

1 CASE 5666: BELCO PETROLEUM CORP. FOR  
COMPULSORY POOLING AND AN UNORTHODOX  
GAS WELL LOCATION, EDDY COUNTY, NM

CASE NO.

5666

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

10000 Old Katy Road  
Suite 100  
Houston, Texas 77055  
Telephone (713) 932-4700  
Cable: BELPETEX

**Belco Petroleum Corporation**

**Belco**

*Examiner  
Rutter*

January 27, 1977

*File Case 5666*

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

RE: Belco Douglass Com-1  
Section 7, T22S-R27E  
Eddy County, New Mexico

Gentlemen:

Pursuant to Order No. R-5209, Case No. 5666, paragraph No. 5  
of said Order of the New Mexico Oil Conservation Commission, please  
find attached Belco's itemized schedule of actual well costs for the  
Belco No. 1 Douglass Com-1.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Lee G. Nering*

Lee G. Nering  
Administrative Geologist

LGN/b

Attachment

50	CHG	PROPERTY NAME & NUMBER (27)										AUTH DATE (6)				LOCATION (27)													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27			
18		Douglass #1										TOTAL COSTS THROUGH DECEMBER 31, 1976				Sec. 7, T22S, R27E													
TYPE OF WORK (23)										P. DEPTH (8)				FORMATION				FIELD NAME				CONTRACTOR				RIG TYPE			
Development - Gas										11,600'				Morrow				Carlsbad, S., Morrow								Rotary			
50	CHG	PROSPECT NAME (22)										STATE (15)				COUNTY / PARISH (15)				CORP. W.I.									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27			
19		Avalon										New Mexico				Eddy													

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO		CHG	PROPERTY NO.	7412012	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6	7	8
20			INTANGIBLE EXPENSE		21	22	23
18	20				24	25	26
			Rig Expenditure				
			Move In & Out	=			
			Drilling	Ft. @ \$ /Ft.			
			Daywork	=			
			Completion/W.O. Unit	=			
218			Total Rig Expenditure		165,703	11,517	177,220
612			Location - Roads, Row & Damages		6,637	4,500	11,137
204			Contract Professional Services		262	2,203	2,465
210			Misc. Contract Labor		5,895	2,252	8,147
418			Mud & Additives		26,804		26,804
220			Mud Logging				
424			Bits		13,194	3,457	16,651
228			Tubular Testing/Inspection		6,559		6,559
230			CSG/TBG Crews/Tools		4,082	3,020	7,102
422			Float Eq., Cent & Scratchers		4,317		4,317
420			Cement & Additives		13,398	6,594	19,992
236			Pump Truck/Skid Unit Serv. & Cmt. Tools		3,097	7,009	10,106
222			Coring & Analysis				
224			Elec. Line - Logs, Perf, Production, Etc.		23,707	7,148	30,855
226			Well Testing - DST, Wireline, Etc.		775		775
512			Eq. Rntls. - Surface/Downhole		4,769	6,020	10,789
950			Directional Drilling Expense				
234			Transportation - Land - Marine		8,341	4,164	12,505
410			Fuel, Power & Water		3,435	86	3,521
930			Well Stimulation		2,191	8,207	10,398
808			Insurance & Bonds				
920			Misc. & Contingency		4,723	4,450	9,173
102					3,846	2,455	6,301
			TOTAL INTANGIBLE EXPENSE		301,735	73,082	374,817

SO		CHG	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6	7
20				732	736	
			CSG. & LINER			
			Drive	Ft. O.D. @ \$ /Ft. =		
			Cond.	Ft. O.D. @ \$ /Ft. =		
			Surf.	Ft. O.D. @ \$ /Ft. =		
			Intr.	Ft. O.D. @ \$ /Ft. =		
			Prod.	Ft. O.D. @ \$ /Ft. =		
			Liner	Ft. O.D. @ \$ /Ft. =		
426			TOTAL		128,978	29,139
432			TUBING	Ft. O.D. @ \$ /Ft. =		30,632
430			WELLHEAD EQUIPT.		9,117	15,385
438			WELL PROD. EQUIPT. SURFACE			
440			WELL PROD. EQUIPT. DOWNHOLE			5,711
442			PROD. FACILITIES-TANKS, EQUIPT. & LINES			19,064
450			MARINE PLATFORMS			
452			OFFSHORE PROD. FACILITIES			
			TOTAL TANGIBLE EXPENSE		138,095	99,931
			TOTAL WELL COST		439,830	173,013

P.O. Box 19234  
8707 Katy Freeway  
Houston, Texas 77024  
Telephone (713) 461-2662  
Cable: BELPETEX

**Belco Petroleum Corporation**

**Belco**

May 14, 1976

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

RE: Belco Douglass Com-1  
Section 7, T22S-R27E  
Eddy County, New Mexico

*Examiner  
Nutter*

*File Case  
No. 5666  
AKC*

Gentlemen:

Pursuant to Order No. R-5209, Case No. 5666, paragraph No. 3  
of said Order of the New Mexico Oil Conservation Commission, please  
find attached Belco's itemized schedule of estimated well costs for  
the Belco No. 1 Douglass Com-1.

A copy of the estimated well costs has been sent to each of  
the working interests.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Lee G. Nering*  
Lee G. Nering  
Administrative Geologist

LGN/b

Attachment

DIVISION <span style="border: 1px solid black; padding: 0 20px;"> </span>		<b>BELCO PETROLEUM CORPORATION</b> <b>AUTHORIZATION FOR EXPENDITURE</b>				COMPANY <span style="border: 1px solid black; padding: 0 20px;">05</span> ALL NO <span style="border: 1px solid black; padding: 0 20px;">T5/25</span>	
REV DT. <span style="border: 1px solid black; padding: 0 20px;"> </span>							
50	CHG	PROPERTY NAME & NUMBER (22)				AUTH DATE (6)	LOCATION (22)
1	2	3	4	5	6	7	8
18		DOUGLASS #1					2410' FNL & 560' FEL, Sec. 7, T-22-5, R-27-E
66		TYPE OF WORK (23)		P. DEPTH (18)		FORMATION	FIELD NAME
		Development-Gas		11600'		Morrow	Carlsbad, S., Morrow
							CONTRACTOR
							Rotary
50		CHG		PROSPECT NAME (22)		STATE (15)	COUNTY / PARISH (15)
1	2	3	4	5	6	7	8
19		Avalon		New Mexico		Eddy	

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

50	CHG	PROPERTY NO. <u>7412012</u>	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20		INTANGIBLE EXPENSE	730	734	
18	20		24	24	32
		Rig Expenditure			
		Move In & Out			
		Drilling <u>10,000</u> Ft. @ \$ <u>11.50</u> /Ft. = <u>\$115,000</u>			
		Daywork <u>21</u> days @ \$2750/Day = <u>58,000</u>			
		Completion/W.O. Unit <u>10</u> days @ \$900/Day = <u>9,000</u>			
218		Total Rig Expenditure	\$ 173,000	\$ 9,000	\$ 182,000
612		Location - Roads, Row & Damages	20,000	2,000	22,000
204		Contract Professional Services	2,000	2,000	4,000
210		Misc. Contract Labor	-	3,000	3,000
418		Mud & Additives	30,000	5,000	35,000
220		Mud Logging	2,000	-	2,000
424		Bits	10,000	2,000	12,000
228		Tubular Testing/Inspection	-	4,000	4,000
230		CSG/TBG Crews/Tools	-	3,000	3,000
422		Float Eq., Cent & Scratchers	1,000	1,000	2,000
420		Cement & Additives	15,000	7,000	23,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools	-	-	-
222		Coring & Analysis	-	-	-
224		Elec. Line - Logs, Perf, Production, Etc.	9,000	2,000	11,000
226		Well Testing - DST, Wireline, Etc.	-	1,000	1,000
512		Eq. Rntls. - Surface/Downhole	20,000	2,000	22,000
950		Directional Drilling Expense	-	-	-
234		Transportation - Land - Marine	5,000	3,000	8,000
410		Fuel, Power & Water	15,000	2,000	17,000
930		Well Stimulation	-	7,000	7,000
808		Insurance & Bonds	-	-	-
920		Misc. & Contingency	28,000	6,000	34,000
		<b>TOTAL INTANGIBLE EXPENSE</b>	<b>\$ 330,000</b>	<b>\$ 61,000</b>	<b>\$ 391,000</b>

50	CHG	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20		TANGIBLE EXPENSE	732	736	
		CSG. & LINER			
		Drive <u>400</u> Ft. <u>16"</u> O.D. @ \$ <u>19.69</u> /Ft. = <u>\$ 8,000</u>			
		Cond. <u>1800</u> Ft. <u>10-3/4"</u> O.D. @ \$ <u>11.31</u> /Ft. = <u>20,000</u>			
		Intr. <u>8000</u> Ft. <u>7-5/8"</u> O.D. @ \$ <u>10.73</u> /Ft. = <u>86,000</u>			
		Prod. <u>4000</u> Ft. <u>5"</u> O.D. @ \$ <u>9.60</u> /Ft. = <u>38,000</u>			
426		TOTAL	\$ 114,000	\$ 38,000	\$ 152,000
432		TUBING <u>11500</u> Ft. <u>2-7/8" EUB</u> @ \$ <u>3.20</u> /Ft. = <u>37,000</u>	-	37,000	37,000
430		WELLHEAD EQUIPT.	4,000	22,000	26,000
438		WELL PROD. EQUIPT. SURFACE	-	-	-
440		WELL PROD. EQUIPT. DOWNHOLE	-	5,000	5,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES	-	20,000	20,000
450		MARINE PLATFORMS	-	-	-
454		OFFSHORE PROD. FACILITIES	-	-	-
		<b>TOTAL TANGIBLE EXPENSE</b>	<b>\$ 118,000</b>	<b>\$ 122,000</b>	<b>\$ 240,000</b>
		<b>TOTAL WELL COST</b>	<b>\$ 448,000</b>	<b>\$ 183,000</b>	<b>\$ 631,000</b>

**BEFORE EXAMINER NUTTER**  
 OIL CONSERVATION COMMISSION  
 Belco EXHIBIT NO. 8  
 CASE NO. 5666

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
April 14, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.

CASE  
5666

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:	William F. Carr, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & FOX Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

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1 MR. NUTTER: We will call Case Number 5666.

2 MR. CARR: Case 5666, application of Belco Petroleum  
3 Corporation for compulsory pooling and an unorthodox gas well  
4 location, Eddy County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,  
6 Santa Fe, New Mexico appearing on behalf of the applicant and  
7 I have two witnesses to be sworn.

8 (THEREUPON, the witnesses were duly sworn.)

9  
10 MARY WARD

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

13  
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q. Would you please state your name, by whom you are  
17 employed and in what capacity?

18 A. My name is Mary Ward and I'm employed by Belco  
19 Petroleum Corporation in Midland, I'm a landman.

20 Q. Ms. Ward, have you previously testified before the  
21 Commission?

22 A. No, I haven't.

23 Q. How long have you been employed in the land depart-  
24 ment for Belco Petroleum Corporation?

25 A. Going on five years.

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1 Q And have you made a study of the status of ownership  
2 of the east half of Section 7, the subject matter of this  
3 particular application?

4 A Very definitely, several years on it.

5 MR. KELLAHIN: If the Examiner please, we tender  
6 this witness to testify as to the status of ownership for this  
7 particular half section and the notification effort she has  
8 made to attempt to get joiner of the non-consenting parties.

9 MR. NUTTER: That's fine, go ahead.

10 Q (Mr. Kellahin continuing.) Ms. Ward, would you  
11 please refer to Exhibit Number One which is your plat and  
12 identify the subject acreage?

13 A Exhibit Number One is really a plat showing our  
14 proposed unit in relation to the Eddy County Avalon area.

15 Q The subject area will be the east half of Section  
16 7, is that correct?

17 A That's right.

18 Q All right, please turn to what has been marked as  
19 Exhibit Number Two and identify it?

20 A Exhibit Number Two is a land plat showing the  
21 various town lots in and outside of the city limits of  
22 Carlsbad.

23 Q Would you explain to me what the color code  
24 signifies?

25 A Yes, all of the yellow are town lot and leased

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1 acreage by Belco. Cities Service you will see in pink,  
2 Bennett is in the blue and to the south there. May is this  
3 acreage slashed with Belco. We have a half interest in that  
4 tract. Southern Union is that small orange bit right over  
5 there by the gun shed and I've marked FP, compulsory pooling  
6 on six town lots. They've not agreed to go with us. Mr. Grace  
7 is shown in green, Michael P. Grace and he has not responded  
8 to our request.

9 Q Attached to Exhibit Number Two is a compilation of  
10 the individuals that as of the date of filing the application  
11 have not participated, is that correct?

12 A Yes, that's right.

13 Q What is the total acreage to be force pooled?

14 A Including Mr. Grace's, forty-two point eight, seven,  
15 thirty-three acres.

16 Q And what percentage does that acreage represent to  
17 the total?

18 A Thirteen point five, one, four, seven.

19 Q All right. Please refer to what has been marked as  
20 Exhibit Number Three and identify it beginning with the first  
21 letter of correspondence?

22 A Yes, this represents ten out of a hundred and forty,  
23 almost, town lot leases that were not leased to individuals  
24 or companies and so I wrote letters to everyone of them giving  
25 them the choice of either leasing to us or joining with us in

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1 the drilling of this well or possibly being force pooled. I've  
2 sent everyone of them a stamped envelope and a second sheet  
3 with a box on it, you know, where they could just check it  
4 and send it back and I did get responses. You can see we have  
5 marked that Southern Union did join and three others that I  
6 wrote to did lease. These were sent registered mail which is  
7 my next exhibit.

8 Q Your exhibit dated February 24th, 1976 represents  
9 what?

10 A Well, it was proposed. I figured these people  
11 would probably join like working interest with Belco, so I  
12 wrote them a separate letter setting out acreage and percentage.

13 Q And what response did you get from that letter?

14 A Everyone is joining except I did not hear from  
15 Mr. Grace.

16 Q Please refer to what has been marked Exhibit  
17 Number Six, a letter dated March 17th, 1976?

18 A I again wrote to Mr. Grace and sent it registered  
19 mail, which is Exhibit Seven, his receipt, telling him again  
20 about the well and asking him that he join since he did have  
21 quite a few acres in there I thought perhaps he would like to  
22 reconsider.

23 Q What, if any, response did you get to Exhibit Number  
24 Six?

25 A The return receipt.

1 MR. KELLAHIN: That concludes our examination of  
2 this witness.

3  
4 CROSS EXAMINATION

5 BY MR. NUTTER:

6 Q So actually what is the total outstanding interest  
7 now, Ms. Ward, that has not been leased or has not agreed to  
8 join?

9 A Well, as I said, with Mr. Grace it will be a total  
10 of forty-two point eighty-seven, thirty-three acres.

11 Q And that's the list that is included on this exhibit  
12 here?

13 A Yes, I believe I attached that right behind my  
14 land plat, that says forced pool list.

15 Q Yes.

16 MR. KELLAHIN: Excuse me, that should be an  
17 attachment to Exhibit Number Two.

18 MR. NUTTER: And Exhibit Number Two is the plat?

19 MR. KELLAHIN: That's right.

20 MR. NUTTER: Okay.

21 MR. KELLAHIN: I believe Exhibit Number Two and its  
22 attachment represent the current status of ownership as of  
23 this date.

24 Q (Mr. Nutter continuing.) Now, are these tracts  
25 that are identified on the forced pool list shown here on the

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1 plat, Exhibit Two?

2 A. Yes, and you will find six small town lots, Mr.  
3 Dunagan, Malicoat, Matteral, Fierro, Ernest and Alvarado, and  
4 those are marked FP on there.

5 Q. Those are the small tracts that are for these six  
6 individuals here?

7 A. Yes, that's right, so they are marked FP and Mr.  
8 Grace's, as I said, we thought he might join, that's the  
9 green.

10 Q. Now, the blue --

11 A. Is C. R. Bennett and he's joined.

12 Q. And the orange, they are both in?

13 A. Yes, sir.

14 Q. And the pink is in?

15 A. That's right.

16 Q. And all of the yellow is in because that's Belco?

17 A. That's Belco.

18 Q. And the other half interest in this Belco tract  
19 that's crosshatched, is also in?

20 A. He has joined, everyone.

21 MR. NUTTER: Are there any further questions of  
22 this witness? She may be excused.

23 (THEREUPON, the witness was excused.)

24 MR. KELLAHIN: I call Mr. Lee Nering.  
25

LEE NERING

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom you are employed and in what capacity?

A My name is Lee Nering, I'm employed by Belco Petroleum Corporation in Houston, Texas as administrative geologist.

Q Have you made a study of and are you familiar with this particular application?

A I have.

Q And have you previously testified as an expert witness and made your qualifications acceptable to the Commission?

A I have.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (Mr. Kellahin continuing.) Mr. Nering, would you please refer to your Exhibit Number Eight, identify it and state briefly what we are seeking here?

A Exhibit Number Eight is a geological map which illustrates the structural configuration of the northern part

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1 of the Carlsbad-South Morrow Pool area illustrating a structure  
2 at the Morrow level. The subject of the application, the east  
3 half of Section 7 is highlighted. The purpose of the exhibit  
4 is to illustrate that the principal structural controlling  
5 factor in this instance is an elongated asymmetric anticline  
6 and the gentle flank being the east flank and the steeper flank  
7 being the west flank. In previous drilling by Belco and by  
8 Cities Service we have determined that the west flank of this  
9 elongated asymmetric structure is an area where the conditions  
10 of stratigraphy for the Morrow are subject to some risk.

11 It can be noted that the proposed location, our  
12 Douglas No. 1, is located not only on the west flank of this  
13 asymmetric structure but in addition we believe that it will  
14 be in a saddle area between one of the closures on the elongated  
15 Carlsbad anticline. As such, we feel that geological  
16 depiction does portray the risk involved by Belco in  
17 drilling this well.

18 Q Has any other acreage in the immediate area been  
19 the subject of previous forced pooling applications before  
20 the Commission?

21 A Yes, Belco has previously applied for forced  
22 pooling for the west half of Section 5, diagonally to the  
23 northeast of the subject east half of Section 7. In the  
24 instance of the John Joyce No. 1 which was drilled first  
25 within the west half of Section 5, to our chagrin the well



1 instead of being high went low and as such the sand conditions  
2 were very poor. We did encounter shows of gas, however, it  
3 was a dry hole and it was a noncommercial well and as such  
4 was plugged because of its low structural position and poor  
5 quality reservoir sands in the Morrow.

6 Q. What is the order number of that forced pooling,  
7 Mr. Nering?

8 A. The order number for that particular application,  
9 Case Number 5283, Order R-4839.

10 Q. And what was the risk factor assigned in that  
11 Order?

12 A. The risk factor assigned in that case was one  
13 hundred and seventy-five percent.

14 Q. All right, were there any other wells in the area  
15 that were the subject of forced pooling applications?

16 A. Yes, Belco returned since Belco wasn't convinced  
17 that the west half of Section 5 was void of hydrocarbons, we  
18 determined that we should drill another well and as such we  
19 returned to the Commission for a forced pooling again on the  
20 west half of Section 5 and an order was issued for that matter.  
21 The well involved is what we refer to today as our Jarvis  
22 Meade No. 1 Well. It was Case Number 5567, Order Number  
23 R-5111 and the findings in that case was that the risk factor  
24 to be determined was two hundred percent.

25 MR. NUTTER: You mean that was a second forced

1 pooling order for the same west half of the section?

2 A. Yes, sir.

3 MR. NUTTER: The first one was for the dry hole?

4 A. Yes, sir.

5 MR. NUTTER: I guess it specified where the well  
6 would be drilled?

7 A. Yes, it was an unorthodox location in the second  
8 case.

9 MR. NUTTER: You just re-pooled the whole thing?

10 A. Correct.

11 Q. (Mr. Kellahin continuing.) What is the current  
12 status of that Jarvis Meade Well?

13 A. Jarvis Meade No. 1 currently is shut in, it is a  
14 commercial completion in the Morrow.

15 Q. In your opinion what risk factor should be assigned  
16 to the subject well?

17 A. I'm recommending that a risk factor of two hundred  
18 percent be assigned to the current application, the Douglas  
19 No. 1.

20 Q. Would you please refer to what has been marked as  
21 Exhibit No. 9 ?

22 A. Exhibit No. 9 is Belco's authorization for expenditure  
23 for our Douglas No. 1. It illustrates that we are anticipating  
24 a cost of six hundred and thirty-one thousand dollars for a  
25 completed well and four hundred and forty-eight thousand

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1 dollars for a dry hole.

2 Q What has been Belco's experience with regards to  
3 cost of supervision to be charged during the drilling of a  
4 well?

5 A Over the past two or three years we have seen an  
6 increase in supervisory costs. I'm recommending in this  
7 instance a supervisory cost of seventeen hundred and fifty  
8 dollars per month to be assigned while drilling the Douglas  
9 No. 1 and a supervisory cost of two hundred and fifty-five  
10 dollars per month be assigned while producing.

11 Q Please refer to Exhibit Number Ten and identify it?

12 A Exhibit Number Ten, I must apologize, the copy  
13 that you have, the stamp didn't appear too well. It is a  
14 photo copy of an aerial photograph. This particular exhibit  
15 is for the purpose of illustrating that we are desirous of  
16 obtaining an unorthodox location for the Douglas No. 1 for  
17 the reason that the orthodox area for the location falls  
18 entirely within a wash area that is subject to flooding and  
19 would pose considerable expense in construction and undoubtedly  
20 considerable difficulty and much further expense should we  
21 encounter flooding conditions which are prevalent in this  
22 wash.

23 Q For topographical reasons then, Mr. Nering, where  
24 would you propose to drill your well?

25 A We have staked a location which is one hundred feet

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1 south and east of the permissible orthodox area for the  
2 three hundred and twenty acre unit. This particular location  
3 falls within a level agricultural area and we feel that we  
4 are not endangered at that point by topographic conditions of  
5 the wash. I happen to have one small photo which isn't  
6 prepared as an exhibit but if you are desirous of looking at  
7 the photo it will show the stake placed on the orthodox  
8 location at the extreme southeast corner of the orthodox  
9 permissible area, illustrating that that stake came to rest  
10 immediately on the bank of the wash and the photo also  
11 illustrates that the wash at this point has been protected by  
12 a series of old automobiles and various other types of  
13 riprap to contain the effects of any flooding conditions. If  
14 you would like to look at the photo I can pass it down there.

15 MR. NUTTER: I might take a look at it.

16 A. By the little red flag the orientation is shown as  
17 to the northwest.

18 MR. NUTTER: This is sort of across the wash then  
19 in Exhibit Ten?

20 A. This is looking to the -- actually it is west-  
21 northwest orientation. You can see the bridge as shown on  
22 the photo.

23 MR. NUTTER: Okay, normally this wash, I guess,  
24 doesn't have any water in it?

25 A. There are patches of water. It is normally a dry

1 wash, yes. However, it does show extreme evidence of severe  
2 flooding at times.

3 MR. NUTTER: Now, this on Exhibit Number Ten here  
4 where you've got this location staked is in a trapezoidal area  
5 that is rather dark shaded, is that a cultivated field of some  
6 sort?

7 A. Yes, if you would like to observe this, I have  
8 another photo. It is cultivated, yes. We have worked with  
9 these two gentlemen standing beside the stake in the cultivated  
10 area. We have worked with the owner of the cultivated area  
11 and he does not register a serious objection to our utilizing  
12 the cultivated area. You are looking southeast.

13 MR. NUTTER: You are looking south towards these  
14 buildings here?

15 A. That is correct.

16 MR. NUTTER: South of the field here?

17 A. It is looking southeast. Your orientation is in  
18 that direction.

19 MR. NUTTER: Those are the nearest buildings to  
20 this proposed well site?

21 A. Yes, sir, they can be seen in the current photo. The  
22 photo is quite current, about a year-and-a-half old and no  
23 further residential construction has been conducted in the  
24 time period since the photo was taken.

25 MR. NUTTER: What is the distance from the proposed

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1 well location to the nearest inhabited dwelling?

2 A. We have taped that out and the distance from the  
3 stake to the roadway which lies immediately to the north of  
4 the buildings is four hundred and fifty feet.

5 MR. NUTTER: That's this little road that runs  
6 east and west?

7 A. As you can see on the photo, yes, sir.

8 MR. NUTTER: And that's four hundred and some feet  
9 from the location to that road?

10 A. Correct.

11 MR. NUTTER: And all of the houses are on the south  
12 side of the road?

13 A. Yes, sir.

14 MR. NUTTER: And the houses are more than four  
15 hundred feet?

16 A. Yes, they are in the order of -- we did not tape  
17 directly up to the building itself but we estimate that the  
18 nearest building, occupied building, is about four hundred and  
19 seventy-five feet from the stake. I might point out that that  
20 roadway is the city limits of the City of Carlsbad. The  
21 location itself is within the Eddy County area.

22 MR. NUTTER: Well, now, wait a minute. The exhibit  
23 shows that the city limits come up here north of the location?

24 A. Well, yes, and if you will notice north of the wash,  
25 just south of the dam on the Pecos, the city limits trend west,

1 directly west, over to the railroad tracks, south along the  
2 railroad tracks by the dashed line east, then north and a  
3 strip, we removed the strip from the original photo for the  
4 purpose of clarity.

5 MR. NUTTER: There would be some dots along the  
6 road?

7 A. Yes, there would ordinarily be. The city limits  
8 lie along that road, because we didn't want to obscure what  
9 lay underneath that tape, we took the tape off.

10 MR. NUTTER: Go ahead.

11 Q (Mr. Kellahin continuing.) Does Belco desire to  
12 be designated the operator of the unit?

13 A. Yes, Belco recommends that Belco be designated as  
14 operator of this unit.

15 Q When will Belco commence the drilling of this well?

16 A. We are desirous of commencing drilling operations  
17 as soon as possible and we urge the Commission to grant an  
18 administrative approval for our unorthodox location based upon  
19 the topographic condition and in respect to that we have a  
20 waiver from the operator offsetting us with production to the  
21 east and production to the south, Cities Service Oil Company.

22 Q That is Exhibit Number Eleven?

23 A. That is correct.

24 Q How long do you anticipate it will take you to  
25 complete the well?

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- 1 A. In the order of sixty days.
- 2 Q. I believe the Commission's normal forced pooling
- 3 order provides for a well to be completed within one hundred and
- 4 twenty days, can you meet that deadline?
- 5 A. Yes, I believe we can.
- 6 Q. Were Exhibits Eight through Eleven either prepared
- 7 by you directly or compiled under your direction and super-
- 8 vision?
- 9 A. Yes, they were compiled by me with the exception of
- 10 the aerial photograph.
- 11 Q. The aerial photograph?
- 12 A. Yes, and with the exception of the AFE which was
- 13 prepared by the engineering department but was under my
- 14 supervision.
- 15 MR. KELLAHIN: If the Examiner please, we move
- 16 the introduction of Exhibits One through Eleven.
- 17 MR. NUTTER: Belco's Exhibits One through Eleven
- 18 will be admitted into evidence.
- 19 (THEREUPON, Belco's Exhibits One through
- 20 Eleven were admitted into evidence.)
- 21 Q. (Mr. Kellahin continuing.) In your opinion, Mr.
- 22 Nering, will the approval of this application be in the best
- 23 interests of conservation, prevention of waste and the
- 24 protection of correlative rights?
- 25 A. That is my recommendation.



1 MR. KELLAHIN: That concludes our direct examination.

2

3

CROSS EXAMINATION

4

BY MR. NUTTER:

5

Q Mr. Nering, on your Exhibit Nine, now, this four  
6 hundred and forty-eight thousand dollars, that is the total  
7 of the first column here, that would be the dry hole cost,  
8 is that right?

9

A. Yes, sir.

10

Q And the completed well would be six hundred and  
11 thirty-one thousand, is that correct?

12

A. Yes, sir, as was previously stated.

13

Q Is this pretty close to the cost of the wells that  
14 have been completed?

15

A. Yes, this is our best estimate and this is in  
16 keeping with the well that we just recently completed, the  
17 Jarvis Meade No. 1, in spite of the fact that the Jarvis  
18 Meade was deepened to the Devonian. We do have the figures  
19 for the drilling to the Morrow and the Douglas 1 is not  
20 planned as a Devonian test, strictly a Morrow test.

21

Q It will be a Morrow well?

22

A. Yes, sir, eleven hundred, six hundred feet.

23

Q And your recommended combined fixed rate was two  
24 fifty-five for producing and seventeen fifty for drilling,  
25 is that correct?

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1 A. Yes, sir.

2 MR. NUTTER: Are there any further questions of  
3 the witness? He may be excused.

4 (THEREUPON, the witness was excused.)

5 MR. NUTTER: Do you have anything further in this  
6 case, Mr. Kellahin?

7 MR. KELLAHIN: No, sir, not in this case.


8 MR. NUTTER: We will take the case under advisement.

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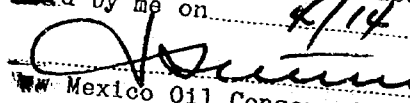
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

  
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5666  
read by me on 4/14, 1976  
  
New Mexico Oil Conservation Commission

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
April 14, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. CASE 5666

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: W. Thomas Kellahin, Esq.  
KELLAHIN & FOX  
Attorneys at Law  
500 Don Gaspar  
Santa Fe, New Mexico

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1 MR. NUTTER: We will call Case Number 5666.

2 MR. CARR: Case 5666, application of Belco Petroleum  
3 Corporation for compulsory pooling and an unorthodox gas well  
4 location, Eddy County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,  
6 Santa Fe, New Mexico appearing on behalf of the applicant and  
7 I have two witnesses to be sworn.

8 (THEREUPON, the witnesses were duly sworn.)

9  
10 MARY WARD

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

13  
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Would you please state your name, by whom you are  
17 employed and in what capacity?

18 A My name is Mary Ward and I'm employed by Belco  
19 Petroleum Corporation in Midland, I'm a landman.

20 Q Ms. Ward, have you previously testified before the  
21 Commission?

22 A No, I haven't.

23 Q How long have you been employed in the land depart-  
24 ment for Belco Petroleum Corporation?

25 A Going on five years.

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1 Q And have you made a study of the status of ownership  
2 of the east half of Section 7, the subject matter of this  
3 particular application?

4 A Very definitely, several years on it.

5 MR. KELLAHIN: If the Examiner please, we tender  
6 this witness to testify as to the status of ownership for this  
7 particular half section and the notification effort she has  
8 made to attempt to get joinder of the non-consenting parties.

9 MR. NUTTER: That's fine, go ahead.

10 Q (Mr. Kellahin continuing.) Ms. Ward, would you  
11 please refer to Exhibit Number One which is your plat and  
12 identify the subject acreage?

13 A Exhibit Number One is really a plat showing our  
14 proposed unit in relation to the Eddy County Avalon area.

15 Q The subject area will be the east half of Section  
16 7, is that correct?

17 A That's right.

18 Q All right, please turn to what has been marked as  
19 Exhibit Number Two and identify it?

20 A Exhibit Number Two is a land plat showing the  
21 various town lots in and outside of the city limits of  
22 Carlsbad.

23 Q Would you explain to me what the color code  
24 signifies?

25 A Yes, all of the yellow are town lot and leased

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1 acreage by Belco. Cities Service you will see in pink,  
2 Bennett is in the blue and to the south there. May is this  
3 acreage slashed with Belco. We have a half interest in that  
4 tract. Southern Union is that small orange bit right over  
5 there by the gun shed and I've marked FP, compulsory pooling  
6 on six town lots. They've not agreed to go with us. Mr. Grace  
7 is shown in green, Michael P. Grace and he has not responded  
8 to our request.

9 Q Attached to Exhibit Number Two is a compilation of  
10 the individuals that as of the date of filing the application  
11 have not participated, is that correct?

12 A Yes, that's right.

13 Q What is the total acreage to be force pooled?

14 A Including Mr. Grace's, forty-two point eight, seven,  
15 thirty-three acres.

16 Q And what percentage does that acreage represent to  
17 the total?

18 A Thirteen point five, one, four, seven.

19 Q All right. Please refer to what has been marked as  
20 Exhibit Number Three and identify it beginning with the first  
21 letter of correspondence?

22 A Yes, this represents ten out of a hundred and forty,  
23 almost, town lot leases that were not leased to individuals  
24 or companies and so I wrote letters to everyone of them giving  
25 them the choice of either leasing to us or joining with us in



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1 the drilling of this well or possibly being force pooled. I've  
2 sent everyone of them a stamped envelope and a second sheet  
3 with a box on it, you know, where they could just check it  
4 and send it back and I did get responses. You can see we have  
5 marked that Southern Union did join and three others that I  
6 wrote to did lease. These were sent registered mail which is  
7 my next exhibit.

8 Q Your exhibit dated February 24th, 1976 represents  
9 what?

10 A Well, it was proposed. I figured these people  
11 would probably join like working interest with Belco, so I  
12 wrote them a separate letter setting out acreage and percentage.

13 Q And what response did you get from that letter?

14 A Everyone is joining except I did not hear from  
15 Mr. Grace.

16 Q Please refer to what has been marked Exhibit  
17 Number Six, a letter dated March 17th, 1976?

18 A I again wrote to Mr. Grace and sent it registered  
19 mail, which is Exhibit Seven, his receipt, telling him again  
20 about the well and asking him that he join since he did have  
21 quite a few acres in there I thought perhaps he would like to  
22 reconsider.

23 Q What, if any, response did you get to Exhibit Number  
24 Six?

25 A The return receipt.

1 MR. KELLAHIN: That concludes our examination of  
2 this witness.

3  
4 CROSS EXAMINATION

5 BY MR. NUTTER:

6 Q So actually what is the total outstanding interest  
7 now, Ms. Ward, that has not been leased or has not agreed to  
8 join?

9 A Well, as I said, with Mr. Grace it will be a total  
10 of forty-two point eighty-seven, thirty-three acres.

11 Q And that's the list that is included on this exhibit  
12 here?

13 A Yes, I believe I attached that right behind my  
14 land plat, that says forced pool list.

15 Q Yes.

16 MR. KELLAHIN: Excuse me, that should be an  
17 attachment to Exhibit Number Two.

18 MR. NUTTER: And Exhibit Number Two is the plat?

19 MR. KELLAHIN: That's right.

20 MR. NUTTER: Okay.

21 MR. KELLAHIN: I believe Exhibit Number Two and its  
22 attachment represent the current status of ownership as of  
23 this date.

24 Q (Mr. Nutter continuing.) Now, are these tracts  
25 that are identified on the forced pool list shown here on the

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1 plat, Exhibit Two?

2 A Yes, and you will find six small town lots, Mr.  
3 Dunagan, Malicoat, Mattered, Fierro, Ernest and Alvarado, and  
4 those are marked FP on there.

5 Q Those are the small tracts that are for these six  
6 individuals here?

7 A Yes, that's right, so they are marked FP and Mr.  
8 Grace's, as I said, we thought he might join, that's the  
9 green.

10 Q Now, the blue --

11 A Is C. R. Bennett and he's joined.

12 Q And the orange, they are both in?

13 A Yes, sir.

14 Q And the pink is in?

15 A That's right.

16 Q And all of the yellow is in because that's Belco?

17 A That's Belco.

18 Q And the other half interest in this Belco tract  
19 that's crosshatched, is also in?

20 A He has joined, everyone.

21 MR. NUTTER: Are there any further questions of  
22 this witness? She may be excused.

23 (THEREUPON, the witness was excused.)

24 MR. KELLAHIN: I call Mr. Lee Nering.  
25

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LEE NERING

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom you are employed and in what capacity?

A My name is Lee Nering, I'm employed by Belco Petroleum Corporation in Houston, Texas as administrative geologist.

Q Have you made a study of and are you familiar with this particular application?

A I have.

Q And have you previously testified as an expert witness and made your qualifications acceptable to the Commission?

A I have.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (Mr. Kellahin continuing.) Mr. Nering, would you please refer to your Exhibit Number Eight, identify it and state briefly what we are seeking here?

A Exhibit Number Eight is a geological map which illustrates the structural configuration of the northern part

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1 of the Carlsbad-South Morrow Pool area illustrating a structure  
2 at the Morrow level. The subject of the application, the east  
3 half of Section 7 is highlighted. The purpose of the exhibit  
4 is to illustrate that the principal structural controlling  
5 factor in this instance is an elongated asymmetric anticline  
6 and the gentle flank being the east flank and the steeper flank  
7 being the west flank. In previous drilling by Belco and by  
8 Cities Service we have determined that the west flank of this  
9 elongated asymmetric structure is an area where the conditions  
10 of stratigraphy for the Morrow are subject to some risk.

11 It can be noted that the proposed location, our  
12 Douglas No. 1, is located not only on the west flank of this  
13 asymmetric structure but in addition we believe that it will  
14 be in a saddle area between one of the closures on the elongated  
15 Carlsbad anticline. As such, we feel that geological  
16 depiction does portray the risk involved by Belco in  
17 drilling this well.

18 Q Has any other acreage in the immediate area been  
19 the subject of previous forced pooling applications before  
20 the Commission?

21 A Yes, Belco has previously applied for forced  
22 pooling for the west half of Section 5, diagonally to the  
23 northeast of the subject east half of Section 7. In the  
24 instance of the John Joyce No. 1 which was drilled first  
25 within the west half of Section 5, to our chagrin the well

1 instead of being high went low and as such the sand conditions  
2 were very poor. We did encounter shows of gas, however, it  
3 was a dry hole and it was a noncommercial well and as such  
4 was plugged because of its low structural position and poor  
5 quality reservoir sands in the Morrow.

6 Q What is the order number of that forced pooling,  
7 Mr. Nering?

8 A The order number for that particular application,  
9 Case Number 5283, Order R-4839.

10 Q And what was the risk factor assigned in that  
11 Order?

12 A The risk factor assigned in that case was one  
13 hundred and seventy-five percent.

14 Q All right, were there any other wells in the area  
15 that were the subject of forced pooling applications?

16 A Yes, Belco returned since Belco wasn't convinced  
17 that the west half of Section 5 was void of hydrocarbons, we  
18 determined that we should drill another well and as such we  
19 returned to the Commission for a forced pooling again on the  
20 west half of Section 5 and an order was issued for that matter.  
21 The well involved is what we refer to today as our Jarvis  
22 Meade No. 1 Well. It was Case Number 5567, Order Number  
23 R-5111 and the findings in that case was that the risk factor  
24 to be determined was two hundred percent.

25 MR. NUTTER: You mean that was a second forced

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1 pooling order for the same west half of the section?

2 A Yes, sir.

3 MR. NUTTER: The first one was for the dry hole?

4 A Yes, sir.

5 MR. NUTTER: I guess it specified where the well  
6 would be drilled?

7 A Yes, it was an unorthodox location in the second  
8 case.

9 MR. NUTTER: You just re-pooled the whole thing?

10 A Correct.

11 Q (Mr. Kellahin continuing.) What is the current  
12 status of that Jarvis Meade Well?

13 A Jarvis Meade No. 1 currently is shut in, it is a  
14 commercial completion in the Morrow.

15 Q In your opinion what risk factor should be assigned  
16 to the subject well?

17 A I'm recommending that a risk factor of two hundred  
18 percent be assigned to the current application, the Douglas  
19 No. 1.

20 Q Would you please refer to what has been marked as  
21 Exhibit No.9 ?

22 A Exhibit No. 9 is Belco's authorization for expenditure  
23 for our Douglas No. 1. It illustrates that we are anticipating  
24 a cost of six hundred and thirty-one thousand dollars for a  
25 completed well and four hundred and forty-eight thousand

1 dollars for a dry hole.

2 Q What has been Belco's experience with regards to  
3 cost of supervision to be charged during the drilling of a  
4 well?

5 A Over the past two or three years we have seen an  
6 increase in supervisory cost. I'm recommending in this  
7 instance a supervisory cost of seventeen hundred and fifty  
8 dollars per month to be assigned while drilling the Douglas  
9 No. 1 and a supervisory cost of two hundred and fifty-five  
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16 obtaining an unorthodox location for the Douglas No. 1 for  
17 the reason that the orthodox area for the location falls  
18 entirely within a wash area that is subject to flooding and  
19 would pose considerable expense in construction and undoubtedly  
20 considerable difficulty and much further expense should we  
21 encounter flooding conditions which are prevalent in this  
22 wash.

23 Q For topographical reasons then, Mr. Nering, where  
24 would you propose to drill your well?

25 A We have staked a location which is one hundred feet



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1 south and east of the permissible orthodox area for the  
2 three hundred and twenty acre unit. This particular location  
3 falls within a level agricultural area and we feel that we  
4 are not endangered at that point by topographic conditions of  
5 the wash. I happen to have one small photo which isn't  
6 prepared as an exhibit but if you are desirous of looking at  
7 the photo it will show the stake placed on the orthodox  
8 location at the extreme southeast corner of the orthodox  
9 permissible area, illustrating that that stake came to rest  
10 immediately on the bank of the wash and the photo also  
11 illustrates that the wash at this point has been protected by  
12 a series of old automobiles and various other types of  
13 riprap to contain the effects of any flooding conditions. If  
14 you would like to look at the photo I can pass it down there.

15 MR. NUTTER: I might take a look at it.

16 A. By the little red flag the orientation is shown as  
17 to the northwest.

18 MR. NUTTER: This is sort of across the wash then  
19 in Exhibit Ten?

20 A. This is looking to the -- actually it is west-  
21 northwest orientation. You can see the bridge as shown on  
22 the photo.

23 MR. NUTTER: Okay, normally this wash, I guess,  
24 doesn't have any water in it?

25 A. There are patches of water. It is normally a dry

1 wash, yes. However, it does show extreme evidence of severe  
2 flooding at times.

3 MR. NUTTER: Now, this on Exhibit Number Ten here  
4 where you've got this location staked is in a trapezoidal area  
5 that is rather dark shaded, is that a cultivated field of some  
6 sort?

7 A. Yes, if you would like to observe this, I have  
8 another photo. It is cultivated, yes. We have worked with  
9 these two gentlemen standing beside the stake in the cultivated  
10 area. We have worked with the owner of the cultivated area  
11 and he does not register a serious objection to our utilizing  
12 the cultivated area. You are looking southeast.

13 MR. NUTTER: You are looking south towards these  
14 buildings here?

15 A. That is correct.

16 MR. NUTTER: South of the field here?

17 A. It is looking southeast. Your orientation is in  
18 that direction.

19 MR. NUTTER: Those are the nearest buildings to  
20 this proposed well site?

21 A. Yes, sir, they can be seen in the current photo. The  
22 photo is quite current, about a year-and-a-half old and no  
23 further residential construction has been conducted in the  
24 time period since the photo was taken.

25 MR. NUTTER: What is the distance from the proposed

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1 well location to the nearest inhabited dwelling?

2 A We have taped that out and the distance from the  
3 stake to the roadway which lies immediately to the north of  
4 the buildings is four hundred and fifty feet.

5 MR. NUTTER: That's this little road that runs  
6 east and west?

7 A As you can see on the photo, yes, sir.

8 MR. NUTTER: And that's four hundred and some feet  
9 from the location to that road?

10 A Correct.

11 MR. NUTTER: And all of the houses are on the south  
12 side of the road?

13 A Yes, sir.

14 MR. NUTTER: And the houses are more than four  
15 hundred feet?

16 A Yes, they are in the order of -- we did not tape  
17 directly up to the building itself but we estimate that the  
18 nearest building, occupied building, is about four hundred and  
19 seventy-five feet from the stake. I might point out that that  
20 roadway is the city limits of the City of Carlsbad. The  
21 location itself is within the Eddy County area.

22 MR. NUTTER: Well, now, wait a minute. The exhibit  
23 shows that the city limits come up here north of the location?

24 A Well, yes, and if you will notice north of the wash,  
25 just south of the dam on the Pecos, the city limits trend west

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1 directly west, over to the railroad tracks, south along the  
2 railroad tracks by the dashed line east, then north and a  
3 strip, we removed the strip from the original photo for the  
4 purpose of clarity.

5 MR. NUTTER: There would be some dots along the  
6 road?

7 A. Yes, there would ordinarily be. The city limits  
8 lie along that road, because we didn't want to obscure what  
9 lay underneath that tape, we took the tape off.

10 MR. NUTTER: Go ahead.

11 Q (Mr. Kellahin continuing.) Does Belco desire to  
12 be designated the operator of the unit?

13 A. Yes, Belco recommends that Belco be designated as  
14 operator of this unit.

15 Q When will Belco commence the drilling of this well?

16 A. We are desirous of commencing drilling operations  
17 as soon as possible and we urge the Commission to grant an  
18 administrative approval for our unorthodox location based upon  
19 the topographic condition and in respect to that we have a  
20 waiver from the operator offsetting us with production to the  
21 east and production to the south, Cities Service Oil Company.

22 Q That is Exhibit Number Eleven?

23 A. That is correct.

24 Q How long do you anticipate it will take you to  
25 complete the well?

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1 A. In the order of sixty days.

2 Q I believe the Commission's normal forced pooling  
3 order provides for a well to be completed within one hundred and  
4 twenty days, can you meet that deadline?

5 A. Yes, I believe we can.

6 Q Were Exhibits Eight through Eleven either prepared  
7 by you directly or compiled under your direction and super-  
8 vision?

9 A. Yes, they were compiled by me with the exception of  
10 the aerial photograph.

11 Q The aerial photograph?

12 A. Yes, and with the exception of the AFE which was  
13 prepared by the engineering department but was under my  
14 supervision.

15 MR. KELLAHIN: If the Examiner please, we move  
16 the introduction of Exhibits One through Eleven.

17 MR. NUTTER: Belco's Exhibits One through Eleven  
18 will be admitted into evidence.

19 (THEREUPON, Belco's Exhibits One through  
20 Eleven were admitted into evidence.)

21 Q (Mr. Kellahin continuing.) In your opinion, Mr.  
22 Nering, will the approval of this application be in the best  
23 interests of conservation, prevention of waste and the  
24 protection of correlative rights?

25 A. That is my recommendation.

1 MR. KELLIAHIN: That concludes our direct examination.

3 CROSS EXAMINATION

4 BY MR. NUTTER:

5 Q Mr. Nering, on your Exhibit Nine, now, this four  
6 hundred and forty-eight thousand dollars, that is the total  
7 of the first column here, that would be the dry hole cost,  
8 is that right?

9 A Yes, sir.

10 Q And the completed well would be six hundred and  
11 thirty-one thousand, is that correct?

12 A Yes, sir, as was previously stated.

13 Q Is this pretty close to the cost of the wells that  
14 have been completed?

15 A Yes, this is our best estimate and this is in  
16 keeping with the well that we just recently completed, the  
17 Jarvis Meade No. 1, in spite of the fact that the Jarvis  
18 Meade was deepened to the Devonian. We do have the figures  
19 for the drilling to the Morrow and the Douglas 1 is not  
20 planned as a Devonian test, strictly a Morrow test.

21 Q It will be a Morrow well?

22 A Yes, sir, eleven hundred, six hundred feet.

23 Q And your recommended combined fixed rate was two  
24 fifty-five for producing and seventeen fifty for drilling,  
25 is that correct?

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A. Yes, sir.

MR. NUTTER: Are there any further questions of the witness? He may be excused.

(THEREUPON, the witness was excused.)

MR. NUTTER: Do you have anything further in this case, Mr. Kellahin?

MR. KELLAHIN: No, sir, not in this case.

MR. NUTTER: We will take the case under advisement.

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

*Sidney F. Morrish*  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5666,  
heard by me on 4/14, 1976,  
*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

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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. 5666  
Order No. R-5209

APPLICATION OF BELCO PETROLEUM  
CORPORATION FOR COMPULSORY POOLING  
AND AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 14, 1976,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of April, 1976, 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, Belco Petroleum Corporation, seeks  
an order pooling all mineral interests in and below the  
Pennsylvanian formation underlying the E/2 of Section 7,  
Township 22 South, Range 27 East, NMPM, South Carlsbad Field,  
Eddy County, New Mexico.

(3) That the applicant has the right to drill, and proposes  
to drill a well at an unorthodox gas well location 2410 feet  
from the North line and 560 feet from the East line of said  
Section 7.

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

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

-2-

Case No. 5666  
Order No. R-5209

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

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

(8) That any non-consenting working interest owner 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1750.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling; that \$255.00 per month should be fixed as a reasonable charge for supervision while producing; and 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.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1976, 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 and below the Pennsylvanian formation underlying the E/2

Case No. 5666  
Order No. R-5209

of Section 7, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2410 feet from the North line and 560 feet from the East line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1976, 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 1st day of July, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Belco Petroleum Corporation 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.

-4-

Case No. 5666  
Order No. R-5209

(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 \$1750.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling; that \$255.00 per month is hereby fixed as a reasonable charge for supervision while producing; and 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.

-5-

Case No. 5666  
Order No. R-5209

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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 herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

dr/

Dockets Nos. 13-76 and 14-76 are tentatively set for hearing on April 28 and May 12, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 14, 1976

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. Starnett, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for May, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for May, 1976, from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5663: Application of Anne Burnett Tandy dba Windfohr Oil Company for 12 unorthodox oil well locations and an administrative procedure, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of 12 oil wells to be drilled to the San Andres formation at the following locations in the Grayburg-Jackson Unit, Township 17 South, Range 30 East, Eddy County, New Mexico:

in Section 13: extreme SE/corner of Units E and O, the extreme SW/corner of Unit N, the extreme NE/corner of Units J and K, and the extreme NW/corner of Units M, N, O, and P;

in Section 14: the extreme SE of Unit H;

in Section 24: the extreme SW/corner of Unit C and extreme NW/corner of Unit D.

Applicant further seeks the establishment of an administrative procedure whereby the above wells could be relocated and other similar unorthodox locations approved without notice and hearing.

CASE 5664: Application of Mesa Petroleum Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Nash Unit Well No. 2, located in Unit F of Section 18, Township 23 South, Range 30 East, Eddy County, New Mexico, to produce gas from the Atoka and Morrow formations through parallel strings of tubing.

CASE 5665: Application of Howard Boatwright Company, Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation through the open-hole interval from 2979 to 3180 feet in its State CS Well No. 1 located in Unit L of Section 17, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico.

CASE 5666: Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in and below the Pennsylvanian formation underlying the E/2 of Section 7, Township 22 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 2410 feet from the North line and 560 feet from the East line of said Section 7. 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 risk involved in drilling said well.

CASE 5667: Application of Belco Petroleum Corporation for approval of an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1480 feet from the West line of Section 19, Township 21 South, Range 35 East, Osado-Morrow Gas Pool, Lea County, New Mexico, the N/2 of said Section 19 to be dedicated to the well.

CASE 5443: (Reopened)

In the matter of Case 5443 being reopened pursuant to the provisions of Order No. R-4994, which order established special rules and regulations for the Fast Lusk-Bone Spring Oil Pool, Lea County, New Mexico, including a provision for 160-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing units.

CASE 5446: (Reopened)

In the matter of Case 5446 being reopened pursuant to the provisions of Order No. R-4992, which order established special rules and regulations for the Casey-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.



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

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

April 20, 1976

TELEPHONE 982-4315  
AREA CODE 505

*file - Case 5666  
WTK  
4-20-76*

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

Re: NMOCC Case No. 5666

Dear Bill:

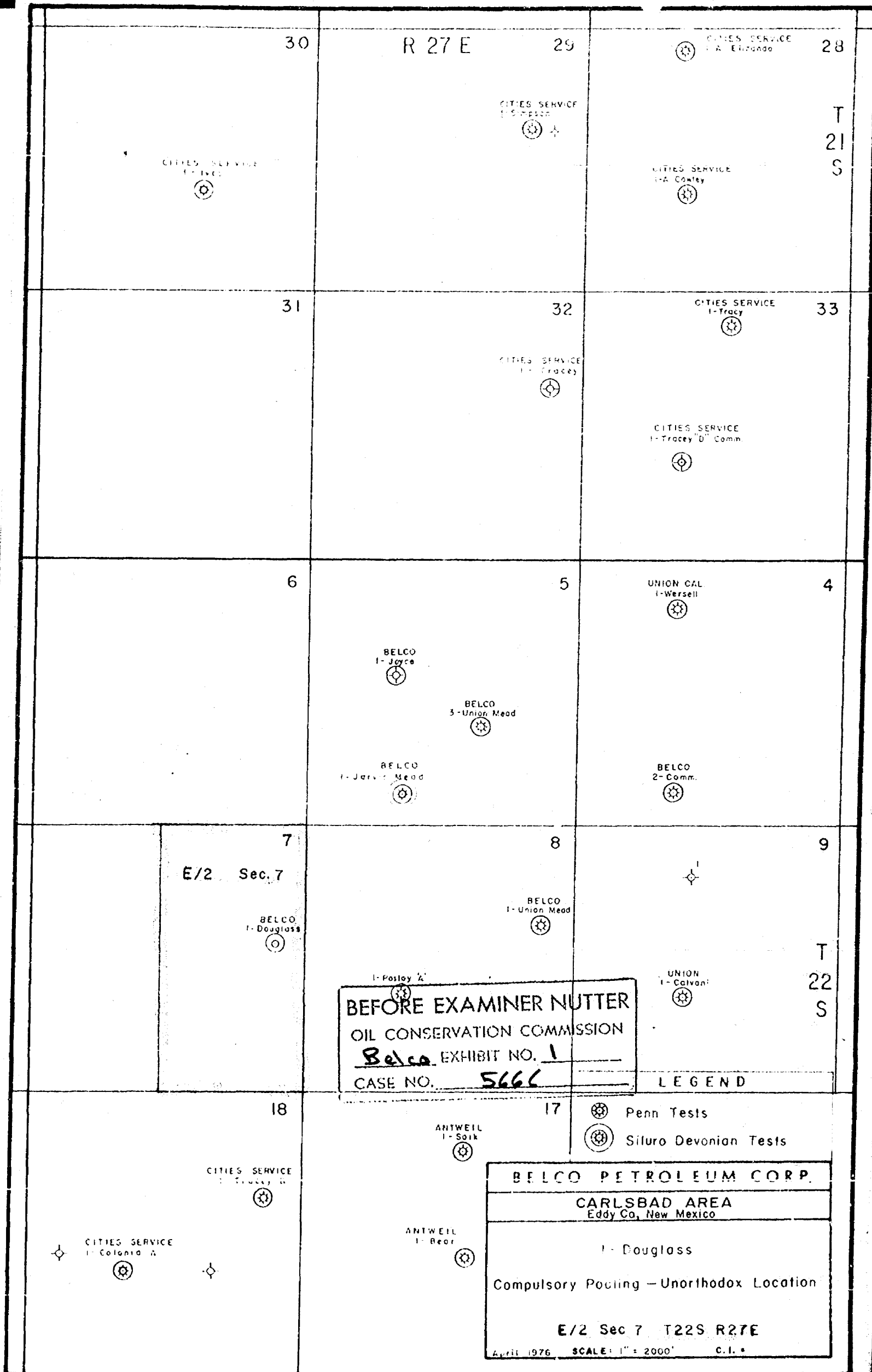
I am writing to confirm our conversation this morning with Mr. Dan Nutter of your office whereby Belco received permission to commence drilling this subject well at the requested unorthodox well location 2410 feet from the north line and 560 feet from the east line of Section 7.

Very truly yours,

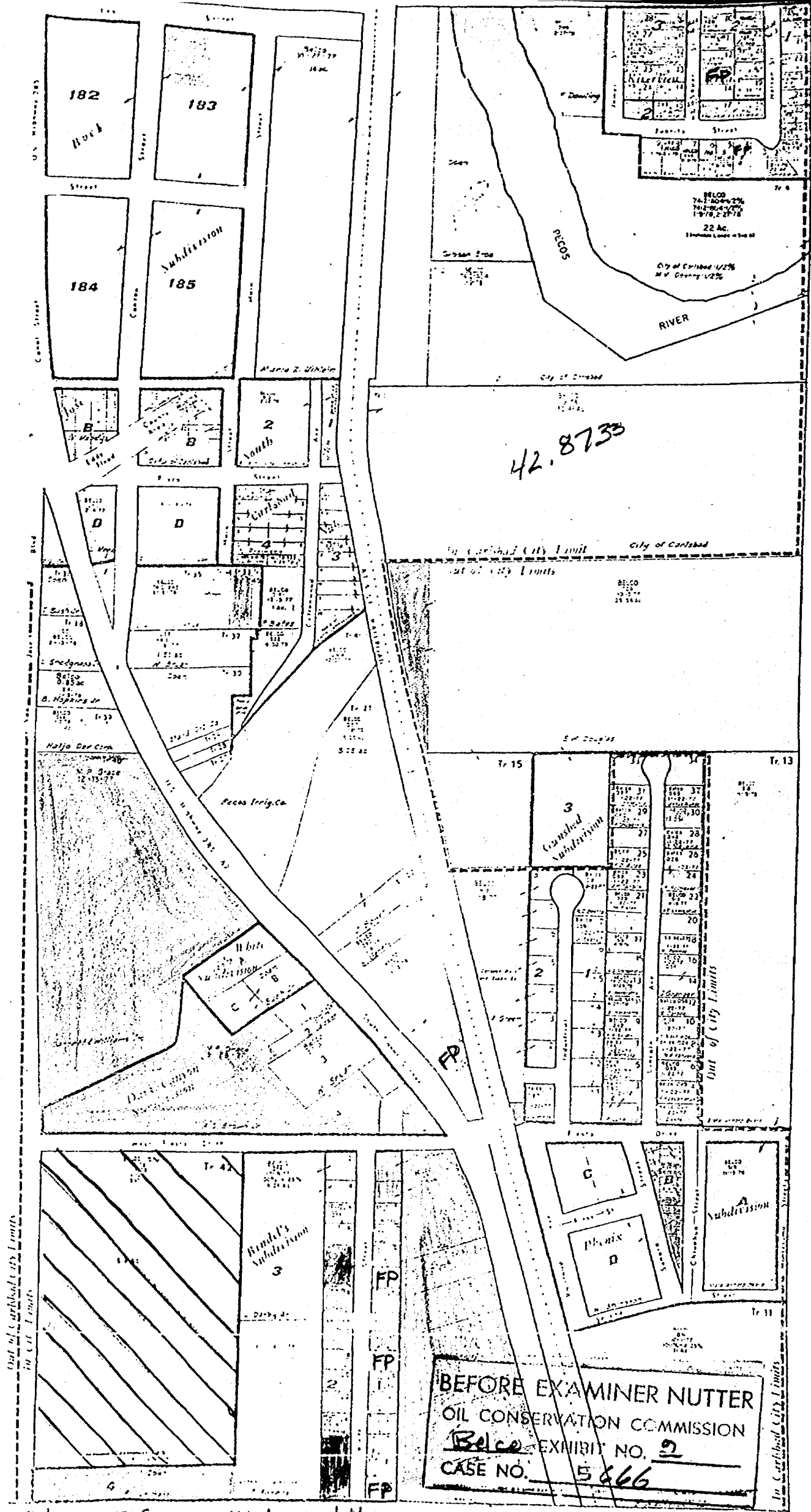
*W. Thomas Kellahin*  
W. Thomas Kellahin

CC: Mr. Lee Nering

WTK:kjf



BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 1  
CASE NO. 5666



Belco Grace Leonard May  
Pecos River FP 11/2/2002  
BELCO PETROLEUM CORP

Belco Petroleum Corporation

**Belco**

E.L. Dunagan, Jr.  
Herman Malicoat  
Felix Navarro  
Southern Union Gas *joined*  
Joe Fierro  
James E. Earnest  
Frank G. Alvarado  
Robert W. Hutchins *leased*  
~~Cecil Layman Ballard~~ *leased*  
Guitar Estate *leased*

February 23, 1976

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T-22-S, R-27-E  
Eddy County, New Mexico

Belco Petroleum Corporation proposes to drill an 11,600 ft. Morrow test to be located approximately 2310 ft. FNL and 660 ft. FEL, Section 7, T-22-S, R-27-E, Eddy County, New Mexico.

According to our information you own under the captioned section which is currently unleased.

It is our intention to commence the above referenced test immediately and we herein offer to purchase an oil and gas lease covering your specific interest at a consideration of \$200 per net mineral acre for a one year primary term lease, and provide for a 3/16 base royalty.

As an alternative, you may wish to join with Belco in the drilling of this test and pay your proportionate part of the drilling cost. We estimate the cost to be approximately \$550,000 for a completed producer. If you should desire to join us, please let me know at your earliest convenience and I will send you a copy of the proposed Operating Agreement and an AFE covering the cost of the well for your consideration.

Of course you also have the option to elect to be force pooled in this matter. If this is your preference, I would appreciate your indicating the same in the space provided below on the enclosed extra copy of this letter and returning it to me at your earliest convenience. I am enclosing a stamped, self-addressed envelope for your convenience in replying.

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>Belco</u>	EXHIBIT NO. <u>3</u>
CASE NO. <u>5666</u>	

Page 2  
February 23, 1976

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Mary Ward*

Mary Ward  
Landman

MW/csn

Enclosure

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisture gummed ends and attach to back of article.

RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

**SENDER:** Complete items 1, 2, and 3 on reverse. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered..... 3¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
EL. Dunagan  
1407 Orchard Lane  
Carlsbad, N.M.

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. 775 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY FEB 25 1976

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS M

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 775

Value <u>\$1.13</u>	Special Delivery \$
Reg. Fee \$ <u>95</u>	Return Receipt \$ <u>15</u>
Handling Charge \$	Restricted Delivery \$
Postage \$ <u>13</u>	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) CS

FROM Belco Pet. Corp.  
204 W. Taylor

TO EL. Dunagan  
1407 Orchard Lane  
Carlsbad, N.M.

POSTMARK OF

MAILING OFFICE

U.S. G.P.O. 1974-503-203

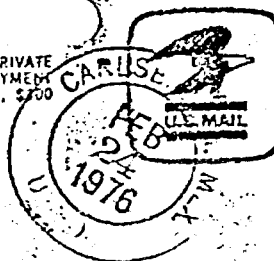
BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 4  
CASE NO 5666

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$700



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

**MALICOAT**

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):  
☒ Show to whom and date delivered... 15¢  
☐ Show to whom, date, & address of delivery... 35¢  
☐ RESTRICTED DELIVERY: Show to whom and date delivered...  
☐ RESTRICTED DELIVERY: Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
 Herman Malicoat  
 1904 Bingle Drive  
 Carlisle, PA 17015

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. 776 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent  
 DATE OF DELIVERY *Herman Malicoat*

4. ADDRESS (Complete only if requested)  
 FEB 24 1976

5. UNABLE TO DELIVER BECAUSE:  
 CLERK'S INITIALS

REGISTERED NO. 776

Value \$ 7.16	Special Delivery \$
Reg. Fee \$ 4.25	Return Receipt \$ 1.15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.3	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *CB*

POSTMARK OF

MAILING OFFICE

FROM *Belco Pet.*  
*204 W. Tex.*

TO *Herman Malicoat*  
*1904 Bingle Drive*  
*Carlisle, PA 17015*

☆ O.P.O. 1974-503-209

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Postage gummed ends and attach to back of article.

RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

MAILMAN

1. The following service is requested (check one):  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
 FELIX NAVARRO  
 1918 BINGLED DRIVE  
 CARLSBAD, N.M. 88220

3. ARTICLE DESCRIPTION:  
 781

REGISTERED NO. 781 | CERTIFIED NO. | INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE ☒ Addressee ☐ Authorized agent  
 Felix Navarro

4. DATE OF DELIVERY:  
 2/24/76

5. ADDRESS (Complete only if request for):  
 CARLSBAD, N.M.

6. UNABLE TO DELIVER BECAUSE:

POSTMARK  
 FEB 24 1976  
 CARLSBAD, N.M.

U.S. MAIL  
 CLERK'S  
 INDEX

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 781

Value \$ 7.15	Special Delivery \$
Reg. Fee \$ .95	Return Receipt \$ 1.15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.13	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *[Signature]*

FROM *[Signature]*

MAILING OFFICE

TO Felix Navarro  
 1918 Bingled Drive  
 Carlsbad, N.M.

\* O.P.O. 1974-563-200



UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

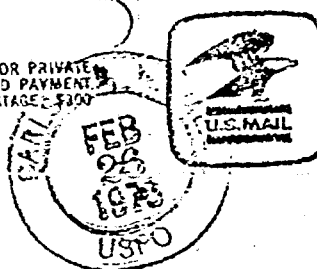
Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE \$300



*Southern Union*

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
Show to whom and date delivered..... 15¢  
☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
*Southern Union Bldg  
Fidelity Union Bldg  
Dallas, TX 75201*

3. ARTICLE DESCRIPTION:  
*778*

REGISTERED NO. *778* CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
I have received the article described above.  
SIGNATURE ☒ Addressee ☐ Authorized agent  
*X. P. B. J. G. J. G.*

4. DATE OF DELIVERY  
*FEB 24 1976*

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. *778*

Value \$ <i>7.15</i>	Special Delivery \$
Reg. Fee \$ <i>9.5</i>	Return Receipt \$ <i>15</i>
Handling Charge \$	Restricted Delivery \$
Postage \$ <i>1.13</i>	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *CH*

FROM *Baker Pot. Co.*  
*244 W. Texas*

MAILING OFFICE

TO *Southern Union Bldg*  
*Fidelity Union Bldg*  
*Dallas, TX*

★ G.P.O. 1074-500-209

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

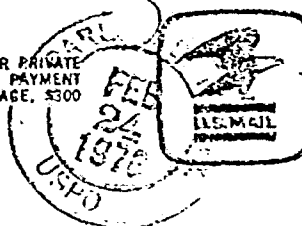
SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



PS Form 3811, Jan. 1975

1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered. 15¢ <input type="checkbox"/> Show to whom, date, & address of delivery. 35¢ <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢		2. ARTICLE ADDRESSED TO: Joe Fierro 1408 Super Carlsbad, NM 88220		3. ARTICLE DESCRIPTION: REGISTERED NO. 780 CERTIFIED NO. 780 INSURED NO. 780		4. SIGNATURE: I have received the article described above. SIGNATURE: [Signature] <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent DATE OF DELIVERY: 2-24-76		5. ADDRESS (Complete only if requested): Carlsbad, NM 88220		6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS	
--	--	--	--	---	--	---	--	--	--	---	--

U.S. MAIL

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 780	
Value \$ 7.00	Special Delivery \$
Reg. Fee \$ 95	Return Receipt \$ 1.15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.13	<input type="checkbox"/> AIRMAIL

POSTMARK OF



POSTMASTER (By)

FROM

TO

Joe Fierro  
1408 Super  
Carlsbad, NM

☆ G.P.O.: 1974-560-200

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):  
☐ Show to whom and date delivered. 15¢  
☐ Show to whom, date, & address of delivery. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered.  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
 James E. Earnest  
 413 Yugueta Street  
 Midland, TX 79701

3. ARTICLE DESCRIPTION:  
 779

REGISTERED NO. 779 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY  
 2-24-76

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:  
 POSTMASTER'S INITIALS

POSTMARK: FEB 24 1976 MEX

REGISTERED NO. 779

Value \$ 7.00	Special Delivery \$
Reg. Fee \$ .25	Return Receipt \$ .15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.33	<input type="checkbox"/> AIRMAIL
POSTMASTER (By) <i>[Signature]</i>	

POSTMARK OF

MAILING OFFICE

FROM *[Signature]*

TO James E. Earnest  
 413 Yugueta St.  
 Midland, TX 79701

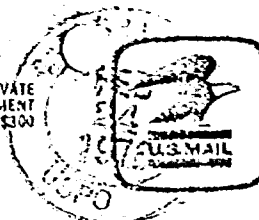
★ G.P.O. 1074-563-200

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moistize gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space above.

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered..... 65¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
*Frank Alvarado*  
*1828 Parkside Way*  
*San Jose, Ca 95128*

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. *785* CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent  
*Frank Alvarado*

4. DATE OF DELIVERY *3/11/76* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

REGISTERED NO. *785*

Value \$ <i>7.14</i>	Special Delivery \$
Reg. Fee \$ <i>.95</i>	Return Receipt \$ <i>.15</i>
Handling Charge \$	Restricted Delivery \$
Postage \$ <i>1.3</i>	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *James*

FROM *James*

MAILING OFFICE

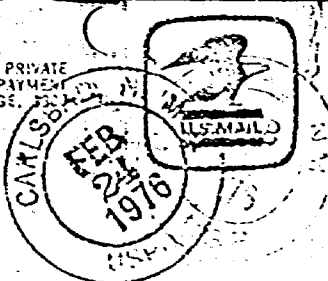
TO *Frank H. Alvarado*  
*1828 Parkside Way*  
*San Jose, Ca*

★ G.P.O. 1974-563-209

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**  
Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moistan gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE



RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

**1. The following service is requested (check one).**  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered..... 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 35¢

**2. ARTICLE ADDRESSED TO:**  
 Mr. Robert Hutchins  
 1507 Hill St.  
 Carlsbad, N.M. 88220

**3. ARTICLE DESCRIPTION:**  
 REGISTERED NO. 784 CERTIFIED NO. INSURED NO.

**4. DATE OF DELIVERY:**  
 FEB 25 1976

**5. UNABLE TO DELIVER BECAUSE:**

REGISTERED NO. 784

Value \$ 4.15	Special Delivery \$
Reg. Fee \$ .95	Return Receipt \$ .15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.3	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *[Signature]* MAILING OFFICE

FROM *[Signature]*

TO  
 Robert Hutchins  
 1507 Hill St.  
 Carlsbad, N.M.

★ G.P.O. 1074-563-209

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered..... 15¢ <input type="checkbox"/> Show to whom, date, & address of delivery.. 75¢ <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢ <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery.....		2. ARTICLE ADDRESSED TO: GUITAR CASE 122414 Highway 1 Midland TX 79701		3. ARTICLE DESCRIPTION: GUITAR CASE		4. REGISTERED NO. 7822		5. INSURED NO.	
I have received the article described above. SIGNATURE <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent <i>[Signature]</i>				DATE OF DELIVERY 2-24-76		POSTMARK MIDLAND TX		CLERK'S INITIALS	
5. ADDRESS (Complete only if requested.)				6. UNABLE TO DELIVER BECAUSE:		7. UNABLE TO DELIVER BECAUSE:		8. UNABLE TO DELIVER BECAUSE:	

Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

TO 122414 Highway 1 Midland TX 79701		FROM Belco Pet. Corp. 2014 W. 1st St. Midland TX 79701	
POSTMASTER (BY)		POSTMARK OF	
Value \$ 17.00		REGISTERED NO. 7822	
Reg. Fee \$ 1.15		Special Delivery \$	
Handling Charge \$		Return Receipt \$ 1.15	
Postage \$ 1.30		Restrict. Delivery \$	
<input type="checkbox"/> AIRMAIL			

MIDLAND, TX  
FEB 28 1976  
U.S. POST OFFICE

February 24, 1976

Beren Corporation  
970 Fourth Financial Center  
Wichita, Kansas 67202

Cities Service  
P.O. Box 1919  
Midland, Texas 79701

Leonard T. May  
304B H. Canyon Street  
Carlsbad, NM 88220

Michael P. Grace  
P.O. Box 1418  
Carlsbad, NM 88220

R. C. Bennett  
P.O. Box 264  
Midland, Texas 79701

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T22S-R27E  
Eddy County, New Mexico

Gentlemen:

Belco Petroleum Corporation proposes to drill an 11,600 ft. Morrow test to be located approximately 2310 ft. FNL and 660 ft. FEL, Section 7, T22S-R27E, Eddy County, New Mexico.

We propose a proration unit covering the E/2 of Section 7, T22S-R27E, Eddy County, New Mexico.

According to our records, the ownership and percentages within the proposed unit will be as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Belco Petroleum Corporation	232.5992	73.3255
Michael P. Grace	40.7799	12.8556
Beren Corporation	25.8443	8.1473
Leonard T. May	8.9000	2.8057
Cities Service	2.4928	.7853
R. C. Bennett	1.2647	.3987
Unleased	<u>5.3337</u>	<u>1.6814</u>
Total	317.2146	100.0000

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Belco	EXHIBIT NO. 5
CASE NO.	5666

Belco #1 Douglass  
Eddy County, New Mexico  
Page 2

We estimate the cost of the completed well to be approximately \$550,000. An AFE will be furnished you as soon as one is available.

Should you desire not to participate, please advise us immediately so that disposition of your interest can be handled by the consenting parties. The unleased interest will undoubtedly be handled by compulsory pooling and will be allocated proportionately to the consenting parties. We would of course, be pleased to consider a farmout of your interest, should you not care to join.

We will appreciate your consideration of this proposal at your earliest convenience. If you plan to join, a copy of the proposed Operating Agreement and AFE will be furnished you as soon as they are available. Should you have any questions or comments, please do not hesitate to let me know.

Yours very truly,  
BELCO PETROLEUM CORPORATION

*Mary Ward*  
Mary Ward  
Landman

M/csn



PS Form 3811, Jan. 1975

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):

☐ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery.. 35¢

☐ **RESTRICTED DELIVERY**  
Show to whom and date delivered.....

☐ **RESTRICTED DELIVERY**  
Show to whom, date, and address of delivery 55¢

2. **ARTICLE ADDRESSED TO:**  
Michael P. Grace  
P.O. Box 1418  
Carlsbad, NM 88220

3. **ARTICLE DESCRIPTION:**  
REGISTERED NO. 617 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.  
SIGNATURE Addressee ☒ Authorized agent

DATE OF DELIVERY MAR 18 1976 POSTMARK MAR 19 1976

5. **ADDRESS** (Complete only if requested)

6. **UNABLE TO DELIVER BECAUSE:** Belco

CLERK'S INITIALS M.L.

5666 EXH 7

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

U.S. MAIL

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

March 17, 1976

Michael P. Grace  
P.O. Box 1418  
Carlsbad, NM 88220

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T22S, R27E  
Eddy County, New Mexico

Dear Mr. Grace:

On February 24, 1976, Belco Petroleum Corporation wrote you, along with others, proposing to drill an 11,600 ft. Morrow test to be located approximately 2,310 ft. FNL and 660 ft. FEL, Section 7, T22S, R27E, Eddy County, New Mexico.

We proposed a proration unit covering the E/2 of Section 7, T22S, R27E. According to our records, as Belco proposed previously, the ownership and percentages within this unit will be as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Belco Petroleum Corp.	232.5992	73.3255
Michael P. Grace	40.7799	12.8556
Beren Corporation	25.8443	8.1473
Leonard T. May	8.9000	2.8057
Cities Service	2.4928	.7858
R. C. Bennett	1.2647	.3987
Unleased	<u>5.3337</u>	<u>1.6814</u>
Total	<u>317.2146</u>	<u>100.0000</u>

We estimate the cost of the completed well to be approximately \$550,000. An AFE will be furnished you as soon as one is available, if you desire to join. We would, of course, be pleased to consider a farmout of your interest.

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 6  
CASE NO. 5666

We will appreciate your consideration of this proposal at your earliest convenience. If you plan to join, a copy of the proposed Operating Agreement and AFE will be furnished you as soon as possible. Please let me know, at your earliest convenience, whether you wish to join or farmout.

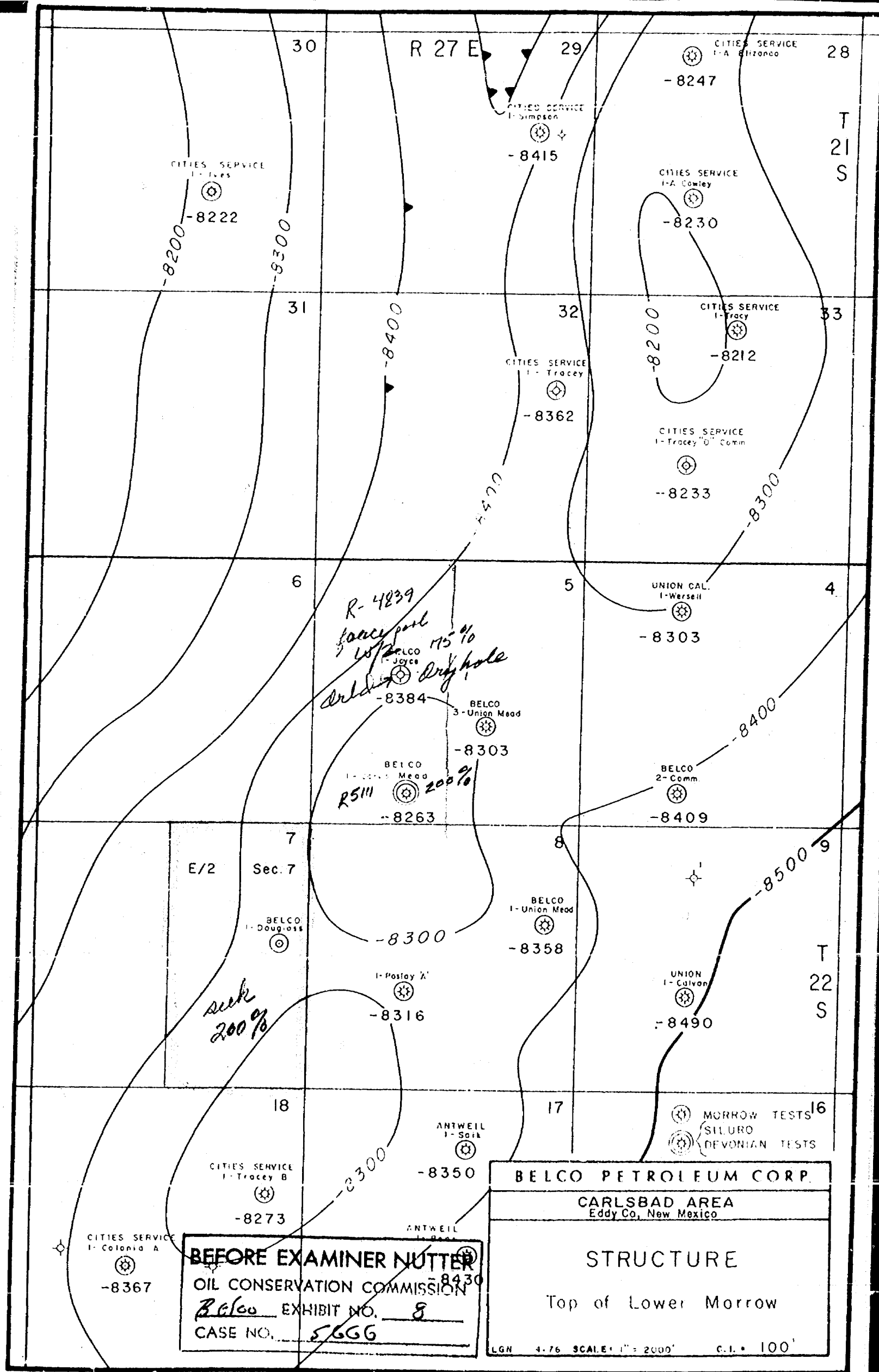
Should you have any questions or comments, please do not hesitate to call me collect at the above number.

Yours very truly,

BELCO PETROLEUM CORPORATION

Mary Ward  
Landman

MW/csn



DIVISION <span style="border: 1px solid black; padding: 0 20px;"> </span>		BELCO PETROLEUM CORPORATION <b>AUTHORIZATION FOR EXPENDITURE</b>			COMPANY <span style="border: 1px solid black; padding: 0 20px;">05</span> ALL NO. <span style="border: 1px solid black; padding: 0 20px;">T5/25</span>	
REV. DT. <span style="border: 1px solid black; padding: 0 20px;"> </span>						

SO.	CHG.	PROPERTY NAME & NUMBER (22)	AUTH. DATE (6)	LOCATION (22)
18		DOUGLASS #1		2416' FNL & 560' FEL, Sec. 7, T-22-5, R-27-E

SO.	CHG.	TYPE OF WORK (23)	P. DEPTH (8)	FORMATION	FIELD NAME	CONTRACTOR	RIG TYPE
65		Development-Gas	11600'	Morrow	Carlsbad, S., Morrow	-	Rotary

SO.	CHG.	PROSPECT NAME (22)	STATE (15)	COUNTY / PARISH (15)	CORP. W.L.
19		Avalon	New Mexico	Eddy	

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO.	CHG.	PROPERTY NO. <u>7412012</u>	CSG. PT. COST	COMPL. COST	TOTAL COST
20		INTANGIBLE EXPENSE	730	734	

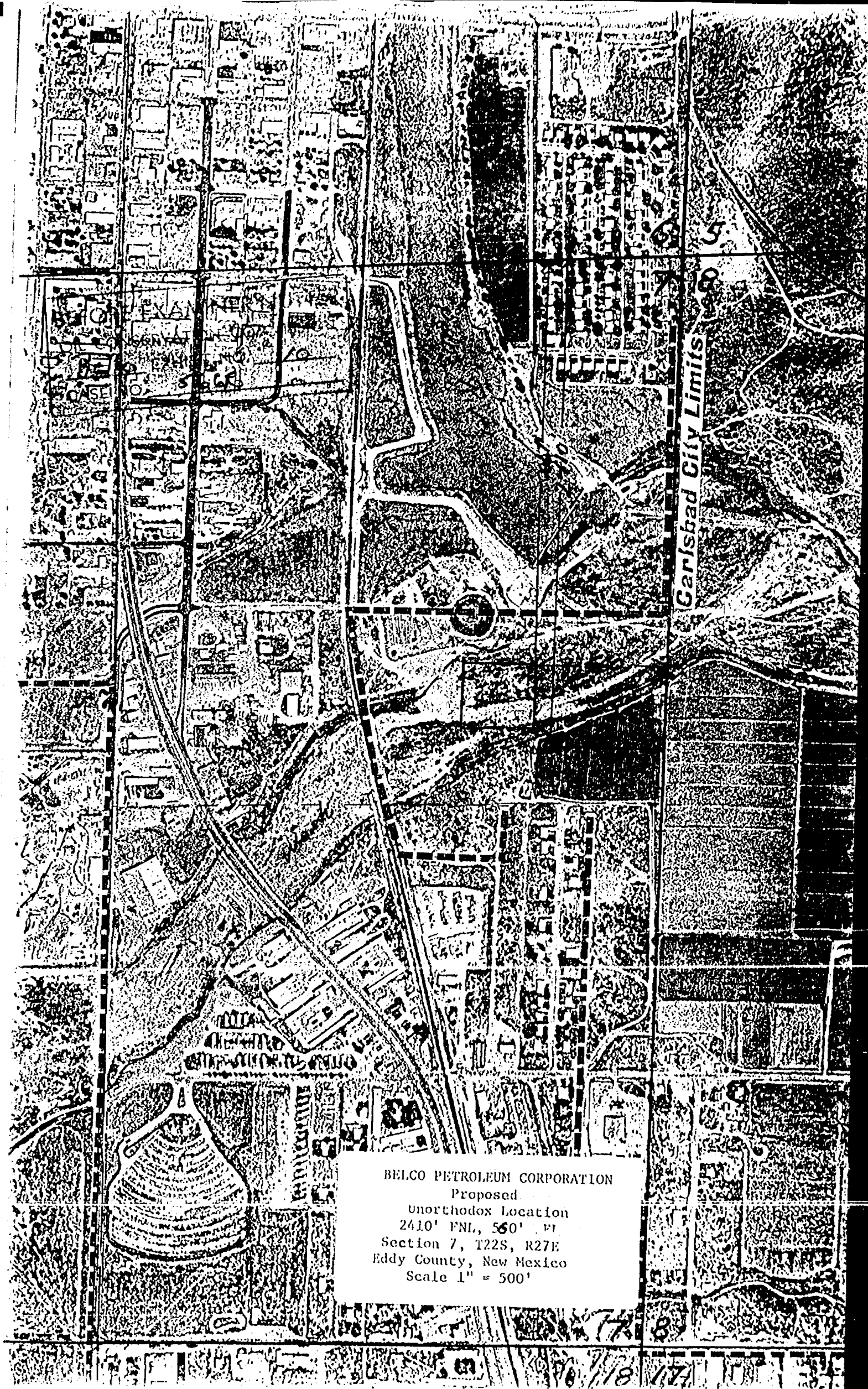
SO.	CHG.	DESCRIPTION	CSG. PT. COST	COMPL. COST	TOTAL COST
18	20	Rig Expenditure			
		Move In & Out			
		Drilling <u>10,000</u> Ft. @ \$ <u>11.50</u> /Ft. = <u>\$115,000</u>			
		Daywork <u>21</u> days @ \$2750/Day = <u>58,000</u>			
		Completion/W.O. Unit <u>10</u> days @ \$900/Day = <u>9,000</u>			
218		Total Rig Expenditure	\$ 173,000	\$ 9,000	\$ 182,000
612		Location - Roads, Row & Damages	20,000	2,000	22,000
204		Contract Professional Services	2,000	2,000	4,000
210		Misc. Contract Labor	-	3,000	3,000
418		Mud & Additives	30,000	5,000	35,000
220		Mud Logging	2,000	-	2,000
424		Bits	10,000	2,000	12,000
228		Tubular Testing/Inspection	-	4,000	4,000
230		CSG/TBG Crews/Tools	-	3,000	3,000
422		Float Eq., Cent & Scratchers	1,000	1,000	2,000
420		Cement & Additives	15,000	7,000	23,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools	-	-	-
222		Coring & Analysis	-	-	-
224		Elec. Line - Logs, Perf, Production, Etc.	9,000	2,000	11,000
226		Well Testing - DST, Wireline, Etc.	-	1,000	1,000
512		Eq. Rntls. - Surface/Downhole	20,000	2,000	22,000
950		Directional Drilling Expense	-	-	-
234		Transportation - Land - Marine	5,000	3,000	8,000
410		Fuel, Power & Water	15,000	2,000	17,000
930		Well Stimulation	-	7,000	7,000
808		Insurance & Bonds	-	-	-
920		Misc. & Contingency	28,000	6,000	34,000
		<b>TOTAL INTANGIBLE EXPENSE</b>	<b>\$ 330,000</b>	<b>\$ 61,000</b>	<b>\$ 391,000</b>

SO.	CHG.	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
20			732	736	

SO.	CHG.	DESCRIPTION	CSG. PT. COST	COMPL. COST	TOTAL COST
		CSG. & LINER			
		Drive <u>      </u> Ft. <u>      </u> O.D. @ \$ <u>      </u> /Ft. = <u>      </u>			
		Cand. <u>      </u> Ft. <u>      </u> O.D. @ \$ <u>      </u> /Ft. = <u>      </u>			
		Surf. <u>400</u> Ft. <u>16"</u> O.D. @ \$ <u>19.69</u> /Ft. = <u>\$ 8,000</u>			
		Intr. <u>1800</u> Ft. <u>10-3/4"</u> O.D. @ \$ <u>11.31</u> /Ft. = <u>20,000</u>			
		Prod. <u>8000</u> Ft. <u>7-5/8"</u> O.D. @ \$ <u>10.73</u> /Ft. = <u>86,000</u>			
		Liner <u>4000</u> Ft. <u>5"</u> O.D. @ \$ <u>9.60</u> /Ft. = <u>38,000</u>			
426		TOTAL	\$ 114,000	\$ 38,000	\$ 152,000
432		TUBING <u>11500</u> Ft. <u>2-7/8"</u> O.D. @ \$ <u>3.20</u> /Ft. = <u>37,000</u>		37,000	37,000
430		WELLHEAD EQUIPT.	4,000	22,000	26,000
438		WELL PROD. EQUIPT. SURFACE	-	-	-
440		WELL PROD. EQUIPT. DOWNHOLE	-	5,000	5,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES	-	20,000	20,000
450		MARINE PLATFORMS	-	-	-
452		OFFSHORE PROD. FACILITIES	-	-	-
		<b>TOTAL TANGIBLE EXPENSE</b>	<b>\$ 118,000</b>	<b>\$ 122,000</b>	<b>\$ 240,000</b>
		<b>TOTAL WELL COST</b>	<b>\$ 448,000</b>	<b>\$ 183,000</b>	<b>\$ 631,000</b>

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
*Belco* EXHIBIT NO. 7  
 CASE NO. 5666

week com b f y nte  
 1750 / mo bldg  
 250 / mo prod



State of New Mexico  
Oil Conservation Commission  
Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87501

Waiver: Boundary Requirements  
Rule 104 C. II (a)

Re: Proposed Belco Petroleum Corp.  
Pennsylvanian Morrow Test  
2410' FNL, 550' FEL  
Section 7, T22S, R27E  
S. Carlsbad Morrow Pool  
Eddy County, New Mexico

Gentlemen:

As an offsetting operator to Belco's proposed captioned test, Cities Service Oil Company has been duly advised by Belco of Belco's application for approval of said described unorthodox location. It is understood that this Waiver is for Belco's proposed Morrow test to be located 550' from the east line and 2410' from the north line of Section 7, T22S, R27E, Eddy County, New Mexico.

You are respectfully advised that Cities Service Oil Company waives any objection to Belco's proposed unorthodox location described above.

Yours very truly,

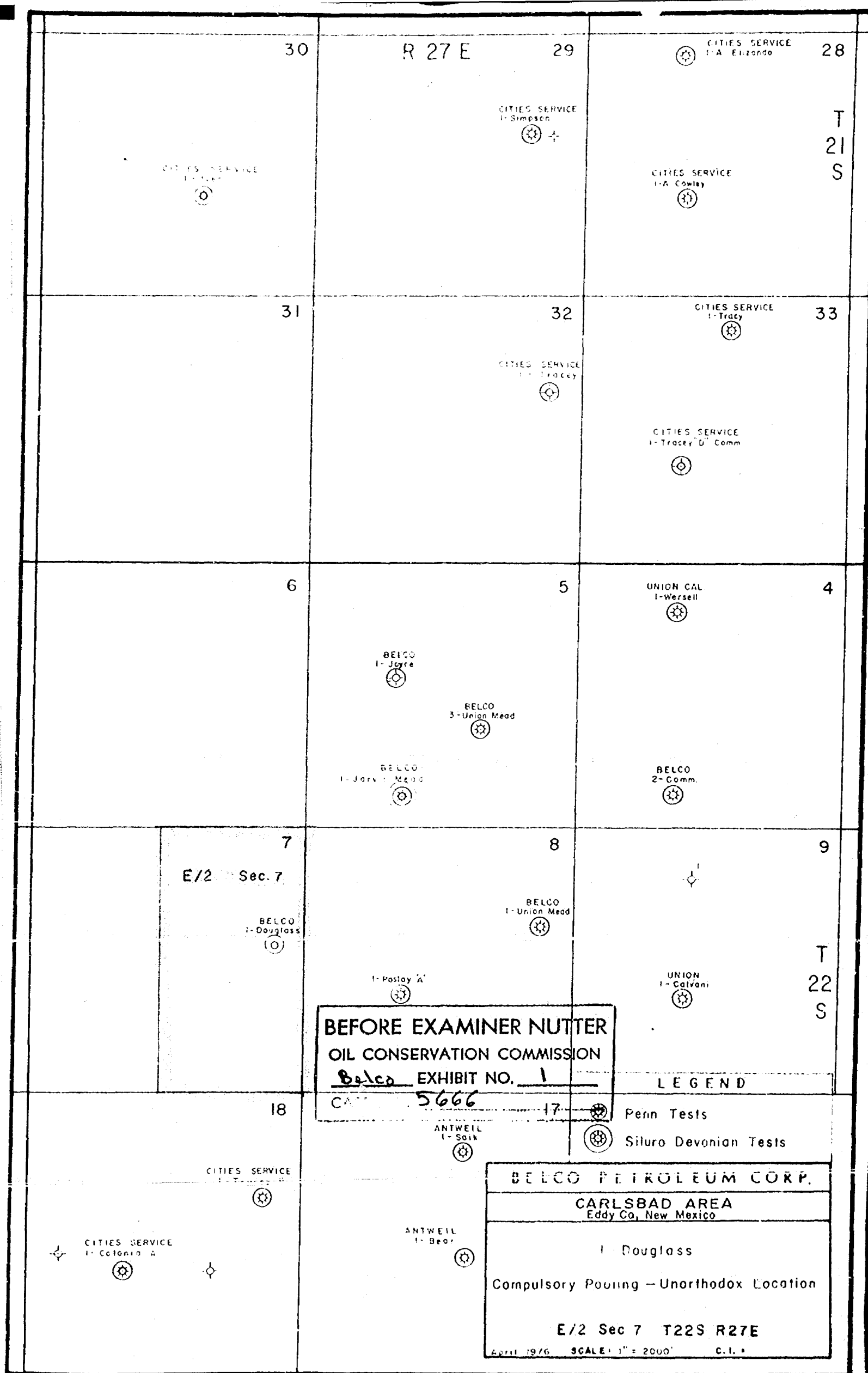
CITIES SERVICE OIL COMPANY

By 1600  
MANAGER PRODUCTION  
SOUTHWEST REGION  
REGION ENGINEER

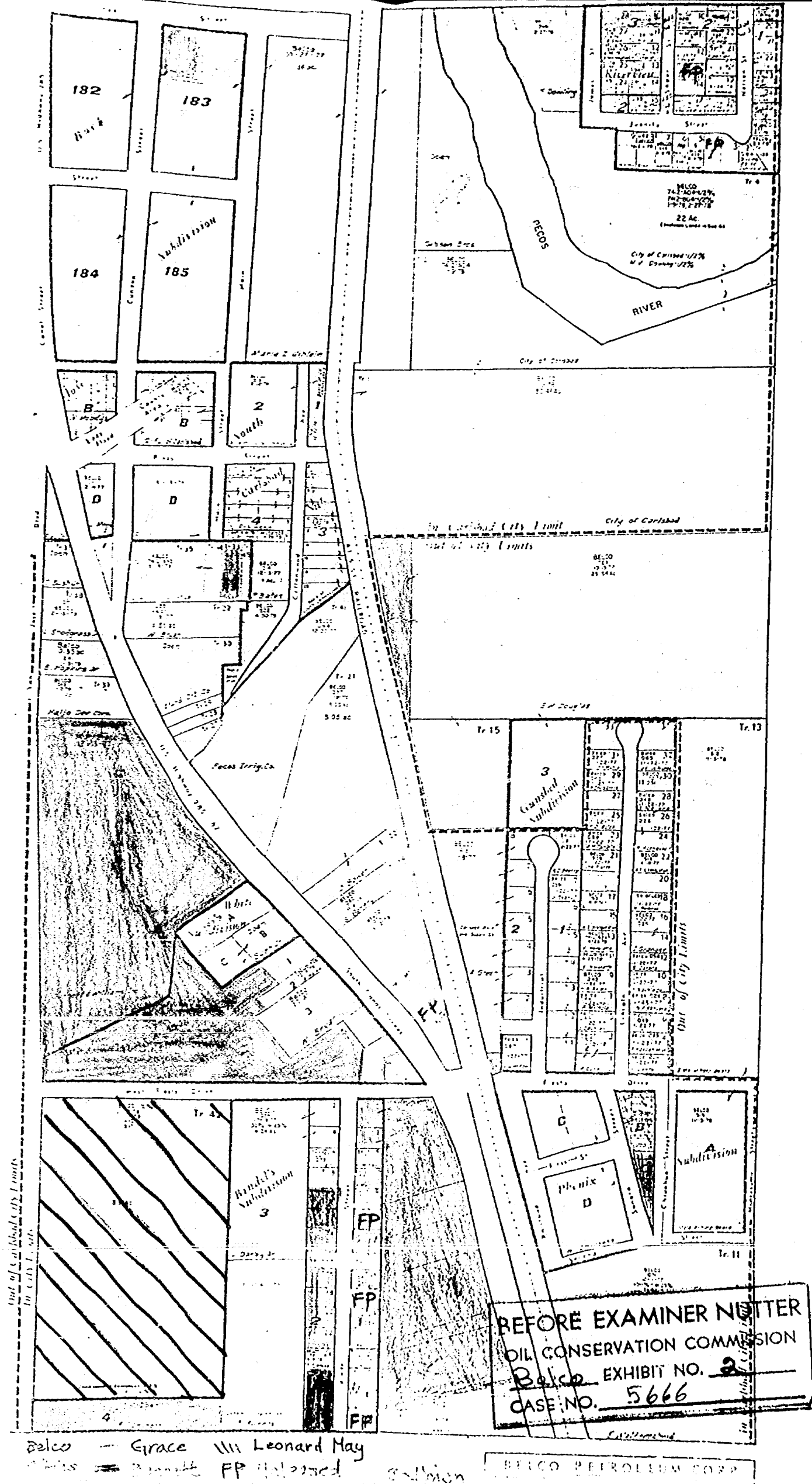
Title

3/31/76  
Date

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 11  
CASE NO. 5666







Belco Petroleum Corporation

Belco

E.L. Dunagan, Jr.

Herman Malicoat

Felix Navarro

~~Southern Union Gas~~ joined

Joe Fierro

James E. Earnest

Frank G. Alvarado

~~Robert W. Hutchins~~ leased

~~Cecil Layman Ballard~~ leased

~~Guitar Estate~~ leased

February 23, 1976

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T-22-S, R-27-E  
Eddy County, New Mexico

Belco Petroleum Corporation proposes to drill an 11,600 ft. Morrow test to be located approximately 2310 ft. FNL and 660 ft. FEL, Section 7, T-22-S, R-27-E, Eddy County, New Mexico.

According to our information you own under the captioned section which is currently unleased.

It is our intention to commence the above referenced test immediately and we herein offer to purchase an oil and gas lease covering your specific interest at a consideration of \$200 per net mineral acre for a one year primary term lease, and provide for a 3/16 base royalty.

As an alternative, you may wish to join with Belco in the drilling of this test and pay your proportionate part of the drilling cost. We estimate the cost to be approximately \$550,000 for a completed producer. If you should desire to join us, please let me know at your earliest convenience and I will send you a copy of the proposed Operating Agreement and an AFE covering the cost of the well for your consideration.

Of course you also have the option to elect to be force pooled in this matter. If this is your preference, I would appreciate your indicating the same in the space provided below on the enclosed extra copy of this letter and returning it to me at your earliest convenience. I am enclosing a stamped, self-addressed envelope for your convenience in replying.

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 3  
CASE NO. 5666

Page 2  
February 23, 1976

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Mary Ward*

Mary Ward  
Landman

MM/csn

Enclosure

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Mount the gummed ends and attach to back of article.

RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered..... 3¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢.

2. ARTICLE ADDRESSED TO:  
 E.L. Dunagan  
 1407 Orchard Lane  
 Carlisle, Pa. 17014

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. 775 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE [ ] Addressed [ ] Authorized agent

DATE OF DELIVERY FEB 25 1976

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 775

Value \$ 75.00	Special Delivery \$
Reg. Fee \$ 45	Return Receipt \$ 15
Handling Charge \$	Restricted Delivery \$
Postage \$ 13	<input type="checkbox"/> AIRMAIL

POSTMASTER (B):

FROM Belco Pet. Corp.  
204 W. Texas

TO E.L. Dunagan  
1407 Orchard Lane  
Carlisle, Pa. 17014

POSTMARK OF

MAILING OFFICE

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 4  
CASE NO. 5666

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

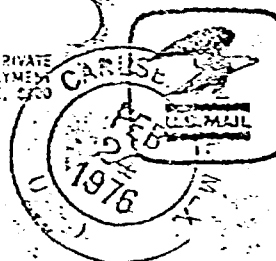
Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$200



1. The following service is requested (check one):  
☒ Show to whom and date delivered. 15¢  
☐ Show to whom, date, & address of delivery. 35¢  
☐ RESTRICTED DELIVERY. 45¢  
☐ Show to whom and date delivered.  
☐ RESTRICTED DELIVERY. 45¢  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
 HERMAN MELROSE  
 1904 Bingle Drive  
 Carlisle, PA 17015

3. ARTICLE DESCRIPTION:  
 776

4. I have received the article described above.  
 SIGNATURE: *Herman Melrose*  
 AUTHORIZED AGENT: ☐ ADDRESS: ☐

5. ADDRESS (Complete only if requested):  
 FEB 24 1976  
 DATE OF DELIVERY

6. UNABLE TO DELIVER BECAUSE:  
 CLERK'S INITIALS: *MM*

REGISTERED NO. 776

Value \$ 7.00	Special Delivery \$
Reg. Fee \$ .85	Return Receipt \$ 1.15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.30	<input type="checkbox"/> AIRMAIL

POSTMASTER (By) *CH*

FROM *Belco-Pet.*  
*204 W. Texas*

TO *Herman Melrose*  
*1904 Bingle Drive*  
*Carlisle, PA*

U.S. G.P.O. 1074-503-2-10

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

MOX THE  
AF

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$320

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Remove gummed ends and attach to back of article.

RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

<p>SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.</p>		<p>1. The following service is requested (check one):  <input checked="" type="checkbox"/> Show to whom and date delivered... 15¢  <input type="checkbox"/> Show to whom, date, &amp; address of delivery... 35¢  <input type="checkbox"/> RESTRICTED DELIVERY, Show to whom and date delivered...  <input type="checkbox"/> RESTRICTED DELIVERY, Show to whom, date, and address of delivery... 5¢</p>		<p>2. ARTICLE ADDRESSED TO:  <i>Felix Navarro</i>  <i>1915 Bunch Drive</i>  <i>Concluded, N.J.</i>  <i>88220</i></p>		<p>3. ARTICLE DESCRIPTION:  <i>781</i>              REGISTERED NO. 781 INSURED NO. 781</p>		<p>I have received the article described above.              SIGNATURE <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent  <i>Felix Navarro</i></p>		<p>4. DATE OF DELIVERY:  <i>2/24/76</i>              POSTMARK <i>CAHL</i></p>		<p>5. ADDRESS (Complete only if requested)              6. UNABLE TO DELIVER BECAUSE:</p>	
--	--	---	--	--	--	--	--	---	--	---	--	---	--

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. <i>781</i>		POSTMARK OF	
Value \$ <i>1.15</i>	Special Delivery \$	MAILING OFFICE	
Reg. Fee \$ <i>.95</i>	Return Receipt \$ <i>.15</i>		
Handling Charge \$	Restricted Delivery \$		
Postage \$ <i>.13</i>	<input type="checkbox"/> AIRMAIL		
POSTMASTER (By) <i>[Signature]</i>		FROM <i>[Signature]</i>	
TO <i>Felix Navarro</i> <i>1915 Bunch Drive</i> <i>Concluded, N.J.</i>		★ G.P.O. 1074-563-200	

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

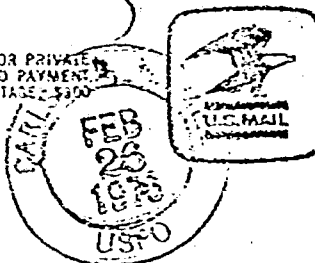
Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE \$300



*Southern Union*

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered..... 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
*Southern Union Bldg.  
 Fidelity Union Bldg.  
 Dallas, TX 75201*

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. 778 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE *[Signature]* [ ] Addressee [ ] Authorized agent

DATE OF DELIVERY *FEB 24 1976* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1975 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. *778*

Value \$ <i>7.51</i>	Special Delivery \$
Reg. Fee \$ <i>95</i>	Return Receipt \$ <i>15</i>
Handling Charge \$	Restricted Delivery \$
Postage \$ <i>1.13</i>	<input type="checkbox"/> AIRMAIL

POSTMARK OF



POSTMASTER (By) *[Signature]*

MAILING OFFICE

FROM

*Belco Pet. Co.  
 411 W. Taylor*

TO

*Southern Union Bldg.  
 Fidelity Union Bldg.  
 Dallas, TX*

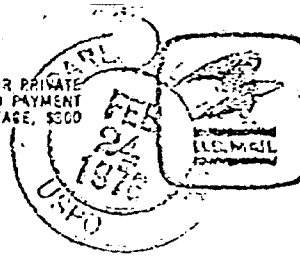
U.S. POSTAL SERVICE

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisture guarded ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

SENDER: Complete items 1, 2, and 3 on reverse side. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
☐ Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY.  
☐ Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
Joe Fierro  
408 Super  
Carlsbad, NM 88220

3. ARTICLE DESCRIPTION:  
REGISTERED NO. 780 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE: ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY 2-24-76

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 780

Value \$ 7.00	Special Delivery \$
Reg. Fee \$ 95	Return Receipt \$ 15
Handling Charge \$	Restricted Delivery \$
Postage \$ 1.13	<input type="checkbox"/> AIRMAIL

POSTMASTER (BY) *CB*

FROM *James*

MAILING OFFICE

TO *Joe Fierro*  
*408 Super*  
*Carlsbad, NM 88220*

★ G.P.O. 1974-0-503-200



## UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

## SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, and 3 on reverse side.
- Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

SEND: Complete items 1, 2, and 3 on reverse.

1. The following service is requested (check one):

- ☐ Show to whom and date delivered..... 15/
- ☐ Show to whom, date, & address of delivery.. 35/
- ☐ RESTRICTED DELIVERY. Show to whom and date delivered..... 35/
- ☐ RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85/

2. ARTICLE ADDRESSED TO:  
JAMES EARNEST  
1413 Yucca Street  
Midland, Texas 79701

3. ARTICLE DESCRIPTION:  
REGISTERED NO. 779 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY 2-24-76

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMASTER'S INITIALS

PS Form 3871, Jan. 1975 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 779

Value \$ 16.15 Special Delivery \$

Reg Fee \$ .85 Return Receipt \$ .15

Handling Charge \$ Restricted Delivery \$

Postage \$ 1.33 ☐ AIRMAIL

POSTMASTER (By)

FROM

POSTMARK OF

MAILING OFFICE

TO

James F. Earnest  
1413 Yucca Street  
Midland, Texas 79701

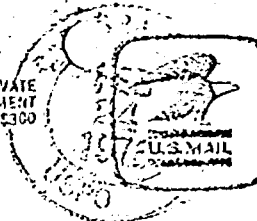
★ G.P.C. 1074-103-200

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Enclose payment and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

1. The following service is requested (check one): <input checked="" type="checkbox"/> Show to whom and date delivered..... 15¢ <input type="checkbox"/> Show to whom, date, & address of delivery.. 35¢ <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢ <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢		2. ARTICLE ADDRESSED TO: <i>Frank N. Alvarado</i> <i>1828 Petroleum Bldg</i> <i>Midland, Texas 79701</i>		3. ARTICLE DISCUSSION: <i>785</i>		4. SIGNATURE (Always obtain signature of addressee or agent) <i>Frank N. Alvarado</i> (I have received the article described above.) <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent		5. DATE OF DELIVERY <i>3/11/76</i>		6. ADDRESS (Complete only if requested)		7. POSTMARK		8. CLERK'S INITIALS	
9. UNABLE TO DELIVER BECAUSE:															

REGISTERED NO.

*785*

Value	\$ <i>7.14</i>	Special Delivery	\$
Reg. Fee	\$ <i>.95</i>	Return Receipt	\$ <i>.15</i>
Handling Charge	\$	Registered Delivery	\$
Postage	\$ <i>1.3</i>	<input type="checkbox"/> AIRMAIL	

POSTMARK OF



MAILING OFFICE

FROM

*Same*

*Frank N. Alvarado*  
*1828 Petroleum Bldg*  
*Midland, Texas 79701*

★ C.P.O. 1974-603-209

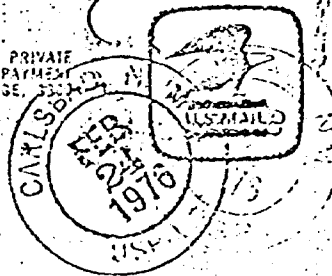
SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Mention guaranteed funds and attach to back of article.

RETURN  
TO

BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, ETC.



<p>1. The following service is requested (check one):</p> <p><input checked="" type="checkbox"/> Show to whom and date delivered..... 15¢</p> <p><input type="checkbox"/> Show to whom, date, &amp; address of delivery.. 35¢</p> <p><input type="checkbox"/> RESTRICTED DELIVERY</p> <p><input type="checkbox"/> Show to whom and date delivered..... 15¢</p> <p><input type="checkbox"/> RESTRICTED DELIVERY</p> <p><input type="checkbox"/> Show to whom, date, and address of delivery 35¢</p>		<p>2. ARTICLE ADDRESSED TO:</p> <p>Mr. Robert Hutchins 1527 Hill St. Carlsbad, N.M. 88228</p>	
<p>3. ARTICLE DESCRIPTION:</p> <p>REGISTERED NO. 184</p> <p>CERTIFIED NO.</p> <p>INSURED NO.</p>		<p>4. I have received the article described above.</p> <p>SIGNATURE: [Signature]</p> <p>DATE: FEB 25 1976</p>	
<p>5. UNABLE TO DELIVER BECAUSE:</p>			

RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

REGISTERED NO. 784		POSTMARK OF	
Value \$ 11.00	Special Delivery \$		
Reg. Fee \$ .95	Return Receipt \$ .15		
Handling Charge \$	Restricted Delivery \$		
Postage \$ 1.3	<input type="checkbox"/> AIRMAIL		
POSTMASTER (B): [Signature]		MAILING OFFICE	

FROM [Signature]

TO: Robert Hutchins  
1527 Hill St.  
Carlsbad, N.M.

\* G.P.O. 1974-503-200

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moistened gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

<p>1. The following service is requested (check one).  <input checked="" type="checkbox"/> Show to whom and date delivered. 15¢  <input type="checkbox"/> Show to whom, date, &amp; address of delivery. 75¢  <input type="checkbox"/> RESTRICTED DELIVERY.  <input type="checkbox"/> Show to whom and date delivered. 65¢  <input type="checkbox"/> RESTRICTED DELIVERY.  <input type="checkbox"/> Show to whom, date, and address of delivery.</p>		<p>2. ARTICLE ADDRESSED TO:  <i>GUIN CIVILIAN</i>  <i>17241 Reg. IT</i>  <i>Midland TX 79701</i></p>		<p>3. ARTICLE DESCRIPTION:  <i>782</i></p>		<p>REGISTERED NO. <i>782</i> CERTIFIED NO. INSURED NO.</p>		<p>(Always obtain signature of addressee or agent)          I have received the article described above.          SIGNATURE <input type="checkbox"/> Addressee <input checked="" type="checkbox"/> Authorized agent  <i>Mr. J. L. Taylor</i></p>		<p>4. DATE OF DELIVERY <i>2-28-76</i> POSTMARK <i>Midland TX</i></p>		<p>5. ADDRESS (Complete only if requested)</p>		<p>6. UNABLE TO DELIVER BECAUSE:          CITIZEN'S INITIALS</p>	
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Form 3811, Jan. 1975

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

<p>TO: <i>Belco Pet. Corp.</i>  <i>17241 Reg. IT</i>  <i>Midland TX 79701</i></p>		<p>FROM: <i>Belco Pet. Corp.</i>  <i>204 LA Tower</i></p>	
<p>POSTMASTER (BY) <i>CTB</i></p>		<p>REGISTERED NO. <i>782</i></p>	
Value \$ <i>17.14</i>	Special Delivery \$	Reg. Fee \$ <i>1.50</i>	Postage \$ <i>1.30</i>
Handling Charge \$	Registered Delivery \$		
	<input type="checkbox"/> AIRMAIL		

POSTMARK OF *MIDLAND TX FEB 28 1976*

February 24, 1976

Beren Corporation  
970 Fourth Financial Center  
Wichita, Kansas 67202

Michael P. Grace  
P.O. Box 1418  
Carlsbad, NM 88220

Cities Service  
P.O. Box 1919  
Midland, Texas 79701

R. C. Bennett  
P.O. Box 264  
Midland, Texas 79701

Leonard T. May  
3048 H. Canyon Street  
Carlsbad, NM 88220

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T22S-R27E  
Eddy County, New Mexico

Gentlemen:

Belco Petroleum Corporation proposes to drill an 11,600 ft. Morrow test to be located approximately 2310 ft. FNL and 660 ft. FEL, Section 7, T22S-R27E, Eddy County, New Mexico.

We propose a proration unit covering the E/2 of Section 7, T22S-R27E, Eddy County, New Mexico.

According to our records, the ownership and percentages within the proposed unit will be as follows:

<u>Company</u>	<u>Acres</u>	<u>Percentage</u>
Belco Petroleum Corporation	232.5992	73.3255
Michael P. Grace	40.7793	12.8556
Beren Corporation	25.8443	8.1473
Leonard T. May	8.9000	2.8057
Cities Service	2.4922	.7858
R. C. Bennett	1.2647	.3937
Unleased	5.3337	1.6814
Total	317.2146	100.0000

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 5  
CASE NO. 5666

We estimate the cost of the completed well to be approximately \$550,000. An AFE will be furnished you as soon as one is available.

Should you desire not to participate, please advise us immediately so that disposition of your interest can be handled by the consenting parties. The unleased interest will undoubtedly be handled by compulsory pooling and will be allocated proportionately to the consenting parties. We would of course, be pleased to consider a farmout of your interest, should you not care to join.

We will appreciate your consideration of this proposal at your earliest convenience. If you plan to join, a copy of the proposed Operating Agreement and AFE will be furnished you as soon as they are available. Should you have any questions or comments, please do not hesitate to let me know.

Yours very truly,  
BELCO PETROLEUM CORPORATION

*Mary Ward*  
Mary Ward  
Landman

M/csn

PS Form 3811, Jan. 1975

● **SENDER:** Complete items 1, 2, and 3.  
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).  
☐ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
Michael P. Grace  
P.O. Box 1415  
Carlsbad, NM. 88220

3. ARTICLE DESCRIPTION:  
REGISTERED NO. 617 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.  
SIGNATURE ☐ Addressee ☒ Authorized agent  
Margie Belco

4. DATE OF DELIVERY MAR 18 1976 POSTMARK

5. ADDRESS (Complete only if requested)  
CONSERVATION COMMISSION  
Belco

6. UNABLE TO DELIVER BECAUSE: NO. 17 CLERK'S INITIALS  
CASE NO. 5666

7. GPO: 1975-O-506-644

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**

Print your name, address, and ZIP Code in the space below.  
• Complete items 1, 2, and 3 on reverse side.  
• Moisten gummed ends and attach to back of article.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO



BELCO PETROLEUM CORPORATION  
411 PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

March 17, 1976

Michael P. Grace  
P.O. Box 1418  
Carlsbad, NM 88220

Re: Avalon Prospect  
Belco #1 Douglass  
E/2, Section 7, T22S, R27E  
Eddy County, New Mexico

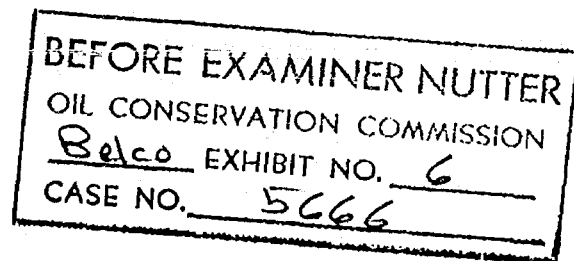
Dear Mr. Grace:

On February 24, 1976, Belco Petroleum Corporation wrote you, along with others, proposing to drill an 11,600 ft. Morrow test to be located approximately 2,310 ft. FNL and 660 ft. FEL, Section 7, T22S, R27E, Eddy County, New Mexico.

We proposed a proration unit covering the E/2 of Section 7, T22S, R27E. According to our records, as Belco proposed previously, the ownership and percentages within this unit will be as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Belco Petroleum Corp.	232.5992	73.3255
Michael P. Grace	40.7799	12.8556
Beren Corporation	25.8443	8.1473
Leonard T. May	8.9000	2.8057
Cities Service	2.4928	.7858
R. C. Bennett	1.2647	.3987
Unleased	<u>5.3337</u>	<u>1.6814</u>
Total	<u>317.2146</u>	<u>100.0000</u>

We estimate the cost of the completed well to be approximately \$550,000. An AFE will be furnished you as soon as one is available, if you desire to join. We would, of course, be pleased to consider a farmout of your interest.





We will appreciate your consideration of this proposal at your earliest convenience. If you plan to join, a copy of the proposed Operating Agreement and AFE will be furnished you as soon as possible. Please let me know, at your earliest convenience, whether you wish to join or farmout.

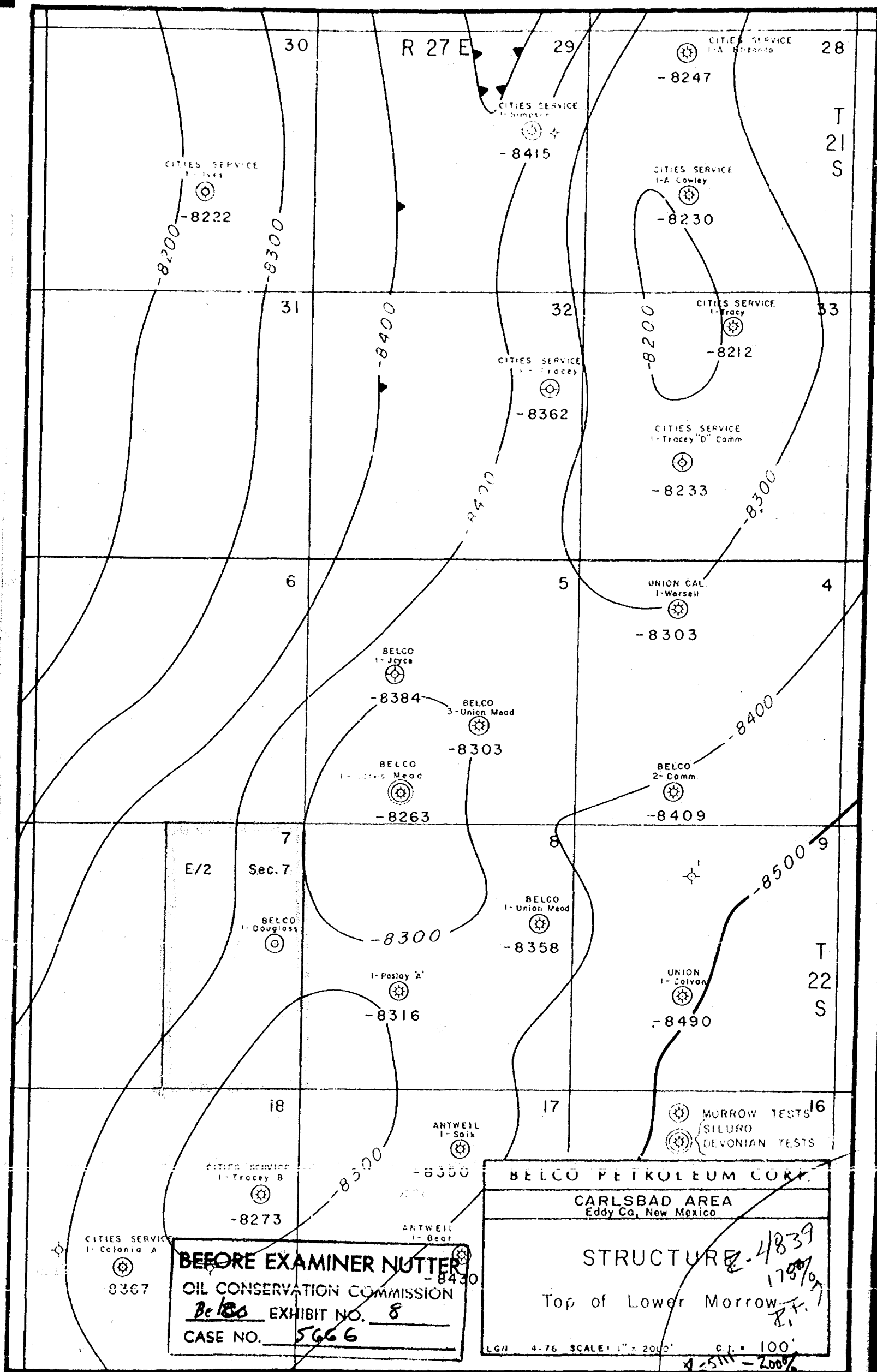
Should you have any questions or comments, please do not hesitate to call me collect at the above number.

Yours very truly,

BELCO PETROLEUM CORPORATION

Mary Ward  
Landman

M/csn



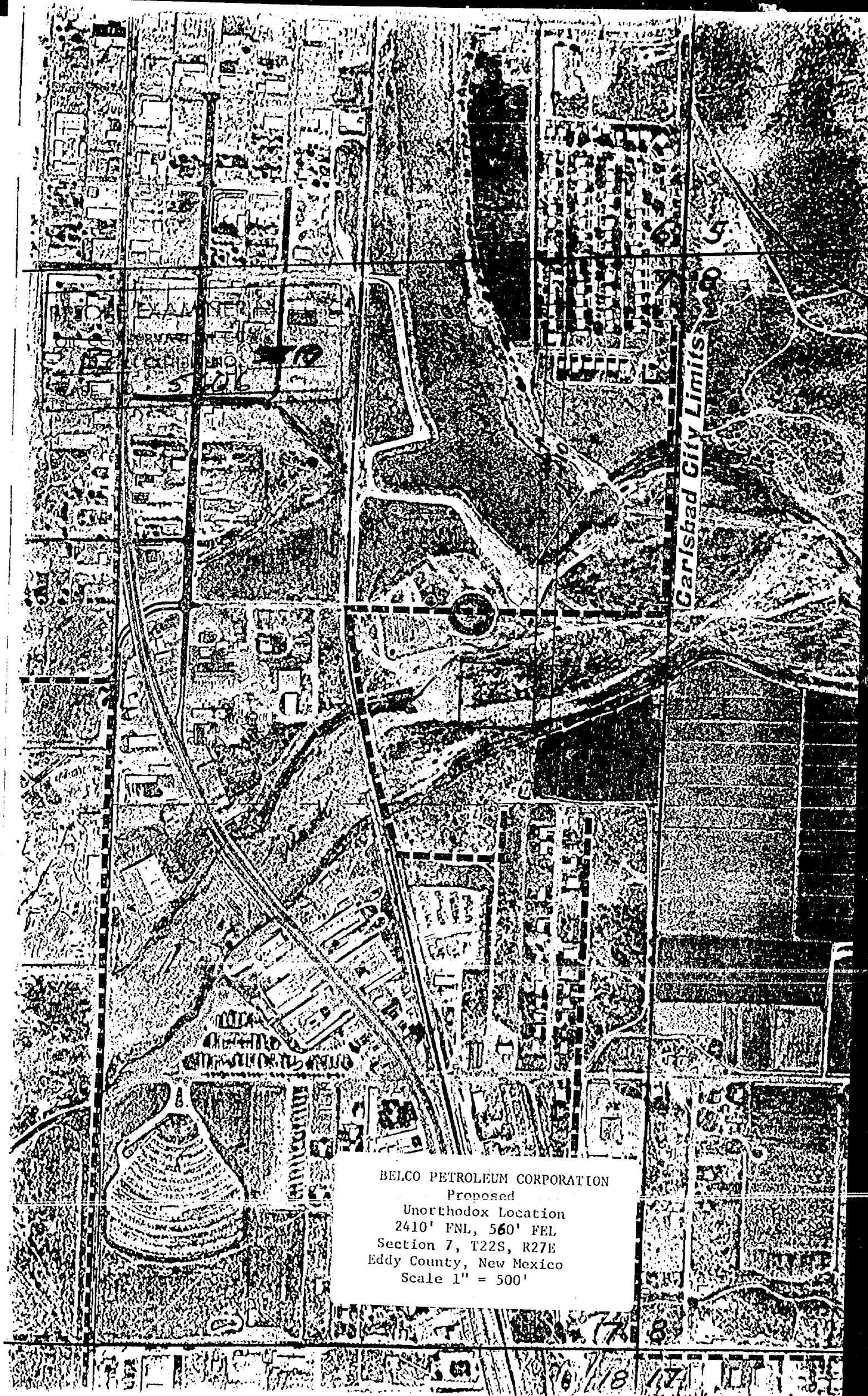
**BEFORE EXAMINER NUTTER**  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 8  
CASE NO. 5666

**BELCO PETROLEUM CORP.**  
**CARLSBAD AREA**  
Eddy Co., New Mexico  
**STRUCTURE 8-4839**  
1790'  
Top of Lower Morrow  
R.F.  
LGN 4.76 SCALE 1" = 2000' C.I. = 100'  
4.511 - 200'

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO.	CHG.	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
20			732	736	
		CSG. & LINER			
		Drive _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____			
		Cond. _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____			
		Surf. 400 Ft. 16" O.D.@ \$ 19.69 /Ft. = \$ 8,000			
		Intr. 1800 Ft. 10-3/4" O.D.@ \$ 11.31 /Ft. = 20,000			
		Prod. 8000 Ft. 7-5/8" O.D.@ \$ 10.73 /Ft. = 86,000			
		Liner 4000 Ft. 5" O.D.@ \$ 9.60 /Ft. = 38,000			
426		TOTAL	\$ 114,000	\$ 38,000	\$ 152,000
432		TUBING 11500 Ft. 2-7/8" EUEB @ \$ 3.20 /Ft. = 37,000	-	37,000	37,000
430		WELLHEAD EQUIPT.	4,000	22,000	26,000
438		WELL PROD. EQUIPT. SURFACE	-	-	-
440		WELL PROD. EQUIPT. DOWNHOLE	-	5,000	5,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES	-	20,000	20,000
450		MARINE PLATFORMS	-	-	-
452		OFFSHORE PROD. FACILITIES	-	-	-
		TOTAL TANGIBLE EXPENSE	\$ 118,000	\$ 122,000	\$ 240,000
		TOTAL WELL COST	\$ 448,000	\$ 183,000	\$ 631,000

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Beko EXHIBIT NO. 9  
CASE NO. 5666



BELCO PETROLEUM CORPORATION  
Proposed  
Unorthodox Location  
2410' FNL, 560' FEL  
Section 7, T22S, R27E  
Eddy County, New Mexico  
Scale 1" = 500'

State of New Mexico  
Oil Conservation Commission  
Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87501

Waiver: Boundary Requirements  
Rule 104 C. II (a)

Re: Proposed Belco Petroleum Corp.  
Pennsylvanian Morrow Test  
2410' FNL, 550' FEL  
Section 7, T22S, R27E  
S. Carlsbad Morrow Pool  
Eddy County, New Mexico

Gentlemen:

As an offsetting operator to Belco's proposed captioned test, Cities Service Oil Company has been duly advised by Belco of Belco's application for approval of said described unorthodox location. It is understood that this Waiver is for Belco's proposed Morrow test to be located 550' from the east line and 2410' from the north line of Section 7, T22S, R27E, Eddy County, New Mexico.

You are respectfully advised that Cities Service Oil Company waives any objection to Belco's proposed unorthodox location described above.

Yours very truly,

CITIES SERVICE OIL COMPANY

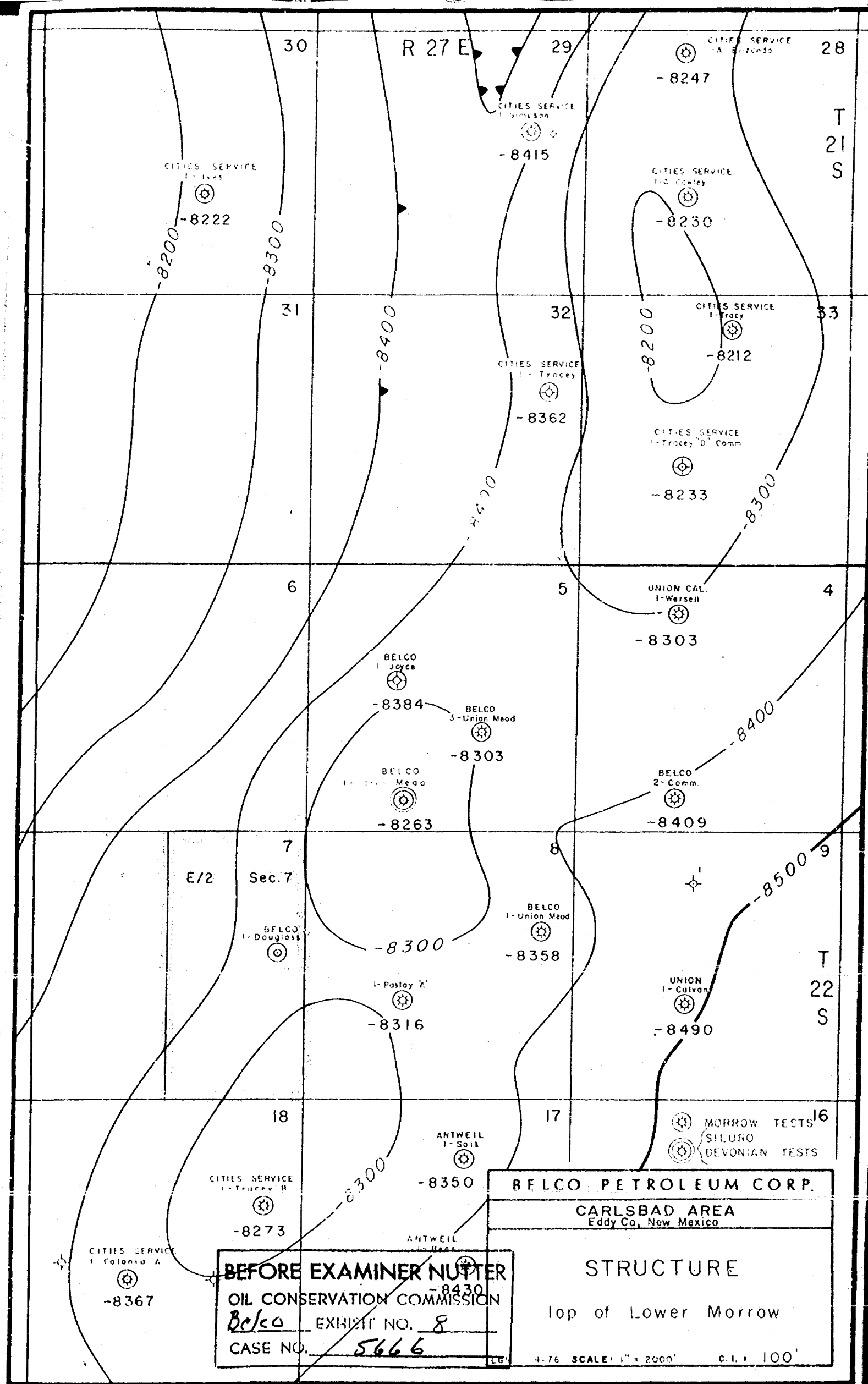
By [Signature]  
MANAGER PRODUCTION  
SOUTHWEST REGION  
REGION ENGINEER

Title

3/31/76

Date

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 11  
CASE NO. 5666



BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
*Belco* EXHIBIT NO. 8  
CASE NO. 5666

BELCO PETROLEUM CORP.  
CARLSBAD AREA  
Eddy Co., New Mexico  
STRUCTURE  
top of Lower Morrow  
4-76 SCALE: 1" = 2000' C.I. = 100'

DIVISION <span style="border: 1px solid black; display: inline-block; width: 40px; height: 15px;"></span>		BULCO PETROLEUM CORPORATION				CAPITAL <span style="border: 1px solid black; display: inline-block; width: 40px; height: 15px;"></span>	
REV DT: _____		AUTHORIZATION FOR EXPENDITURE				ALL NO. <u>15725</u>	
SO.	CHG.	PROPERTY NAME & NUMBER (27)			AUTH. DATE (6)	LOCATION (12)	
1	2	3	4	5	37	38	39
18		DOUGLASS #1				2410' FNL & 560' FEL, Sec. 7, T-22-S, R-27-E	
		TYPE OF WORK (23)		P. DEPTH (8)	FORMATION	FIELD NAME	RIG TYPE
66		88	89	96			
		Development-Gas		11600'	Morrow	Carlsbad, S., Morrow	Rotary
SO.	CHG.	PROSPECT NAME (22)			STATE (15)	COUNTY / PARISH (15)	CORP. W.I.
1	2	3	4	5	32	33	34
19		Avalon			New Mexico	Eddy	

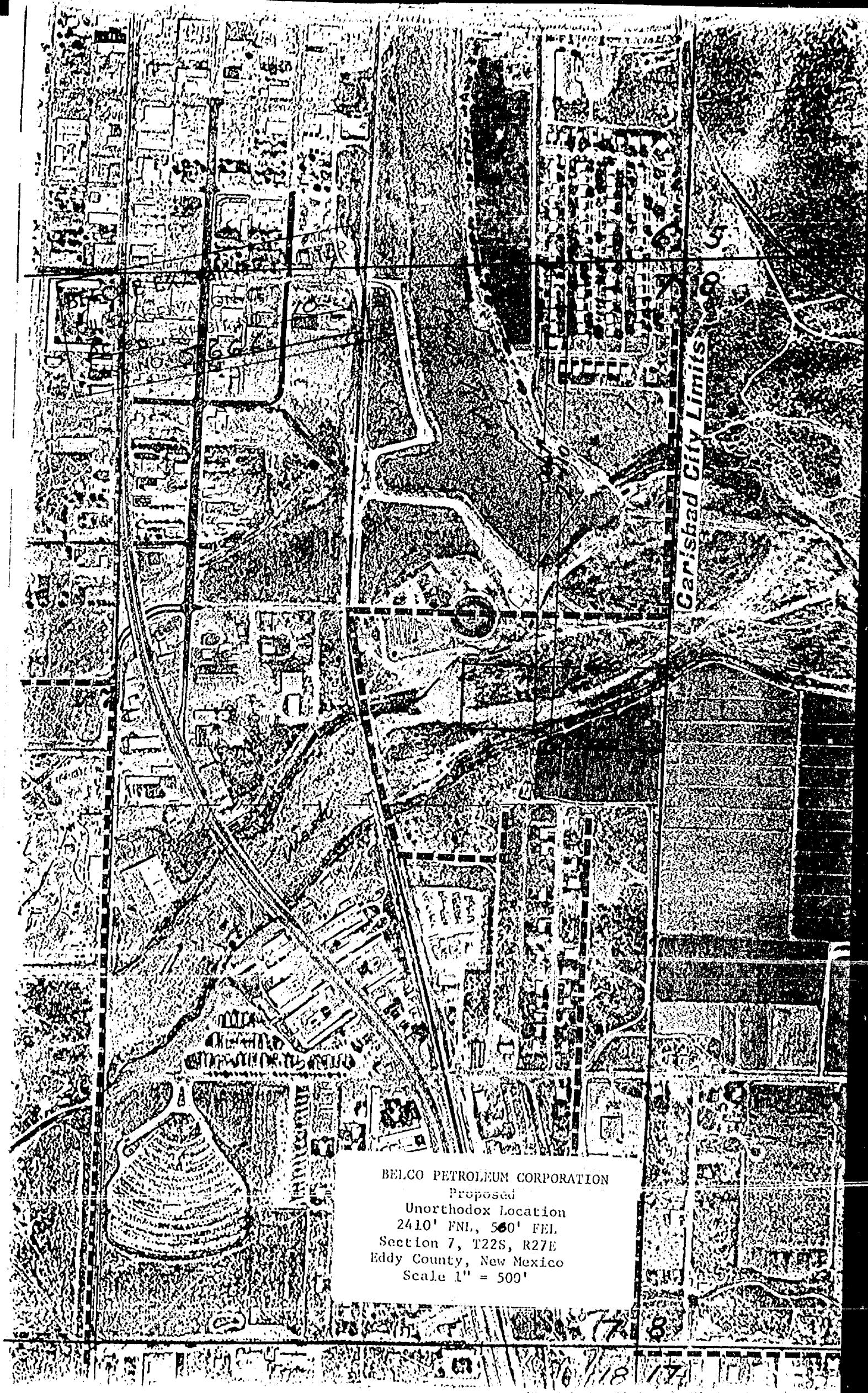
NO MORE THAN NINE DIGITS PER COLUMN WHOLE DOLLARS ONLY

SO.	CHG.	PROPERTY NO.	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	11	21	22	23
20		7412012 INTANGIBLE EXPENSE	730	734	
18	20		24	32	32
		Rig Expenditure _____			
		Move In & Out _____ = _____			
		Drilling <u>10,000</u> Ft. @ \$ <u>11.50</u> /Ft. = <u>\$115,000</u>			
		Daywork <u>21</u> days @ \$ <u>2750</u> /Day = <u>58,000</u>			
		Completion/W.O. Unit <u>10</u> days @ \$ <u>900</u> /Day = <u>9,000</u>			
218		Total Rig Expenditure _____	\$ 173,000	\$ 9,000	\$ 182,000
612		Location - Roads, Row & Damages _____	20,000	2,000	22,000
204		Contract Professional Services _____	2,000	2,000	4,000
210		Misc. Contract Labor _____	-	3,000	3,000
418		Mud & Additives _____	30,000	5,000	35,000
220		Mud Logging _____	2,000	-	2,000
424		Bits _____	10,000	2,000	12,000
228		Tubular Testing/Inspection _____	-	4,000	4,000
230		CSG/TBG Crews/Tools _____	-	3,000	3,000
422		Float Eq., Cent & Scratchers _____	1,000	1,000	2,000
420		Cement & Additives _____	15,000	7,000	23,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools _____	-	-	-
222		Coring & Analysis _____	-	-	-
224		Elec. Line - Logs, Perf, Production, Etc. _____	9,000	2,000	11,000
226		Well Testing - DST, Wireline, Etc. _____	-	1,000	1,000
512		Eq. Rntls. - Surface/Downhole _____	20,000	2,000	22,000
950		Directional Drilling Expense _____	-	-	-
234		Transportation - Land - Marine _____	5,000	3,000	8,000
410		Fuel, Power & Water _____	15,000	2,000	17,000
930		Well Stimulation _____	-	7,000	7,000
808		Insurance & Bonds _____	-	-	-
920		Misc. & Contingency _____	28,000	6,000	34,000
TOTAL INTANGIBLE EXPENSE			\$ 330,000	\$ 61,000	\$ 391,000

SO.	CHG.	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2		732	736	
20					
		CSG. & LINER _____			
		Drive _____ Ft. _____ O.D. @ \$ _____ /Ft. = _____			
		Cond. _____ Ft. _____ O.D. @ \$ _____ /Ft. = _____			
		Surf. <u>400</u> Ft. <u>16"</u> O.D. @ \$ <u>19.69</u> /Ft. = <u>\$ 8,000</u>			
		Intr. <u>1800</u> Ft. <u>10-3/4"</u> O.D. @ \$ <u>11.31</u> /Ft. = <u>20,000</u>			
		Prod. <u>8000</u> Ft. <u>7-5/8"</u> O.D. @ \$ <u>10.73</u> /Ft. = <u>86,000</u>			
		Liner <u>4000</u> Ft. <u>5"</u> O.D. @ \$ <u>9.60</u> /Ft. = <u>38,000</u>			
426		TOTAL _____	\$ 114,000	\$ 38,000	\$ 152,000
432		TUBING <u>11500</u> Ft. <u>2-7/8" EWB</u> @ \$ <u>3.20</u> /Ft. = <u>37,000</u>	-	37,000	37,000
430		WELLHEAD EQUIPT. _____	4,000	22,000	26,000
438		WELL PROD. EQUIPT. SURFACE _____	-	-	-
440		WELL PROD. EQUIPT. DOWNHOLE _____	-	5,000	5,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES _____	-	20,000	20,000
450		MARINE PLATFORMS _____	-	-	-
452		OFFSHORE PROD. FACILITIES _____	-	-	-
TOTAL TANGIBLE EXPENSE			\$ 118,000	\$ 122,000	\$ 240,000
TOTAL WELL COST			\$ 448,000	\$ 183,000	\$ 631,000

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
Bulco EXHIBIT NO. 7  
 CASE NO. 5666





BELCO PETROLEUM CORPORATION  
Proposed  
Unorthodox Location  
2410' FNL, 500' FEL  
Section 7, T22S, R27E  
Eddy County, New Mexico  
Scale 1" = 500'



State of New Mexico  
Oil Conservation Commission  
Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87501

Waiver: Boundary Requirements  
Rule 104 C. II (a)

Re: Proposed Belco Petroleum Corp.  
Pennsylvanian Morrow Test  
2410' FNL, 550' FEL  
Section 7, T22S, R27E  
S. Carlsbad Morrow Pool  
Eddy County, New Mexico

Gentlemen:

As an offsetting operator to Belco's proposed captioned test, Cities Service Oil Company has been duly advised by Belco of Belco's application for approval of said described unorthodox location. It is understood that this Waiver is for Belco's proposed Morrow test to be located 550' from the east line and 2410' from the north line of Section 7, T22S, R27E, Eddy County, New Mexico.

You are respectfully advised that Cities Service Oil Company waives any objection to Belco's proposed unorthodox location described above.

Yours very truly,

CITIES SERVICE OIL COMPANY

By [Signature]  
MANAGER PRODUCTION  
SOUTHWEST REGION  
REGION ENGINEER

Title

3/31/76

Date

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Belco EXHIBIT NO. 811  
CASE NO. 5666

# FORCE POOL LIST

Name	Address	Description	Acres
E. L. Dunagan, Jr.	1407 Orchard Lane Carlsbad, New Mexico 88220	Part of Tract 5, Dark Canyon Subdivision	.8280
Herman Malicoat	1904 Bindel Drive Carlsbad, New Mexico 88220	Lot 17, Block 1, Bindel	.2400
Felix Navarro	1918 Bindel Drive Carlsbad, New Mexico 88220	Lot 29, Block 1, Bindel	.3850
Joe Fierro	408 Soper Carlsbad, New Mexico 88220	Lot 13, Block 2, <del>Bindel</del> Riverview	.1800
James E. Earnest	413 Juanita Street Carlsbad, New Mexico 88220	Lot 4, Block 1 #5 Riverview	.2204
Frank G. Alvarado	1828 Parkdale Way San Jose, California 95122	Lot 11, Block 1, Bindel	.2400
Michael P. Grace	715 N. Happy Valley Road Carlsbad, New Mexico 88220	(Summers) Blk. 4, Bindel  (Garrett and Williams) Lots 4,6,8,10,N/2 12, Blk. 183; Pt. NW/4 SE/4 Sec. 7, Pt. Lot 17  (Gregory) Tract 4, Dk. Canyon  (Grube) Tract 33  (Mitchell) Pt. Tract 4, SW/4 NE/4  (May) Tract 10, & Lots 1,3 Bindel	2.6300  14.1400  8.5000  .4132  .4600  1.5000

Michael P. Grace leases con't

(Bryan and Childress) Tracts 12, 4,6,7,8,9, Bindel	8.0000
(Wood) Lots 21, 23,25,27,29, Blk. B, Phenix	1.0000
(Garrett) Lot 2, N/2 Lot 12, Blk. 183, Bock	1.5200
(Mc Closkey) Tract out of SW/4 NE/4 outside city limits	1.1400
(Hunt) Lot 14, Bindel	.4161
Lots 16,18,20,22, Blk. 2, Bindel	1.0606
(owned by Grace in fee)	<u>40.7799</u>

40.7799

TOTAL  
FORCE POOL

42.8733

13.547 5/16 -

Grace

# FORCE POOL LIST

Name	Address	Description	Acres
E. L. Dunagan, Jr.	1407 Orchard Lane Carlsbad, New Mexico 88220	Part of Tract 5, Dark Canyon Subdivision	.8280
Herman Malicoat	1904 Bindel Drive Carlsbad, New Mexico 88220	Lot 17, Block 1, Bindel	.2400
Felix Navarro	1918 Bindel Drive Carlsbad, New Mexico 88220	Lot 29, Block 1, Bindel	.3850
Joe Fiarro	408 Soper Carlsbad, New Mexico 88220	Lot 13, Block 2, <del>Bindel</del> Riverview	.1800
James E. Earnest	413 Juanita Street Carlsbad, New Mexico 88220	Lot 4, Block 1 #5 Riverview	.2204
Frank G. Alvarado	1828 Parkdale Way San Jose, California 95122	Lot 11, Block 1, Bindel	.2400
Michael P. Grace	715 N. Happy Valley Road Carlsbad, New Mexico 88220	(Summers) Blk. 4, Bindel	2.6300
		(Garrett and Williams) Lots 4,6,8,10,N/2 12, Blk. 183; Pt. NW/4 SE/4 Sec. 7, Pt. Lot 17	14.1400
		(Gregory) Tract 4, Dk. Canyon	8.5000
		(Grube) Tract 33	.4132
		(Mitchell) Pt. Tract 4, SW/4 NE/4	.4600
		(May) Tract 10, & Lots 1,3 Bindel	1.5000

Michael P. Grace Leases con't

(Bryan and Childress) Tracts 12, 4,6,7,8,9, Bindel	8.0000
(Wood) Lots 21, 23,25,27,29, Blk. B, Phenix	1.0000
(Garrett) Lot 2, N/2 Lot 12, Blk. 183, Bock	1.5200
(Mc Closkey) Tract out of SW/4 NE/4 outside city limits	1.1400
(Hunt) Lot 14, Bindel	.4161
Lots 16,18,20,22, Blk. 2, Bindel	1.0606
(owned by Grace in fee)	<u>40.7799</u>

40.7799

TOTAL	
FORCE POOL	<u>42.8733</u>

Mr. E. L. Dunagan, Jr.

Page 2

February 23, 1976

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Mary Ward*

Mary Ward  
Landman

MM/csn

Enclosure

☐ I will lease my interest to Belco.

☐ I prefer to join in drilling this test.

☒ I prefer to be force pooled.

Mr. E. L. Dunagan, Jr.  
Page 2  
February 23, 1976

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

*Mary Ward*  
Mary Ward  
Landman

WJ/csn

Enclosure

☐ I will lease my interest to Belco.

☐ I prefer to join in drilling this test.

☒ I prefer to be force pooled.

Case 5666

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

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

TELEPHONE 982-4315  
AREA CODE 505

March 16, 1976

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

Re: Belco

Dear Bill:

Please find enclosed for filing an application in behalf of Belco Petroleum Corporation for forced pooling of the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico.

Please schedule this hearing for April 14, 1976.

Very truly yours,

*W. Thomas Kellahin*  
W. Thomas Kellahin

CC: Mr. Lee Nering  
Mrs. Mary Ward

WTK:kjf

Enclosure

3/24/76

Jason called re location of this well. Survey of location puts it on edge of small "ditch" or bank — need to move to 24/10' FNL and 500' FEL — advisable for compulsory pooling and another day location. *WTK*



BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF BELCO PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

A P P L I C A T I O N

COMES NOW, BELCO PETROLEUM CORPORATION, as provided by Section 65-13-4, New Mexico Statutes Annotated, 1953, as amended, and applies to the Oil Conservation Commission of New Mexico for an order pooling all the mineral interest in and under the E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico in formations of Pennsylvanian age or older, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the following described acreage: E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant has obtained voluntary agreement for pooling from all but the persons named below, whose addresses, and the interest owned according to applicant's information and belief are as follows:

NAME	ADDRESS	INTEREST IN ACRES
E. L. Dunagan, Jr.	1407 Orchard Lane Carlsbad, New Mexico 88220	.8280

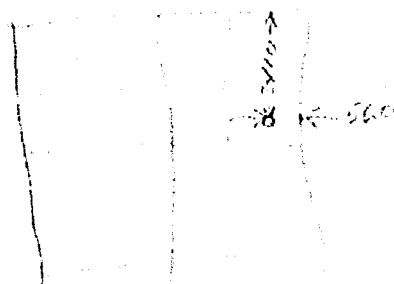
Herman Malicoat	1904 Bendall Drive Carlsbad, New Mexico 88220	.2400
Felix Navarro	1918 Bendall Drive Carlsbad, New Mexico 88220	.3850
Joe Fierro	408 Soper Carlsbad, New Mexico 88220	.1800
James E. Ernest	413 Juanita Carlsbad, New Mexico 88220	.2204
Frank G. Alvarado	1828 Parkdale Way San Jose, California 95122	.2400
Cecil Layman Ballard	1816 South Bendall Street Carlsbad, New Mexico 88220	.3850
Michael P. Grace (12 separate lots totalling 40.7799)	715 North Happy Valley Road Carlsbad, New Mexico 88220	40.7799
TOTAL		43.2583

*Unaffected Location*

3. As required by the provision of Commission Rule 104, Applicant proposes to dedicate the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico to a well to be drilled at a standard location approximately <sup>2910</sup>~~2,310~~ feet from the North Line and <sup>560</sup>~~660~~ feet from the East line of said section to test the Morrow formation.

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

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest 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 said unit.

6. Applicant further requests for a provision for a period of 120 days from the date of the order in which to commence subject well.

WHEREFORE, applicant respectfully requests that the Commission set this matter 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 interest underlying the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico, and designating applicant as operator of the pooled unit, together with provisions for applicant to recover its costs of drilling and completing the well, a reasonable charge for supervision, a risk factor in the amount of 200%, all to be recovered out of production, and for such other and further provisions as may be proper in the premises.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

By W. T. Kellahin  
KELLAHIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicants

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF BELCO PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

A P P L I C A T I O N

COMES NOW, BELCO PETROLEUM CORPORATION, as provided by Section 65-13-4, New Mexico Statutes Annotated, 1953, as amended, and applies to the Oil Conservation Commission of New Mexico for an order pooling all the mineral interest in and under the E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico in formations of Pennsylvanian age or older, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the following described acreage: E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant has obtained voluntary agreement for pooling from all but the persons named below, whose addresses, and the interest owned according to applicant's information and belief are as follows:

NAME	ADDRESS	INTEREST IN ACRES
E. L. Dunagan, Jr.	1407 Orchard Lane Carlsbad, New Mexico 88220	.8280

Herman Malicoat	1904 Bendall Drive Carlsbad, New Mexico 88220	.2400
Felix Navarro	1918 Bendall Drive Carlsbad, New Mexico 88220	.3850
Joe Fierro	408 Soper Carlsbad, New Mexico 88220	.1800
James E. Ernest	413 Juanita Carlsbad, New Mexico 88220	.2204
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Michael P. Grace (12 separate lots totalling 40.7799)	715 North Happy Valley Road Carlsbad, New Mexico 88220	40.7799
TOTAL		43.2583

unorthodox location

3. As required by the provision of Commission Rule 104, applicant proposes to dedicate the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico to a well to be drilled at a standard location approximately <sup>2410</sup>~~2,310~~ feet from the North Line and <sup>560</sup>~~660~~ feet from the East line of said section to test the Morrow formation.

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

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest 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 said unit.

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Respectfully submitted,

BELCO PETROLEUM CORPORATION

By \_\_\_\_\_  
KELLAHIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicants

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
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FOR COMPULSORY POOLING, EDDY  
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TOTAL		43.2583

3. As required by the provision of Commission Rule 104, applicant proposes to dedicate the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico to a well to be drilled at a standard location approximately <sup>2,410</sup> 2,310 feet from the North Line and <sup>560</sup> 660 feet from the East line of said section to test the Morrow formation.

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

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest 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 said unit.

6. Applicant further requests for a provision for a period of 120 days from the date of the order in which to commence subject well.

WHEREFORE, applicant respectfully requests that the Commission set this matter 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 interest underlying the E/2 of Section 7, T22S, R27E, N.M.P.M., Eddy County, New Mexico, and designating applicant as operator of the pooled unit, together with provisions for applicant to recover its costs of drilling and completing the well, a reasonable charge for supervision, a risk factor in the amount of 200%, all to be recovered out of production, and for such other and further provisions as may be proper in the premises.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

By \_\_\_\_\_  
KELLANIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicants

DRAFT

dr/ *in*

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. 5666

APPLICATION OF BELCO PETROLEUM CORPORATION  
FOR COMPULSORY POOLING AND AN UNORTHODOX GAS  
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

Order No. R-5209

*J. R. [unclear] [unclear]*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 14, 1966  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        day of April, 1976, 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, Belco Petroleum Corporation,  
seeks an order pooling all mineral interests in and below the  
Pennsylvanian formation underlying the E/2  
of Section 7, Township 22 South, Range 27 East,  
NMPM, South Carlsbad Field, Eddy County, New  
Mexico.

*L*

Case No.  
Order No. R-

~~proposed to drill an unorthodox gas well~~  
(3) That the applicant has the right to drill, and proposes <sup>to drill a well at an unorthodox gas well location</sup> to drill a well 2410 feet from the North line and 560 feet from the East line of said Section 7.

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

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

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

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

(8) That any non-consenting working interest owner 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

\$255.00 per month should be fixed as a reasonable charge for supervision while producing;

(11) That \$1750.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) <sup>while drilling; that</sup> 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.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1976, 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, <sup>Pennsylvanian</sup> in ~~the~~ and below the /                      formation underlying the E/2 of Section 7, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2410 feet from the North line and 560 feet from the East line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1976, 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 1st day of July, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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Case No.  
Order No. R-

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.

(2) That Belco Petroleum Corporation 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.

(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 \$1750.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) <sup>while drilling; that \$255.00</sup> 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.

*per month is hereby fixed as a reasonable charge for supervision while producing; and*

-6-

Case No.

Order No. R-

(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.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

September 7, 1976

Jason W. Kellahin, Esq.  
Kellahin & Fox  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Re; Compulsory Pooling Order No.  
R-5209, Case No. 5666 -  
Belco Petroleum Corporation

Dear Jason:

This letter is to advise you that the Oil Conservation Commission has approved your request for a 30-day time extension for the completion of the Belco Petroleum Corporation Douglas Com Well, which was previously authorized by the above-captioned order. Said well, therefore, should be completed on or before October 12, 1976.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr



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

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

TELEPHONE 982-4315  
AREA CODE 505

September 2, 1976

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

Re: Compulsory Pooling Order R-5209  
Case No. 5666 - Belco Petroleum Corporation

Dear Mr. Ramey:

The above order was entered by the Oil Conservation Commission on April 27, 1976, and by its terms requires that the well involved be drilled to completion within 120 days after commencement.

Belco spudded its Douglas Com well pursuant to the provisions of this order on May 14, 1976, and according to terms of the above order, the well is required to be completed by September 12, 1976. The well has been drilled to total depth, and cased but has not yet been perforated, for the following reasons.

Llano, Inc., is the purchaser for this well, and has encountered considerable difficulty in obtaining a pipeline right-of-way, having to file condemnation proceedings in the District Court for Eddy County, New Mexico. It is expected that the pipeline will be completed to the well site within the next ten days to two weeks, at which time the well can be completed and tested.

It has not been possible to perforate and test the well without a pipeline connection without great risk because of the location of the well, which is adjacent to the Carlsbad city limits, near occupied premises, and near a major highway. Completion and testing of the well without a connection could possibly violate the local ordinances, and Belco does not feel it wise to assume the risk of such activities.

Page 2  
Mr. Joe Ramey, Director  
September 2, 1976

For the above reasons, Belco Petroleum Corporation requests a thirty day extension of time in which to complete the well in accordance with the provisions of the above Commission Order.

Your consideration of this request will be appreciated.

Sincerely,

*Jason W. Kellah*

Attorney for Belco  
Petroleum Corporation

JWK:kjf