

✓
CASE NO. 5447: C&K PETROLEUM,
INC., FOR AMENDMENT OF ORDER NO.
R-4857, LEA COUNTY, NEW MEXICO

CASE No.

5447

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
19 March 1975

EXAMINER HEARING

IN THE MATTER OF:

Case 5446. Application of C & K
Petroleum, Inc., for pool creation
and special pool rules, Lea County,
New Mexico. Applicant in the
above styled cause, seeks the es-
tablishment of a new oil pool for
Strawn production for its Shipp
"27" Well No. 1, located in Unit
O of Section 27, Township 16 South,
Range 37 East, Lea County, New
Mexico, and the promulgation of
temporary special rules therefor,
including a provision for 80-acre
proration units.

and

Case 5447. Application of C & K
Petroleum, Inc., for amendment of
Order No. R-4857, Lea County, New
Mexico. Applicant in the above-
styled cause, seeks amendment of
Order No. R-4857, which order
pooled all mineral interests in the
Pennsylvanian formation underlying
the SW/4 SE/4 of Section 27, Town-
ship 16 South, Range 37 East, Lea
County, New Mexico, to pool all
such mineral interests underlying
the S/2 SE/4 of said Section 27.

CASES #5446 and
#5447

I N D E X

Testimony of John L. Mosley

Direct Examination by Mr. Kellahin	4
Questions by Mr. Nutter	12

E X H I B I T S

C & K Exhibits	11
----------------	----

MR. NUTTER: Case 5446.

MR. CARR: Case 5446. Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, would you call also the next case?

MR. NUTTER: We'll call the next case, Number 5447.

MR. CARR: Case 5447. Application of C & K Petroleum, Inc., for amendment of Order Number R-4857, Lea County, New Mexico.

MR. KELLAHIN: Tom Kellahin, of Kellahin and Fox, appearing on behalf of the applicant, and I have one witness who has been previously sworn. I would like the record to reflect that Mr. Moseley is still under oath and his qualifications as an expert have been accepted.

MR. NUTTER: Mr. Moseley is still under oath in Cases Numbers 5446 and 5447, consolidated for purposes of testimony.

JOHN L. MOSELEY

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Q Mr. Moseley, would you please refer to
what has been marked as Applicant Exhibit Number 1, identify it and state what C & X is seeking?

A Yes. Our Exhibit Number 1 is a plat of the area southeast of Lovington, New Mexico, in Lea County, showing that here are the 80 acres in which we have drilled and completed a Strawn producing well. This is shown by the arrow. Also shown here are the other Pennsylvanian or Strawn fields in the area, shown in red; that is wells that are presently producing from the Pennsylvanian or Strawn.

Q Would you identify those three pools, please?

A Yes. The *Humble City* Elbo-City Pool, which is located as some 2-1/2 to 3 miles south of our completion is a field that is spaced on 80 acres completed in the Strawn and has a top allowable of 534 barrels per day with a GOR limit of 2000 to 1. This field had four producing wells in January of this year.

The Lovington Penn East field, which is located to the southwest of the Shipp well in question here, has only one producing well at this time. It has 80-acre spacing and the top allowable of 365 barrels per day.

The Lovington Northeast Penn Field, which is located to the northwest of our Shipp 27-1 is Pennsylvanian field with 80-acre spacing. The top allowable here is 445 barrels per day. This field had 8 producing wells in January of 1975.

Q Would you refer to Exhibit 2 and identify it.

A Exhibit 2 is a shot of the portion of the Strawn in which we are completing. We are perforated from 11336 to 11405. Our well potential flowing 412 barrels of oil per day, 44 gravity oil, 1864 choke with a GOR of 1004 to 1. The flowing tubing pressure on potential was 700 pounds.

Q Please refer to Exhibit 3 and identify it.

A Our Exhibit 3 shows the production from the subject well since it was completed in late January of 1975. We show a cumulative production as of the 1st of March of this year of 11,333 barrels of oil and 11,387 MCF of gas and no water.

Q Would you refer to Exhibit 4 and identify it?

A Exhibit 4 is a pressure cumulative production plot showing on it the initial reservoir pressure of 4,032 pounds, which we measured at a Sub-C depth of 7572, the mid-point of perforations. After producing 11,333 barrels as of the first of March the measured bottom hole pressure at the Sub-C depth was 3710 pounds, indicating a 322 pound drop in bottom hole pressure.

Also shown here is an estimate, a projected estimate of ultimate recovery from the well, assuming a 200 pound abandonment pressure. We have an ultimate recovery of 120,000 barrels.

Q In your opinion, Mr. Moseley, can this well or a well drilled in this pool be expected to drain an area of 80 acres?

A Yes, sir, I feel certain it can.

Q Please refer to Exhibit Number 5 and identify it.

A Exhibit Number 5 is a comparison of economics for 80-acre spacing versus 40-acre spacing. We have shown here the oil and gas prices, production tax, operating cost, the completion cost for the initial well, the ultimate recovery which was indicated previously of 120,000 barrels plus gas, indicating a total profit

to the full working interest of \$577,000 with 80-acre spacing for an undiscounted profit investment ratio of .96 to one.

As compared with 40-acre spacing, which would indicate a loss of approximately 22,000 barrels if forced to develop on 40-acre spacing.

Q In your opinion, then, Mr. Moseley, can you economically drill a well dedicated to less than 80-acres?

A No, we cannot.

Q Please refer to Exhibit 6 and identify that.

A Exhibit 6 is a copy of the recently completed AFE on the subject well or development well in this area. It shows a total cost of \$604,000 to drill and complete in the Strawn.

Q Please refer to Exhibit 7 and identify it.

A Exhibit 7 is a list of the ownership in the 80 acres in which we propose to force pool. This list is a total, a list of all of the ownership in this 80 acres here.

Q The southwest quarter of the southeast quarter of Section 47 is the subject of previous forced pooling order by the Commission, is it not?

A Yes, sir, it was, that Order Number R-4857,

forced pool the east 40 acres of this 80 acres in which we propose to come in there.

Q The -- let me have you clarify the ownership on this Exhibit Number 7. Is this ownership the total ownership for the 80 acres or is it just that official ownership for the 40-acres that has not been forced pool?

A This is the total ownership of the 80 acres.

Q Please refer to Exhibit 8 and identify it.

A Exhibit 8 is a copy of the letter in which we -- to which we addressed this to the non-consent working interest on our list, a mailing list, of those parties who are non-consent; also showing or indicating that interest in this 80 acres, the working interest as well as the unleased mineral interest in that.

Q Would you please reiterate for us those particular points in which you would like to amend the order, R-4857?

A We would like to amend this order to include the west or the southwest quarter of the southeast quarter into the pooling order.

Q Second of all, with regards to the combined fixed rate charge of \$180 per month.

Q Then this \$205 figure is too high and should be

adjusted downward accordingly.

A Yes.

MR. NUTTER: What was the old one, \$205?

MR. KELLAHIN: \$205.

MR. NUTTER: And the new one?

A \$180.

Q (By Mr. Kellahin) Do you have any additional requests with regards to the location or the spacing between wells?

A Yes, we would recommend that spacing between wells be no less than 867 feet, which is the diagonal of 1320, right triangle.

Q Mr. Moseley, in your opinion will this well have the potential for exceeding its normal 80-acre allowable?

A Yes, it will, definitely.

Q Do you desire that a discovery allowable be granted to this well?

A Yes, we would like to have a discovery allowable for it.

Q Have you instituted the proper procedures for the filing of Form 109 in accordance with the Commission Rules?

A No, we have not to date done this. We anticipate doing it in order to ask for the discovery allowable in this case.

Q Let me go back and ask you one question with regards to the ownership. What is the percentage of the whole assigned to the non-consenting participants?

A Yes, we show and indicate a total of 18.188 percent non-consenting interest in the 80 acres involved.

Q Mr. Moseley, were Exhibits 1 through 8 either prepared by you directly or under your direction and supervision?

A Yes, they were.

Q In your opinion will the granting of this application avoid the drilling of unnecessary wells the protection of royalty rights and the prevention of waste?

A Yes, it will.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 1 through 8.

MR. NUTTER: Applicant's Exhibits 1 through 8 will be admitted in evidence.

MR. KELLAHIN: That concludes our direct examination.

MR. NUTTER: Are there any questions of this witness?

(No response.)

QUESTIONS BY MR. NUTTER:

Q Mr. Moseley, first of all the Order Number R-4857 is a pooling order, is that correct?

A Yes, sir, that's right.

Q And it pools the southwest quarter of the southeast quarter of Section 27?

A Yes, sir.

Q For 40-acre units.

A Yes, sir.

Q Now, what were the provisions of that order? Did it pool the 40 acres for the purpose of drilling a well to test the Pennsylvanian, is that correct?

A Yes, sir.

Q And then there was a provision in there that in the event the well was completed in the Devonian formation, that formation would also be pooled.

A Yes, sir, that well was drilled to test the Devonian initially and was subsequently plugged back due to the fact --

Q How far did the well go? Did the well go into the Devonian?

A Yes, it did.

Q And the Devonian was found to be nonproductive.

A Yes, sir.

Q So in your opinion was the well completed in the Devonian formation, as a dry hole?

A Yes.

Q It went to the Devonian, they tested it, --

A They tested it, right.

Q -- and it was nonproductive and so it was plugged back then to another formation, and it was plugged back to the Pennsylvanian formation or to the Strawn, which is in the Pennsylvanian.

A Yes, sir.

Q So the order pooling the 40 applies not only to the Pennsylvanian but also to the Devonian.

A Yes, sir.

Q Now, what we're seeking here today is the amendment of that order no insofar as its vertical application is concerned but only horizontal application.

A Yes, sir, this is correct.

Q To include in the pooling the southeast of the southeast of Section 27; southeast/southeast so it would be pooling the entire south half of the southeast.

A Yes, I think it would be the southwest of the

southeast.

Q No, the well's on the southwest of the southeast. That's what was pooled originally. And we're extending it to apply to the southeast/southeast also.

A That's correct.

Q Now, just a minute. Mr. Moseley, you've also said that you seek to amend the order to change the combined fixed rates from \$205 to \$180. Do you know if anybody would object to a cut in their combined fixed rate or not?

A No, I'm sure they wouldn't. The reason for this was the apparently the \$205 was set prior to a firm commitment as to the operating agreement and the consent owners in the unit and in order to avoid an accounting problem here I would think that we would want to keep it constant for the consent owners as well as for the non-consent owners.

Q And the consent owners have all agreed to \$180, is this correct?

A Yes, sir, this is correct.

Q And so the only ones we're changing it on would be the non-consent owners and they're benefitting from

the change?

A Yes.

Q The reason I'm asking these questions is because the amendment of the order in that respect was not included in the call of the hearing, but I think that possibly we can go to a lesser rate without giving notice. I don't know why anybody would object to paying less.

MR. KELLAHIN: As an after-thought, Mr. Examiner, I don't think that you'll have to amend that particular section of the order anyway. It is written in such a way that I think it can be amended by the operator and this would constitute an administrative amendment by him. In other words, there is some degree of flexibility. What we're seeking here is to charge everybody equally.

Q (By Mr. Nutter) \$205 I hereby --

A If this would cause a problem, Mr. Examiner, I would think that we could leave the \$205, if it would cause more of a problem to change this.

Q The only thing I'm wondering if we're jeopardizing the order by making an amendment that hasn't been advertised, and these are the non-consenting work interest owners --

A That's right.

Q -- that are shown here on this Exhibit Number 8, second page.

A That's right.

MR. KELLAHIN: If the Examiner please, I would withdraw our request to amend Paragraph 12. I don't believe it's necessary. We withdraw the request.

Q Now, has C & K already filed the actual cost of drilling the well information pursuant to the provisions of Order Number R-4857?

A I'm assuming that we have. I don't know that for a fact.

Q When was the well completed?

A The well was completed in January of this year; January the 25th, I think, to be exact.

Q Well, provisions of Order Number 5 that the operator shall furnish to the Commission and each known working owner, an itemized schedule of actual well costs within ninety days following the completion of the well. So we've got here an AFE for a development well in the pool --

A Yes, sir.

Q -- but those would not necessarily be the actual well costs --

A They should be real close but not necessarily the exact, this is correct.

Q And C & K will comply with the provisions of Paragraph 5 and furnish actual well costs if they have not yet done so.

A Yes, sir, they will.

Q Now with respect to your mention, Mr. Moseley, of the discovery allowable, that was not included in the call of the hearing.

A No, sir, it was not.

Q And normally pursuant to the provisions of Rule 509 of the Commission's Rules and Regulations if the Commission staff is in agreement that a discovery has been made, they'll bring the creation of the pool on for hearing in a regular nomenclature hearing, and also the designation as a discovery well eligible to receive the discovery allowable. Now, if you will file the Commission form, whatever the number of it is, 109, C-109, requesting the discovery allowable for the pool, we can docket the creation of the pool and the assignment of discovery allowable on the next nomenclature hearing. Is that agreeable to you?

A Yes, that's fine.

Q And in the meantime withhold any action on the creation of the pool in this case and the promulgation of special rules until the creation of the pool came up on a nomenclature case in which the discovery allowable had been advertised.

A Yes, sir, that would be fine.

MR. NUTTER: Are there any further questions of Mr. Moseley?

(No response)

MR. NUTTER: He may be excused. Anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Mr. Bateman, do you have anything to offer in this case?

MR. BATEMAN: Yes, Mr. Examiner, I'm Ken Bateman of White, Koch, Kelly and McCarthy of Santa Fe, appearing on behalf of Texaco, and I've been asked to make a statement in the case and I would request leave to do so at this time.

MR. NUTTER: Yes, sir, please.

MR. BATEMAN: The concern of Texaco, frankly, is the assignment of risk penalty. There's been no testimony or statement concerning that in the testimony which has

already been entered in this case. The previous order, which was 4657, assigned a 200% risk penalty to the well as completed in the Strawn. The concern of Texaco is simply what is to be done with respect to the interest owners, the working interest owners of new acreage which is potentially to be added to the proration unit under the Commission's order. Texaco, which owns an interest in the original 40 acres tract, which was subject to the early order, and is a non-consenting interest -- a non-consenting owner, and is therefore affected by the 200 percent risk penalty, which was quoted by the Commission previously, Texaco in addition is a working interest owner in the adjoining 40 acres tract, which would be potentially part of the proration unit. There apparently is a difference in the working interest ownership between the two 40 acre tracts; that is to say that there are owners affected by a potential order in the new tract which are not owners in the original 40 acre tract, 40 acre tract.

Therefore, it would be inequitable to assess any risk penalty against the owners of the additional 40 acre tract, including Texaco, for the reason that the owners of the acreage, adjoining acreage, were not given an opportunity to participate initially, and

secondly, because the well has already been completed.

In my view, at least, the risk has been eliminated; therefore, there should be no penalty assessed against the new owners or an award for further risk taken granted to C & K.

We would request therefor that if the Commission sees fit to grant the application for the expansion of the proration unit, then the risk penalty be reduced to reflect an assignment of risk penalty to the acreage under the original 40 acres on the proration basis as that acreage bears to the total on the old acreage.

MR. NUTTER: All right, thank you Mr. Bateman. You opened up a whole new ballgame. Mr. Moseley, you're still under oath.

A Yes.

Q (By Mr. Nutter) Is the ownership different in the second 40 that's to be in this new unit than it is in the first 40?

A I'm not able to answer your question directly.

Q Particularly with respect to working interest owners who would have to pay a share of the well costs.

MR. KELLAHIN: The only change, Mr. Examiner, is with regard to royalty ownership. The difference lies in the

new 40 and not in the old 40.

MR. NUTTER: Is she a working interest owner?

MR. KELLAHIN: No, sir.

MR. NUTTER: Is everybody's working interest share identical whether it's under 40 or under 80?

MR. KELLAHIN: According to my information, it is. Stand corrected, Mr. Examiner, Ruth Armstrong has a working interest of some .26040 percent. Mr. J. V. Ringold has a .13020 percent. Those two individuals do not appear in the original 40 acres.

MR. NUTTER: They have an unleased mineral interest in the second 40 but not the first 40.

MR. KELLAHIN: That is true.

MR. NUTTER: That's Ruth Armstrong with 1/384th? Now is that 1/384th of the 80 or 1/384th of the 40?

A It should be one -- as I understand it, this should be 1/384th of the 80.

Q Has Texaco's interest changed in going from a 40 acre unit to an 80 acre unit?

A According to our records it is not. Their working interest is the same.

Q According to your Exhibit Number 8, Texaco's interest is 16.67 percent working interest in the 80

acre unit, is that correct?

A Yes, sir, it is.

Q And is that what you show as being their interest in the 40 acre unit also?

A Yes.

Q Well now, it would have to change because you brought in two other wells, Mr. Kellahin.

A Yes, this 16.7 should be for the 80 acres; as to the original percent of working interest in the original 40 acres I don't have that readily available here.

Q I wonder, Mr. Moseley, just in the interest of time, if you could get us a complete accounting of all of the ownership, that is working interest ownership, overriding royalty ownership, and royalty ownership in the 40 and also in the 80?

A Yes, sir.

Q So we can see how people's interests change if we go from one spacing to the other spacing? The point Mr. Bateman brought up may be applicable; I don't know, or it may be not.

A Yes, sir, we will do this.

MR. NUTTER: Does anyone else have anything to offer in Case 5446 and 47?

case 5446 - 5447

Page...23.....

(No response)

MR. NUTTER: We'll take the cases under advisement and
call the next case.

(Hearing concluded.)

CASE 5446 - 5447

Page 24

STATE OF NEW MEXICO)

)

COUNTY OF SANTA FE)

REPORTER'S CERTIFICATE

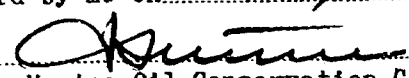
I, SALLY WALTON BOYD, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing ___ pages, numbered ___ through ___ inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand and seal, this ___ of _____, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd
Notary Public and General Court
Reporter

My Commission expires?
10 September 1975

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5446-47
heard by me on 8-19, 1975.

 Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Re: CASE NO. 5447
ORDER NO. R-4957-A

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Applicant:
C & K Petroleum, Inc.

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC
Aztec OCC

Other Mr. Ken Bateman

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5447
Order No. R-4857-A

APPLICATION OF C & K PETROLEUM,
INC., FOR AMENDMENT OF ORDER NO.
R-4857, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of April, 1975, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That by Order No. R-4857, entered September 10,
1974, the Commission pooled all mineral interests, whatever
they may be, in the Pennsylvanian formation underlying the
SW/4 SE/4 of Section 27, Township 16 South, Range 37 East,
NMPM, Lea County, New Mexico, to form a standard 40-acre oil
spacing and proration unit to be dedicated to a well to be
drilled at an orthodox location for said unit, and further
providing that in the event said well should be completed in
the Devonian formation, said formation would also be deemed
to be pooled.

(3) That subsequent to the entry of the aforesaid order,
the applicant, C & K Petroleum, Inc., completed the well as a
dry hole in the Devonian formation and plugged said well back
to the Strawn formation where it was completed as a producing
oil well.

(4) That by Order No. R-4992, dated April 1, 1975, the
Commission created the Casey-Strawn Pool comprising the SE/4
of Section 27, Township 16 South, Range 37 East, and promulgated
Temporary Special Rules and Regulations therefor, including
a provision for 80-acre spacing and proration units.

-2-

Case No. 5447
Order No. R-4857-A

(5) That in the instant case, the applicant, C & K Petroleum, Inc., seeks the amendment of Order No. R-4857 to change the area pooled in said order from the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to the entire S/2 SE/4 of said Section 27, to comply with the spacing provisions as set forth in the aforesaid Order No. R-4992.

(6) That all mineral interests in the SW/4 SE/4 and the SE/4 SE/4 of said Section 27 are identical, and the aforesaid proposed amendment will not adversely affect any party's interest in the subject well.

(7) That the amendment of Order No. R-4857 as proposed will not cause waste nor violate correlative rights and should be approved.

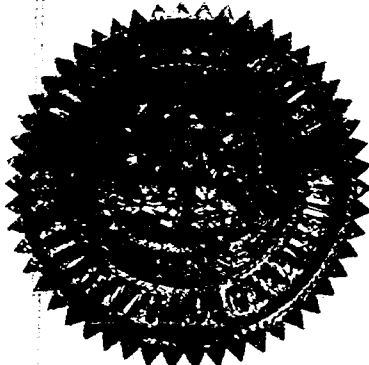
IT IS THEREFORE ORDERED:

(1) That Order Paragraph (1) of Order No. R-4857 is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit."

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

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



S E A L

dr/

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Phil R. Lucero
PHIL R. LUCERO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
800 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

March 24, 1975



Mr. Dan Nutter
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: C & K Petroleum
OCC Case No. 5445 and 5447

Dear Mr. Nutter:

In response to your request at the hearing of the
above referenced case on March 19, 1975, the following
is provided:

- (a) Enclosure (a) is a copy of the letter
agreement between C & K and Latham &
Barton concerning their carried interest.
- (b) Enclosure (b) is a schedule of the owner-
ship of the entire SE/4 of Section 27.
The percentages remain the same regard-
less of location within the SE/4.

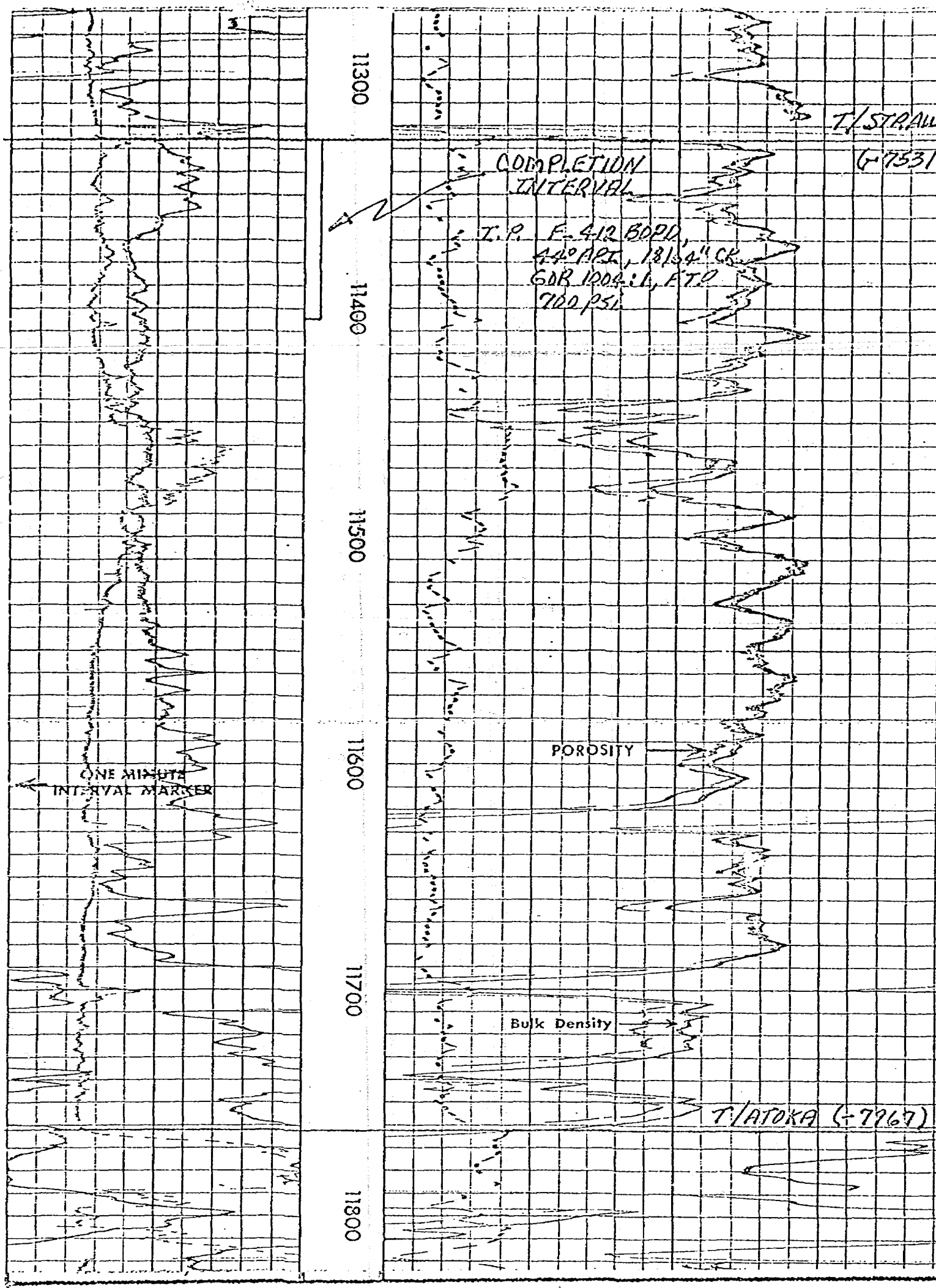
Very truly yours,

W. Thomas Kellahin
W. Thomas Kellahin

WTK:ksh

Enclosure

cc: C & K Petroleum



C & K Petroleum, Inc.
Shipp "27" # 1
Wildcat
Lea County, New Mexico

Ex 2
CA 5446-47

T.D. LOGGED 12,314'
T.D. DRILLER 12,333'
T.D. WELEX 12,315'

UNIT OWNERSHIP
SHIPP "27" NO. 1
LEA CO., N.M.

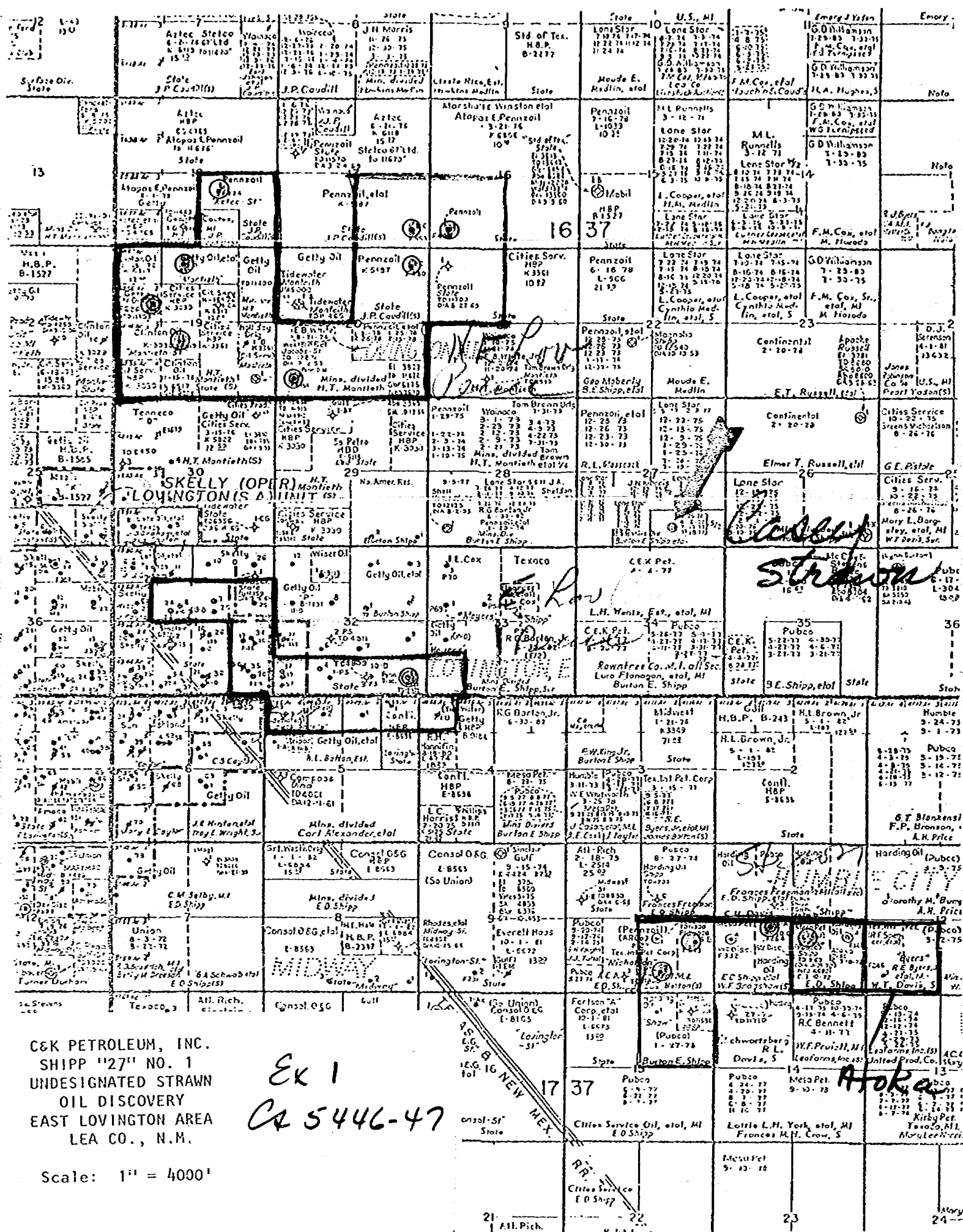
Case 5447

SE/4 of Section 27:

Burton Shipp, as his separate property-----	1/12
Annie Laurie Shipp, as her separate property-----	1/12
Gordon M. Cone, whose wife is Kathleen Cone-----	1/96
H. Dillard Schenck, whose wife is L. Kirby Schenck-----	17/480
Mrs. E. R. Waggoner, a widow-----	1/128
C. E. Summy-----	1/128
D. H. Stone and Richard Stone-----	1/128
F. N. Casburn-----	1/256
Mrs. Pilar Mansour, individually and as Trustee under the will of M. J. Mansour, deceased-----	1/128
Roy G. Barton, whose wife is Opal Barton-----	27/1280
Charles P. Miller-----	31/5120
Roy Madding-----	1/64

*Denotes unleased interest.

To Do
1) Copy ownership
as to SE/SE/4
& SW/SE/4
as to SW/SE/4
2) File disclaimers
C-109



C. P. Yadon, whose wife is Eileen R. Yadon-----	1/64
Lucky Wright Royal Syndicate-----	3/128
Cannon B. McMahan, whose wife is Marguerite McMahan-----	17/128
R. E. Boyle, whose wife is Sweetie Boyle-----	17/128
Howell Spear, as his separate property-----	3/512
Ellie Spear, a single woman, as her separate property-----	3/512
E. L. Cooper-----	60% of 1/384
Eugene Coffelt, whose wife is Viola Coffelt, as his separate property-----	3/3840
J. H. Ward Hinkson, as his separate property-----	1/384
Jane Blain Baker, as her separate property-----	1/1152
Ella F. Blain, as her separate property-----	1/1152
Esther L. Blain, as her separate property-----	1/1152
Ann W. Morris, Executrix of the Estate of James Norman Morris, deceased-----	1/3840*
M. B. Webster-----	1/16*
Petroleum Landowners Corporation, Ltd.-----	1/128*
Guy J. Nations-----	1/128*
Harry E. Seehorn-----	1/256*
The Estate of M. P. Carrow, deceased---	1/768*
J. V. Ringold-----	1/768*
J. D. Parks-----	1/768*
H. M. Parks-----	1/768*

*Denotes unleased interest.

C. W. Parks-----	1/768*
George E. Senner-----	1/768*
Ruth Armstrong-----	1/384*
Lou Etta Bellamy Dick-----	1/768*
Luther Emery-----	1/256*
Jack Markham-----	31/2560*
W. C. Barnes-----	1/64*
June D. Speight-----	103/640*
Heritage Resources, Inc.-----	1/64*
Petroleum Corporation of Texas-----	1/64*
Sun Oil Company-----	1/24*
Graridge Corporation-----	1/192*
Lenora Parke, a widow, for her life with remainder upon her death to Mrs. Robert L. Christopher-----	1/320*
Penrose Production Company-----	31/5120*
J. Hiram Moore, Betty Jane Moore and Michael Harrison Moore, Trustees under Trust Indenture dated July 1, 1971-----	3/256*

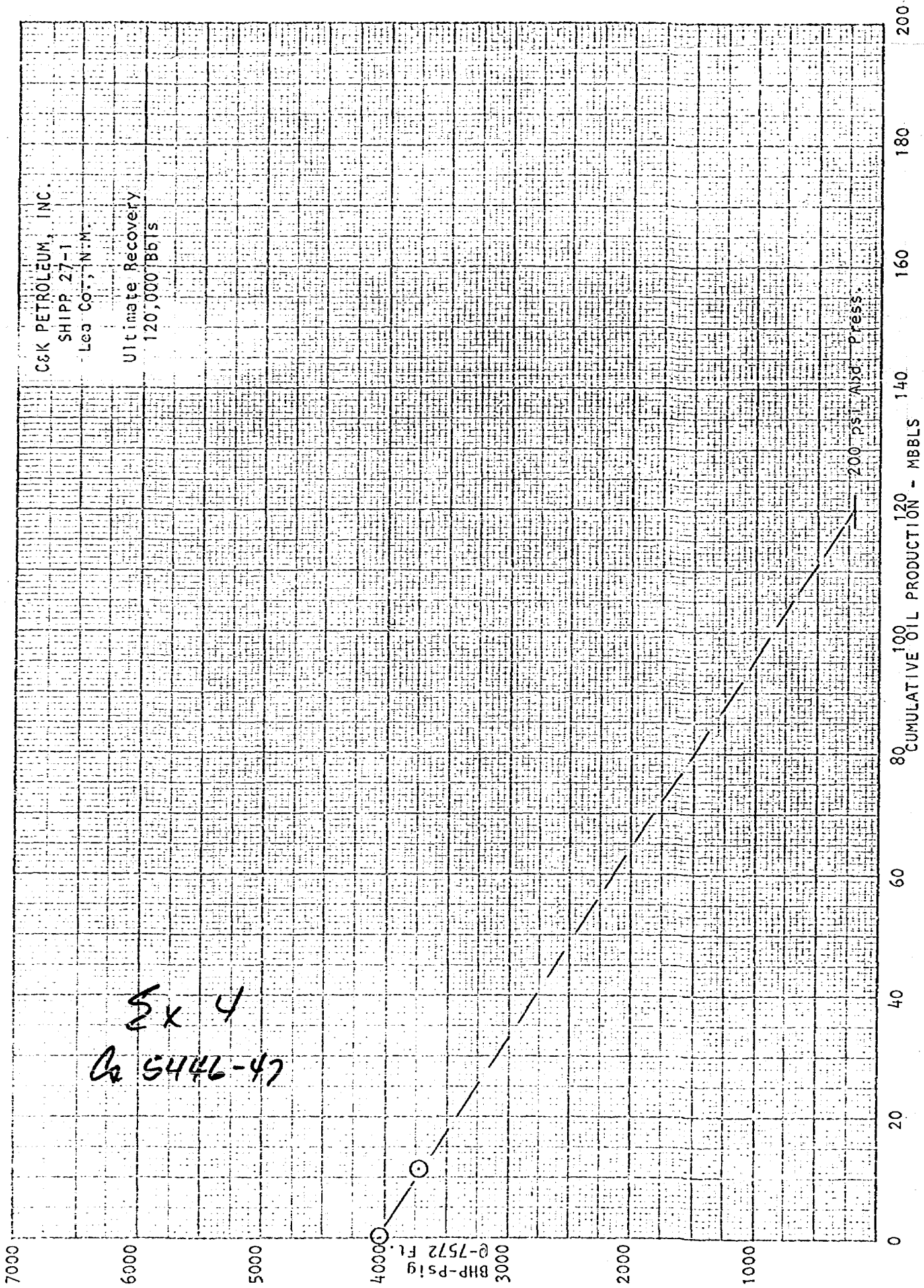
*Denotes unleased interest.

C&K PETROLEUM, INC.
 SHIPP '27" NO. 1
 EAST LOVINGTON AREA
 LEA CO., N.H.

<u>1975</u> <u>Month</u>	<u>Oil-Bbls</u>	<u>Gas-MCF</u>	<u>Water-Bbls</u>
January	1113	1117 est.	0
February	10,220	10,261 est.	0
Cum. to 3/1/75	11,333	11,378 est.	0

Ex 3
 Co 5446-47

1 1/2" 20 X 20 TO THE INCH 4G 1240
 7 X 10 INCHES
 KEUFTEL & EIDER CO.



C & K PETROLEUM, INC.
EAST LOVINGTON AREA (STRAWN)
LEA CO., N.M.
DEVELOPMENT ECONOMICS

80 ACRE SPACING

40 ACRE SPACING

ASSUMPTIONS:

Expense Interest-
Revenue Interest-
Oil Price-
Gas Price-
Prod. Tax-
Oper. Exp.-
Cost Per Completed Well-
Ultimate Recovery-
Life-

100%
87.5%
\$12.00/Bbl
\$ 0.50/MCF
7.8%
\$300/Well-Month
\$600,000
120,000 Bbls + 120 MMCF
9 Yrs.

100%
87.5%
\$12.00/Bbl
\$0.50/MCF
7.8%
\$300/Well-Month
\$600,000
120,000 Bbls + 120 MMCF
4.5 Yrs.

TOTAL INCOME TO FULL W.I.:

Gross Revenue-
Less 1/8 Roy.-
Less Prod. Tax (7.8%)-

\$1,500,000
\$1,312,500
\$1,210,125

\$1,500,000
\$1,312,500
\$1,210,125

TOTAL INVESTMENT

\$ 600,000 (1-well)

\$1,200,000 (2-Wellis)

TOTAL OPER. EXP.

\$ 32,400

\$ 32,400

TOTAL PROFIT TO FULL W.I.

\$ 577,725

(\$ 22,275)

UNDISC. PROFIT/INVESTMENT RATIO

0.96

Ex 5-
Co 5446-47

AUTHORITY FOR EXPENDITURE

No. _____
Date 1/28/75

Lease Shipp Well No. 2 Field Stepout Depth 11,800'

Location _____

Reason for Request To drill and complete a Strawn well

	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
INTANGIBLE DRILLING & DEVELOPMENT		
1. Surveying	\$ 200.00	\$
2. Roads and Location	5,000.00	
3. Damages	750.00	
4. Contract Drilling: MI & RU @ \$	10,000.00	
Day work: 55 days @ \$ 2600.00/day	143,000.00	
5. Cement & Cementing Services:		
Surface sax @ \$	1,850.00	
Intermediate sax @ \$	3,500.00	
Oil String sax @ \$		9,000.00
6. Drilling Fluids	25,000.00	
7. Drill Stem Testing: 2 Tests @ 1200/ea	2,400.00	
8. Coring & Analysis		
9. Electric Log	7,500.00	450.00
10. Perforating		1,100.00
11. Acidizing & Fracturing		5,000.00
12. Pulling units		5,000.00
13. Plugging		
14. Trucking	2,000.00	1,500.00
15. Geology	3,000.00	
16. Miscellaneous including bits & fuel	60,000.00	
17. Tool Rentals, Special Services	4,000.00	2,000.00
18. Contract Labor		1,500.00
19. Contract Overhead	3,000.00	750.00
20. Engineering		
21. Supervision	2,000.00	1,500.00
22. Insurance @ 1.323/ft.	15,600.00	
23. Contingencies	26,200.00	2,200.00
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	\$ 315,000.00	\$ 30,000.00
EQUIPMENT (Itemized)		
24. Casing - Surface 400' - 13-3/8" @ \$16.80/ft	7,000.00	
Intermediate 8-5/8" 2400' @ 10.50/ft. 2400' @ 16.50	67,000.00	
Production 5" - 12,000' @ \$7/ft		84,000.00
25. Tubing 2-3/8" 12000' @ \$4.00/ft		48,000.00
26. Guide Shoes, Float, & Centralizers	650.00	1,400.00
27. Well Head	2,000.00	3,500.00
28. Tanks & Separators		18,000.00
29. Flow Lines		1,000.00
30. Valves & Fittings		1,500.00
Production Packers		1,500.00
31. Pumping Equipment		
Rods		
32. Other	7,350.00	16,100.00
TOTAL EQUIPMENT	\$ 84,000.00	\$ 175,000.00
TOTALS	\$ 399,000.00	\$ 205,000.00
TOTAL DRILLING & COMPLETION COSTS		\$ 604,000.00

ACCEPTED: _____ Date _____
Company _____
By _____
Your Interest _____ \$ _____

APPROVED: _____
C & K PETROLEUM, INC.
By _____
Operator's Interest _____ \$ _____

Ex 6
Cs 5446-47

UNIT OWNERSHIP
SHIPP "27" NO. 1
LEA CO., N.M.

SE/4 of Section 27:

Burton Shipp, as his separate property-----	1/12
Annie Laurie Shipp, as her separate property-----	1/12
Gordon M. Cone, whose wife is Kathleen Cone-----	1/96
H. Dillard Schenck, whose wife is L. Kirby Schenck-----	17/480
Mrs. E. R. Waggoner, a widow-----	1/128
C. E. Summy-----	1/128
- D. H. Stone and Richard Stone-----	1/128
F. N. Casburn-----	1/256
Mrs. Pilar Mansour, individually and as Trustee under the will of M. J. Mansour, deceased-----	1/128
Roy G. Barton, whose wife is Opal Barton-----	27/1280
Charles P. Miller-----	31/5120
Roy Madding-----	1/64

*Denotes unleased interest.

Ex 7
C 5446-42

C. P. Yadon, whose wife is
 Eileen R. Yadon----- 1/64
 Lucky Wright Royal Syndicate----- 3/128
 Cannon B. McMahan, whose wife is
 Marguerite McMahan----- 17/128
 R. E. Boyle, whose wife is
 Sweetie Boyle----- 17/128
 Howell Spear, as his separate
 property----- 3/512
 Ellie Spear, a single woman, as
 her separate property----- 3/512
 E. L. Cooper----- 60% of 1/384
 Eugene Coffelt, whose wife is
 Viola Coffelt, as his separate
 property----- 3/3840
 J. H. Ward Hinkson, as his separate
 property----- 1/384
 Jane Blain Baker, as her separate
 property----- 1/1152
 Ella F. Blain, as her separate
 property----- 1/1152
 Esther L. Blain, as her separate
 property----- 1/1152
 Ann W. Morris, Executrix of the
 Estate of James Norman Morris,
 deceased----- 1/3840*
 M. B. Webster----- 1/16*
 Petroleum Landowners Corporation,
 Ltd.----- 1/128*
 Guy J. Nations----- 1/128*
 Harry E. Seehorn----- 1/256*
 The Estate of M. P. Carrow, deceased--- 1/768*
 J. V. Ringold----- 1/768*
 J. D. Parks----- 1/768*
 H. M. Parks----- 1/768*

*Denotes unleased interest.

C. W. Parks-----	1/768*
George E. Senner-----	1/768*
Ruth Armstrong-----	1/384*
Lou Etta Bellamy Dick-----	1/768*
Luther Emery-----	1/256*
Jack Markham-----	31/2560*
W. C. Barnes-----	1/64*
June D. Speight-----	103/640*
Heritage Resources, Inc.-----	1/64*
Petroleum Corporation of Texas-----	1/64*
Sun Oil Company-----	1/24*
Graridge Corporation-----	1/192*
Lenora Parke, a widow, for her life with remainder upon her death to Mrs. Robert L. Christopher-----	1/320*
Penrose Production Company-----	31/5120*
J. Hiram Moore, Betty Jane Moore and Michael Harrison Moore, Trustees under Trust Indenture dated July 1, 1971-----	3/256*

*Denotes unleased interest.



February 27, 1975

Re: Compulsory Pooling Order R-4857
SW/4 SE/4 Sec. 27, T-16-S, R-37-E,
Lea County, New Mexico

TO NON-CONSENT WORKING INTEREST
AND MINERAL INTEREST OWNERS
(address list attached)

Gentlemen:

This letter is to advise you that C & K Petroleum, Inc. has made application before the New Mexico Conservation Commission to amend the subject pooling order to cover a larger spacing unit for our Shipp "27" #1 well located in SW/4 SE/4 Sec. 27, T-16-S, R-37-E.

Our application requests that eighty acres be established as the proration unit for this well and that the S/2 SE/4 Sec. 27 be designated as the unit.

Very truly yours,

C & K PETROLEUM, INC.

W. D. Kennedy
Executive Vice-President

/dml

Ex 8
CA 5446-47

Address list attached to letter dated February 27, 1975
Non-Consent Working Interest & Mineral Owners
Shipp "27" #1

<u>PARTY</u>	<u>INTEREST</u>
Texaco Inc. Box 3109 Midland, Texas 79701	Leasehold (16.67% WI)
Ruth Armstrong address unknown	Unleased mineral interest (1/384 or .26041%)
Luther Emery address unknown	Unleased mineral interest (1/256 or .39062%)
Lenora Parke, widow, for life with remainder to Mrs. Robert L. Christopher address unknown	Unleased mineral interest (1/320 or .3125%)
J. V. Ringold, address unknown	Unleased mineral interest (1/768 or .13020%)
J. D. Parks address unknown	Unleased mineral interest (1/768 or .13020%)
H. M. Parks address unknown	Unleased mineral interest (1/768 or .13020%)
C. W. Parks address unknown	Unleased mineral interest (1/768 or .13020%)
Ann Morris Marshall, Individually and as Independent Executrix of the Estate of J. Norman Morris, deceased, 2865 MacVicar Avenue, Topeka, Kansas 66611	Unleased mineral interest (1/3840 or .02604%) AND Leasehold (116/15360 or .007552% WI)

Docket No. 7-75

Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blinebry, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)
Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST
Section 13: S/2 SE/4
Section 14: W/2 SW/4
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST
Section 14: W/2 NE/4
Section 18: SW/4

Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blaine, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations. Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)

Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST

Section 13: S/2 SE/4

Section 14: W/2 SW/4

Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4

Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST

Section 14: W/2 NE/4

Section 18: SW/4

Docket No. 7-75

Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blaine, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

Examiner Hearing - Wednesday - March 19, 1975

Docket No. 7-75
-3-

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit 0 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)
Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST
Section 13: S/2 SE/4
Section 14: W/2 SW/4
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST
Section 14: W/2 NE/4
Section 18: SW/4

Docket No. 7-75

Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blaine, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

DRAFT

DSN/dr.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5447

Order No. R-4857-A

APPLICATION OF C & K PETROLEUM, INC.,
FOR AMENDMENT OF ORDER NO. R-4857, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of April, 1975, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That by Order No. R-4857, entered September 10,
1974, the Commission pooled all mineral interests, whatever
they may be, in the Pennsylvanian formation underlying the
SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM,
Lea County, New Mexico, to form a standard 40-acre oil spacing
and proration unit to be dedicated to a well to be drilled
at an orthodox location for said unit, and further providing
that in the event said well should be completed in the
Devonian formation, said formation would also be deemed to be
pooled.

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)

Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST

Section 13: S/2 SE/4

Section 14: W/2 SW/4

Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4

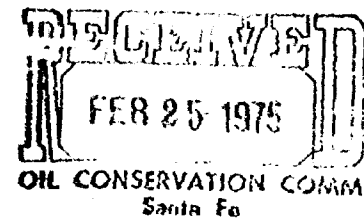
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST

Section 14: W/2 NE/4

Section 18: SW/4

Case 5447



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC., FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW C & K PETROLEUM, INC., and applies to the Oil Conservation Commission of New Mexico for an order pooling all of the mineral interests of Pennsylvanian age or older underlying the S/2 SE/4 of Section 27, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the subject acreage, and has drilled a straw oil well at an orthodox location called the Shipp "27" Well No. 1, located in the SW/4 SE/4, Section 27, Township 16 South, Range 37 East, Lea County, New Mexico.

2. All interest owners have agreed to pool their interests within this proposed unit with the exception of certain owners whose names and addresses, to the best of applicant's information and belief, are as follows:

Texaco, Incorporated
Box 3109
Midland, Texas 79701

DOCKET MAILED

Date 3/6/75

DOCKET MAILED

Date 3/6/75

Coll Production Company
3220 Draxton Avenue, SW
Albuquerque, New Mexico 87105

Luther Emery
address unknown

Heirs of S. R. Parke
c/o Leonora Parke
Pasadena, California

Perpetual Royalty Company
Oklahoma City, Oklahoma

Harry Seeborn
Quincy, Illinois

DOCKET MAILED

3/6/75

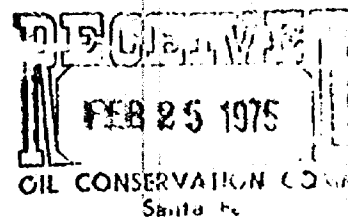
3. Pooling of the proposed unit is in the interests of conservation, and the interests of all mineral interests, including those of royalty owners, will be protected.

4. As required by the provisions of Commission Rule 104, applicant proposes to dedicate the S/2 SE/4 of Section 27, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico to the subject well.

5. Applicant requests that it be designated operator of the pooled unit requested above.

6. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interests indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells to protect correlative rights, and to prevent waste, the Commission should pool all interests in the spacing or proration unit as a unit.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing



as required by law the Commission enter its order pooling all mineral interests of Pennsylvanian age or older underlying the proposed unit, designating applicant as operator, and making provision for applicant to recover the costs of drilling and completing said well, actual operating costs, charges for supervision, and a provision for a charge for the risk involved in drilling and completing said well.

Respectfully submitted,

C & K PETROLEUM, INC.

By

W. V. Kellahin

KELLAHIN & FOX

Post Office Box 1769

Santa Fe, New Mexico 87501

--2--

Case No. 5447

Order No. R-4857-A

(3) That subsequent to the entry of the aforesaid order, the applicant, C & K Petroleum, Inc., completed the well as a dry hole in the Devonian formation and plugged said well back to the Strawn formation where it was completed as a producing oil well.

(4) That by Order No. R- 499-2, dated April 5, 1978, the Commission created the Casey-Strawn Pool comprising the SE/4 of Section 27, Township 16 South, Range 37 East, and promulgated Temporary Special Rules and Regulations therefor, including a provision for 80-acre spacing and proration units.

(5) That in the instant case, the applicant, C & K Petroleum, Inc., seeks the amendment of Order No. R-4857 to change the area pooled in said order from the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to the entire S/2 SE/4 of said Section 27, to comply with the spacing provisions as set forth in the aforesaid Order No. R- 499-2.

(6) That all mineral interests in the SW/4 SE/4 and the SE/4 SE/4 of said Section 27 are identical, and the aforesaid proposed amendment will not adversely affect any party's interest in the subject well.

(7) That the amendment of Order No. R-4857 as proposed will not cause waste nor violate correlative rights and should be approved.

IT IS THEREFORE ORDERED:

(1) That Order Paragraph (1) of Order No. R-4857 is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 ~~SE/4~~ ^{SE/4} of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard ~~40~~ ⁸⁰⁻ acre oil

-3-

Case No. 5447

Order No. R-

spacing and proration unit to be dedicated to a
well to be drilled at an orthodox location for
said unit."

(2) That jurisdiction of this cause is retained for the
entry of such further orders as the Commission may deem neces-
sary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

-4-

Case No. 5309
Order No. R-4857

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that 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 \$205.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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 interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

-3-

Case No. 5309
Order No. R-4857

spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of December, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of December, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Commission and show cause why Order (1) of this order should not be rescinded.

PROVIDED FURTHER, that in the event that the subject well is completed in the Devonian formation, said formation, as of the date of such completion, shall also be deemed to be pooled by this order.

(2) That C. & K. Petroleum, Inc., is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission 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 Commission 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 Commission and the Commission 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 Commission will determine reasonable well costs after public notice and hearing.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5309
Order No. R-4857

APPLICATION OF C. & K. PETROLEUM,
INC. FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 4, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of September, 1974, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, C. & K. Petroleum, Inc., seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well to the Strawn and possibly to the Devonian formation, at an orthodox location for said spacing unit.

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

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

(6) That no formation of greater age than the formation in which the subject well is completed should be pooled by this order.

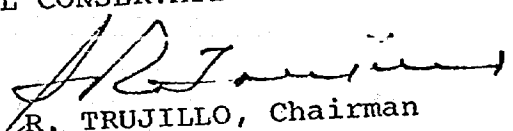
-5-
Case No. 5309
Order No. R-4857

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

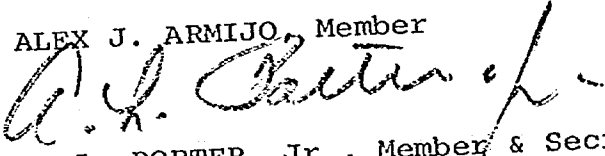
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

dr/