

1 u CASE 5759: UNIVERSAL RESOURCES
CORP. FOR COMPULSORY POOLING, *ration*
EDDY COUNTY, NEW MEXICO

CASE NO.

5759

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

Please disregard our letter of this same date (April 14, 1977) regarding the Compulsory Pooling on the S/2 of Sec. 36, Township 17S, Range 26 E, Eddy County, N.Mex.

This letter replaces the one above mentioned.

State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

April 14, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, Texas 75240

Case No. 5759

Re: Compulsory Pooling
S/2 Section 36-17S-26E
Eddy County, New Mexico

ATTENTION: Mr. William J. Phelan

Gentlemen:

By New Mexico Oil Conservation Commission Form C-105, dated March 9, 1977, we are advised that your Big Boggy State Well No. 1-Y, located in the SW/4SE/4 of Section 36, Township 17 South, Range 26 East, has been plugged and abandoned on March 4, 1977.

This is to advise that Force Pooling Order No. R-5290 is no longer considered by this office to be effective as the well drilled pursuant to said order resulted in a dry hole and all leases affected by said order have reverted to their original terms. We have therefore, closed our files on this Force Pooling Order.

Lease K-6592-2 has also expired effective as of March 4, 1977.

Please notify all interested parties of this action.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

RL/RDG/s
cc:

Harvey E. Yates Company, Inc.
Suite 1000 Security National Bank Bldg.
Roswell, New Mexico 88201
OCC-Santa Fe, New Mexico

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 15, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Universal Resources) CASE
Corporation for compulsory pooling,) 5759
Eddy County, New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil	William F. Carr, Esq.
Conservation Commission:	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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EDWARD K. DAVID

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1 MR. STAMETS: We will call next Case 5759.

2 MR. CARR: Case 5759, application of Universal
3 Resources Corporation for compulsory pooling, Eddy County,
4 New Mexico.

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

8 MR. STAMETS: If you all will stand and be sworn,
9 please?

10 (THEREUPON, the witnesses were duly sworn.)

11
12 WILLIAM J. PHELAN

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

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Please state your name and occupation?

19 A William J. Phelan, I'm Vice President and Land-
20 man of Universal Resources Corporation.

21 Q Have you previously testified before the Commission
22 in the capacity of landman in previous applications?

23 A No.

24 Q You have not. Have you made a study of and are
25 you familiar with the land problems concerning this particular

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1 application by Universal Resources Corporation?

2 A. I am.

3 MR. KELLAHIN: If the Examiner please, we tender
 4 the witness to provide testimony on what he has done to obtain
 5 joinder of the non-consenting parties only. We have a second
 6 witness who is a geologist who will present that testimony.

7 MR. STAMETS: This is part of your normal function,
 8 Mr. Phelan?

9 THE WITNESS: Yes, it is.

10 MR. STAMETS: You have been a landman for how many
 11 years?

12 THE WITNESS: Twenty-five.

13 MR. STAMETS: The witness certainly seems qualified.

14 Q (Mr. Kellahin continuing.) Mr. Phelan, will you
 15 please refer to what has been marked as Applicant's Exhibit
 16 Number One and identify that?

17 A. That is a land plat of the area southeast of Artesia
 18 in Eddy County, New Mexico which encompasses the north end of
 19 the Atoka-Penn gas field.

20 Q What is Universal Resources Corporation seeking to
 21 accomplish by this application?

22 A. Universal Resources has acquired a State of New Mexico
 23 lease and is seeking to drill it and is seeking to create a
 24 three-hundred-and-twenty acre gas unit.

25 Q Consisting of what acreage?

1 A. Consisting of the south half of Section 36, 17, 26.

2 Q. I show you what has been marked as Applicant's
3 Exhibit Number Two, it is a packet of correspondence, will you
4 please identify it and explain to the Examiner what information
5 is contained in Exhibit Number Two?

6 A. This packet of correspondence represents the written
7 evidence of our efforts to obtain either the joining of the
8 Exxon Corporation or the farmout from Exxon Corporation of
9 the acreage that they have within the proposed unit to the
10 drilling of this well.

11 Q. As of this date has Exxon Corporation joined you or
12 reached some agreement with you concerning the participation
13 of their acreage?

14 A. No, sir.

15 Q. I show you what has been marked as Exhibit Number
16 Three and ask you to identify that?

17 A. That is a schematic of the proposed well on the unit
18 which will be operated by Universal Resources Corporation.

19 Q. I show you what has been marked as Exhibit Number Four
20 and ask you to identify this?

21 A. This is a copy of the AFE which includes the dry hole
22 costs and producing well costs of the proposed well.

23 Q. Based upon your information and knowledge is this
24 a true and accurate copy of the estimated well costs for this
25 well?

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1 A Yes, it is.

2 MR. KELLAHIN: I have no further questions of this
3 witness, Mr. Examiner.

4 MR. STAMETS: Are there any questions of the
5 witness?

6

7

CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Is Exxon the only outstanding working interest
10 owner?

11 A No, sir, J. C. Barnes is an outstanding working
12 interest owner. We've gotten in accord with them on a farmout
13 drilling deal, however.

14 Q So as far as you know they will be signed up and
15 farmed out?

16 A That's right, this application does not refer to
17 J. C. Barnes.

18 MR. STAMETS: Any other questions of the witness?

19 MR. KELLAHIN: No, sir.

20 MR. STAMETS: He may be excused.

21 (THEREUPON, the witness was excused.)

22 MR. KELLAHIN: We will call Mr. Ed David.

23

24

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EDWARD K. DAVID

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. David, would you please state your name and
 occupation?

A I'm a consulting geologist, Roswell, New Mexico.

Q Mr. David, have you previously testified before
 the Commission and had your qualifications as an expert
 geologist accepted and made a matter of record?

A That is correct, I have.

Q Have you been retained by Universal Resources
 Corporation to make a study of this particular area concerned
 in the application?

A Yes, sir, I have.

Q And have you, in fact, made that study?

A Yes, sir, I have.

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

MR. STAMETS: Yes. Just for the record, he is
 identified as E. K. David, is that correct?

THE WITNESS: That is correct.

Q (Mr. Kellahin continuing.) Mr. David, would you

1 please refer to what has been marked as Exhibit Number Five,
2 that is your structure map, identify that and state what
3 information that contains?

4 A. This is a structure map contoured on top of the Morrow
5 shale. It has a contour interval of fifty feet and the scale
6 is one inch to two thousand feet. This covers the area of
7 interest, which is essentially the northeast portion of the
8 Atoka field and the area immediately to the north. What the
9 structure map demonstrates is that the Morrow dips regionally
10 to the southeast, anywhere from approximately a hundred-and-
11 fifty to two-hundred-and-fifty feet per mile. There is no
12 evidence of structural closure. There is a subtle indication
13 of structural noses in the area on the Morrow. Development
14 to date has not shown any problems with formation water in
15 this area so we don't feel that the structure is critical
16 as far as gas accumulation in the Morrow is concerned.

17 Our proposed location, however, is on strike with
18 production to the southwest.

19 Q. What field is this, Mr. David?

20 A. Immediately to the south the wells in Sections 1 and
21 2, for example, are in the Atoka-Penn gas pool.

22 Q. Please refer to what has been marked as Exhibit
23 Number Six, that's your cross section?

24 A. This cross section is identified on the structure
25 map and it has been numbered from Well No. A-1 through Well

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1 A-7. The cross section starts immediately north of the drill
2 site in Section 25 which is well A-1. It's an Atoka completion
3 which went down to the top of the Mississippian. It continues
4 to the southwest to the Fasken well in Section 35 of a dry
5 hole which is also west of our proposed location. The cross
6 section then continues through four Morrow gas wells which are
7 south of our proposed location. They are identified as Well
8 A-3 through Well A-6. The cross section terminates east of
9 our proposed drill site in Section 31 which is the Fasken
10 Exxon, a dry hole in the Morrow.

11 Looking at the cross section we can find several
12 things that are evident. For example, the main pay in the
13 area are the Morrow sands which produce south of our location.
14 However, there is a secondary pay in the area which is the
15 Yates which is an Atoka sand and it produces in the Yates well
16 north of us and northwest. However, the Atoka sand has been
17 erratic in nature and you usually can't justify an Atoka test
18 but drilling to the Morrow occasionally you might find an
19 Atoka sand.

20 Q What's your control in the cross section for the top
21 of the Morrow?

22 A This is the top of the Morrow shale which I have
23 designated as the top of the Morrow B-1 shale. Generally the
24 Morrow sands are developed below my contour horizon.

25 Going through the cross section we have Well A-1,

1 an Atoka producer, which has only eight feet of sand. There
2 was no test in the Morrow, there are sands developed in the
3 Morrow but they are relatively thin and are not too well
4 developed.

5 Moving to Well A-2, we have the Fasken No. 1 Naylor
6 in Section 35. The Morrow is extremely shaley, there is
7 limited sand in here and it was a dry hole.

8 Moving to the south from Well A-3 through Well A-6,
9 we find that there are two Morrow sands producing in this
10 area. The main sand in this area is the uppermost sand which
11 I have identified as sand B-1.

12 The sand thickness in these three wells that produce
13 from it are shown on the cross section and vary from fifteen
14 feet in thickness to approximately forty feet in thickness.

15 Well A-6 which is the Exxon No. 1 Red Lake in Section
16 6 which is southeast of our proposed location, is completed out
17 of the lower sand which I have identified as sand B-2.

18 When you find these sands if they are porous and
19 permeable usually the sands do have a good potential and you
20 can expect favorable recoveries of hydrocarbons.

21 Moving to Well A-7 which is the Fasken No. 1 Exxon,
22 which is east of us in Section 31, this particular well went
23 down to the Mississippian limestone, it ran two drill stem
24 tests as shown on the cross section in the Morrow. It did
25 flow gas on both of these tests, however, as noted by the drill

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1 stem test recoveries the highest gas volume reported was only
2 four hundred and forty-nine thousand cubic feet of gas per day.

3 Based on the drill stem test and the electric logs
4 on this particular well these sands are not considered a
5 commercial gas reservoir in the Morrow.

6 Q Please refer to Exhibit Number Seven and identify it?

7 A Exhibit Number Seven is an isopach of the Morrow.

8 The interval which I have isopached in here is shown on my
9 cross section. It extends from the top of the Morrow, which
10 was my structural contour horizon, to the top of the
11 Mississippian. Basically this isopach has a twenty-five foot
12 contour interval and has a scale of one inch to two thousand
13 feet. What it shows overall is that the Morrow thickens across
14 the area of interest from less than two hundred and fifty feet
15 in thickness to over three hundred feet in thickness.

16 It was also found that if you get less than two
17 hundred and seventy-five feet in thickness your chances of a
18 dry hole are increased. That is the sands may not be developed
19 the section can be thin and tight and result in a dry hole
20 like the Fasken No. 1 Naylor which is in Section 35 west of
21 us or on the other hand you might end up with an extremely
22 thick section like the Fasken No. 1 Exxon to the east of us
23 in Section 31 which had gas but was not in commercial quantities.

24 So we feel overall that the two hundred and seventy-
25 five feet of gross Morrow represents the optimum location for

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1 the favorable development of either of these sands or both of
2 these sands that produce in the immediate area.

3 Q You refer to the proposed location, what is the
4 footage for that location?

5 A The application calls for six hundred and sixty feet
6 from the south line and nineteen hundred and eighty feet from
7 the west line of Section 36, Township 17 South, Range 26 East.

8 Q Your circle for this location is drafted a little
9 high, is it not?

10 A Right. The draftsman has it on there at nine, ninety
11 and it should be shown at six, sixty.

12 Q Was it your recommendation that was used to establish
13 this proposed location?

14 A No, I did not pick the location. I was asked to do
15 the geology on it after the location was picked but after doing
16 the geology in this area I wholeheartedly agreed with the
17 location. I feel that based on the knowledge I have in this
18 area and based on these maps that it is the optimum location
19 that I would have selected at any rate.

20 Q You are making reference to any proposed site within
21 Section 36?

22 A I'm referring to the six, sixty south, nineteen,
23 eighty west.

24 Q That is the best site in relation to what, the
25 south half of Section 36?

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1 A That is correct.

2 Q Do you have any opinion with regard to the estimate
3 of risk of drilling of a well at this proposed location?

4 A Yes, in view of the fact that the well to the north
5 in 25, the well to the west in 35 and the dry holes in 31 have
6 not found Morrow production and all of the production has been
7 limited within a mile-and-a-half of the radius of our location,
8 at least to the south of us, I feel that there is a risk
9 for this sand extended to the north, I certainly feel that this
10 location is justified but there is a risk and I would estimate
11 that perhaps we have a chance of one in five of establishing
12 commercial production.

13 Q The statutory maximum for a risk factor established
14 for the Oil Commission is two hundred percent, in relation to
15 that statutory maximum where would you place a risk factor with
16 regards to this well?

17 A One in five.

18 Q One in five is what, two hundred percent?

19 A Yes, two hundred percent.

20 Q At least two hundred percent?

21 A Yes, right.

22 Q I would like to show you what has been marked as
23 Exhibit Number Four which is an estimated well cost and ask
24 you to give your opinion concerning your previous experience
25 with Morrow wells drilled in this area and the cost of those

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1 wells?

2 A. Based on the cost that is shown on this, I think these
3 costs are very reasonable and I have knowledge of wells that
4 on completion have exceeded four hundred thousand dollars so
5 the estimated total cost of producing a well of three hundred
6 and forty-nine thousand, three hundred and seventy dollars I
7 feel is very reasonable.

8 Q. To your knowledge do you know what Universal Resources
9 Corporation's policy is with regard to charges made against
10 wells while drilling and for charges of supervision made for
11 wells after completion?

12 A. The rates they have for drilling wells is twelve
13 hundred and fifty dollars a month and for a producing well
14 two hundred and fifty dollars a month.

15 Q. In your opinion, Mr. David, will the approval of
16 this application avoid the drilling of unnecessary wells,
17 protect correlative rights and allow the owners of each interest
18 to recover or receive his just and fair share of the hydro-
19 carbons within the area?

20 A. Yes, it will.

21 Q. In your opinion will approval of the application
22 be in the best interests of conservation and the prevention of
23 waste?

24 A. Yes, it will.

25 Q. Were Exhibits Five, Six and Seven prepared by you

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1 directly or under your direction and supervision?

2 A Yes, that is correct.

3 MR. KELLAHIN: If the Examiner please, we move the
4 introduction of Exhibits One through Seven.

5 MR. STAMETS: Is there anything in the record concern-
6 ing the first exhibits, how they were prepared?

7 MR. KELLAHIN: I don't know, I can recall Mr. Phelan
8 and establish that if you like.

9 MR. STAMETS: Let's do that.

10 MR. KELLAHIN: Would you like to ask this witness
11 questions before we excuse him.

12 MR. STAMETS: I have no questions of the witness.
13 Are there any other questions? He may be excused.

14 (THEREUPON, the witness was excused.)

15 MR. KELLAHIN: I would like to recall Mr. Phelan.

16 Mr. Phelan, with regards to the preparation of
17 Exhibits One, Two, Three and Four, let me ask you, Exhibit
18 Number Two is the correspondence between you and Exxon Corpora-
19 tion, is it not?

20 MR. PHELAN: Yes, it is.

21 MR. KELLAHIN: How were Exhibits Three and Four
22 prepared, that was the schematic and the estimated well costs,
23 how were those prepared?

24 MR. PHELAN: Those were prepared by the engineering
25 department of Universal Resources Corporation.

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1 MR. KELLAHIN: And they were compiled under your
2 direction and supervision as Executive Vice President for
3 Universal Resources Corporation?

4 MR. PHELAN: Yes, sir, under my direct supervision.

5 MR. KELLAHIN: If the Examiner please, we move the
6 introduction of all exhibits, including One through Four.

7 MR. STAMETS: All of these exhibits will be admitted.

8 (THEREUPON, Applicant's Exhibits One through
9 Seven were admitted into evidence.)

10 MR. KELLAHIN: That concludes our case.

11 MR. STAMETS: Any questions of this witness? He
12 may be excused.

13 (THEREUPON, the witness was excused.)

14 MR. STAMETS: Is there anything further in this
15 case? The case will be taken under advisement.

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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
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. 5757,
heard by me on 9-15, 1976.
Richard L. Ham Examiner
New Mexico Oil Conservation Commission

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. 5759
Order No. R-5290

APPLICATION OF UNIVERSAL RESOURCES
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 September 15, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of September, 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, Universal Resources Corporation, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 36, Township 17 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well 660 feet from the South line and 1980 feet from the West line of said Section 36.

(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.

(11) That \$1250.00 per month while drilling and \$250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision 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 31, 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 the S/2 of Section 36, Township 17 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, 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 a point 660 feet from the South line and 1980 feet from the West line of said Section 36.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st 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 31st 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 Universal Resources 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 cost 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 \$1250.00 per month while drilling and \$250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a 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.

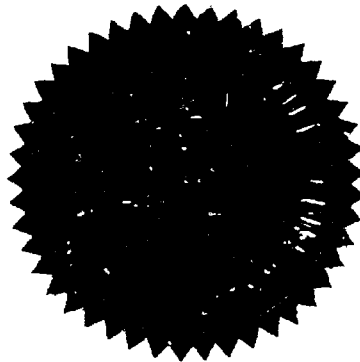
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said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

-5-
Case No. 5759
Order No. R-5290

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

jr/

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/661-3876

October 4, 1976

Humble Oil & Refining Company
Box 1600
Midland, Texas 79701

Attn: Mr. W. H. Leifaste

Re: Proposed 9000' Morrow Test
S/2 Sec. 36-17S-26E
Eddy County, New Mexico

*File
Case No
5759*

Dear Mr. Leifaste:

We are attaching Order #R-5290 from the Oil Conservation Commission of New Mexico which concerns pooling of the above captioned tract. In accordance with paragraph three of said order, we are attaching our AFE for the captioned well.

If your company is interested in joining in the drilling of this well, please let us know as we plan to start the actual drilling within thirty days.

Yours truly,

UNIVERSAL RESOURCES CORPORATION

Bill Phelan
William J. Phelan
Vice-President

WJP/em

~~Attachments~~

cc: New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501
Attn: Mr. Dan Matter

Kellahan & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

UNIVERSAL RESOURCES

— AUTHORIZATION FOR EXPENDITURE —

DATE OF REQUEST September 8, 1976

A. F. E. NO.

AUTHORITY IS REQUESTED TO EXPEND \$ 349,370 FOR: State-LeMay 1-36

PURPOSE: To drill a 9000 ft. Morrow test. Well to be located
SE SW Section 36-17S-26E, Eddy County, New Mexico.

[illegible]

ESTIMATED BY: Al Wheeler

~~APPROVED BY:~~

APPROVED

~~APPROVED~~ BY:



STATEMENT OF ESTIMATED AND ACTUAL WELL COST (100%)

LEASE: _____ WELL NO. 1-36 DISTRICT: New Mexico
LOCATION: SE SW Section 36-17S-26E 660' PSL & 1980' FWL
FIELD: _____ COUNTY: Eddy STATE: New Mexico
DATE SPUNDED: _____ DATE COMPLETED: _____ TOTAL DEPTH: 9,000 ft.

(RE)COMPLETED AS _____ WELL IN _____ MORROW _____ SAND(S) _____

INTANGIBLE DRILLING COSTS:

	ESTIMATED		ACTUAL
	PRODUCER	DRY HOLE	
DRILLING COSTS:			
01 LOCATION & Roads	\$ 15,000	\$ 15,000	\$ _____
03 MOVING RIG	7,000	7,000	_____
04 DRILLING: <u>9000</u> FT. @ <u>\$10.00</u> PER FT.	90,000	90,000	_____
05 DAY WORK: <u>2</u> DAYS/HR. @ <u>\$2,500</u>	5,000	5,000	_____
<u>1</u> " " @ <u>\$2,500</u>	2,500	2,500	_____
06 Completion <u>5</u> " " @ <u>\$2,000</u>	10,000	_____	_____
07 DRILLING BITS	_____	_____	_____
08 WATER	3,000	3,000	_____
09 FUEL	_____	_____	_____
10 WATER & FUEL LINES	_____	_____	_____
11 MUD-CHEMICALS (OIL, ETC., IF USED)	15,000	15,000	_____
12 PITS	3,000	2,000	_____
13 OTHER	2,000	2,000	_____
15 Casing Crew & Power Tongs	3,500	750	_____
SUB-TOTAL	\$ 156,000	\$ 142,250	\$ _____
20 LOGGING SERVICES:			
INDUCTION ELECTRIC	\$ 4,000	\$ 4,000	\$ _____
LOGGING TRUCK	_____	_____	_____
TEMPERATURE	200	_____	_____
OTHER <u>G-R Density</u>	3,200	3,200	_____
SUB-TOTAL	\$ 7,400	\$ 7,200	\$ _____
21 CONSULTING ENGINEER	\$ 2,000	\$ 2,000	\$ _____
30 CORING:			
CORE BARREL RENTAL	\$ _____	\$ _____	\$ _____
CORE HEADS, CATCHERS, ETC.	_____	_____	_____
CORE ANALYSES	_____	_____	_____
SIDE WALL CORES	_____	_____	_____
WIRELINE FORMATION TESTING	_____	_____	_____
OTHER	_____	_____	_____
SUB-TOTAL	\$ -	\$ -	\$ _____
31 DRILL STEM TESTING: (TOOL RENTAL)			
IN OPEN HOLE	\$ 1,500	\$ 1,500	\$ _____
INSIDE CASING	_____	_____	_____
SUB-TOTAL	\$ 1,500	\$ 1,500	\$ _____
35 GEOLOGICAL SERVICES	\$ 2,500	\$ 2,500	\$ _____
OTHER SPECIAL SERVICES & MATERIALS:			
41 PERFORATING	\$ 4,500	\$ _____	\$ _____
42 ACIDIZING & Fracturing	25,000	_____	_____
44 FISHING TOOLS	_____	_____	_____
45 BRIDGE PLUGS & NON-RETRIEVABLE PACKERS	2,000	_____	_____
46 HAULING AND TRUCKING	3,000	2,000	_____
47 WELDING	500	500	_____
OTHER MATERIALS OR SERVICES:			
48 Rental Equipment	4,500	2,000	_____
49 Other Special Services & Misc. Items	5,000	2,000	_____
59 Labor Costs	3,000	1,500	_____
SUB-TOTAL	\$ 47,500	\$ 8,000	\$ _____
**32 DRILLING OVERHEAD	\$ 3,500	\$ 2,500	\$ _____



WELL

#1-36

AFE NO.

ESTIMATED

ACTUAL

PRODUCER

DRY HOLE

CEMENT & CEMENTING SERVICES:

51 CONDUCTOR CASING	\$ 1,500	\$ 1,500	\$
52 SURFACE CASING	4,000	4,000	
53 PRODUCTION CASING	5,700		
54 LINER			
55 SQUEEZING			
56 CEMENT PLUGS		2,200	
57 FLOAT EQUIPMENT, Centralizers & Scratchers	2,000	500	
58 OTHER SERVICES RELATED TO CEMENTING			

SUB-TOTAL

\$ 13,200 \$ 8,200 \$

** 50 WELL PLUGGING EXPENSES

\$ 2,500 \$

TOTAL INTANGIBLE DEVELOPMENT COST

\$ 233,600 \$ 176,650 \$

WELL EQUIPMENT:

CASING:	Amt.	Size	Per Ft.			
71 CONDUCTOR	300'	13-3/8"	\$15.50	\$ 4,650	\$ 4,650	\$
72 SURFACE	1400'	8-5/8"	\$ 7.60	\$ 10,640	\$ 10,640	
73 INTERMEDIATE		"	\$			
74 PRODUCTION	9000'	4-1/2"	\$ 4.05	\$ 36,450		
75 LINER		"	\$			
SUB-TOTAL				\$ 51,740	\$ 15,290	\$

76 TUBING:

	Amt.	Size	Per Ft.			
	9000'	2-3/8"	\$ 1.97	\$ 17,730	\$	\$
		"	\$			
		"	\$			
SUB-TOTAL				\$ 17,730	\$	\$

81 WELLHEAD EQUIPMENT:

CASINGHEAD HOUSING
XMAS TREE

\$ 800 \$ 800 \$
6,000
\$ 6,800 \$ 800 \$

SUB-TOTAL

82 MISCELLANEOUS SALVABLE WELL EQUIPMENT:

RETRIEVABLE PACKER
LANDING NIPPLE
PORTED SLEEVE
OTHER

\$ 2,000 \$ \$
200
800
500
\$ 3,500 \$ \$

SUB-TOTAL

83 Storage Tanks & Separation Equipment

\$ 30,000 \$ \$

84 Flowlines & Connections

\$ 6,000 \$ \$

TOTAL WELL EQUIPMENT

\$ 115,770 \$ 16,090 \$

TOTAL WELL COST

\$ 349,370 \$ 192,740 \$

ESTIMATE PREPARED BY: Al Wheeler

DATE: September 8, 1976

[illegible]

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
12001 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/561-3376

August 18, 1976

New Mexico Oil Commission
Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Dan Nutter

Re: S/2 Section 36-17S-26E
Eddy County, New Mexico

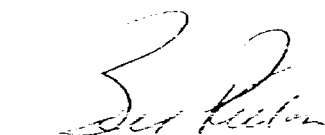
Dear Mr. Nutter:

In accordance with our recent telephone conversation, this is to advise that Universal Resources Corporation would like to request a hearing to pool the S/2 of Section 36 for the drilling of a 9000' test well at a location approximately 1930' FWL and 660' FSL of Section 36. Universal Resources Corporation owns a lease on the S/2 SW/4 of Section 36 and has negotiated a farmout drilling deal on the N/2 SW/4 Section 36. Exxon Corporation owns a state lease on the SE/4 Section 36, and we find it necessary to request this forced pooling of this interest. Universal would like to drill this well as operator and hereby requests a risk factor of 200% plus the cost of drilling, completing, etc.

It would be appreciated if you could set this hearing at your September 15, 1976 meeting.

Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Phelan
Vice-President

WJP/sm

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. 2	CASE NO. 5759
Submitted by _____	
Hearing Date 1-5-87	

EXXON COMPANY, U.S.A.

July 30, 1976

In re: Exxon Lease 609136
SE/4 Sec. 36-17S-26E
Eddy County, New Mexico
Our Red Lake Area

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, Texas 75240

Attention: Mr. William J. Phelan

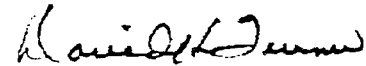
Gentlemen:

As to your letter of July 26, 1976, within which you offered us \$5,000 as consideration for the above referred lease, please be advised that at the present time we are not interested in selling the lease. We have certain plans for the utility of this lease, but if the situation should change, we will advise you.

We thank you for this opportunity.

Very truly yours,

EXXON COMPANY, U.S.A.



David H. Turner

DHT:jd

A DIVISION OF EXXON CORPORATION

2008

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/661-3876

July 23, 1976

Humble Oil & Refining Company
Box 1600
Midland, Texas 79701

Re: SE $\frac{1}{4}$ Section 36-17S-26E
Eddy County, New Mexico


Gentlemen:

We have reviewed our correspondence file in the captioned area and note that your company, in accordance with your letter of April 27, 1976, is not interested in joining in the drilling of a Morrow test well or farmout your interest.

It has occurred to us that you might be willing to sell this lease and we hereby offer a consideration of \$5000.00, subject to a full interest title check.

Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Phelan
Vice-President

WJP/su

EXXON COMPANY, U.S.A.

EXXON COMPANY, U.S.A. 75001

EXPLORATION DEPARTMENT
SOUTHWESTERN DIVISION

June 14, 1976

R-128-76 (P)
Proposed 9000' Morrow Test
S $\frac{1}{2}$ Section 36-17S-26E
Eddy County, New Mexico

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, Texas 75240

Attention: Mr. William J. Phelan

Gentlemen:

In response to your recent request we attach a copy of Dwight N. Johnson's letter to you dated April 27, 1976. Please be advised that Exxon will be glad to reconsider a proposal at a later date as so stated in that letter, if you so desire.

Very truly yours,


W. H. Leifeste

WHL:bbk
Attachment

A DIVISION OF EXXON CORPORATION

April 27, 1976

Re: Your proposed 9,000' Morrow Test
S/2 Section 35-17S-26E
Hddy County, New Mexico
(Empire Field)

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, TX 75240

Attention: Mr. William J. Phelan
Vice-President

Gentlemen:

With reference to your proposal of April 19, 1976, please be advised that Exxon is not interested at this time in joining or farming out our interest in this area, as we are in the process of considering other alternatives. However, Exxon will be glad to reconsider your proposal in 180 days if you so desire.

Very truly yours,

Dwight H. Johnson
LAND-UNITIZATION

DNJ:lpj

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/631-3376

June 11, 1976

Humble Oil and Refining Company
Box 1600
Midland, Texas 79701

Attn: Mr. W. H. Leifeste

Re: Proposed 9000' Morrow Test
S $\frac{1}{2}$ Section 36-17S-26E
Eddy County, New Mexico

Gentlemen:


We have written your company previously concerning a proposed 9000' Morrow test on the captioned tract. We have proposed that your company join us in the drilling of this test or farmout to us, retaining the total 1/16 override, convertible at payout to a one-quarter working interest, proportionately reduced to the drilling unit. For various reasons, Exxon has not made a decision, but in view of the December 20, 1976 expiration on this lease, some firm decision should be made in the near future.

It would be appreciated if we could discuss this in person if necessary so that Universal will be able to formulate 1976 plans for our interest in this section.

With thanks, I am

Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Fucian
Vice-President

WJP/sm

EXXON COMPANY, U.S.A.

April 27, 1976

Re: Your proposed 9,000' Morrow Test
S/2 Section 36-17S-26E
Eddy County, New Mexico
(Empire Field)

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, TX 75240

Attention: Mr. William J. Phelan
Vice-President

Gentlemen:

With reference to your proposal of April 19, 1976, please be advised that Exxon is not interested at this time in joining or farming out our interest in this area, as we are in the process of considering other alternatives. However, Exxon will be glad to reconsider your proposal in 180 days if you so desire.

Very truly yours,

Dwight N. Johnson
Dwight N. Johnson
LAND-UNITIZATION

DNJ:lpj

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/661-3876

April 19, 1976

Exxon Company, USA
Box 1600
Midland, Texas 79701

Attn: Mr. James R. Shaw

Re: S/2 Section 36, T-17S-R-26E
Eddy County, New Mexico

Gentlemen:

We are currently considering the drilling of a 9000' Morrow test well at a suitable location in the S/2 of Section 36, described above. Your company appears to own oil and gas leasehold interest in the above tract, and we would like to propose that you join in the drilling of this well or farm-out to Universal on the basis of retaining a 1/16 override, convertible at payout of the well to a one-quarter (1/4) working interest.

It would be appreciated if you would discuss this proposal with your management and advise us as to their thinking at your earliest convenience.

Yours truly,

UNIVERSAL RESOURCES CORP.


William J. Phelan
Vice-President

WJP/sm

EXXON COMPANY, U.S.A.

November 4, 1975

Re: Exxon File 609136
SE/4 Section 36-17S-26E
Eddy County, New Mexico

Universal Resources Corporation
1000 Carillon Tower East
13601 Preston Road
Dallas, TX 75240

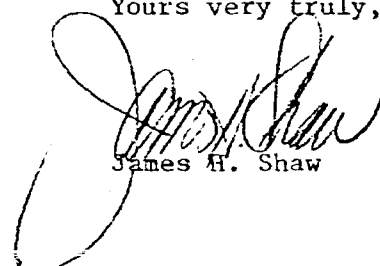
Attention: Mr. William J. Phelan

Gentlemen:

You have recently written this Company with regard to your proposed drilling of a Morrow test in the S/2 of the captioned section. We wish to thank you for inviting us to join with you in this proposed drilling; however, we are currently spudding a well in Section 6 of 18S-27E, which will be a diagonal offset to the captioned Exxon acreage. Inasmuch as we are engaged in this drilling, we are sure that you will understand our reluctance to join in a second well until we can see the results of our drilling in Section 6.

Thank you.

Yours very truly,



James H. Shaw

JHS:ad

A DIVISION OF EXXON CORPORATION

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/661-3876

October 27, 1975

Exxon Company, USA
Box 1600
Midland, Texas 79701

J. C. Barnes
Box 505
Midland, Texas 79701
Attn: Mr. Russell S. Ramsland, Vice-President

Re: S/2 Section 36, T-17S-R-26E
Eddy County, New Mexico

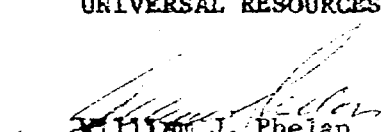
Gentlemen:

We are currently considering the drilling of a 9000' Morrow test well at a suitable location in the S/2 of Section 36, described above. Your companies appear to own oil and gas leasehold interest in the above tract, and we would like to propose that you join in the drilling of this well or farmout to Universal on the basis of retaining a 1/16 override, convertible at payout of the well to a one-quarter (1/4) working interest.

It would be appreciated if you would discuss this proposal with your managements and advise us as to their thinking at your earliest convenience.

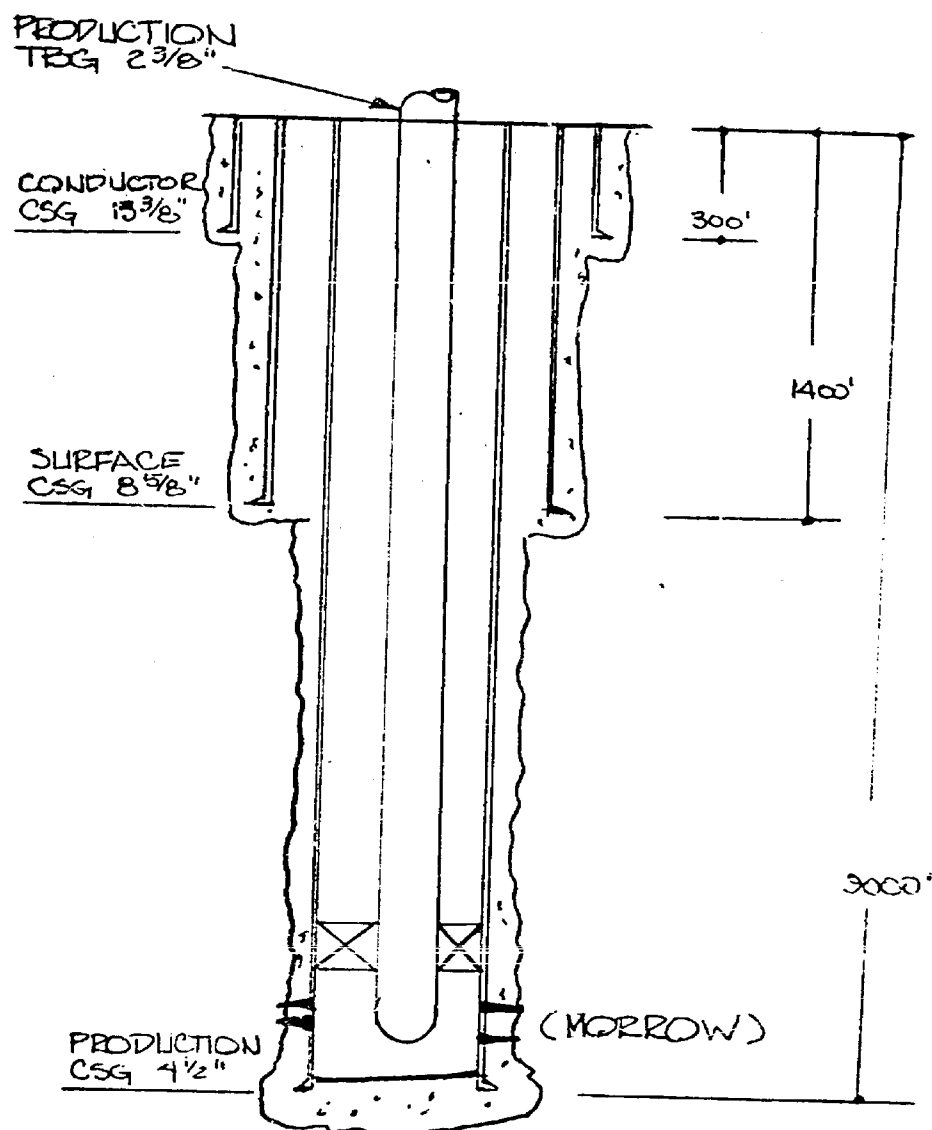
Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Pheasant
Vice-President

WJP/en

UNIVERSAL RESOURCES CORP.
 NO. 1 STATE LEMAY
 SE/4 SW/4 SEC. 36 T17S-R26E
 EDDY CO. NEW MEXICO



BEFORE EXAMINER STAMETS
 OIL CONSERVATION COMMISSION
108 EXHIBIT NO. 3
 CASE NO. 5759
 Submitted by _____
 Hearing Date 155026

5/13/76

— AUTHORIZATION FOR EXPENDITURE —

DATE OF REQUEST September 8, 1976

A. F. E. NO. _____

AUTHORITY IS REQUESTED TO EXPEND \$ 349,370 FOR:

PURPOSE: To drill a 9000 ft. Morrow test. Well to be located
SE SW Section 36-17S-26E, Eddy County, New Mexico.

PARTICULARS	ESTIMATED TOTAL COST
For details see attached Statement of Estimated Cost	
Producing Well (including tank battery)	\$349,370
Intangible Development Cost \$233,600	
Dry Hole Cost \$192,740	
<div data-bbox="890 1142 1467 1458" data-label="Text"> <p>BEFORE EXAMINER: EDDY OIL CONSERVATION DISTRICT EXHIBIT NO. <u>4</u> CASE NO. <u>5759</u> Submitted by: _____ Hearing Date <u>15 Sep 76</u></p> </div>	

ESTIMATED BY: Al Wheeler

APPROVED BY: _____

APPROVED BY: _____

APPROVED BY: _____



STATEMENT OF ESTIMATED AND ACTUAL WELL COST (100%)

LEASE: _____ WELL NO. 1-36 DISTRICT: New Mexico
LOCATION: SE SW Section 36-17S-26E 660' FSL & 1980' FWL
FIELD: _____ COUNTY: Eddy STATE: New Mexico
DATE SPUDDED: _____ DATE COMPLETED: _____ TOTAL DEPTH: 9,000 ft.
(RE)COMPLETED AS _____ WELL IN _____ MORROW _____ SAND(S) _____

INTANGIBLE DRILLING COSTS:

	ESTIMATED		ACTUAL
	PRODUCER	DRY HOLE	
DRILLING COSTS:			
01 LOCATION & Roads	\$ 15,000	\$ 15,000	\$
03 MOVING RIG	7,000	7,000	
04 DRILLING: <u>9000</u> FT. @ <u>\$10.00</u> PER FT.	90,000	90,000	
05 DAY WORK: <u>2</u> DAYS/HRS. @ <u>\$2,500</u>	5,000	5,000	
<u>1</u> " " @ <u>\$2,500</u>	2,500	2,500	
06 Completion <u>5</u> " " @ <u>\$2,000</u>	10,000		
07 DRILLING BITS			
08 WATER	3,000	3,000	
09 FUEL			
10 WATER & FUEL LINES			
11 MUD-CHEMICALS (OIL, ETC., IF USED)	15,000	15,000	
12 PITS	3,000	2,000	
13 OTHER	2,000	2,000	
15 Casing Crew & Power Tongs	3,500	750	
SUB-TOTAL	\$ 156,000	\$ 142,250	\$
20 LOGGING SERVICES:			
INDUCTION ELECTRIC	\$ 4,000	\$ 4,000	\$
LOGGING TRUCK			
TEMPERATURE	200		
OTHER <u>G-R Density</u>	3,200	3,200	
SUB-TOTAL	\$ 7,400	\$ 7,200	\$
21 CONSULTING ENGINEER	\$ 2,000	\$ 2,000	\$
30 CORING:			
CORE BARREL RENTAL	\$	\$	\$
CORE HEADS, CATCHERS, ETC.			
CORE ANALYSES			
SIDE WALL CORES			
WIRELINE FORMATION TESTING			
OTHER			
SUB-TOTAL	\$ -	\$ -	\$
31 DRILL STEM TESTING: (TOOL RENTAL)			
IN OPEN HOLE	\$ 1,500	\$ 1,500	\$
INSIDE CASING			
SUB-TOTAL	\$ 1,500	\$ 1,500	\$
35 GEOLOGICAL SERVICES	\$ 2,500	\$ 2,500	\$
OTHER SPECIAL SERVICES & MATERIALS:			
41 PERFORATING	\$ 4,500	\$	\$
42 ACIDIZING & Fracturing	25,000		
44 FISHING TOOLS			
45 BRIDGE PLUGS & NON-RETRIEVABLE PACKERS	2,000		
46 HAULING AND TRUCKING	3,000	2,000	
47 WELDING	500	500	
OTHER MATERIALS OR SERVICES:			
48 Rental Equipment	4,500	2,000	
49 Other Special Services & Misc. Items	5,000	2,000	
59 Labor Costs	3,000	1,500	
SUB-TOTAL	\$ 47,500	\$ 8,000	\$
**32 DRILLING OVERHEAD	\$ 3,500	\$ 2,500	\$



WELL

#1-36

AFE NO.

ESTIMATED

ACTUAL

**

CEMENT & CEMENTING SERVICES:

	PRODUCER	DRY HOLE	ACTUAL
51 CONDUCTOR CASING	\$ 1,500	\$ 1,500	\$
52 SURFACE CASING	4,000	4,000	
53 PRODUCTION CASING	5,700		
54 LINER			
55 SQUEEZING			
56 CEMENT PLUGS		2,200	
57 FLOAT EQUIPMENT, Centralizers & Scratchers	2,000	500	
58 OTHER SERVICES RELATED TO CEMENTING			

SUB-TOTAL

\$ 13,200 \$ 8,200 \$

** 50 WELL PLUGGING EXPENSES

\$ 2,500 \$

TOTAL INTANGIBLE DEVELOPMENT COST

\$ 233,600 \$ 176,650 \$

WELL EQUIPMENT:

CASING:	Amt.	Size	Per Ft.			
71 CONDUCTOR	300'	13-3/8"	\$15.50	\$ 4,650	\$ 4,650	\$
72 SURFACE	1400'	8-5/8"	\$ 7.60	\$ 10,640	10,640	
73 INTERMEDIATE		"	\$			
74 PRODUCTION	9000'	4-1/2"	\$ 4.05	\$ 36,450		
75 LINER		"	\$			
SUB-TOTAL				\$ 51,740	\$ 15,290	\$

76 TUBING:

Amt.	Size	Per Ft.			
9000'	2-3/8"	\$ 1.97	\$ 17,730	\$	\$
	"	\$			
	"	\$			
SUB-TOTAL			\$ 17,730	\$	\$

81 WELLHEAD EQUIPMENT:

CASINGHEAD HOUSING
XMAS TREE

\$ 800 \$ 800 \$
6,000
\$ 6,800 \$ 800 \$

82 MISCELLANEOUS SALVABLE WELL EQUIPMENT:

RETRIEVABLE PACKER
LANDING NIPPLE
PORTED SLEEVE
OTHER

\$ 2,000 \$ \$
200
800
500
\$ 3,500 \$ \$

83 Storage Tanks & Separation Equipment

\$ 30,000 \$ \$

84 Flowlines & Connections

\$ 6,000 \$ \$

TOTAL WELL EQUIPMENT

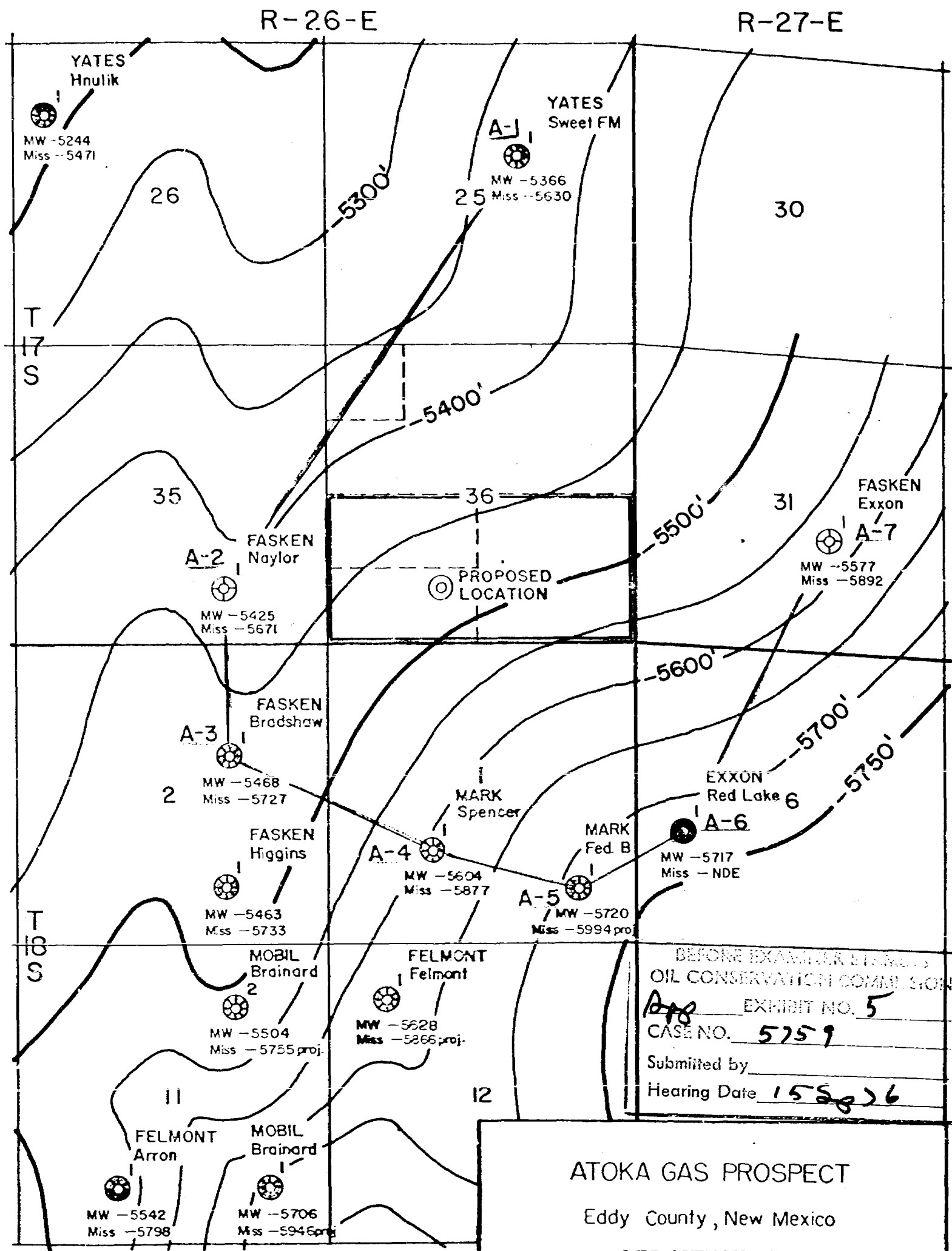
\$ 115,770 \$ 16,090 \$

TOTAL WELL COST

\$ 349,370 \$ 192,740 \$

ESTIMATE PREPARED BY: Al Wheeler

DATE: September 8, 1976



UNIVERSAL RESOURCES

- CASE 5758: Application of Global Survey, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Global Survey Unit Area comprising 4,781 acres, more or less, of State and Federal lands in Township 25 South, Ranges 26 and 27 East, Eddy County, New Mexico.
- CASE 5759: Application of Universal Resources 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 the S/2 of Section 36, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 660 feet from the South line and 1020 feet from the West line of said Section 36. 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 5760: Application of Morris R. Antweil 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 the S/2 of Section 33, Township 21 South, Range 26 East, Avalon Field Extension, Eddy County, New Mexico. 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 5761: Application of Atlantic Richfield Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the State Vacuum Unit Area comprising 800 acres, more or less, of State lands in Sections 29, 31, and 32, Township 17 South, Range 34 East, Lea County, New Mexico.
- CASE 5762: Application of Atlantic Richfield Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its State Vacuum Unit Area, Vacuum Pool, Lea County, New Mexico, by the injection of water into the Grayburg-San Andres formation through 11 injection wells located in Unit M of Section 29, Units A and I of Section 31, and Units C, E, G, I, K, M, N, and O of Section 32, all in Township 17 South, Range 34 East.
- CASE 5763: Application of Roger C. Hanks for the amendment of Order No. R-4691-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4691-A, which order promulgated special pool rules for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico. Applicant seeks the establishment of a special depth bracket allowable for said pool of 350 barrels per day.
- CASE 5767: Application of American Quasar Petroleum Co. of New Mexico for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Brinninstool Unit Area comprising 5,743 acres, more or less, of State and Federal lands in Township 23 South, Range 33 East, Lea County, New Mexico.
- CASE 5746: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Conley and Associates, Inc., the Travelers Indemnity Company, and all other interested parties to appear and show cause why the following wells in Harding County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:
- Township 15 North, Range 33 East:
Arthur Cain Well No. 3 located in Unit N of Section 4; Arthur Cain Well No. 2 located in Unit K of Section 10; and State Well No. 1 located in Unit D of Section 21;
- Township 16 North, Range 33 East:
State Well No. 1-X located in Unit M of Section 27.

Case 5759

UNIVERSAL RESOURCES CORPORATION

1000 CARILLON TOWER EAST
13601 PRESTON ROAD



DALLAS, TEXAS 75240
AREA 214/661-3876

August 18, 1976

New Mexico Oil Commission
Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Dan Nutter

Re: S/2 Section 36-17S-26E
Eddy County, New Mexico


Dear Mr. Nutter:

In accordance with our recent telephone conversation, this is to advise that Universal Resources Corporation would like to request a hearing to pool the S/2 of Section 36 for the drilling of a 9000' test well at a location approximately 1980' FWL and 660' FSL of Section 36. Universal Resources Corporation owns a lease on the S/2 SW/4 of Section 36 and has negotiated a farmout drilling deal on the N/2 SW/4 Section 36. Exxon Corporation owns a state lease on the SE/4 Section 36, and we find it necessary to request this forced pooling of this interest. Universal would like to drill this well as operator and hereby requests a risk factor of 200% plus the cost of drilling, completing, etc.

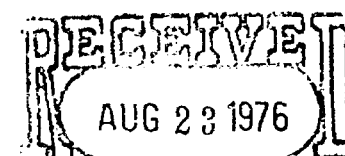
It would be appreciated if you could set this hearing at your September 15, 1976 meeting.

Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Phelan
Vice-President

WJP/sm



OIL CONSERVATION COMM.
Santa Fe

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. 5759

Order No. R-5290

APPLICATION OF UNIVERSAL RESOURCES
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 September 15, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of September, 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, Universal Resources Corporation,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the S/2
of Section 36, Township 17 South, Range 26 East,
NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well / 660 feet from the South line and 1980 feet from the West line of said Section 36.

(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.

(11) That ^{#1750.00 per month while drilling and} ~~#250.00 per month~~ ^{#250.00 per month while producing} ~~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 31, 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 the S/2 of Section 36, Township 17 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, 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 a point 660 feet from the South line and 1980 feet from the West line of said Section 36.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 3/5th 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 3/5th 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 Universal Resources / 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 ^{50 per month while drilling and} ~~\$1750~~ ^{50 per month while producing and} ~~\$750~~ ^{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.

-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.