

CASE 5740: GULF OIL CORP. FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO.

5740

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 18, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for) CASE
compulsory pooling, Eddy County,) 5740
New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARINGA P P E A R A N C E S

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

For the Applicant: Robert H. Thomas, Esq.
Legal Counsel for Gulf Oil Corp.
Midland, Texas

Jack M. Campbell, Esq.
CAMPBELL & BINGAMAN
Attorneys at Law
Box 2209
Santa Fe, New Mexico

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E X H I B I T

Page

CHARLES F. KALTEYER

Direct Examination by Mr. Thomas

3

EXHIBIT INDEX

Offered Admitted

Applicant's Exhibit One, Plat

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9

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1 MR. STAMETS: We will call next Case 5740.

2 MS. TESCHENDORF: Case 5740, application of Gulf
3 Oil Corporation for compulsory pooling, Eddy County, New
4 Mexico.

5 MR. THOMAS: Mr. Examiner, I'm Robert H. Thomas,
6 attorney for Gulf Oil Corporation, Midland, Texas.

7 May the record show that Jack M. Campbell of
8 Santa Fe, New Mexico has entered an appearance in this case
9 for Gulf.

10 I have one witness to be sworn in this case.

11 MR. STAMETS: Will you stand and be sworn, please?

12 (THEREUPON, the witness was duly sworn.)

13
14 CHARLES F. KALTEYER

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

17
18 DIRECT EXAMINATION

19 BY MR. THOMAS:

20 Q Would you please state your name, your employer,
21 your position and your location?

22 A My name is Charles F. Kalteyer, K-a-l-t-e-y-e-r.
23 I'm employed by Gulf Oil Corporation in Midland and I'm
24 classified as District Proration Engineer.

25 Q Mr. Kalteyer, have you previously testified before

1 this Commission and in this capacity as an engineer?

2 A Yes, sir, I have.

3 MR. THOMAS: Mr. Examiner, is the witness qualified?

4 MR. STAMETS: The witness is considered qualified.

5 Q (Mr. Thomas continuing.) Mr. Kalteyer, what is
6 Gulf seeking in this application?

7 A Gulf is seeking an order pooling all mineral
8 interests in the Pennsylvanian formation underlying Section 28,
9 Township 24 South, Range 26 East, Eddy County, to form a
10 unit to be dedicated to Well No. 1, White City Penn Gas Com
11 Unit No. 3 to be located twenty-three hundred and ten feet
12 from the north and west lines of Section 28 and to establish
13 costs of the well supervision charges, a risk factor and
14 the naming of Gulf as the operator of the unit and well.

15 Q Do you have an exhibit which shows the proposed
16 unit that is the subject of this application?

17 A Yes, sir, I have.

18 Q Would you please explain to us what this exhibit
19 shows?

20 A All right, Exhibit One is a plat of the proposed
21 pool unit of Section 28, Township 24 South, Range 26 East,
22 Eddy County, New Mexico containing six-hundred-and-forty
23 acres and we have indicated that there are six separate tracts.
24 Tract No. 1 is Gulf's Federal Oil and Gas Lease, LC 065347
25 containing two hundred and eighty acres which would have a

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1 forty-three point seven five percent unit participation.

2 Tract No. 2 is Gulf's Federal Oil and Gas Lease
3 NM 18290 containing forty acres which would have a six point
4 two five percent unit participation.

5 Tract 3 is Allied Chemical Corporation's Federal
6 Oil and Gas Lease NM 0441951.

7 Tract 4 is Federal Oil and Gas Lease LC 065457 owned
8 by Getty Oil and Texaco, each with a fifty percent interest.
9 This tract contains a hundred-and-sixty acres and would have
10 a twenty-five percent unit participation.

11 Tract 5 is a forty-acre fee tract owned by Wayne
12 Moore and Wilson Smith and would have a six point two five
13 percent unit participation.

14 Tract 6 is Gulf's A. J. Crawford lease containing
15 eighty acres and would have a twelve point five percent
16 participation.

17 Q Mr. Kalteyer, when did Gulf make its first attempt
18 to communitize Section 28 in order to drill a Pennsylvanian
19 test?

20 A By a letter dated January 23rd, 1975, over a year-and-
21 half ago Gulf proposed to the other leaseholders that a
22 six-hundred-and-forty acre unit be formed covering all of
23 Section 28 for the purpose of drilling a twelve thousand foot
24 Morrow test well or in the alternative farming out with a
25 one-sixteenth of eight-eighths overriding royalty until

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1 pay out with an option to convert to a fifty percent working
2 interest.

3 Q Have all owners of mineral interests in the
4 Pennsylvanian formation underlying this section been afforded
5 the opportunity to voluntarily pool their interests for the
6 drilling of the proposed well?

7 A Yes, sir, every owner of mineral interests, whether
8 lessee, fee owner, royalty owner or overriding royalty owner
9 have been given the opportunity to join their interest. Gulf
10 initially made a proposal to form pooling in it by letter
11 and subsequently sent a communitization agreement to each
12 and every mineral interest owner nwer by letter dated May 24th
13 1976.

14 Q What response has Gulf received from the lease-
15 hold owners?

16 A All leasehold owners have now agreed to pool and
17 executed the communitization agreement.

18 Q Would you explain which companies these lessees
19 are and which tracts they own?

20 A Allied Chemical Corporation, lessee of Tract 3 has
21 agreed and executed the communitization agreement. Getty Oil
22 a fifty percent leasehold owner of Tract 4 has agreed
23 and has also signed a communitization agreement. Texaco,
24 owner of the remaining fifty percent of the leasehold title
25 in Tract 4 has agreed and has returned the signed communitiza-

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1 tion agreement.

2 Q Mr. Kalteyer, have the owners of the fee acreage
 3 comprising Tract 5 agreed to commit their acreage to the
 4 proposed unit?

5 A Yes, sir, Wayne Moore and Wilson Smith are the
 6 owners of Tract 5 which is a forty-acre fee tract and they
 7 have agreed to farmout their interest to the unit.

8 Q As I understand it, Mr. Kalteyer, all of the lessees
 9 and fee owners have agreed to pool their interests, is that
 10 correct?

11 A Yes, sir.

12 Q What about Gulf's lease in Tract 6, does it have
 13 a pooling clause?

14 A Yes, sir, it does contain a pooling clause. It is
 15 restrictive in that it will only allow pooling units not to
 16 exceed forty acres.

17 Q Have the lessors of this lease otherwise agreed to
 18 it being included in the six-hundred-and-forty acre unit?

19 A No, sir, the lessors have refused to pool their
 20 royalty interest and declined to execute the communitization
 21 agreement.

22 Q To review then, Mr. Kalteyer, have all of the lessors
 23 agreed to the pooling of their interests, except the lessors
 24 of Gulf's lease in Tract No. 6?

25 A Yes, sir.

1 Q Have all owners of overriding royalty interest and
2 production payments agreed to pool their interests?

3 A Yes, sir, the owners of overriding royalty and
4 production payments in Tracts 1, 3 and 4 have executed the
5 communitization agreement.

6 Q Is that all of the overriding royalty and production
7 payment owners?

8 A Yes, sir.

9 Q Mr. Kalteyer, would you please repeat for us which
10 mineral interest in Section 28 have not been voluntarily
11 pooled?

12 A Yes, sir, in Tract 6 Gulf's lessor has not agreed to
13 pool his royalty interest.

14 Q In your opinion, Mr. Kalteyer, would waste be
15 prevented and correlative rights be protected by granting
16 this application?

17 A Yes, sir.

18 Q Was the Exhibit Number One presented to this
19 Commission prepared by you or under your supervision?

20 A Yes, sir.

21 MR. THOMAS: Mr. Examiner, we have in the application
22 asked for the establishment of the costs of the well's
23 supervision charges and a risk factor. At the time this
24 hearing was called by Gulf there were some outstanding working-
25 interest owners. Since then all have joined and we only have

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1 the free interest royalty interest owners who have not
2 joined, therefore the establishment of costs, supervision
3 charges and the risk factor will no longer be relevant to
4 our case. However, we would like to maintain that Gulf be
5 established as operator of the well and the unit, we maintain
6 that part of the application.

7 MR. STAMETS: Okay.

8 MR. THOMAS: And I would offer Exhibit One into
9 evidence at this time.

10 MR. STAMETS: Exhibit One will be admitted.

11 (THEREUPON, Applicant's Exhibit One was
12 admitted into evidence.)

13 MR. STAMETS: Are there any questions of this
14 witness? He may be excused.

15 (THEREUPON, the witness was excused.)

16 MR. STAMETS: Is there anything further in this
17 case? We will take the case under advisement.

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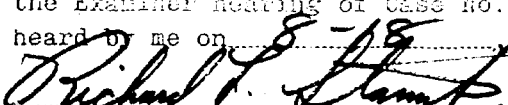
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REPORTER'S CERTIFICATE

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. 57110,
heard by me on 8-18, 1976.

Richard L. Lamb, Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
September 1, 1976

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Jack Campbell
Campbell & Bingaman
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87501

Re: CASE NO. 5740
ORDER NO. R-5262

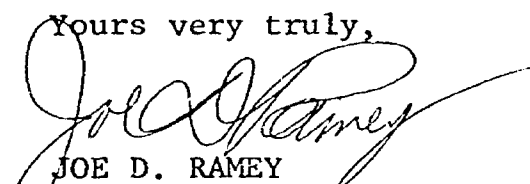
Applicant:

Gulf Oil Corporation

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Bob Thomas

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. 5740
Order No. R-5262

APPLICATION OF GULF OIL CORPORATION
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 18, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 31st day of August, 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, Gulf Oil Corporation, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying Section 28, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill its White City Penn Gas Com Unit No. 3 Well No. 1 at a point 2310 feet from the North line and 2310 feet from the West line of said Section 28.

(4) That there are royalty 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 royalty interest in said unit the opportunity to recover or receive 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. 5740
Order No. R-5262

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

(7) 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.

(8) 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 December 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 the Pennsylvanian formation underlying Section 28, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit to be dedicated to applicant's White City Penn Gas Com Unit No. 3 Well No. 1 to be drilled at a point 2310 feet from the North line and 2310 feet from the West line of said Section 28.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of December, 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 December, 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 Gulf Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

-3-

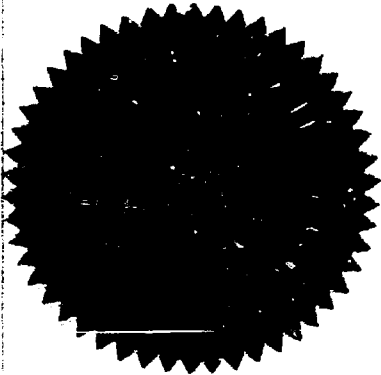
Case No. 5740
Order No. R-5262

(4) 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.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Phil R. Lucero
PHIL R. LUCERO, Chairman

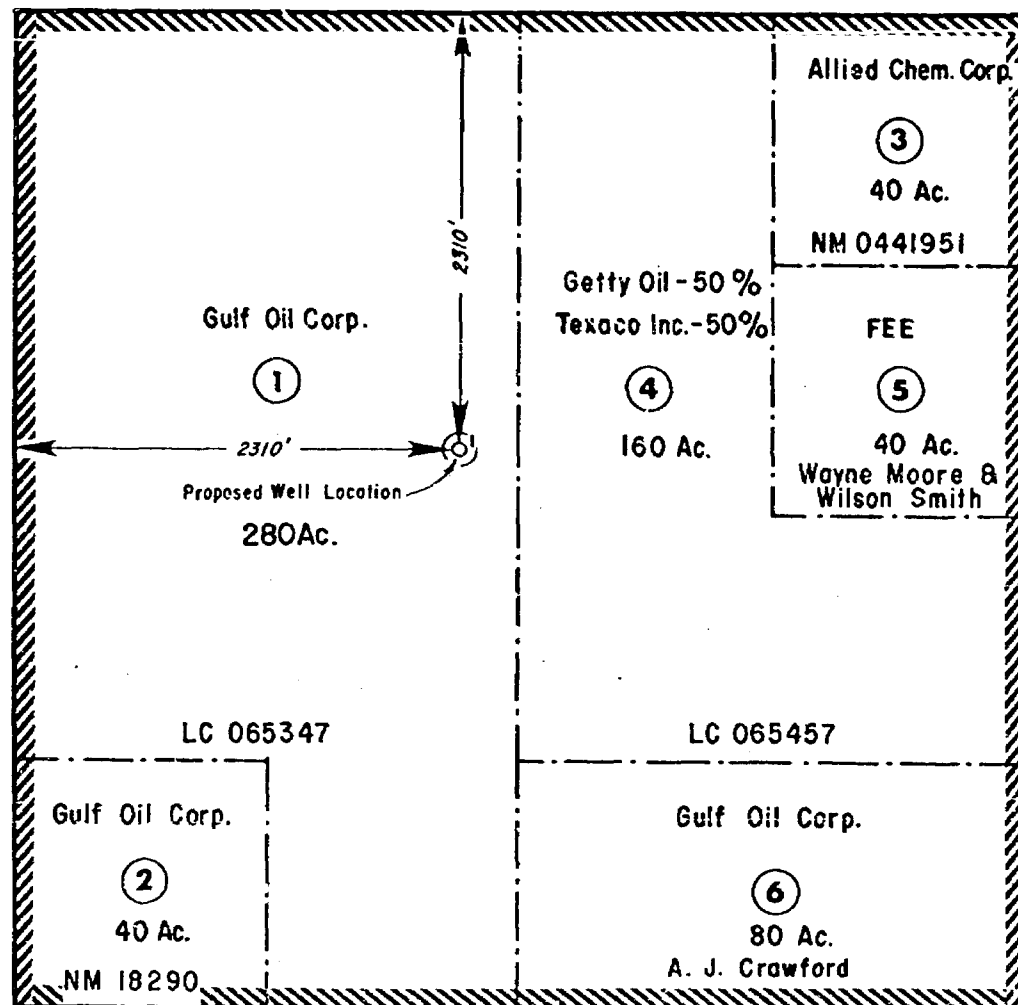
EMERY C. ARNOLD, Member

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

S E A L

dr/

PROPOSED WHITE CITY PENN GAS COM. UNIT NO. 3
SECTION 28, T 24 S, R 26 E
EDDY COUNTY, NEW MEXICO



SCALE: 1" = 1000'

	Tract	Acres	Percentage
Gulf Oil Corp.	1	280	43.75
	2	40	6.25
	6	80	12.50
			62.50 sub total
Allied Chemical Corp.	3	40	6.25
Getty Oil Co.	4	80	12.50
Texaco Inc.	4	80	12.50
Wayne Moore and Wilson Smith	5*	40	6.25
			100.00 Total

* Farned out to Unit

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 5740
Submitted by GULF OIL CORP.
Hearing Date Aug 18, 1976

Exhibit 1
Case No. 5740
August 18, 1976

- CASE 5735: Application of Continental Oil Company to amend Order No. R-1234, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 19 of the Special Rules for the Warren Tubb Gas Pool promulgated by Order No. R-1234, to provide for an increase in the gas-oil ratio limitation for oil wells in said pool to some figure not to exceed 10,000 to one.
- CASE 5736: Application of BCO Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Basin Dakota Gas Pool and Lybrook-Gallup Oil Pool and undesignated Greenhorn and Mancos production in the wellbore of its Dunn Well No. 2, located in Unit F of Section 10, Township 23 North, Range 7 West, Rio Arriba County, New Mexico.
- CASE 5737: Application of Howard Boatright Company for amendment of Order No. R-5203, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5203 which authorized salt water disposal into the Delaware formation through applicant's State CS Well No. 1 located in Unit L of Section 17, Township 21 South, Range 27 East, Eddy County, New Mexico. Applicant seeks to increase the maximum wellhead injection pressure for said well from 400 psi to 800 psi.
- CASE 5709: Application of Tahce Oil and Cattle Company for an exception to the provisions of Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to construct and operate an earthen salt water disposal pit in the NE/4 SW/4 of Section 2, Township 20 South, Range 30 East, Eddy County, New Mexico.
- CASE 5738: Application of Hayes Oil Company for a non-standard proration unit and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 240-acre non-standard gas proration unit comprising the NE/4 and N/2 SE/4 of Section 18, Township 20 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a Morrow test well proposed to be drilled at an unorthodox location for said unit at a point 1980 feet from the South line and 660 feet from the East line of said Section 18.
- CASE 5739: Application of William G. McCoy for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its McCord Well No. 1 to be drilled at a point 660 feet from the North and East lines of Section 22, Township 23 South, Range 26 East, South Carlshad-Morrow Gas Pool, Eddy County, New Mexico.
- CASE 5740: Application of Gulf Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying Section 28, Township 24 South, Range 26 East, Eddy County, New Mexico, to be dedicated to applicant's White City Penn Gas Com. Unit No. 3 Well No. 1, to be drilled at a point 2310 feet from the North and West lines of said Section 28. 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 5741: Application of Gulf Oil Corporation for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the directional drilling of three wells on its Central Drinkard Unit, Drinkard Pool, Lea County, New Mexico, all in Section 33, Township 21 South, Range 37 East, as follows: Well No. 406, surface location 2200 feet from the South line and 1470 feet from the East line, bottom-hole location 2390 feet from the South line and 870 feet from the East line; Well No. 407, surface location 1475 feet from the South line and 1440 feet from the East line, bottom-hole location 1110 feet from the South line and 700 feet from the East line; Well No. 420, surface location 2300 feet from the South line and 1520 feet from the East line, bottom-hole location 1790 feet from the North line and 1030 feet from the East line. All of the above wells would be bottomed within 100 feet of the above-described bottom-hole locations.
- CASE 5742: Application of Gulf Oil Corporation for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard Blinbry gas proration unit comprising the S/2 NW/4 and W/2 NE/4 of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, to be simultaneously dedicated to applicant's Eunice King Wells Nos. 5 and 24, located, respectively, 1874 feet from the North and West lines, and 2086 feet from the North line and 760 feet from the West line of said Section 28. Applicant further seeks authority to later substitute its Eunice King Well No. 15, located 2086 feet from the North and West lines of said Section 28 for the aforesaid Well No. 5 in the above-described simultaneous dedication.
- CASE 5743: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit John W. Adams, Executor of Estates of R. W. and June Adams; and Ruth McGahey, Fred McGahey and David McGahey dba Adams & McGahey, American Employers' Insurance Company, and all other interested parties to appear and show cause why the following wells located in Township 21 North, Range 30 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:
- Gonzales Well No. 2, located in Unit P of Section 9; Adams & McGahey Well No. 1, located in Unit B of Section 16; and Gonzales "A" Well No. 1, located in Unit H of Section 32.

J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEDBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
JAMES A. PARKER
JOHN R. COONEY
KENNETH L. HARRIGAN
PETER J. ADANG
DALE W. EK
DENNIS J. FALK
JOE R. G. FULCHER
ARTHUR D. MELENDORES
JAMES P. HOUGHTON
GEORGE J. HOPKINS
PAUL M. FISH
JUDY A. FRY

LAW OFFICES OF
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P. O. BOX 2168
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JOHN F. SIMMS (1885-1954)
AUGUSTUS T. SETMOOR
(1907-1968)
TELEPHONE 243-4511
AREA CODE 505

August 12, 1976

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

Re: Application of Gulf Oil Corporation -
Case No. 5740

Dear Mr. Ramey:

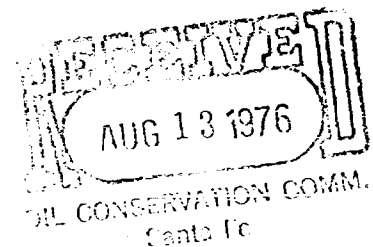
Please be advised that we inadvertently filed an
Entry of Appearance on behalf of Gulf Oil Corporation
in the above-captioned case which has been docketed
for examiner's hearing on August 18, 1976. This let-
ter will serve as your notification that we withdraw
as local counsel for Gulf Oil Corporation in this
matter.

Very truly yours,

James E. Sperling
James E. Sperling

/jev

cc: Mr. Morgan L. Copeland
Regional Attorney
The Gulf Companies



J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEDBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
JAMES A. PARKER
JOHN R. COONEY
KENNETH L. HARRIGAN
PETER J. ADAMS
DALE W. EK
DENNIS J. FALK
JOE R. G. FULCHER
ARTHUR D. MELENDRES
JAMES P. HOUGHTON
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AREA CODE 505

August 9, 1976

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

Re: Applications of Gulf Oil Corporation -
Case Nos. 5740, 5741 and 5742

Dear Mr. Ramey:

Enclosed, please find Entry of Appearance on behalf of
the Applicant, Gulf Oil Corporation, in cases numbered
5740, 5741 and 5742, which have been docketed at the
Examiner's Hearing on August 18, 1976.

Very truly yours,


James E. Sperling

/jev

Enclosures (3)

cc: Mr. Morgan L. Copeland, w/encl.
Regional Attorney
The Gulf Companies

Mr. R. F. Ward, Jr., w/encl.
District Operations Manager
The Gulf Companies

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF GULF OIL CORPORATION FOR
COMPULSORY POOLING IN THE
PENNSYLVANIAN FORMATION UNDER-
LYING SECTION 28, TOWNSHIP 24
SOUTH, RANGE 26 EAST, EDDY
COUNTY, NEW MEXICO

Case No. 5740

ENTRY OF APPEARANCE

The undersigned, Modrall, Sperling, Roehl, Harris & Sisk, of Albuquerque, New Mexico, hereby enter their appearance for the Applicant, Gulf Oil Corporation, with its house counsel of Midland, Texas.

MODRALL SPERLING ROEHL HARRIS & SISK

By: 

James E. Sperling, Attorneys for
Gulf Oil Corporation
P. O. Box 2168
Albuquerque, New Mexico 87103
Telephone: (505) 243-4511

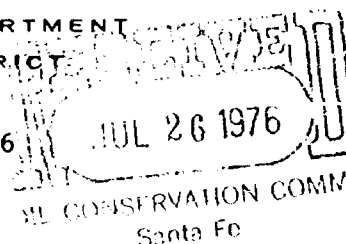
Case
5740

Gulf Energy and Minerals Company-U.S.

PRODUCTION DEPARTMENT
MIDLAND DISTRICT

B. L. Choate
DISTRICT PRODUCTION MANAGER
R. F. Ward, Jr.
DISTRICT OPERATIONS MANAGER
C. E. Fields
DISTRICT SERVICES MANAGER
A. J. Evans, Jr.
DISTRICT ENVIRONMENTAL, SAFETY,
AND JOINT OPERATIONS MANAGER
J. C. Howard
DISTRICT EMPLOYEE RELATIONS MANAGER

July 23, 1976



P. O. Drawer 1150
Midland, Texas 79701

Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

ATTN: Mr. Joe D. Ramey

RE: Compulsory Pooling White City Penn Gas
Com. Unit No. 3, Well No. 1, Eddy County,
New Mexico

Gentlemen:

Gulf Oil Corporation respectfully requests that a hearing be scheduled on your docket for August 18, 1976 to consider an order pooling all mineral interests in the entire Pennsylvanian Section, i. e., from the base of the Wolfcamp to the top of the Barnett Shale, underlying Section 28, Township 24 South, Range 26 East, Eddy County, New Mexico.

The above standard 640 acre unit is to be dedicated to the White City Penn Gas Com. Unit No. 3, Well No. 1 to be located at a regular location 2310' FN and WL of Section 28. To be considered at the hearing will be designation of operator, drilling and completion costs as well as risk and supervisory charges.

Yours very truly,

R. F. Ward, Jr.
R. F. WARD, JR.

CFK:mw

cc: W. A. Gressett
Supervisor, District II
Drawer DD
Artesia, New Mexico 88210

Texaco, Inc.
Messrs. Smith & Moore
Allied Chemical Corporation
Getty Oil Company



A DIVISION OF GULF OIL CORPORATION

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5740

Order No. R-5262

APPLICATION OF GULF OIL CORPORATION FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 18, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of August, 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, Gulf Oil Corporation,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying
of Section 28, Township 24 South, Range 26 East,
NMPM, White City - Pennsylvania, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes ^{to drill} its White City Penn Gas Com Unit No. 3 Well No. 1 at a point 2310 feet from the North line and 2310 feet from the West line of said Section 28.

(4) That there are ^{royalty} 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 ^{royalty} 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 _____ 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 _____ per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 December 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 the Pennsylvanian formation underlying ~~xxx~~ Section 28, Township 24 South, Range 26 East, NMPM, White City - Pennsylvanian Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit to be dedicated to applicant's White City Penn Gas Com Unit No. 3 Well No. 1 to be drilled at a point 2310 feet from the North line and 2310 feet from the West line of said Section 28.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of December, 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 15th day of December, 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 Gulf Oil 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, _____ 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 _____ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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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.

3) 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.

4) 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.

5) 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.