dramatic decrease in drilling of gas wells recently, especially in deep basins and in the tight gas area because the customers for natural gas object to paying very high prices for the product.

Therefor, the tight gas designation that we have for the Abo Sand does not necessarily mean that you will get the tight gas price, the full tight gas price.

So that is a variable as well.

Under the tight gas price system, pay out would occur much earlier in the life of a well and at that time I was -- I had the feeling that perhaps 50 to 75 percent of the wells would indeed pay out within three years.

If the price is diminished from the full tight gas price, it is -- it will extend the pay out period for most wells to beyond a three year limit, making some of

1  
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.

1  
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.

18  
19 (Hearing concluded.)  
20  
21  
22  
23  
24  
25

## C E R T I F I C A T E

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

Sally W. Boyd CSR

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

\_\_\_\_\_, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

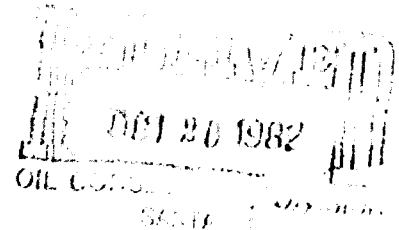


# DEPCO, Inc.

## PRODUCTION & EXPLORATION

October 15, 1982

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



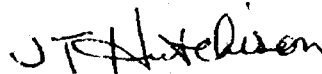
Attn: Joe D. Ramey

Re: Order #7101  
Case #7695

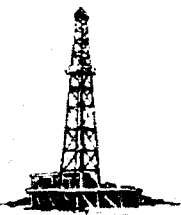
Dear Mr. Ramey:

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



## REVISÉD

### AUTHORITY FOR EXPENDITURE

## DRILL & COMPLETE

ROSE FEDERAL COM #11

660' FNL & 660' FEL SEC. 21, T-5-S, R-25-E

CHAVES' COUNTY, NEW MEXICO

RECOS SLOPE ABO

Date SEPTEMBER 28, 1982

Contractor

Spudded

Released

Total Depth 42801

CDE

### DESCRIPTION

## ESTIMATED COST

# DRY HOLE

## PRODUCER

ACTUAL COST

## INTANGIBLES

231	Surveying and Right-of-Way	2,000	2,000
232	Lease and Road Construction	4,000	4,000
240	Drilling - Footage	58,490	58,490
241	Daywork	6,850	6,850
242	<del>OTHER</del> PIT LINER	2,000	2,000
243	Mud - Materials	17,000	17,000
248	Water	6,500	6,500
249	Oil	1,750	1,750
244	Equipment Rentals	2,000	4,000
245	Logging	17,000	17,000
246	Coring Equipment and Service		
247	<del>TRANSPORTATION</del> HAULING	2,000	3,580
250	Cementing and Services	7,500	22,000
251	Perforating		4,500
252	Stimulation		47,500
253	Completion Day Work		10,000
254	<del>STAFF</del> CASING CREW	1,750	4,000
255	Completion Miscellaneous		3,000
258	Abandonment	8,000	
260	Supervision - Geological	4,000	4,000
261	Engineering	4,000	4,000
263	Communication		
265	Miscellaneous	3,000	5,000
266	Overhead		

## TOTAL INTANGIBLES

147,840

227.170

## TANGIBLES

309	Surface Casing	1000' - 10 3/4"	20,000	20,000
311	Intermediate Casing	CONDUCTOR PIPE	2,500	2,500
310	Production Casing	4280' - 4 1/2"		25,500
320	Tubing	4200' - 2 3/8"		13,000
321	Wellhead Equipment			9,650
322	Flowlines			1,500
324	Pumping Unit			
325	Motor			
326	Sucker Rods			
327	Other			
328	Equipment Installation			
330	Linepipe, Valves & Fittings			5,000
333	Separators, Heaters, Treaters			7,500
334	Tanks			3,600
335	Meters			
336	Building			
337	Road and Locations			
338	Battery Installation			5,000
339	Disposal Facilities			
350	Miscellaneous		2,000	4,000

**TOTAL TANGIBLES**

24,500

97,250

**TOTAL WELL COST**

172,340

324,420

**Company**

**Working Int.**

### Dry Hole

**Cost**

**Producer**

**Approved By**

## Dose

**Total**

AFE No.



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 7th 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.

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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.

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 spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



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



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐ PLUG BACK ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER ☐ SINGLE ZONE ☒ MULTIPLE ZONE ☐

2. NAME OF OPERATOR: DEPCO, INC.

3. ADDRESS OF OPERATOR: 800 Central, Odessa, TX 79761

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)  
At surface: C-1980 FWL & 660 FNL, Section 21, T-5-S, k-25-E  
At proposed prod. zone:

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE:  
43 miles NNE of Roswell, New Mexico

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drip unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

21. ELEVATIONS (Show whether DF, RT, GR, etc.)  
3759 G.R.

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14 3/4"	10 3/4"	40.50#	1000	Circ.
7 7/8"	4 1/2"	10.50#	4220'	675 sx. w/DV collar @ 1780'

Mud Program: See letter from Marrs Mud Company  
BOP Program: See Exhibit "D"  
Transwestern Pipeline Company purchase gas

**BEFORE EXAMINER STAMETS**  
**OIL CONSERVATION DIVISION**  
Applicant's EXHIBIT NO. 1  
CASE NO. 7694 + 7695  
Submitted by Depco, Inc.  
Hearing Date 9/29/82

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED R.L. Denney R.L. Denney TITLE Chief Production Clerk DATE 8-17-82

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

## OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-102  
Revised 10-1

All distances must be from the outer boundaries of the Section.

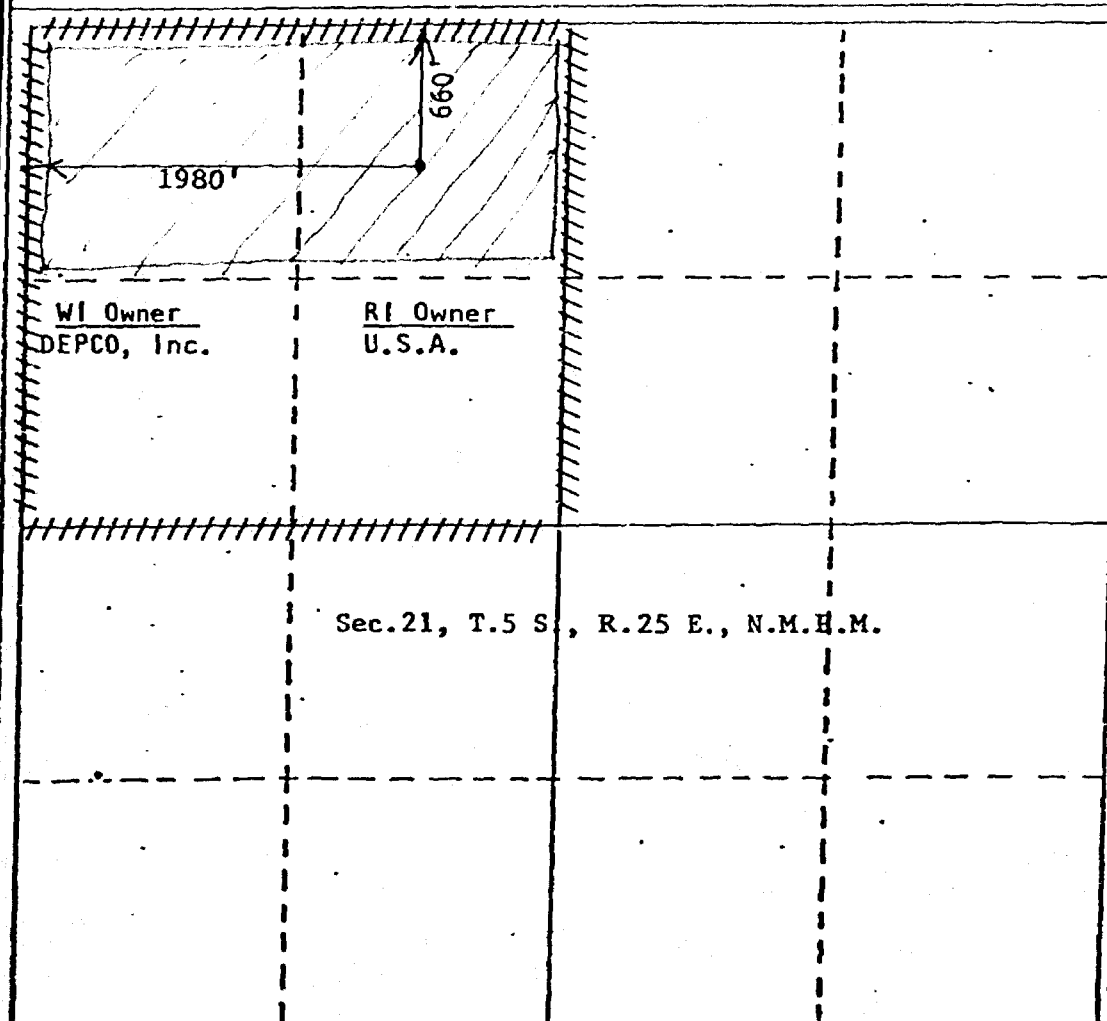
Operator <b>Depco</b>			Lease <b>Rose Federal Com</b>		Well No. <b>#3</b>
Unit Letter <b>C</b>	Section <b>21</b>	Township <b>5 South</b>	Range <b>25 East</b>	County <b>Chaves</b>	
Actual Pasture Location of Well: <b>660</b> feet from the <b>North</b> line and <b>1980</b> feet from the <b>West</b> line					
Ground Level Elev. <b>3795</b>	Producing Formation <b>Abo</b>		Pool <b>Pecos Slopes Abo</b>		Dedicated Acreage: <b>160</b>

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).
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?

☐ 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 Division.



## CERTIFICATION

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

R.L. Denney

Name

R.L. Denney

Position

Chief Production Clerk

Company

DEPCO, Inc.

Date

8-17-82

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 Signed

JULY 30 1982

Registered Professional Engineer and/or Land Surveyor

JOHN D. JACQUES P.E. &amp; L.S.

Certificate No.

6290

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1. TYPE OF WORK: DRILL ☒ DEEPEN ☐ PLUG BACK ☐

2. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER ☐ SINGLE TUBE ☒ MULTIPLE TUBE ☐

3. NAME OF OPERATOR: DEPCO, INC.

4. ADDRESS OF OPERATOR: 800 Central, Odessa, TX 79761

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)  
At surface: A-660 FNL & EL, Section 21, T-5-S, R-25-E  
At proposed prod. zone:

6. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE:

43 miles NNE of Roswell, New Mexico

7. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any):

8. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

9. ELEVATIONS (Show whether DP, RT, GR, etc.): 3790 G.R.

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14 3/4"	10 3/4"	40.50#	1000'	Circ
7 7/8"	4 1/2"	10.50#	4280'	675 sx. w/DV collar @ 1840'

Mud Program: See letter from Marrs Mud Company

BOP Program: See Exhibit "D"

Transwestern Pipeline Company will purchase gas

**BEFORE EXAMINER STAMETS**  
OIL CONSERVATION DIVISION  
Applicant EXHIBIT NO. 2  
CASE NO. 7694 & 7695  
Submitted by Depco, Inc.  
Hearing Date 9/29/82

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED R. L. Denney R. L. Denney, Title Chief Production Clerk DATE 8-17-82

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

All distances must be from the outer boundaries of the Section.

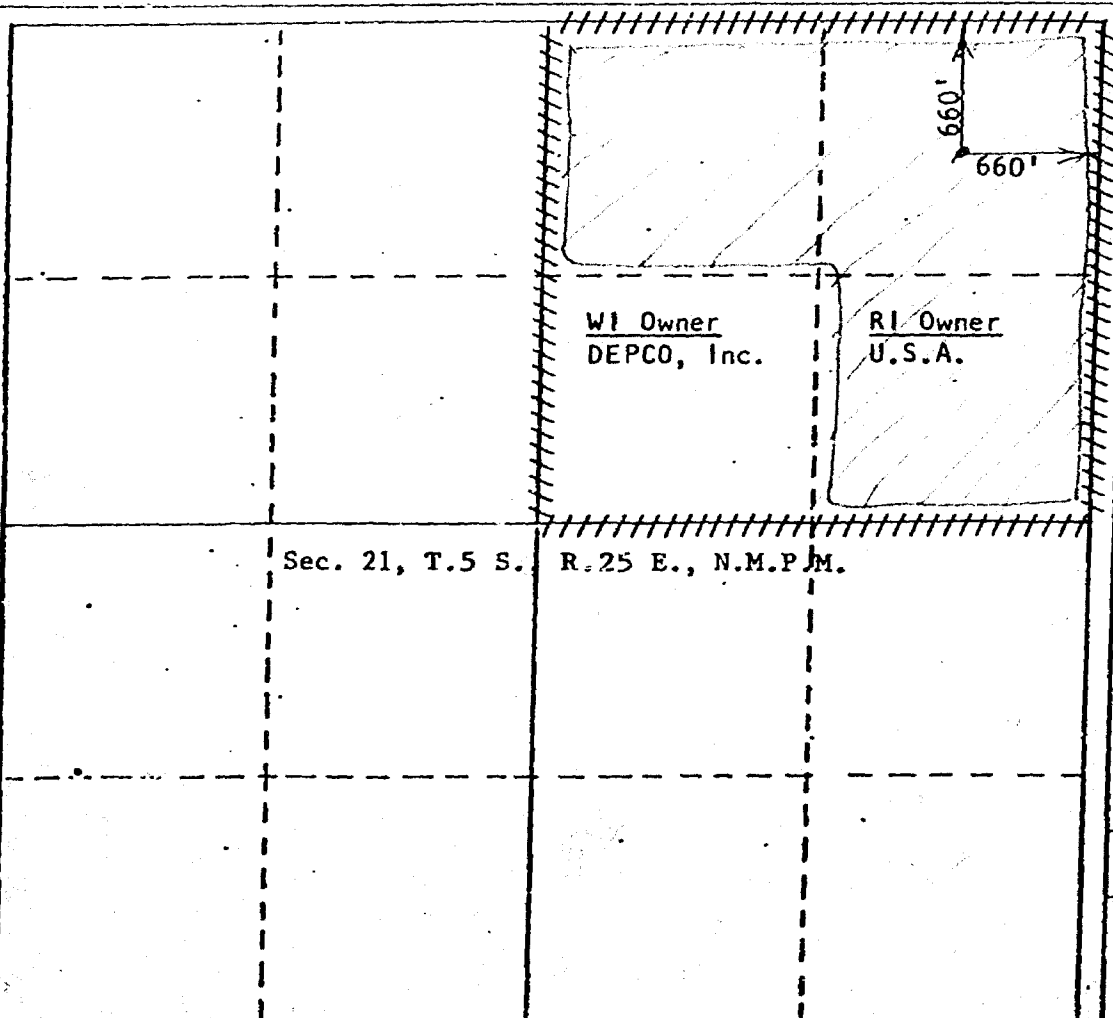
Operator Depco		Lease Rose Federal Com		Well No. #2
Unit Letter A	Section 21	Township 5 South	Range 25 East	County Chaves
Actual Postage Location of Well:				
660	feet from the	North	line and	660
				feet from the
				East
Ground Level Elev. 3790	Producing Formation Abo	Pool Pecos Slopes Abo	Dedicated Acreage: 160	

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).
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?

☐ 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, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division



CERTIFICATION

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

*R.L. Denney*

Name  
R.L. Denney  
Position  
Chief Production Clerk  
Company  
DEPCO, Inc.  
Date  
8-17-82

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.

JOHN D. JAQUESS  
NEW MEXICO  
July 30, 1982  
Notarized by \_\_\_\_\_  
and/or \_\_\_\_\_  
JOHN D. JAQUESS  
Notary Public, State of New Mexico  
Commission No. 6290

**DEPCO, Inc.****PRODUCTION & EXPLORATION**

July 8, 1982

MESA Petroleum  
1000 Vaughn Bldg.  
Midland, Texas 79701

Attn: Kevin Dentzer

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

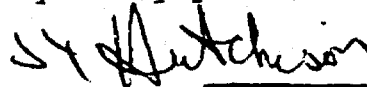
Dear Kevin:

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.

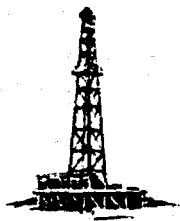
Very truly yours,



Joe Tom Hutchison

JTH:clp

<b>BEFORE EXAMINER STAMETS</b>
<b>OIL CONSERVATION DIVISION</b>
Applicants <u>EXHIBIT NO. 3</u>
CASE NO. <u>7694 + 7695</u>
Submitted by <u>Depco, Inc.</u>
Hearing Date <u>9/29/82</u>



# DEPCO, Inc.

PRODUCTION & EXPLORATION

July 16, 1982

Mesa Petroleum  
1000 Vaughn Building  
Midland, Texas 79701

Re: Township 5 South, Range 25 East, N.M.P.M.  
Section 21: NW $\frac{1}{4}$   
Chaves County, New Mexico  
Proposed Well

# 12

Attn: Kevin Dentzer

Dear Kevin:

In reference to my letter dated July 8, 1982, DEPCO proposed the drilling of a well in the NE $\frac{1}{4}$  of Section 21. We feel that the NW $\frac{1}{4}$  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 Farnout of your acreage.

Sincerely,

*J. T. Hutchison*

J. T. Hutchison

JTH/lo

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

EX 121 4  
C/E 7694 + 7695  
Submitted by Depco, Inc.  
Hearing Date 9/29/82



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-S, R-25-E  
Chaves County, New Mexico  
OA #82 NM 22

#11

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

#12

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,

*K. R. Dement*

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	
OIL CONSERVATION DIVISION	
Applicants	EXHIBIT NO. <u>3</u>
CASE NO. <u>7694 + 7695</u>	
Submitted by <u>Depco, Inc.</u>	
Hearing Date <u>9 / 29 / 82</u>	



## AFE/COST ESTIMATE

01/05/OPERATIONS  
Co Div Subsid Dept

AFE # 2-446

ID # 01-05-NM-0138-0109-001-0

Code General Account #

Exploratory

Development

X

WELL NAME AND LOCATION ROSE FED COM #1  
660' ENL & 1980' FWL, SEC 21, T5S, R25E, CHAVES COUNTY, NEW MEXICODESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4300' FLOWING ABO GAS WELL, INCLUDING  
PRODUCTION EQUIPMENT.

Accr 3es	ITEM DESCRIPTION			Dry Hole Cost	Completion Cost	Producer Other
	DRILLING - FOOTAGE	FT. AT \$	/FT.	\$	\$	\$
	DRILLING or COMPLETION RIG M/R U. RD-MO			16,000		16,000
	A) DAY WORK 9/5	DAYS AT \$ 6000/1200	DAY	54,000	6,000	60,000
	DRILLING or COMPLETION RIG					
	A) BOILER	DAYS AT \$	DAY			
	B) CAMP & CATERING	DAYS AT \$	DAY			
	(C) OTHER	DAYS AT \$	DAY			
	CEMENTING SERVICES, CEMENT & ACCESSORIES			17,000	7,000	24,000
	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM. OIL			10,000		10,000
	(B) WATER			7,000	3,000	10,000
	LOGS TESTING & MUD LOGGING UNIT			12,000	3,000	15,000
	DRILL STEM TEST & RELATED TESTING EQUIPMENT					
	PERFORATING, WELL STIMULATION SERVICES				55,000	55,000
	LOCATION, ROADS, SURVEYS, AIRSTRIPS			18,000	2,000	20,000
	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD			3,000	2,000	5,000
	RENTAL EQUIPMENT & TOOLS			5,000	3,000	8,000
	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS			10,000		10,000
	HAULING & FREIGHT			3,000	4,000	7,000
	MOBILIZATION - INSTALLATION					
	DEMOBILIZATION - DISMANTLING & SALVAGE					
	SUPPLYBOATS, CREWBOATS BARGES, TUGS					
	FUEL, LUBES, POWER			4,500		4,500
	SHOREBASE, OFFICE, DOCK FEE & CRANES					
	AIRCRAFT RENTALS--HELICOPTERS, FIXED WING					
	DIVERS AND RELATED EQUIPMENT					
	MISCELLANEOUS			5,000	2,000	7,000
	COST TO ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*			* 7,000		
	MUD ENGINEER 4 DAYS AT \$ 250 DAY			1,000		1,000
	CONSULTING ENGINEER					
	A) DRILLING	DAYS AT \$	DAY			
	B) COMPLETION	DAYS AT \$	DAY			
	GEOLOGICAL CONSULTANT 2 DAYS AT \$ 250 DAY			500		500
	Total Intangible & Non-Controllable Costs			\$ 173,000	\$ 87,000	\$ 253,000 *
	BUOYS AND MARKERS			\$	\$	\$
	CASING/TUBULARS					
	(A) 900 FT. OF 10 3/4" OD \$ 21.00 /FT.			18,900		18,900
	(B) 1,700 FT. OF 7 5/8" OD \$ 14.00 /FT.			23,800		23,800
	(C) 4,300 FT. OF 4 1/2" OD \$ 7.50 /FT.				32,000	32,000
	(D) 4,000 FT. OF 2 3/8" OD \$ 4.00 /FT.				16,000	16,000
	(E) FT. OF " OD \$ /FT.					
	WELL HEAD & GUIDE STRUCTURE			2,300	5,200	7,500
	SUB-SURFACE WELL EQUIPMENT					
	SURFACE WELL EQUIPMENT					
	OTHER MAJOR EQUIPMENT					
	A) SEPARATOR				7,800	7,800
	B) 210-BBL FIBERGLASS TANK				3,000	3,000
	C					
	BUILDINGS					
	ELECTRICAL & INSTRUMENTATION EQUIPMENT					
	INSTALLATION, MATERIALS, & SERVICES				3,000	3,000
	Total Tangible Controllable & Non-Controllable Costs			\$ 45,000	\$ 67,000	\$ 112,000
	Total Costs			\$ 218,000	\$ 154,000	\$ 365,000 *

DIV DRLG SPVR Date 8-3-82

DPS MGR Date 8-3-82

Mesa WI  
Others WI

Depco, Inc.



# DEPCO, Inc.

PRODUCTION & EXPLORATION

September 1, 1982

Mesa Petroleum  
1000 Vaughn Bldg.  
Midland, Texas 79701

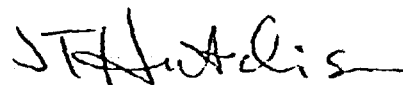
Attn: Mark Hannifin

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,



Joe Tom Hutchison

JTH:clp

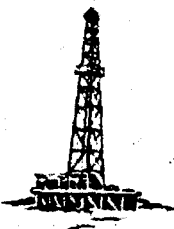
BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*Applicant's* EXHIBIT NO. 6

CASE NO. 7694 + 7695

Submitted by Depco, Inc.

Hearing Date 9/29/82



## REVISED AUTHORITY FOR EXPENDITURE

Description DRILL & COMPLETE  
 Lease and Well No. ROSE FEDERAL COM #11  
 Location 660' ENL & 660' FEL, SEC. 21, T-5-S, R-25-E  
 County and State CHAVES COUNTY, NEW MEXICO  
 Lease No. \_\_\_\_\_  
 Field PECOS SLOPE ABO

Date SEPTEMBER 28, 1982  
 Contractor \_\_\_\_\_  
 Spudded \_\_\_\_\_  
 Released \_\_\_\_\_  
 Total Depth 4280'

CODE		DESCRIPTION	ESTIMATED COST		ACTUAL COST
			DRY HOLE	PRODUCER	
INTANGIBLES					
231	Surveying and Right-of-Way		2,000	2,000	
232	Lease and Road Construction		4,000	4,000	
240	Drilling - Footage		58,490	58,490	
241	Daywork		6,850	6,850	
242	<del>OTHER</del> PIT LINER		2,000	2,000	
243	Mud - Materials		17,000	17,000	
248	Water		6,500	6,500	
249	Oil		1,750	1,750	
244	Equipment Rentals		2,000	4,000	
245	Logging		17,000	17,000	
246	Coring Equipment and Service				
247	<del>Testing Services</del> HAULING		2,000	3,580	
250	Cementing and Services		7,500	22,000	
251	Perforating			4,500	
252	Stimulation			47,500	
253	Completion Day Work			10,000	
254	<del>SHOULDER</del> CASING CREW		1,750	4,000	
255	Completion Miscellaneous			3,000	
258	Abandonment		8,000		
260	Supervision - Geological		4,000	4,000	
261	Engineering		4,000	4,000	
263	Communication				
265	Miscellaneous		3,000	5,000	
266	Overhead				
TOTAL INTANGIBLES			147,840	227,170	
TANGIBLES					
309	Surface Casing 1000' - 10 3/4"		20,000	20,000	
311	<del>Intermediate Casing</del> CONDUCTOR PIPE		2,500	2,500	
310	Production Casing 4280' - 4 1/2"			25,500	
320	Tubing 4200' - 2 3/8"			13,000	
321	Wellhead Equipment			9,650	
322	Flowlines			1,500	
324	Pumping Unit				
325	Motor				
326	Sucker Rods				
327	Other				
328	Equipment Installation				
330	Linepipe, Valves & Fittings			5,000	
333	Separators, Heaters, Treaters			7,500	
334	Tanks			3,600	
335	Meters				
336	Building				
337	Road and Locations				
338	Battery Installation			5,000	
339	Disposal Facilities				
350	Miscellaneous		2,000	4,000	
TOTAL TANGIBLES			24,500	97,250	
TOTAL WELL COST			172,340	324,420	

Company

Working Int.

Cost

Dry Hole

Producer

Approved By

Date

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION DIVISION

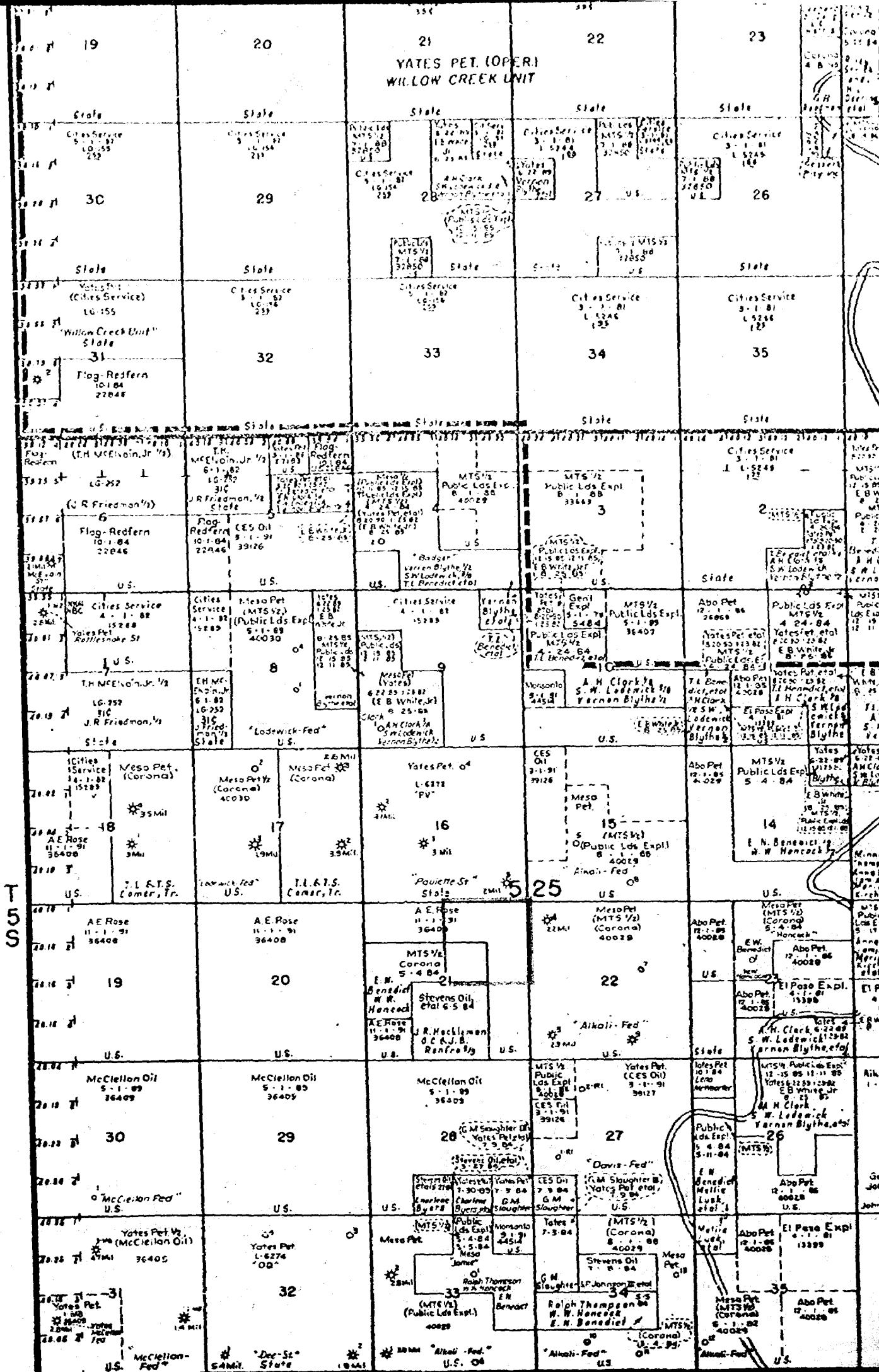
Applicants EXHIBIT NO. 7694 + 7695

CASE NO. 7694 + 7695

Submitted by Deeco, Inc.

Hearing Date 9/29/82

Total

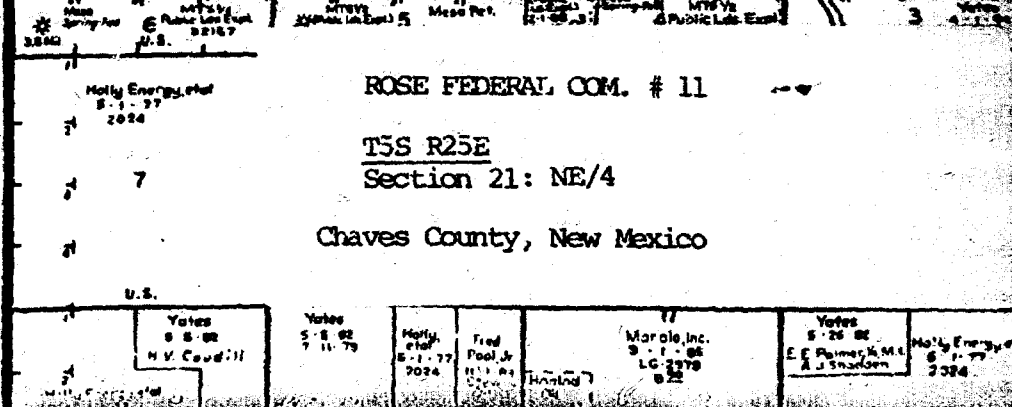


T  
S

ROSE FEDERAL COM. # 11

T5S R25E  
Section 21: NE/4

Chaves County, New Mexico



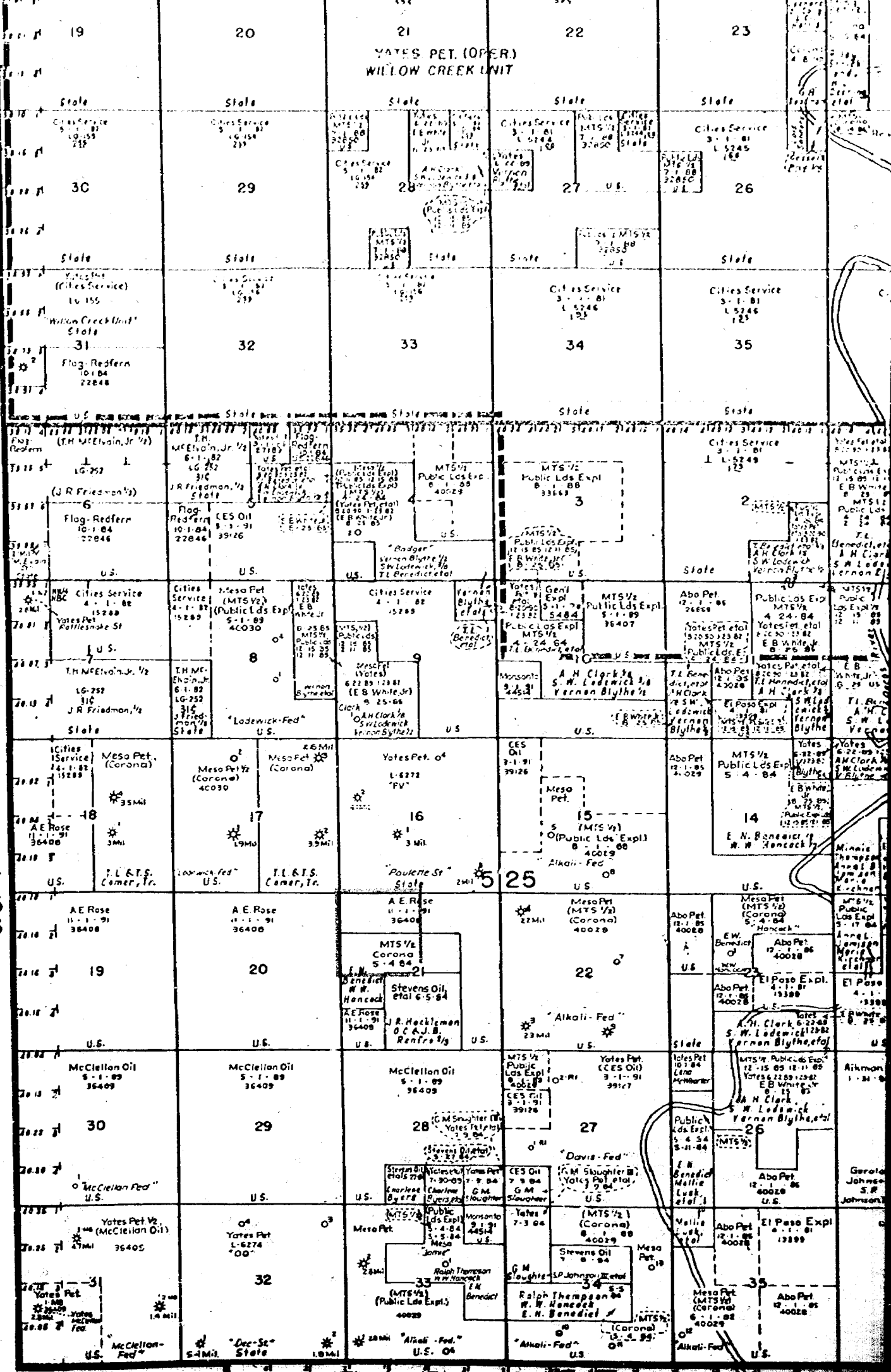
DEPCO, Inc.  
REVISED AUTHORITY FOR EXPENDITURE

Description: DRILL & COMPLETE  
Lease and Well No: ROSE FEDERAL COM # 12  
Location: 660' FWL & 1980 FWL, SEC. 21, T-5-S, R-25-E  
County and State: CHAVES COUNTY, NEW MEXICO  
Lease No:  
Field: PECOS SLOPE ARO

Date: SEPTEMBER 28, 1982  
Contractor:  
Spudded:  
Released:  
Total Depth: 4280'

CODE	DESCRIPTION	ESTIMATED COST		ACTUAL COST
		DRY HOLE	PRODUCER	
INTANGIBLES				
231	Surveying and Right-of-Way	2,000	2,000	
232	Lease and Road Construction	4,000	4,000	
240	Drilling - Footage	58,490	58,490	
241	Daywork	6,850	6,850	
242	<del>XXXX</del> PIT LINER	2,000	2,000	
243	Mud - Materials	17,000	17,000	
248	Water	6,500	6,500	
249	Oil	1,750	1,750	
244	Equipment Rentals	2,000	4,000	
245	Logging	17,000	17,000	
246	Coring Equipment and Service			
247	<del>XXXXXXXXXX</del> HAULING	2,000	3,580	
250	Cementing and Services	7,500	22,000	
251	Perforating		4,500	
252	Stimulation		47,500	
253	Completion Day Work		10,000	
254	<del>XXXXXXXXXX</del> CASING CREW	1,750	4,000	
255	Completion Miscellaneous		3,000	
258	Abandonment	8,000		
260	Supervision - Geological	4,000	4,000	
261	Engineering	4,000	4,000	
263	Communication			
265	Miscellaneous	3,000	5,000	
266	Overhead			
TOTAL INTANGIBLES		147,840	227,170	
TANGIBLES				
309	Surface Casing 1000' - 10 3/4"	20,000	20,000	
311	<del>Intermediate Casing</del> CONDUCTOR PIPE	2,500	2,500	
310	Production Casing 4280' - 4 1/2"		25,500	
320	Tubing 4200' - 2 3/8"		13,000	
321	Wellhead Equipment		9,650	
322	Flowlines		1,500	
324	Pumping Unit			
325	Motor			
326	Sucker Rods			
327	Other			
328	Equipment Installation			
330	Linepipe, Valves & Fittings		5,000	
333	Separators, Heaters, Treaters		7,500	
334	Tanks		3,600	
335	Meters			
336	Building			
337	Road and Locations			
338	Battery Installation		5,000	
339	Disposal Facilities			
350	Miscellaneous	2,000	4,000	
TOTAL TANGIBLES		24,500	97,250	
TOTAL WELL COST		172,340	324,420	

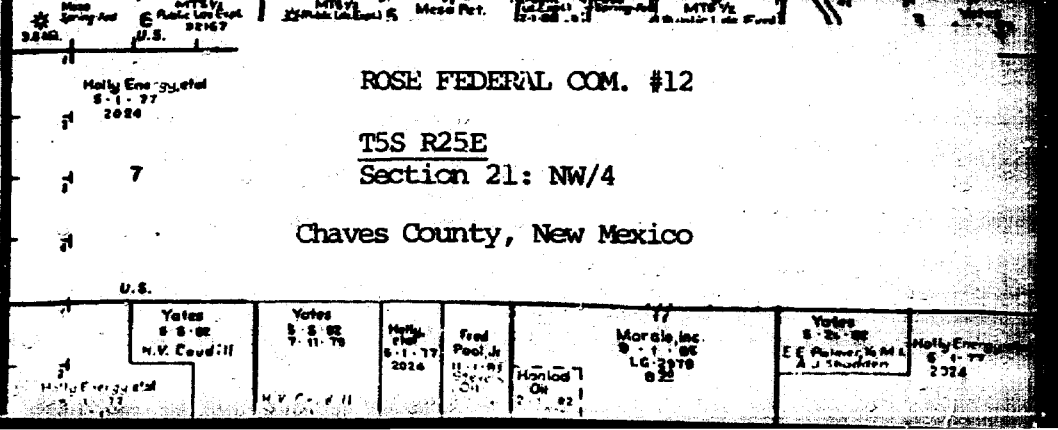
<u>Company</u>	<u>Working Int.</u>	<u>Cost</u>		<u>Approved By</u>	<u>Date</u>
		<u>Dry Hole</u>	<u>Producer</u>		
		BEFORE-EXAMINER STAMETS			
		OIL CONSERVATION DIVISION			
		Applicant's EXHIBIT NO. 8			
		CASE NO. 7694 + 7695			
		Submitted by Depco, Inc.			
		Hearing Date 9/29/82			
Total					



ROSE FEDERAL COM. #12

T5S R25E  
Section 21: NW/4

Chaves County, New Mexico



WU AGT SANA

WU INASTER 1-026682M271 09/28/82  
ICS IPMKAKC KSC  
03471 09-28 0459P CDT KAKA  
TWX 9109850511 WU AGT SANA  
4-047842S271 09/28/82  
ICS IPMBNGZ CSP  
2143853070 TDBN DALLAS TX 34 09-28 0459P EST  
PMS J. T. HUTCHISON  
DEPCO INC. RPT DLY MGM, DLR  
CARE SANTA FE HILTON  
100 SANDOVA  
SANTA FE NM

CORONA OIL 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

1705 EST

WU AGT SANA

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
Applicant's EXHIBIT NO. 129  
CASE NO. 7694 + 7695  
Submitted by Depea, Inc.  
Hearing Date 9/29/82

Examiner Hearing - WEDNESDAY - SEPTEMBER 13, 1982

CASE 7693: Application of Forister & Sweatt for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 990 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 E/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, Township 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 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 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 Ordovician gas well to be drilled 330 feet from the North line and 990 feet from the East line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 7682: (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.

CASES 7694 and 7695: 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: Application of Arco Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian through Ellenburger formations underlying the E/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:

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 Nos. 30-81 and 31-82 are tentatively set for October 13 and October 27, 1982. Applications for hearing must be filed at least 21 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 29, 1982

9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,  
SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Scamets, 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, located 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 Division-approved plugging program.
- CASE 7687: Application of Amoco 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 Gloria formation in the perforated interval from 1718 feet to 1780 feet in its former State F1 Well 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 South, Range 28 East, Buffalo Valley-Penn 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 Hespah Sand Unit Waterflood Project to a polymer-augmented waterflood and, pursuant to Section 212.78 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, Carey-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)
- Application of C & K Petroleum, Inc. for the amendment of Order No. R-4857-A and for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SW/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 E/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 costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7680: (Continued and Readvertised)
- Application of Unichem International, Inc. for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 2, Township 23 South, Range 29 East.
- 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-Dakota 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.



BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

SEP 22 1982  
OIL CONSERVATION DIVISION  
SANTA FE

IN THE MATTER OF THE APPLICATION OF :  
DEPCO, INC. FOR COMPULSORY POOLING, : CASE NO. 7695  
CHAVES COUNTY, NEW MEXICO :  
:

AFFIDAVIT 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:

<u>NAME</u>	<u>ADDRESS</u>
Corona Oil Company	4835 LBJ Freeway, Suite 635 Dallas, Texas 75234

Patti Menefee  
Patti Menefee

SUBSCRIBED AND SWORN TO before me this 20th day of  
September, 1982.

Patricia Ferguson  
Notary Public

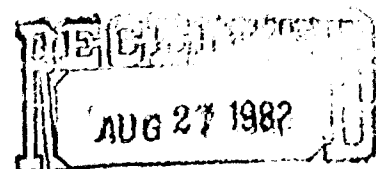
NOTARY  
My commission expires:  
PUBLIC 11-3-84

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

LAW OFFICES  
LOSEE, CARSON & DICKERSON, P. A.  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505  
746-3508

August 25, 1982



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.

*David R. Vandiver*  
David R. Vandiver

DRV:pvm  
Enclosures

cc: DEPCO, Inc.

BEFORE THE OIL CONSERVATION DIVISION

AUG 20 1962  
OIL CONSERVATION DIVISION  
SANTA FE

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

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.

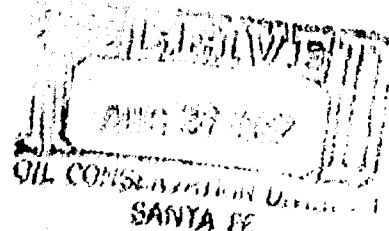
2. The applicant intends to dedicate the NE/4 of said section to this well, and there is an interest owner in the proration unit who has not agreed to pool its interest. The party who has not agreed to pool its interest, and its address is as follows:

<u>NAME</u>	<u>ADDRESS</u>
Corona Oil Company	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.

By: David R. Vandiver  
David R. Vandiver

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

Attorneys for Applicant

Order

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- ~~770~~ 2101

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 \_\_\_\_\_ 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 \$ 3000<sup>00</sup> per month while drilling and \$ 300<sup>00</sup> - 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.

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 spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15<sup>th</sup> day of January, 1983, ~~October, 1982~~, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> 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 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<sup>00</sup> per month while drilling and \$ 300<sup>00</sup> 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

S E A L

MEXICO

Cont to

10/27

MEXICO

**Smead.**

No. 2-153C

HASTINGS, MN - LOS ANGELES  
LOGAN OH - MORGENTHAU, TX U. S. A

DOCKET MAILED

Date 9/20/82 (Owen Lopez  
mailed  
proofs)

10/11/82

10/15/82