

CASE 5494: BURLESON & HUFF FOR
COMPULSORY POOLING, A NON-STANDARD
GAS PRORATION UNIT, AN UNORTHODOX
LOCATION, LEA COUNTY, NEW MEXICO

CASE NO.

5494

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 28, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Burleson and Huff
for compulsory pooling, a non-
standard gas proration unit, and
an unorthodox location, Lea County,
New Mexico.

Case No.
5494

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Applicant:

Jason Kellahin, Esq.
Kellahin & Fox
500 Don Gaspar
Santa Fe, New Mexico

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

I N D E X

	<u>PAGE</u>
JACK HUFF	
Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Stamets	12

E X H I B I T S

	<u>Marked</u>	<u>Admitted</u>
Applicant's Exhibits Nos. 1 and 2	--	12

MR. STAMETS: Case 5494. Application of Burleson and Huff for compulsory pooling, a non-standard gas proration unit, and an unorthodox location, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin & Fox, Santa Fe, appearing for the Applicant. We will have one witness.

MR. STAMETS: The Witness will stand and be sworn please.

(Witness sworn.)

JACK HUFF

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Jack Huff.

Q What is your connection with Burleson and Huff, Mr. Huff?

A I am a partner in that firm.

Q Is that a partnership?

A Yes, sir.

Q Mr. Huff, are you an engineer or geologist, or

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0380

what is your capacity?

A I'm primarily a landman. I have a background and education, however, as a lawyer.

Q As a lawyer. Have you testified before the Oil Conservation Commission as a landman in previous cases?

A Yes, sir, I have.

Q And made your qualifications a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the Witness' qualifications acceptable?

MR. STAMETS: Yes, they are.

BY MR. KELLAHIN:

Q Now, Mr. Huff, are you familiar with the Application of Burleson & Huff in Case 5494?

A Yes, sir, I am.

Q Briefly, what is proposed by the Applicant in this case?

A We propose forced pooling certain outstanding interests under the NW/4 of Section 35 who are uncommitted to us at this time. We are asking for a non-standard gas proration unit for the Jalmat Gas Pool in the event we should get a gas well. In the Yates formation we are

HUFF-DIRECT

CASE 5494

Page.....5.....

asking for an unorthodox location for the Jalmat Gas Pool as our well is located 330 feet from the north and 990 feet from the west lines of Section 35, Township 25 South, Range 37 East, in Lea County. We propose to re-enter and initially attempt completion in what we call our No. 2 Dabbs Well, and we will attempt completion in the Queen formation, and if we are successful there, why we will put it on production and produce it from the Queen so that we would then have a standard 40-acre unit for the Langlie Mattix Field. Failing to get a commercial well in the Queen formation we would then plug back to the Yates where we would anticipate gas production, if any, and there we ask that we have a non-standard unit of the NW/4 of Section 35 to be assigned to our well for gas production. We are also asking that we be named as operator of the well and that a charge for overhead and a charge as a risk factor be granted to us.

Q Do you also ask for a charge for supervision of working the well over?

A Yes, sir.

Q Now, Mr. Huff, what is the status of the Dabbs Well at the present time?

A At the present time it is temporarily abandoned.

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

Q What, when complete, will it be drilled to?

A It will be drilled to the base of the Queen formation at a depth of 3325 feet.

Q Did they have any shows in the Queen or do you know?

A They had some shows; they completed it from about 3163 feet to 3243 feet.

Q Now, have you made any effort to obtain voluntary agreement from the interest owners?

A Yes, sir, we have, from all of them.

Q Before we get to that, would you refer to what has been marked as Exhibit No. 1 and identify that Exhibit and the information shown on it?

A Is that this plat?

Q Yes, sir.

A All right, sir. This is a plat of the area in which our proposed re-entry is situated. The yellow acreage is the NW/4 of Section 35, which we propose to be our unit for production of gas from the Yates, in the event we should get it. The cross-hatched red acreage is the NW/4 NW/4 of Section 35, which would be our unit in the event of Queen production in the Langlie Mattix.

Q Now, in the Application for compulsory pooling,

the names of a number of parties were listed together with their addresses. Is that, to the best of your knowledge and information, those names and addresses --

A (Interrupting) Yes, sir, to the best of our knowledge, those are the names and the interests.

Q Are those undivided interests within the entire 160 acres?

A Yes, sir.

Q So they affect the entire tract?

A Yes, sir, they do.

Q Not just the 40 acres?

A No.

Q So the interests proportionately would be the same in the 40-acre unit in the event --

A (Interrupting) Yes, sir. Those interests are common throughout the entire NW/4 of Section 35.

Q Did you make an effort to contact all of those people?

A Yes, sir, I did.

Q With what result?

A Well, with the result that they did not lease to us nor would they join with us in the re-entry operations.

Q Did you hear from all of them?

A All but one, and one just simply didn't answer.

Q One didn't answer?

A Yes, sir.

Q Could you tell me which one that was?

A Yes, sir, the first name there, Roscoe C. Crabb, Jr.

Q The rest of them declined to join, is this correct?

A Yes, sir. I might add that the bottom four names on the list I still anticipate getting leases from them at a later date, but so far have not received them and we simply have run out of time with the other mineral owners in which to commence our operation, so we had to go ahead with the forced pooling and include their names.

Q Now, you propose to re-enter the No. 2 Dabbs Well. Have you made any calculation on the cost that will be entailed in that?

A Yes, sir. They would be on what we would call then --

Q (Interrupting) Exhibit No. 2.

A Exhibit No. 2, and they are outlined there as

well as is outlined at the beginning, in the upper paragraph, our proposed procedures on the re-entry, but we calculate the total tangibles and intangibles to be \$33,500 to which we've added a 15-percent contingency, making the grand total of \$38,525.

Q Would that be your total cost for completing the producing well?

A Yes, sir. That would be our total estimated cost.

Q That's what I mean. You mentioned the provision for supervision during the work-over period. How long do you think that would take?

A It depends on whether we would have to plug back or not, but if we don't have to plug back to the Yates after we reach total depth, and complete in the Queen, it will probably take us about 10 to 12 days.

Q What about your cost of supervision; at what rate would that be charged?

A Well, we would ask a figure at the rate of \$600 per month.

Q Now, your cost of operation, what cost would you ask for there?

A After the well is completed, \$100 per month.

Q And as a risk factor, what cost would you suggest to the Commission?

A We would like the maximum on that. Although this is in a field, admittedly; nevertheless, two of these zones at least, the Yates and the lower part of the Queen, which we call Penrose in our little Exhibit No. 2 there, are zones from which this well has never produced; they are productive in the area, but to us this would be regarded as a normal risk factor for any field well that is being drilled for those two zones, and those are our main zones for which we're looking. The old Queen production, we don't really expect much out of that because it's too well drained and we are going to try to open some new zones in the lower Queen or the Penrose; I'm using the term interchangeably there.

Q That would be a speculative operation on your part then?

A Yes, that part would and the Yates plug-back would.

Q So, in effect you are drilling a new well?

A To the extent of a risk factor.

Q Now, is there any danger peculiar to re-entering

HUFF-DIRECT

CASE 5494

Page..... 11

an old well such as this?

A There always is. Right in this very area, as an example, I was out fracking a well one day and we were fracking away and suddenly we fracked right back to the surface because they had not put the amount of cement behind the pipe that they said they did, and we thought our perforations were covered by cement but they weren't; or somebody can drop something in the hole. You never know what you are going to encounter on re-entry, and we have done about nine in this area I guess, so we are probably about as experienced here as anyplace. You just go in there with hope in your heart that you won't encounter anything that will keep you from getting down to where you just have to start drilling a new hole right there.

Q You have asked that Burleson and Huff be designated as the operator of this well?

A Yes, sir, we have.

Q And you do ask that all the interests set out in the Application be pooled for the formation of the non-standard Jalmat well and the Langlie Mattix 40-acre unit?

A Correct.

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

Q To be effective dependent upon the production from those two zones?

A Yes, sir.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes, sir, they were.

MR. KELLAHIN: At this time I offer into evidence Exhibits 1 and 2.

MR. STAMETS: They will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 and 2 were admitted into evidence.)

MR. KELLAHIN: That is all we have, Mr. Stamets.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Huff, if you complete in the Langlie Mattix as an oil well will you need the non-standard location or non-standard unit for the Jalmat Pool?

A No, sir, at least -- we certainly wouldn't immediately. Perhaps at a later date we might plug it back but I guess we could then come and reapply for that unless we could get an order now that would be effective

for a plug-back at a later date when the Queen has been depleted. Did I answer that satisfactorily? In other words, if we could, I would like to get an order that would permit us to go ahead and plug it back after the Queen is depleted, so in the event we can't, why, we will simply reapply for the non-standard unit and the non-standard location at a later date.

Q If you did get a Langlie Mattix well, it could be a considerable period of time?

A Yes, sir, it could. We would hope so.

Q Any possibilities of dually completing the well?

A I don't think so because we don't care much for dual completions in that area.

Q How long would it be following completion of the well before you know whether or not you would be needing the Jalmat zone immediately?

A Well, I would think we would probably know within about three months; three months of production history should tell us. If we might get an order that might specify a certain length of time, I would ask then that we get at least six months though, just to have a little bit of a cushion there.

Q I believe you said that you had done nine wells

in the area, something like this. How many of those nine have been an economic success?

A Do you want an exact figure on that or would --

Q (Interrupting) Approximate figure.

A All right. Well, I would say approximately six of them.

Q About 2/3rds?

A Yes, sir.

Q I believe you were here during the last case where risk was again discussed.

A Yes, sir.

Q In relationship to a 14,000-foot well to the Morrow formation, a notorious formation to say the least. Risk is a question which apparently has many answers so far as the Examiner can tell. Can you compare the risk which you are taking in this well with the risk which an operator would experience in drilling the well in the previous case?

A Well, I don't know the geology of that area too well; I do know that drilling a Morrow well can be a tricky business because sands come and go and they tighten up on you and then they'll get permeable and have good porosity for you. As far as opportunity to

just recover production itself, there probably isn't too much difference in it, in view of the fact that the Morrow there was offset and we have wells in the Penrose and in the Yates in this general area that are not too far distant from us. As far as the money is concerned, it is true that theirs is deep, but then the risk factor, if you put it on a money basis, is strictly proportionate throughout anyway because the amount that we would recover would be proportionate to what we spent and so would theirs. So, I would think that factor would be all even.

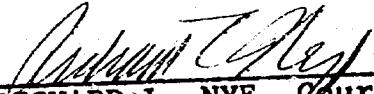
MR. STAMETS: Any other questions of the Witness? He may be excused. Anything further in this Case?

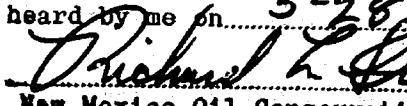
MR. KELLAHIN: That's all we have.

MR. STAMETS: We'll take the Case under advisement.

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5494 heard by me on 5-28-73.
, 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
Santa Fe

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF BURLESON AND HUFF FOR COMPUL-
SORY POOLING, APPROVAL OF A NON-
STANDARD UNIT AND UNORTHODOX WELL
LOCATION, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

COMES NOW BURLESON AND HUFF and apply to the Oil
Conservation Commission of New Mexico for compulsory
pooling in the Langlie-Mattix Oil Pool and the Jalmat
Gas Pool, and for approval of a non-standard unit and
an unorthodox well location in the Jalmat Gas Pool,
and in support thereof would show the Commission:

1. Applicant proposes to re-enter its Burleson and
Huff No. 2 Dabbs well, located 330 feet from the North
line and 990 feet from the West line of Section 35, Town-
ship 25 South, Range 37 East, NMPM, Lea County, New Mexico,
and to complete it for the production of oil from the Queen
formation in the Langlie-Mattix Pool, or in the alternative
to complete it for the production of gas from the Jalmat
Gas Pool, or both.

2. As to the Langlie-Mattix pool, applicant will
dedicate the NW/4 NW/4 of Section 35 to the well as a
proration unit, and as to the Jalmat Gas Pool, applicant
will dedicate the NW/4 of Section 35 to the well as a
non-standard gas proration unit.

3. Applicant is the owner of the right to drill and
develop the acreage as to both pools, and proposes to drill
as stated herein.

See next Page

DOCKET MAILED
Date 5/16/75

4. There are other interest owners who have not consented to the drilling and re-completion of said well whose names, addresses, and respective interests, to the best of applicant's information and belief, are as follows:

Roscoe C. Crabb, Jr., Coynosa, Texas 79730 - 1/48
David Bond Kyte, 802 Alameda: Padre Serra, Santa Barbara, California 93103 - 3/128
Helen Joan Holt c/o Robert B. Holt, Suite 801 1st National Bank Bldg., Midland, Texas 79701 - 5/320
Charles Franklin Knight II, 118 S. Main St., Las Cruces, New Mexico 88001
Amoco Production Company, Box 3092, Houston, Texas 77001 - 1/16
Jessie & Hollis Galesi c/o M. Michael Galesi, #50 Galesi Dr., Rt. 46 @ 23, Wayne, NM 07470 - 1/32
Onez Norman Rooney c/o Lytle, Soule & Emery, 2210 1st National Center, Oklahoma City, Ok. 73102 - 1/64
Munro Longyear Lyeth, surviving tenant, c/o Lytle, Soule & Emery, 2210 1st National Center, Oklahoma City, Okla. 73102 - 1/64
Betty M. Dreesen, 27477 Edgerton Road, Los Altos, Calif. 84022

DOCKET MAILED

5/16/75

5. Approval of the compulsory pooling, non-standard unit, and unorthodox well location is in the interests of conservation, will prevent the drilling of unnecessary wells, will enable applicant to recover its just and equitable share of the oil and gas underlying its lands, and the correlative rights of all interest owners and offsetting owners will be protected.

WHEREFORE applicant prays that this application be set for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all interests, whatever they may be, underlying the two described tracts, designating applicant as operator, together with provision for applicant to recover its costs of re-entering, drilling

and completing the well, recovering its costs of supervision and operation, together with a charge for the risk involved in re-entering, drilling and completing the well, and for such other provision as may be proper.

Respectfully submitted,

BURLESON AND HUFF

BY James W. Kellahin
BELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEY FOR APPLICANT

LEWIS B. BURLESON

JACK HUFF

BURLESON & HUFF

OIL PROPERTIES

BOX 935 - PHONE 683-4747
MIDLAND, TEXAS 79701

JAN 14 1976

January 12, 1976 CONSERVATION COMM.
Santa Fe

*Richard Stamets
Examiner*

R. L. H.

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case Number 5494, Order
Number R-5040
Burleson & Huff Dabbs # 2
NW/4 NW/4 of Section 35,
T-25-S, R-37-E, Lea County

Gentlemen:

Enclosed are actual well costs incurred in the re-entry and completion of the above well as required by the Commission's Order.

A copy of these well costs has been mailed to all working interest owners.

The escrow agent for proceeds from production not disbursed for any reason shall be the Lovington National Bank, Lovington, New Mexico 88260.

Yours very truly,

BURLESON & HUFF

Jack Huff
Jack Huff

JH/sw

Enc:

WELL COSTS FOR BURLESON &
HUFF DABBS # 2 WELL LOCATED
330 Feet from the North and
990 feet from the West Lines
of Section 35, T-25-S, R-37-E,
Lea County, New Mexico

1 Fairbanks Morse Motor	\$ 1,000.00
3200' of rods	1,600.00
3200' of tubing	4,640.00
1 Continental Emsco D-57 pumping unit	4,500.00
Test Tank Rental	200.00
Supervision of Re-entry, 1 month	600.00
Supervision expenses, mileage, meals & telephone	49.00
Miscellaneous gauges & fittings	75.98
Miscellaneous gauges & fittings	46.37
Hauling rods	187.33
Misc. nuts, bolts & washers	35.47
Install flow line, pumpjack & test tank	674.33
Building skid & rails for pump jack	508.48
Repair magneto	22.38
Misc. fittings	108.53
Misc. fittings	213.79
Move tubing	217.00
Pump	150.00
Haul water	93.34
Acidize	308.44
Unit to clean out well, run tubing & rods	858.00
Emsco Wrist Pin bearing assembly	269.98
Unit to swab, test & set pump	1,182.25
Pressure Valve	78.75

\$17,619.42

LEWIS B. BURLESON

JACK HUFF

BURLESON & HUFF

OIL PROPERTIES
BOX 935 - PHONE 683-4747
MIDLAND, TEXAS 79701

June 26, 1975

Case 5494

Examiner Stamets

New Mexico Oil Conservation Commission
Post Office Box 2308
Santa Fe, New Mexico 87501

Re: Estimated Costs for Burleson & Huff
Dabbs #2 Well Re-Entry : Order No. R-5040

Gentlemen:

Enclosed is our estimate of well costs for the above re-entry. A copy of this estimate has been sent to all working interest owners.

We hereby designate the Lovington National Bank in Lovington, New Mexico as escrow agent for any proceeds from production from the above well which may not be disbursed.

Yours very truly,

BURLESON and HUFF

Jack Huff
Jack Huff

JH:slr
Enclosure

slr

ESTIMATED COSTS FOR BURLESON & HUFF
DABBS #2 WELL RE-ENTRY

Burleson and Huff will re-enter and clean out the above well to a depth of about 3300'. The Penrose section will be perforated from about 3250'-3275' and will be tested and acidized. If results are encouraging that zone will be fractured. If the well is not commercial at that depth it will be plugged back to the Yates formation at about 3050' and completion will be attempted in the Yates.

The estimated well costs for the above operations (except for the possible plug back to the Yates) are as follows:

TANGIBLES

Tanks and separator.	\$ 9,000.00
Pumping unit	3,000.00
Rods	2,000.00
Tubing	6,000.00
Miscellaneous	<u>1,000.00</u>
Total Tangibles	\$21,000.00

INTANGIBLES

Drill out	\$ 1,500.00
Acidize	1,000.00
Frac	5,000.00
Unit for 10 days	<u>5,000.00</u>
Total Intangibles	\$12,500.00

Total Tangibles & Intangibles	\$33,500.00
Plus 15% Contingency	<u>5,025.00</u>

GRAND TOTAL \$38,525.00

(3) That the applicant has the right to drill and proposes to drill a well at an orthodox location in said Section 5.

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

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

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

(8) 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.

(9) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional ¹⁵⁰ ~~200~~ percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) 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.

(11) That following determination of reasonable well costs, any non-consenting working interest owner that 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.

\$600.00

(12) That ~~\$1500.00~~ per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$100.00 per month should be fixed as a reasonable charge for supervision while producing; that the operator should be 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 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.

Expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) 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.

(14) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit, ~~is~~ *are* dedicated on or before September 15, 1975, the order pooling said unit, should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Yates formation underlying the NW/4 of Section 35, Township 25 South, Range 37 East, NMPM, Jalnet Gas Pool, Lea County, New Mexico are hereby pooled to form a non-standard 160-acre gas spacing and production unit to be dedicated to applicant's Dabbs Well No. 2 ~~located~~ *at* an unorthodox gas well location 330 feet from the North line and 990 feet from the West line of said Section 35.

(2) That all mineral interests, whatever they may be in the Queen formation underlying the NW/4 NW/4 of said Section 35, Langlie Matrix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and production unit to be dedicated to said Dabbs Well No. 2.

redrilling

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1973, and shall thereafter continue the drilling of said well with due diligence to ^{an extent} ~~a depth~~ sufficient to test the ~~Pennsylvanian~~ Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the ^{redrilling} drilling of said well on or before the 15th day of September, 1973, 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 Orders (1) ^{and (2)} of this order should not be rescinded.

Provided Further, That should the well be completed as a single producer only, the Secretary Director of the Commission may rescind ~~that portion of~~ that portion of this order affecting the ~~area~~ uncompleted zone upon a showing of good cause by any of the affected parties.

(3) That ~~Bear Lessor~~ ^{re-drilling} ~~is hereby designated~~ the operator of the subject well and unit.

(4) That after the effective date of this order and ^{within} at least 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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 ~~re-~~drilling of the well, 150 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.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

~~1,600.00~~
(10) That ~~\$1,650.00~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that ~~\$100.00~~ per month is hereby fixed as a reasonable charge for supervision while producing; 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.

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.

(12) 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.

(13) 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.

(14) 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.

DRAFT

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. 5494

Order No. R- 5040

Application of Burleson and Huff for compulsory pooling, a non-standard gas proration unit, and an unorthodox location, Lea County, New Mexico.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 28, 1975, at Santa Fe, New Mexico, before Examiner RLS.

NOW, on this June day of 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 the applicant, Burleson and Huff, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 35, Township 25 South, Range 37 East, Lea County, New Mexico, and in the Langlie Mattix Pool underlying the NW/4 NW/4 of said Section 35 to form a non-standard 160-acre Jalmat gas proration unit and a standard 40-acre Langlie Mattix oil proration unit, each to be dedicated to applicant's Dabbs Well No. 2, located at an unorthodox Jalmat gas well location 330 feet from the North line and 990 feet from the West line of said Section 35.

respectively,

(3) That the ownership under the NW/4 of said Section 35 is identical whether by deed or by operation of law.

(4) That the applicant ~~proposes to run~~ has the right to and proposes to ~~re-enter~~ re-drill said Dabbs Well No 2 at the above-described location.

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. 5494
Order No. R-5040

APPLICATION OF BURLESON AND HUFF
FOR COMPULSORY POOLING, A NON-
STANDARD GAS PRORATION UNIT, AND
AN UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 28, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of June, 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 the applicant, Burleson and Huff, seeks an order
pooling all mineral interests in the Jalmat Gas Pool underlying
the NW/4 of Section 35, Township 25 South, Range 37 East, Lea
County, New Mexico, and in the Langlie Mattix Pool underlying
the NW/4 NW/4 of said Section 35 to form a non-standard 160-
acre Jalmat gas proration unit and a standard 40-acre Langlie
Mattix oil proration unit, respectively, each to be dedicated
to applicant's Dabbs Well No. 2, located at an unorthodox Jalmat
gas well location 330 feet from the North line and 990 feet from
the West line of said Section 35.

(3) That the ownership under the NW/4 of said Section 35
is identical for both zones.

(4) That the applicant has the right to and proposes to
re-enter and re-drill said Dabbs Well No. 2 at the above-described
location.

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

-2-

Case No. 5494
Order No. R-5040

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

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

(8) 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.

(9) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) 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.

(11) That following determination of reasonable well costs, any non-consenting working interest owner that 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.

(12) That \$600.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$100.00 per month should be fixed as a reasonable charge for supervision while producing; that the operator should be 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 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.

(13) 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.

(14) That upon the failure of the operator of said pooled unit to commence re-drilling of the well to which said units are dedicated on or before September 15, 1975, the order pooling said units should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Yates formation underlying the NW/4 of Section 35, Township 25 South, Range 37 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas spacing and proration unit to be dedicated to applicant's Dabbs Well No. 2 at an unorthodox gas well location 330 feet from the North line and 990 feet from the West line of said Section 35.

(2) That all mineral interests, whatever they may be in the Queen formation underlying the NW/4 NW/4 of said Section 35, Langlie Mattix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to said Dabbs Well No. 2.

PROVIDED HOWEVER, that the operator of said units shall commence the re-drilling of said well on or before the 15th day of September, 1975, and shall thereafter continue the re-drilling of said well with due diligence to an extent sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the re-drilling of said well on or before the 15th day of September, 1975, 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 Orders (1) and (2) of this order should not be rescinded.

PROVIDED FURTHER, that should the well be completed as a single producer only, the Secretary-Director of the Commission may rescind that portion of this order affecting the uncompleted zone upon a showing of good cause by any of the affected parties.

(3) That Burleson and Huff is hereby designated the operator of the subject well and unit.

(4) That after the effective date of this order and within 30 days prior to commencing re-drilling 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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 re-drilling of the well, 150 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.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That \$600.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$100.00 per month is hereby fixed as a reasonable charge for supervision while producing; 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.

-5-

Case No. 5494
Order No. R-5040

(11) 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.

(12) 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.

(13) 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.

(14) 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

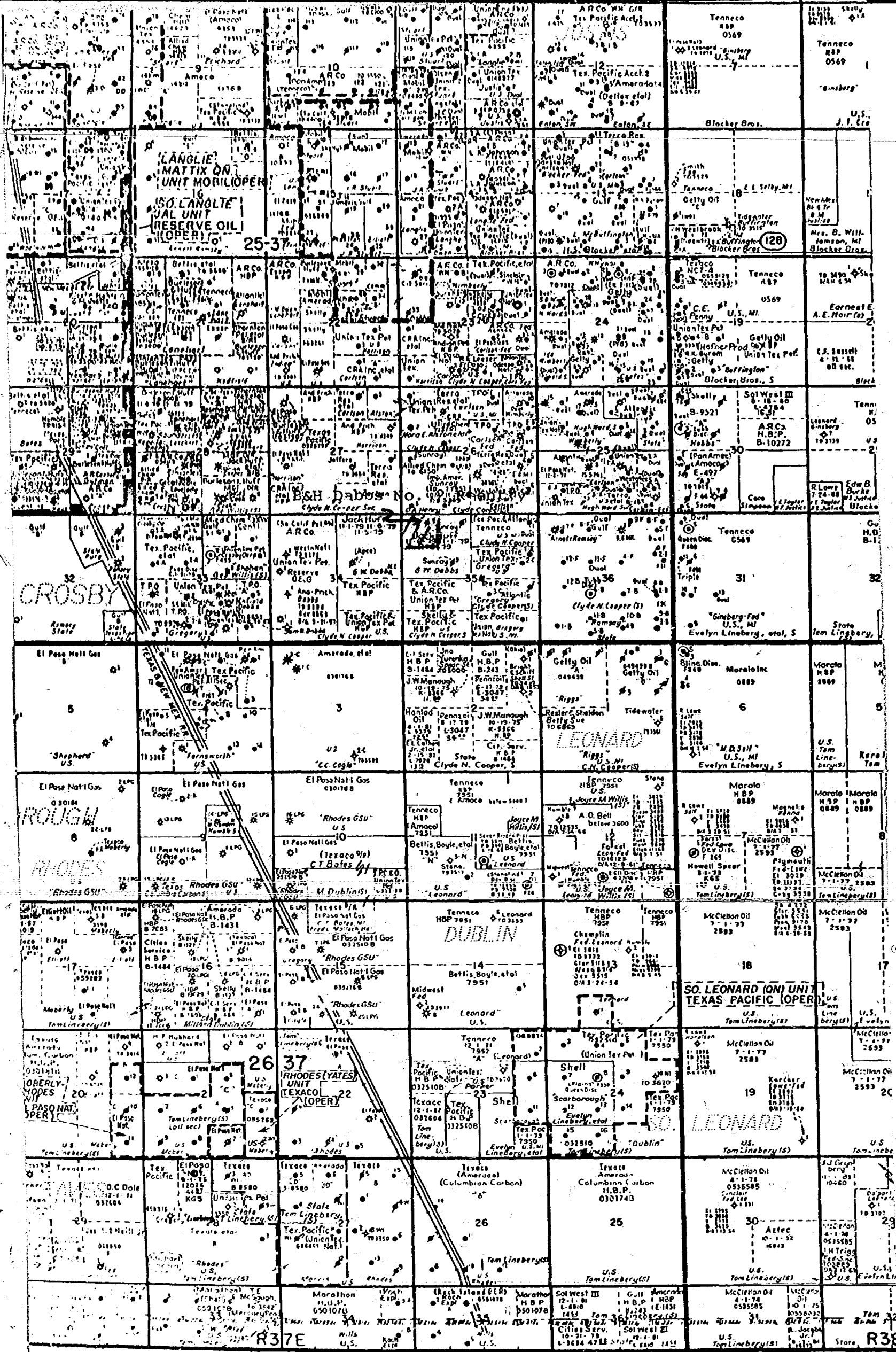
I. R. TRUJILLO, Chairman

PHIL R. LUCERO, Member

JOE D. RAMEY, Member & Secretary

S E A L

jr/



TEXAS LEGEND

Ownership Map

ESTIMATED COSTS FOR BURLESON & HUFF DABBS NO. 2 WELL REENTRY

The Burleson & Huff No. 2 Dabbs well (previously Imperial American No. 2 Dabbs) was producing through perforations from 3168 to 3222 feet. The plug back depth is 3226 feet. Liner is set from 3020 to 3315 feet. Burleson & Huff propose to reenter and clean out the well to a depth of 3300 feet. We will perforate the penrose section from 3250 to 3275 feet. The Penrose will be tested and acidized and perhaps fractured. The well will be put back on production, and we will produce the well from the new Penrose perforations and the present Queen perforations. If the well is not commercial at that depth, we will plug back to the Yates formation at about 3050 feet and attempt completion there where it is anticipated that gas production will be obtained.

The estimated well costs for the above operations (except for the possible plug back to the Yates) are as follows:

TANGIBLES

Tanks and separator	\$9,000.00
Pumping unit	3,000.00
Rods	2,000.00
Tubing	6,000.00
Miscellaneous	<u>1,000.00</u>
Total Tangibles	\$21,000.00

INTANGIBLES

Drill out	\$1,500.00
Acidize	<u>1,000.00</u>
Frac	5,000.00
Unit for 10 days	<u>5,000.00</u>
Total Intangibles	\$12,500.00
Total Tangibles & Intangibles	\$33,500.00
Plus 15% Contingency	<u>5,025.00</u>
Grand Total	\$38,525.00

CASE 5492: Application of David Fasken for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Canyon and Morrow production in the wellbore of his El Paso Federal Well No. 2, located in Unit M of Section 2, Township 21 South, Range 26 East, Avalon Field, Eddy County, New Mexico.

CASE 5493: Application of Texas West Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 5, Township 24 South, Range 34 East, Bell Lake Field, Lea County, New Mexico, to be dedicated to a well to be drilled at an orthodox location for said unit in Unit G of said Section 5. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5494: Application of Burleson and Huff for compulsory pooling, a non-standard gas proration unit, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 35, Township 25 South, Range 37 East, Lea County, New Mexico, and in the Langlie Mattix Pool underlying the NW/4 NW/4 of said Section 35 to form a non-standard 160-acre Jalmat gas proration unit and a standard 40-acre Langlie Mattix oil proration unit, each to be dedicated to applicant's Dabbs Well No. 2, located at an unorthodox Jalmat gas well location 330 feet from the North line and 990 feet from the West line of said Section 35. Also to be considered will be the cost of re-entering, 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 will be the designation of the applicant as operator of the well and a charge for the risk involved in re-entering, drilling, and completing said well.

Docket No. 12-75

Docket No. 13-75 is tentatively set for hearing on June 11, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 28, 1975

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

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

CASE 5468: (Continued from the April 30, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Kenneth M. Hankins, Great American Insurance Company, and all other interested parties to appear and show cause why the Virginia Branch Well No. 1, located in Unit D of Section 9, Township 10 North, Range 25 East, Guadalupe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5485: Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Tidwell ED Well No. 1, located in Unit P of Section 22, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Mexico, in such a manner as to produce gas from the Atoka and Morrow formations through the tubing-casing annulus and tubing, respectively.

CASE 5486: Application of Yates Petroleum Corp. for two unorthodox gas well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well locations for two proposed wells adjacent to the Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, the first to be located in the center of Unit O of Section 25, Township 17 South, Range 25 East, the E/2 of said Section 25 to be dedicated to the well, and the second to be located in the center of Unit M of Section 31, Township 17 South, Range 26 East, the W/2 of said Section 31 to be dedicated to the well.

CASE 5487: Application of J. I. O'Neill, Jr., for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the disposal of produced salt water by injection into the San Andres formation through the perforated interval from 4852 feet to 5001 feet in his State L Well No. 2, located in Unit N of Section 16, Township 8 South, Range 36 East, South Prairie-San Andres Pool, Roosevelt County, New Mexico.

CASE 5488: Application of Texas Pacific Oil Co. for pool contraction and extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order contracting the vertical limits of the Jalmat Gas Pool underlying the N/2 NE/4 and the SE/4 NE/4 of Section 4, Township 23 South, Range 36 East, Lea County, New Mexico, by the deletion therefrom of the lowermost 160 feet of the Seven Rivers formation, and the concurrent extension of the vertical limits of the Langlie Mattix Pool underlying said lands to include therein the said lowermost 160 feet of the Seven Rivers formation, further to similarly contract the vertical limits of the Jalmat Gas Pool underlying the NW/4 SW/4 of Section 3, Township 23 South, Range 36 East, by the deletion of the lowermost 135 feet of the Seven Rivers and the concurrent extension of the Langlie Mattix Pool to include the lowermost 135 feet of the Seven Rivers.

CASE 5489: Application of Texas Pacific Oil Co., Inc. for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the expansion of its Jalmat State "A" and/or its Langlie Mattix State "A" waterflood projects, Jalmat and Langlie Mattix Pools, by the injection of water into the Seven Rivers and Queen formations through its State "A" Wells Nos. 47 and 63 located, respectively, in Units K and I of Section 3 and its State "A" Well No. 84, located in Unit G of Section 23, all in Township 23 South, Range 36 East, Lea County, New Mexico.

CASE 5490: Application of Tenneco Oil Co. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water by injection into the Strawn formation through the perforated interval from 11,164 feet to 11,470 feet in its Jones Federal "D" Well No. 1, located in Unit E of Section 24, Township 19 South, Range 31 East, Lusk-Strawn Pool, Eddy County, New Mexico.

CASE 5491: Application of Murphy H. Baxter for an unorthodox oil well location and an administrative procedure, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox oil well location for a well to be drilled 1980 feet from the North line and 1460 feet from the East line of Section 1, Township 18 South, Range 33 East, North EK-Queen Pool, Lea County, New Mexico. Applicant further seeks the establishment of an administrative procedure whereby additional wells at unorthodox locations in the North EK-Queen Unit Area could be approved without notice and hearing.

CASE 5469: (Continued and Readvertised)

Application of Read & Stevens for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 990 feet from the South and West lines of Section 7, Township 15 South, Range 28 East, Chaves County, New Mexico, in exception to the Buffalo Valley-Pennsylvanian Gas Pool Rules.