

Case Number

6005

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 3, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of J. M. Huber Corporation) CASE
for a non-standard unit for compulsory) 6005
pooling, Eddy County, New Mexico)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant: Jason W. Kellahin
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1 MR. NUTTER: Call next Case 6005.

2 MS. TESCHENDORF: Case 6005 application of J. M.
3 Huber Corporation for a non-standard unit or compulsory
4 pooling, Eddy County, New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason
6 Kellahin, Kellahin & Fox, Santa Fe, appearing for the
7 applicant.

8 (THEREUPON, the witnesses were sworn.)

9
10 MR. NUTTER: I'll call for other appearances in
11 Case 6005 at this time -- would you proceed, Mr. Kellahin?

12 MR. KELLAHIN: Yes, sir.

13
14 GEORGE E. CONNER

15 was called as a witness, and having been first duly sworn,
16 testified upon his oath as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Would you state your name, please?

21 A. George E. Conner, Junior.

22 Q By whom are you employed and in what position, Mr.
23 Conner?

24 A. By the J. M. Huber Corporation in Midland as a land
25 man.

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1 Q How long have you been with J. M. Huber as a
 2 land man?

3 A One year.

4 Q What did you do prior to that?

5 A Worked for Shell Oil Company in New Orleans for four
 6 years, from '72 through '76, in the same capacity.

7 Q As a land man?

8 A Yes.

9 Q Do you have any training in that area?

10 A I am licensed by the State Bar of Texas and Louisiana
 11 as an attorney and have not practiced as an attorney but
 12 have been doing that work for the past five years.

13 Q As a land man?

14 A Yes.

15 MR. KELLAHIN: Are the witness' qualifications
 16 acceptable?

17 MR. NUTTER: Yes, they are.

18 Q (Mr. Kellahin continuing.) Mr. Conner, are you
 19 familiar with the application of J. M. Huber Corporation in
 20 Case 6005?

21 A Yes, I am.

22 Q What does the applicant propose in this case?

23 A On July 12th, we applied for a one hundred and
 24 sixty acre standard unit attempting to force pool a one acre
 25 tract that was unleased and which would lie within the one

1 hundred and sixty acre unit.

2 On July 15th, I amended my application by letter
3 providing for, in the alternative, a forty acre standard
4 oil unit and/or a non-standard one hundred and fifty-nine
5 and thirty-nine acre gas and oil unit.

6 Q Now, those are shown on Exhibit A, pages one and
7 two, is that correct?

8 A Yes, they are.

9 Q Now, what was the reason for your amendment for the
10 forty acres?

11 A The amendment to the one hundred and sixty acre
12 application was prior to spudding the well and these
13 applications were made prior to that date. We did not know at
14 that time what type of a well it would make and we wanted
15 to provide in the application in the alternative if it came
16 in as an oil well we could force pool the one acre tract
17 in the forty acre unit.

18 Q Has the well been completed?

19 A The well has not been completed.

20 Q What is the status of it?

21 A The status of the well, we have moved off of the
22 rotary and we have fracked the well and we have perforated it
23 this week.

24 Q Now, does that test oil or gas?

25 A It was testing gas.

1 Q So, you will be seeking a one hundred and sixty
2 acre standard unit?

3 A As of this date we are, yes.

4 Q For a gas well?

5 A Yes.

6 Q Or in the alternative one hundred and fifty-nine
7 acres?

8 A A non-standard unit omitting the one acre tract,
9 right.

10 Q Now, this one acre tract is owned by who?

11 A A gentleman by the name of Monk Laughlin and he
12 lives on the one acre south of Carlsbad on 62-180.

13 Q Did you make any effort to obtain a lease from
14 Mr. Laughlin?

15 A Yes, on page three of the notes to my files
16 indicates that the two attempts that I made, one, on July 7th,
17 approximately three weeks to the spudding of the well, I
18 approached Mr. Laughlin and offered him the opportunity to
19 lease the tract to Huber.

20 He indicated at that time he wasn't interested. I
21 called him by telephone on July 12th from Midland and asked
22 him again if he was interested in leasing and he said no
23 and I gave him the opportunity if he wanted to at that time
24 to join the well and prepay his expenses and he so declined.

25 Q He declined to participate in the well, also?

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1 A. Yes, sir, to participate or lease to the well,
 2 also.

3 Q Referring to what has been marked as Exhibit
 4 A, does that show the one hundred and sixty acre tract?

5 A. Yes, sir.

6 Q And there will be further testimony with regard to
 7 the well from the other witness?

8 A. I understand there will be.

9 Q In your opinion is there any possibility of obtaining
 10 any voluntary agreement from Mr. Laughlin at the present time?

11 A. I don't think so. I don't have any exhibits but I
 12 have a letter from a broker who contacted Mr. Laughlin in
 13 1968, when we were putting this prospect together and an
 14 attempt to lease it and at that time he gave him about the
 15 same reply that he has given me.

16 Q Does the J.M. Huber corporation own the mineral
 17 interest insofar as this one hundred and sixty acre tract is
 18 concerned, other than the one acre?

19 We are lessee of record or assignee of lessee of
 20 record of one hundred and fifty-nine acre mineral interest
 21 in that one quarter section.

22 Q And you don't have the one acre?

23 A. No, sir.

24 MR. KELLAHIN: That's all I have of this witness.

25 Were Exhibits One through Three prepared by you or under your

1 supervision?

2 A Yes.

3 MR. NUTTER: Mr. Kellahin, what will the other
4 witness be testifying to?

5 MR. KELLAHIN: He is going to testify as to the
6 completion of the well and the acreage and the dedication that
7 is being proposed.

8 MR. NUTTER: And well costs?

9 MR. KELLAHIN: And well costs.

10 MR. NUTTER: And this gentleman is testifying only
11 as to the efforts to acquire the lease voluntarily?

12 MR. KELLAHIN: That's right.

13 MR. NUTTER: And the agreement with Mr. Laughlin?

14 MR. KELLAHIN: Yes.

15 MR. NUTTER: Are there any questions of Mr. Conner?

16 If not, he may be excused.

17 MR. KELLAHIN: Call Mr. Setzler.

18

19 ROBERT GASTON SETZLER

20 was called as a witness, and having been first duly sworn,
21 testified upon his oath as follows, to-wit:

22

23 DIRECT EXAMINATION

24 BY MR. KELLAHIN:

25 Q Would you state your name, please?

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1 A. Robert Gaston Setzler.

2 Q By whom are you employed and in what position, Mr.
3 Setzler?

4 A I am employed by the J. M. Huber Corporation and
5 I am their District Production Manager.

6 Q How long have you been with the J. M. Huber
7 Corporation?

8 A Six months.

9 Q What was your employment prior to that?

10 A I was with Texaco.

11 Q What was your position with Texaco?

12 A Engineer.

13 Q Are you a Petroleum Engineer?

14 A Yes, sir.

15 Q Have you testified before this Commission or one of
16 its Examiners and made your qualifications a matter of record?

17 A Yes, sir.

18 MR. KELLAHIN: Are the witness' qualifications
19 acceptable?

20 MR. NUTTER: Yes, they are.

21 Q (Mr. Kellahin continuing.) Mr. Setzler, are you
22 familiar with the application of J. M. Huber that is before
23 the Commission at this time?

24 A Yes, sir.

25 Q Referring to what is marked as page four of Exhibit

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1 A, would you discuss the information shown on that Exhibit?

2 A. As can be noted and already pointed out our quarter
 3 section in question is shown.

4 I would like to also point out in Section 22, dry
 5 holes which offset a producing Delaware well thus indicating
 6 the high risk factors involved in drilling these wells.

7 Q Now, what formation is this well completed in?

8 A. The Delaware sand.

9 Q And at what depth?

10 MR. NUTTER: Which well are you talking about, Mr.
 11 Kellahin?

12 MR. KELLAHIN: I am talking about the J. M. Huber
 13 well which is the subject of this case.

14 MR. NUTTER: The subject well of the hearing?

15 MR. KELLAHIN: Yes.

16 MR. NUTTER: Has it been completed?

17 MR. KELLAHIN: It has been drilled and they are
 18 fracking it today.

19 MR. NUTTER: Okay, that's the one you are referring
 20 to?

21 MR. KELLAHIN: That's the one I am referring to.
 22 That is a correct statement, is it not?

23 A. Yes, sir.

24 Q (Mr. Kellahin continuing.) I has been drilled?

25 A. It has been drilled and we are going to treat the

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1 well today.

2 Q Has it been completed for the production of gas?

3 A Yes.

4 Q From the Delaware sand?

5 A Yes, sir. After initially perforating we have made
 6 small quantities of gas from the well.

7 Q Did it make any fluids?

8 A No, sir, no fluids other than load.

9 Q Now, in connection with the drilling of this well
 10 do you have a log showing the formation in which it is
 11 completed?

12 A Yes, sir. If you will please note page five which
 13 is a fold out of a computerized analysis of the logs run on
 14 this well.

15 We have perforated the well from twenty-five sixty-
 16 six to twenty-five ninety-two feet and as we noted there the
 17 zone does have a large amount of movable gas and relatively
 18 low water saturation.

19 Q In the Exhibit, pages six and seven, what information
 20 is shown there?

21 A On page six is a copy -- six and seven -- is a copy
 22 of the core analysis which shows through the zones in
 23 question -- zero fluid content thus indicating a gas completion,
 24 also.

25 Q Generally, what is the permeability of the

1 formation?

2 A. Our permeability ranges from a high of nine point
3 nine millidarcies to a low of one but the average permeability
4 through our zone is five point one.

5 Q Referring you to what has been marked as page eight
6 of Exhibit A --

7 A. This is just a graphical presentation of the printout
8 on pages six and seven.

9 Q Now, in your opinion will one well completed in the
10 Delaware with the permeability that you have here adequately
11 drain and develop one hundred and sixty acres?

12 A. I believe that it will.

13 Q That is, based on the information that you have?

14 A. Based on the information that we have at this time
15 we feel that it will drain one hundred and sixty.

16 Q So, is J. M. Huber Corporation asking for a one
17 hundred and sixty acre spacing?

18 A. That's correct.

19 Q And for a pooling order pooling the one hundred and
20 sixty acres?

21 A. That's correct.

22 Q What is the well cost of this well?

23 A. Overhead cost?

24 A. No, the total A.F.E.?

25 A. The total A.F.E. cost will be one hundred seventy-

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1 three thousand two hundred dollars to complete -- drill and
2 complete this well.

3 Q And you propose to recover that cost out of the
4 production of this acreage in the event that this acreage
5 is pooled?

6 A Yes, sir.

7 Q What is your supervision costs for drilling a well?

8 A Eleven hundred and fifty dollars.

9 Q How many days do you calculate that it will take to
10 drill it or complete?

11 A To drill and complete will be twenty days.

12 Q So, that is at eleven hundred and fifty dollars per
13 month?

14 A Yes.

15 Q And what are you supervision charges for a producing
16 well?

17 A For a producing well will be one hundred and fifty
18 dollars.

19 Q Now, you started testifying as to the risk involved
20 in drilling this well and on page four you were pointing out
21 the dry holes. Were they dry in the same formation that you
22 are talking about here?

23 A Yes, sir.

24 Q Where is the closest production to the subject well?

25 A This is a wild-cat zone so the closest production

1 would be several miles from this.

2 Q They are not shown on the map here, is that
3 correct?

4 A No, I am incorrect in this, I am sorry -- I would
5 like to back up and say that our Sorenson Well Number One
6 which is located in the adjacent section, Section 14, was
7 potentialed last week producing gas from this zone.

8 Q Was it drilled prior to the drilling of the subject
9 well?

10 A It is a plugged back recompletion of a Morrow gas
11 well.

12 Q Has it been completed for production from the
13 Delaware as yet?

14 A Yes, sir, and it has a potential.

15 Q So, that is the closest Delaware production then?

16 A This is correct.

17 Q But was your well which is the subject of this
18 hearing projected and commenced prior to the recompletion of
19 the other well?

20 A Yes, sir.

21 Q So, it was in that sense a wild-cat well when it was
22 drilled?

23 A Yes, sir, that's right.

24 Q Now, what is the nature of the formation here, Mr.
25 Setzler?

1 A. The nature of the formation is ventricular in
2 nature and the permeability development and changes radically
3 from one location to another making every completion a
4 high risk -- every completion attempt.

5 Q. Now, what would you consider to be a reasonable
6 risk factor to be assigned to this well?

7 A. Two hundred percent.

8 Q. Were Exhibits Four through Eight prepared by you
9 or under your supervision?

10 A. Yes, sir.

11 Q. Did you supervise the drilling of this well?

12 A. I did, sir.

13 MR. KELLAHIN: We offer Exhibit A.

14 MR. NUTTER: Huber's Exhibit A consisting of eight
15 pages will be admitted in evidence.

16 MR. KELLAHIN: That's all I have of this witness,
17 Mr. Examiner.

18

19

CROSS EXAMINATION

20 BY MR. NUTTER:

21 Q. Mr. Setzler, you mentioned that there were dry holes
22 around here.

23 A. Yes, sir.

24 Q. Now, looking at this map, page four of Exhibit A,
25 it looks like the well immediately south had a T. D. of almost

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1 of twelve thousand feet?

2 A. Yes, sir, that was a Morrow test but the well in
3 Section 22 in the southwest quarter is a Delaware producer.

4 Q I see. There is one identified there as a
5 Delaware discovery?

6 A. Yes, sir.

7 Q And there is also a dry hole there with a T. D. of
8 nineteen hundred six, that wouldn't have been deep enough
9 to test for the Delaware would it?

10 A. The top of the Delaware sands begins at approximately
11 at nineteen hundred feet.

12 Q But that's not deep enough to test the sands that
13 you are in?

14 A. No, sir, it's not.

15 Q What do you classify this at about middle Delaware?

16 A. Yes, sir, it's middle Delaware.

17 Q So, that one didn't test this zone and southwest of
18 twenty-two there is another gas well which is a Morrow
19 discovery?

20 A. Uh-huh.

21 Q And over here in Section 14, now, you mentioned that
22 the Sorenson had been plugged back from the Morrow to the
23 Delaware and it is now a Delaware, is that correct?

24 A. That's correct.

25 Q Is that the well in the northeast quarter of

1 Section 14?

2 A. That's right.

3 Q. Is it completed in the Morrow?

4 A. Yes, sir, it is completed in the Morrow and we
5 plugged this well back to test the Delaware and as I
6 indicated last week potentialed the well as a Delaware
7 producer and it is a gas producer.

8 Q. And it is definitely a gas well?

9 A. Yes, sir.

10 Q. Do you have a gas-liquid ratio measurement on that
11 well?

12 A. It was zero.

13 Q. To small to measure the liquid?

14 A. Yes, sir.

15 Q. Okay. Then, in the south half of Section 14, I
16 see two wells?

17 A. Yes, sir.

18 Q. What is the status of those?

19 A. One, is a Morrow producer and the, two, is a work-
20 over candidate in this zone.

21 Q. Does it have a T.D. of fifty-three hundred,
22 apparently?

23 A. And it tested a lower Delaware and was non-
24 productive. At that time this upper zone was not
25 recognized.

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1 Q I see. And it is identified here as being T.A.?

2 A Yes, sir.

3 Q And you think that that may be re-entered and
4 recompleted in this equivalent zone that you are talking
5 about here?

6 A That's is correct, sir.

7 Q Now, you mentioned that you thought that you had a
8 gas well on this subject well in Section 15?

9 A Yes, sir.

10 Q Now, from your log analysis here, page six, under
11 the fluid column there is zero fluid saturation indicated
12 for oil until you get over to page seven and down in the
13 lower portion we do have some oil saturation?

14 A We have some very slow oil saturation in the bottom.
15 I believe, though, that the permeability at that point is
16 so low that we won't make any liquid from the formation.

17 Q So, you are getting down into the lowest permeability,
18 also?

19 A Yes, sir.

20 Q Where you have got the oil has no permeability?

21 A That's correct, sir.

22 Q What has been your tests so far on the well?

23 A We perforated the well with acid adjacent to the
24 perforations and did not displace the acid into the perforations
25 yesterday and swabbed it back and we were producing gas at

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1 a rate of less than a hundred MC of gas per day but when
2 we shut the well in we were getting a rapid increase in
3 surface pressure indiacting a permeability damage around the
4 well bore.

5 So, the decision was made yesterday to treat
6 the well today and try to remove this damage.

7 Q Do you feel secure enough in the tests that you have
8 to date as well as this log analysis or core analysis to
9 be able to dismiss the poriton of the case relating to
10 forty acres for an oil well?

11 A I certainly do.

12 Q You think you definitely have a gas well here?

13 A Yes, sir, I do.

14 Q So, all we have got left of the case is a one hundred
15 and fifty-nine acre non-standard unit or a hundred and sixty
16 acre gas unit?

17 A Yes, sir.

18 Q Now, I was making some other notes when you were
19 testifying as to the risk involved. Did you propose a risk
20 factor?

21 A Two hundred percent.

22 Q You also proposed eleven hundred and fifty dollars
23 per month while drilling and you have been drilling to
24 completion for twenty days?

25 A No, sir, I can give you an exact drilling time. The

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1 well was started on July 20th and reached T.D. on the 28th.
2 So, it took us eight days to drill the well and it looks
3 like it will take us twelve days to complete.

4 Q So, you will have a total of twenty days in drilling
5 and completing operations?

6 A That's correct.

7 Q And one hundred and fifty dollars per month while
8 producing is your estimated supervision cost?

9 A That's right, sir, operating costs will be --
10 one hundred and fifty supervision and two and hundred and
11 fifty operating costs, well operating costs.

12 Q Well, Mr. Setzler, --

13 A Or am I saying it wrong?

14 Q The Commission in its pooling orders prescribe that
15 a certain dollar and cents value would be charged as combined
16 fixed rates under the COPAS agreement, you know, they have
17 a combined fixed rate for overhead?

18 A Right.

19 Q Now, I presume that that is your one hundred and
20 fifty dollars?

21 A That's correct.

22 Q And actual operating costs which you don't know
23 at this present time?

24 A No, but based on other wells we have in the area
25 we have averaged two hundred and fifty dollars a month.

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1 Q Well, that two hundred and fifty would not be
 2 applicable in an order entered by this Commission -- your
 3 actual cost from month to month would be and they would be
 4 allocated on an acreage basis.

5 A Okay, sir.

6 Q But the one hundred and fifty would be the combined
 7 fixed rate?

8 A That's right, sir.

9 Q Now, what was your estimated total well cost?

10 A Our estimated total well cost as a gas well with
 11 surface equipment to produce it would be one hundred and
 12 seventy-three thousand two hundred dollars.

13 Q That's from the bottom of the hole up through the
 14 tank?

15 A That's right, sir.

16 Q And if Mr. Laughlin, if the Commission entered an
 17 order pooling the one hundred and sixty acres, would be a
 18 one-one hundred and sixtieth owner of this well?

19 A Yes.

20 Q As well as royalty rights?

21 A Yes.

22 Q Or does he own the royalty -- I presume he does?

23 A He owns the royalty, also.

24 MR. NUTTER: Are there any further questions of Mr.
 25 Setzler?

1 MR. KELLAHIN: Yes, Mr. Setzler, does the J. M.
2 Huber corporation ask to be designated as the operator of
3 the well?

4 A. That's correct.

5 MR. KELLAHIN: That's all I have.

6 MR. NUTTER: If there are no further questions of
7 the witness, the witness may be excused. Do you have anything
8 further, Mr. Kellahin?

9 MR. KELLAHIN: No, Mr. Nutter, thank you.


10 MR. NUTTER: Does anyone have anything they wish
11 to offer in Case Number 6005? We will take the case under
12 advisement and we will take a fifteen minute recess.

13 (THEREUPON, the witness was excused.)
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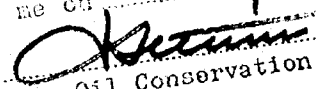
1 REPORTER'S CERTIFICATE

2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
 3 do hereby certify that the foregoing and attached Transcript
 4 of Hearing before the New Mexico Oil Conservation Commission
 5 was reported by me, and the same is a true and correct record
 6 of the said proceedings to the best of my knowledge, skill
 7 and ability.

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 10 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. 6005
 heard by me on Aug 3, 1972.

 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. 6005
Order No. R-5514

APPLICATION OF J.M. HUBER CORPORATION
FOR A NON-STANDARD UNIT OR 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 3, 1977, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of August, 1977, 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, J.M. Huber Corporation, seeks an order pooling all mineral interests in the Delaware formation underlying the SE/4 of Section 15, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, or in the alternative, an order creating a 159-acre non-standard Delaware gas proration unit comprising all of said SE/4 Section 15 except that tract of land belonging to Mr. Monk Lofton and described as being one acre, more or less, lying immediately North of the South line of said Section 15 and immediately East of the Eastern boundary of the right of way of U.S. Highways Nos. 62 and 180.
- (3) That the applicant has the right to drill and has drilled a Delaware gas well in the SE/4 of said Section 15, said well being described as applicant's Parr Well No. 1, located 990 feet from the South line and 990 feet from the East line of said Section 15.
- (4) That there are interest owners in the proposed proration unit, being the SE/4 of said Section 15, 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 160-acre unit.

(6) That the alternative application, for a 159-acre unit, should be dismissed.

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

(8) That any non-consenting working interest owner that has not paid his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 50 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 \$771.00 should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well and \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while producing; that the operator should be 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 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.

(11) 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.

IT IS THEREFORE ORDERED:

(1) That effective August 3, 1977, all mineral interests, whatever they may be, in the Delaware formation underlying the SE/4 of Section 15, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 160-acre gas spacing and proration unit to be dedicated to the J.M. Huber Corporation Parr Well No. 1 located 990 feet from the South line and 990 feet from the East line of said Section 15.

(2) That J.M. Huber Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(4) 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, 50 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.

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

(6) That \$771.00 is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well, and \$150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while producing; 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.

(7) 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.

-4-

Case No. 6005
Order No. R-5514

(8) 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.

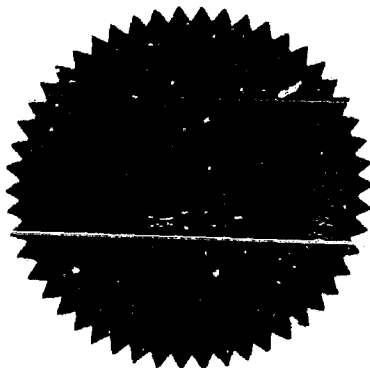
(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said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

(10) That that portion of the application relating to a 39-acre or 40-acre oil proration unit, or a 159-acre gas proration unit, is hereby dismissed.

(11) 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 B. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

jr/

J. M. HUBER CORPORATION

OIL AND GAS DIVISION GENERAL OFFICE
2000 WEST LOOP SOUTH HOUSTON, TEXAS 77027
713 621-8750

June 27, 1978

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

File
[Signature]
RE: Case No. 6005
Order No. R-5514

Gentlemen:

Enclosed please find the Statement of Cost for Drilling,
Completing and Equipping to Produce, on the Parr #1
thru May 31, 1978.

Sincerely,

J. M. HUBER CORPORATION

Bill J. Rives
Joint Venture Accounting

BJR:jlc

Enclosure

J. M. HUBER CORPORATION

OIL AND GAS DIVISION GENERAL OFFICE

2000 WEST LOOP SOUTH

HOUSTON, TEXAS 77027

713 621-8750

CARRIED WORKING INTEREST STATEMENT (Not For Payment)

Lease Name PARR 14P5840

Month MAY 31, 1978

Non-Consent - 150/100

Balance To Recover As Of Spud date thru April 30, 1978 (Schedule A Item 3) \$ 107,245.89

Joint Operational Statement May 1978 - (2756.29) X .4531428 X 150% (1866.41)

Oil & Gas Sales:

Code	Huber Gross Value	Royalty Costs	Huber Tax	Net Value
<u>1</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>5</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>7</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Total Net Value Applicable To Payout

Balance To Recover As Of 5-31-78

- 0 -
105,379.48

Code:

- 1-Oil
- 2-Condensate
- 5-Dry Gas
- 7-Casinghead

PAYOUT STATEMENT

LEASE: PARR 14P5840

Penalty 150/100

MONK LOFTON

		1		2		3		4		
		Total	Huber			150 %				
		Well	W.I							
		Costs	45.31428 %			Penalty		Balance		
1	7-114	9-77	799933							1
2	8-114	8-77	8286323							2
3	9-115	9-77	3069772							3
4	10-119	10-77	1272322							4
5	11-117	11-77	106240							5
6	12-119	12-77	164939							6
7	1-119	1-78	257499							7
8	2-121	2-78	175542							8
9	3-120	3-78	1636789							9
10	4-121	4-78	8726							10
11			15778085		7149726		10724589		10724589	11
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40										40

J. M. Huber Corporation

1900 Wilco Building
Midland, Texas 79701

OIL AND GAS

DIVISION

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Huber EXHIBIT NO. A

CASE NO. 6005

TELEPHONE
MUTUAL 2-3794

July 12, 1977

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

*Marked
Copy*

RE: Pooling Application
Huber-Parr Well No. 1
Section 15-23S-26E
Eddy County, New Mexico
Our 14-N-125-N

Gentlemen:

In accordance with Section 65-3-14 of the New Mexico Statutes Annotated, we are hereby making application to have the SE/4 Section 15-T23S-R26E, Eddy County, New Mexico, pooled by the Commission.

We anticipate that by July 18, 1977 Huber, as Operator, will spud the captioned well to be located 990' FSL and 990' FEL of the above Section. The objective is the Delaware Bell Canyon Sand expected to be encountered at or about 2600 feet below the surface. We anticipate that the well will be a dry gas well in view of our recent successful recompletion of the Sorenson No. 1 (1980' FNL & FEL Sec. 14-23S-26E) in the Delaware Sand interval 2645-2665' below the surface. A four-point test is being taken on this well this week which should enable the Commission to establish the amount of acreage dedicated thereto. We expect a standard dedication of 160 acres.

With regard to the SE/4 Section 15-23S-26E, we are the lessee of 159 net mineral acres. Adequate pooling provisions are contained in the leases which will enable us to file a Unit Designation comprising the entire SE/4. However, a one (1) acre tract within that quarter-section is presently unleased. For this reason, we are petitioning the Commission to exercise the powers granted it and pool all of such interests in the spacing unit.

Very truly yours,

J. M. HUBER CORPORATION

Geo. E. Conner
George E. Conner
Senior Landman

GEC:mmt
cc-file

①

J. M. Huber Corporation

1900 Wilco Building
Midland, Texas 79701

OIL AND GAS
DIVISION

July 15, 1977

TELEPHONE
MUTUAL 2-3794

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

Attention: D. S. Nutter

RE: Pooling Application
Huber-Parr Well No. 1
Section 15-23S-26E
Eddy County, New Mexico
Huber's 14-N-125-N

Gentlemen:

Reference is made to our letter to you dated July 12, 1977, wherein Huber requested that the Commission force pool an unleased one (1) acre tract situated within the SE/4 of Section 15-23S-26E. A copy of the aforementioned letter is enclosed for your convenience.

Because the captioned well may not be completed by the August 3rd hearing, we are uncertain what type of completion will be made. Since the amount of acreage dedicated to an oil or gas well is different, we must amend our Pooling Application so as to provide for the contingency that it could be an oil well and require 40 acre pooling. Therefore, we ask that the Commission afford us an opportunity to force pool irregardless of the type of completion made. In either event, the one (1) acre tract is located so that it would be in both 160 and 40 acre proration units.

As an alternative, we are aware that the Commission may establish either a 159 or a 39 acre non-standard unit as provided for in Rule 104. Huber has an interest in and is operator of, down to a depth of 12,051 feet, all of Sections 14, 15, N $\frac{1}{2}$ 22 and NW $\frac{1}{4}$ 23-23S-26E, comprising all of the offset acreage to the captioned well.

Should you require any additional information, please contact the undersigned.

Very truly yours,

Geo. E. Conner
George E. Conner
Senior Landman

GEC:mmt
encl.

②

NOTE TO FILE 7/12/77

Monk Lofton
SE $\frac{1}{4}$ Section 15-23S-26E
Eddy County, New Mexico
14-N-125-N

The above party owns a one (1) acre tract in the SE $\frac{1}{4}$ of Section 15 that is presently unleased.

On July 7, 1977, I approached Mr. Lofton and offered him \$50.00/acre bonus to lease this tract. He refused and indicated that he isn't interested in leasing.

On July 12, 1977, I called Mr. Lofton and advised him that we are planning to drill a well on the Parr tract. I asked him again if he would be interested in leasing. He said "under no circumstances". I then told him that in all likelihood he would be included within the Proration Unit for this well and wondered if he would be interested in joining the well and paying his way. He, again, wasn't interested.

Lio. Sloner

GEC:mmt

[illegible]



Fold Here

Service Ticket No. 111791Remarks:

Welex does not guarantee the accuracy of any interpretation of log data, conversion of log data to physical rock parameters, or recommendations which may be given by Welex personnel or which may appear on the log or in any other form. Any user of such data, interpretations, conversions, or recommendations agrees that Welex is not responsible, except where due to gross negligence or willful misconduct, for any loss, damages, or expenses resulting from the use thereof.

PRELIMINARY REPORT

CORE LABORATORIES, INC.
Petroleum Reservoir Engineering
DALLAS, TEXASJ. M. HUBER CORPORATION
PARR NO. 1
DARK CANYON
EDDY COUNTY, NEW MEXICODATE: 7-25-77
FORMATION: DELAWARE
DRLG. FLUID: BRINE
LOCATION: SEC 15-23-26FILE NO: 3102-10396
ENGINEER: DILLARD
ELEVATION: 3293 GL

* INDICATES PLUG PERM

S INDICATES PRESERVED SAMPLE

SMP. NO.	DEPTH	PERM. TO AIR MD. MAXIMUM 90 DEG	VERT.	POROSITY GEX. FLO.	FLUID SATS. OIL WTR.	GR. DEN.	DESCRIPTION
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CONVENTIONAL ANALYSIS

2555.0-58.0 LM SDY SHY

1	2558.0-59.0	<0.1		4.8	0.0 70.1		SD FG LMY
2	2559.0-60.0	<0.1		9.6	0.0 83.4		SD FG LMY
3	2560.0-61.0	<0.1		14.0	0.0 74.8		SD FG LMY
4	2561.0-62.0	4.1		15.6	0.0 70.7		SD FG LMY
5	2562.0-63.0	3.1		18.1	0.0 57.7		SD FG LMY
6	2563.0-64.0	5.8		18.8	0.0 60.0		SD FG LMY SHY
7	2564.0-65.0	9.9		20.2	0.0 51.4		SD FG LMY SHY
8	2565.0-66.0	5.8		21.4	0.0 50.4		SD FG LMY SHY
9	2566.0-67.0	6.6		20.7	0.0 53.4		SD FG LMY
10	2567.0-68.0	6.8		20.2	0.0 52.9		SD FG LMY
11	2568.0-69.0	6.4		20.9	0.0 53.8		SD FG LMY
12	2569.0-70.0	6.4		20.8	0.0 55.8		SD FG LMY
13	2570.0-71.0	5.6		23.7	0.0 48.3		SD FG LMY SHY
14	2571.0-72.0	6.3		19.8	0.0 60.2		SD FG LMY SHY
15	2572.0-73.0	4.3		21.7	0.0 56.3		SD FG LMY SHY
16	2573.0-74.0	3.6		22.2	0.0 54.5		SD FG LMY SHY
17	2574.0-75.0	3.6		22.2	0.0 54.1		SD FG LMY SHY
18	2575.0-76.0	6.3		21.5	0.0 54.5		SD FG LMY SHY
19	2576.0-77.0	3.3		20.9	0.0 57.4		SD FG LMY SHY
20	2577.0-78.0	2.6		18.6	0.0 67.1		SD FG LMY SHY
21	2578.0-79.0	3.8		20.7	0.0 57.8		SD FG LMY SHY
22	2579.0-80.0	3.3		20.3	0.0 61.1		SD FG LMY SHY
23	2580.0-81.0	1.0		21.0	0.0 63.3		SD FG LMY SHY

These analyses, opinions or interpretations are based on observations and materials supplied by the client to whom, and for whose exclusive and confidential use, this report is made. The interpretations or opinions expressed represent the best judgment of Core Laboratories, Inc. (all errors and omissions excepted); but Core Laboratories, Inc. and its officers and employees, assume no responsibility and make no warranty or representations, as to the productivity, proper operations, or profitability of any oil, gas or other mineral well or sand in connection with which such report is used or relied upon.

6

CORE LABORATORIES, INC.
Petroleum Reservoir Engineering
DALLAS, TEXAS

J. M. HUBER CORPORATION
PARR NO. 1

DATE: 7-25-77
FORMATION: DELAWARE

FILE NO: 3102-10396
ENGINEER: DILLARD

SMP. NO.	DEPTH	PERM. TO AIR MD. MAXIMUM 90 DEG VERT.	POROSITY GEX. FLD.	FLUID SATS. OIL WTR.	GR. DEN.	DESCRIPTION
24	2581.0-82.0	3.8	21.1	0.0 59.6		SD FG LMY SHY
25	2582.0-83.0	5.4	21.9	0.0 53.8		SD FG LMY SHY
26	2583.0-84.0	4.3	20.1	0.0 60.0		SD FG LMY SHY
27	2584.0-85.0	5.6	21.9	0.8 52.4		SD FG LMY SHY
28	2585.0-86.0	1.3	18.6	1.0 68.2		SD FG LMY SHY
29	2586.0-87.0	1.2	19.6	5.7 62.7		SD FG LMY SHY
30	2587.0-88.0	1.0	19.0	5.9 59.1		SD FG LMY SHY
31	2588.0-89.0	0.8	17.6	2.7 65.2		SD FG LMY SHY
32	2589.0-90.0	0.7	17.1	2.8 63.5		SD FG LMY SHY
33	2590.0-91.0	0.7	14.0	0.0 69.8		SD FG LMY SHY
34	2591.0-92.0	<0.1	11.2	0.0 63.3		SD FG LMY SHY
2592.0-2602.0 LM SHY SDY						
35	2602.0-03.0	0.8	14.5	0.0 75.0		SD FG LMY
36	2603.0-04.0	0.7	16.3	0.0 66.0		SD FG LMY
37	2604.0-05.0	1.3	14.8	0.0 55.8		SD FG LMY
38	2605.0-06.0	1.8	17.5	1.1 62.0		SD FG LMY
39	2606.0-07.0	1.8	18.7	0.0 63.3		SD FG LMY
40	2607.0-08.0	4.8	18.2	1.0 65.1		SD FG LMY
41	2608.0-09.0	8.8	16.8	0.0 61.2		SD FG LMY
42	2609.0-10.0	1.7	15.3	1.3 67.0		SD FG LMY
43	2610.0-11.0	2.6	8.4	0.0 68.2		SD FG LMY
44	2611.0-12.0	1.2	7.4	0.0 74.4		SD FG LMY SHY

2612.0-15.0 LM SHY

⑦

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CORE LABORATORIES, INC.



Petroleum Reservoir Engineering

COMPANY J. M. HUBER CORPORATIONFIELD DARK CANYONFILE 3102-10396WELL PARR NO. 1COUNTY EDDY COUNTYDATE 7-25-77LOCATION SEC 15-23-26STATE NEW MEXICOELEV. 3298 GL**CORE-GAMMA CORRELATION**

These analyses, sections or interpretations are based on observations and material supplied by the client to whom, and for whose exclusive and confidential use, this report is made. The interpretations or opinions expressed represent the best judgment of Core Laboratories, Inc. (all errors and omissions excepted). But Core Laboratories, Inc. and its officers and employees assume no responsibility and make no warranty or representation as to the productivity, proper operation, or profitability of any oil, gas or other mineral well or land in connection with which such report is used or relied upon.

VERTICAL SCALE: 5" = 100'

TOTAL WATER 0000
PERCENT PORE SPACE

80 60 40 20 0

OIL SATURATION XXXX
PERCENT PORE SPACE

0 0 20 40 60 80

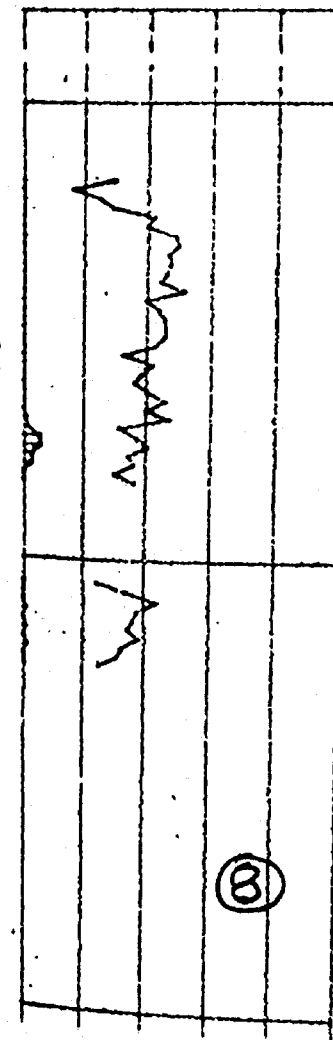
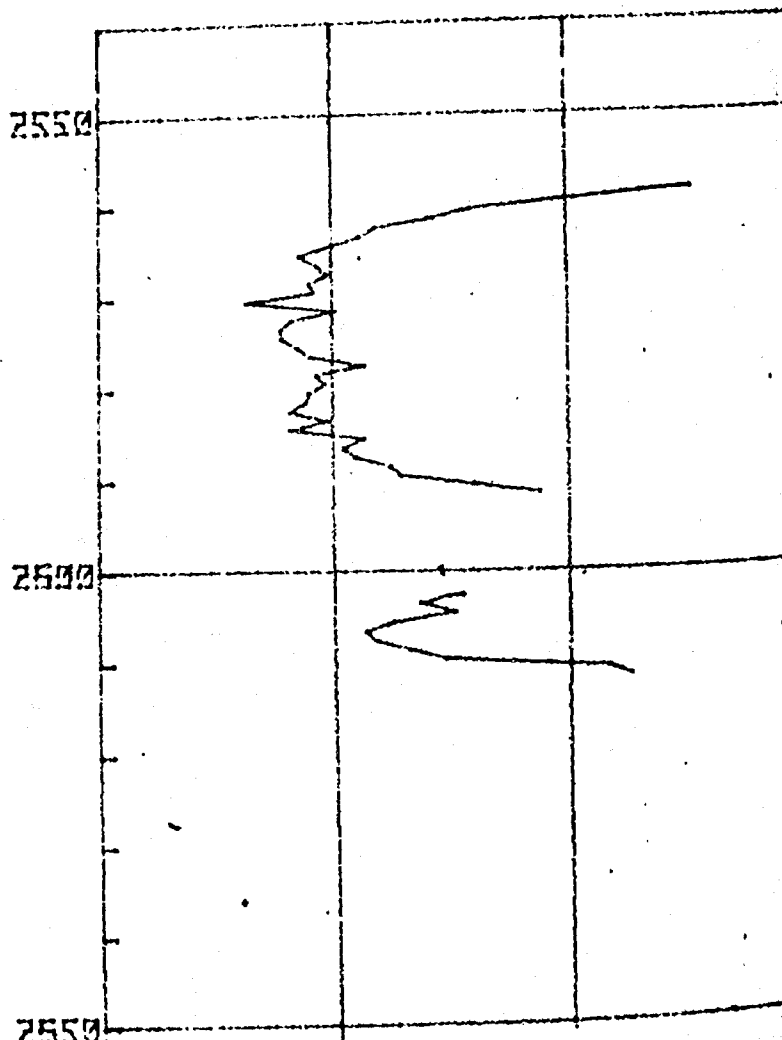
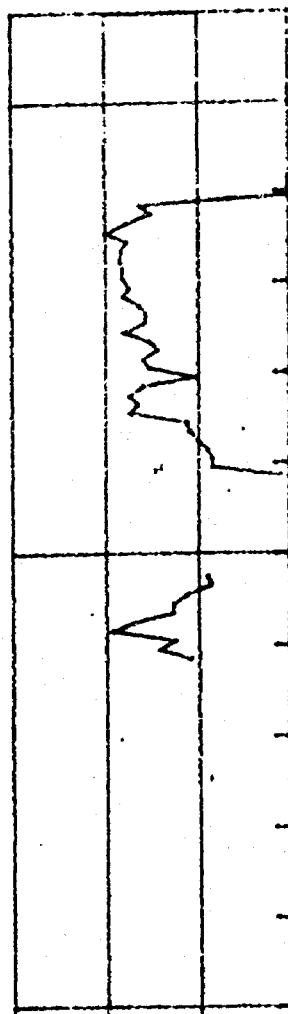
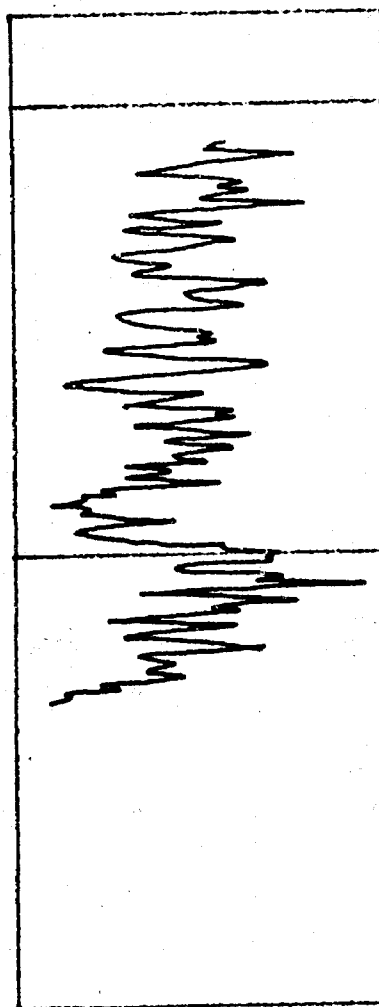
GAMMA RAY
RADIATION INCREASEPERMEABILITY
MILLIDARCSPOROSITY
PERCENT

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J. Mr. Huber Corp.

by:

George Conner (915) 682-3794

Parr Well No. 1

990 from S & E lines of 15-23S-26E, Eddy Co

Delaware Test 40 in oil, 160 in gas

All lands committed except one-acre tract
Belonging to:

Mr. Monk Lafton

Pine Spring Route

Carlsbad, New Mexico, 88220

Telephone (505) 887-1417

Mr. Lafton's Tract of Land is described as:

a Tract of land situated in the SE/4 of Section 15, Township 23 South, Range 26 East, NMPM, described as beginning at a point on the south line of Section 15 where the East Right of Way line of U.S. Highway Nos. 62 and 180 intersect the South line of Section 15, thence in a northerly direction along the East Right of Way line of said highway a distance of 210 feet; thence at right angles in an easterly direction a distance of 210 feet; thence at right angles in a southerly direction a distance of 123 feet, more or less, to the South line of said Section 15; thence west along the South line of said Section 15 a distance of 227.3 feet, more or less, to the point of beginning containing one acre, more or less.

Dockets Nos. 26-77 and 27-77 are tentatively set for hearing on August 17 and 31, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 3, 1977

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

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

CASE 4962: (Reopened) (Continued from July 6, 1977 Examiner Hearing)

In the matter of Case 4962 being reopened pursuant to the provisions of Order No. R-4538 which order established temporary special pool rules for the Peterson-Pennsylvanian Associated Pool, Roosevelt County, New Mexico. All interested parties may appear and show cause why said temporary special pool rules should not be rescinded.

CASE 5974: (Continued from July 6, 1977 Examiner Hearing)

Application of Maddox Energy 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 E/2 of Section 9, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. 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 5981: (Continued from July 6, 1977 Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6001: Application of Mesa Petroleum Co. for an exception to Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Primo Well No. 1-A located in Unit D of Section 6, Township 31 North, Range 10 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.

CASE 6002: Application of New Mexico Salt Water Disposal Company, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Bough formation in its Read & Stevens Skelly State Well No. 1 located in Unit H of Section 10, Township 10 South, Range 33 East, Lea County, New Mexico.

CASE 6003: Application of Aztec Oil & Gas Company for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Arizona Jicarilla B Well No. 8 to be located in the NW/4 of Section 9, Township 26 North, Range 5 West, Blanco Mesaverde Pool, Rio Arriba County, New Mexico, this being the first Mesaverde well on its proration unit, the W/2 of said Section 9.

CASE 6004: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its San Juan 28-7 Unit Well No. 76 located in Unit A of Section 22, Township 28 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 6005: Application of J. M. Huber Corporation for a non-standard unit or compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, proposes to drill its Parr Well No. 1 to the Delaware formation at a point 990 feet from the South and East lines of Section 15, Township 23 South, Range 26 East, Eddy County, New Mexico, and for said well, seeks approval for a 39-acre non-standard oil proration unit comprising all of the SE/4 SE/4 of said Section, except that tract of land owned by Mr. Monk Lofton and described as being one acre, more or less, lying immediately North of the South line of said Section 15 and immediately East of the Eastern boundary of the right of way of U. S. Highways Nos. 62 and 180; in the alternative, applicant seeks an order pooling all mineral interests in the Delaware formation underlying the SE/4 SE/4 of said Section 15 to form a standard 40-acre unit to be dedicated to the aforesaid well. If said well is classified as a gas well, applicant seeks approval for a 159-acre non-standard gas

proration unit comprising all of the SE/4 of said Section 15 except the above-described one-acre tract, or in the alternative, an order pooling all mineral interests in the Delaware formation underlying the SE/4 of said Section 15 to form a standard 160-acre unit to be dedicated to the aforesaid well. If either of the above-described pooling orders is entered, also to be considered will be the cost of drilling and completing the unit 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 6006: In the matter of the application of the Oil Conservation Commission of New Mexico upon its own motion for the creation, contraction, and extension of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production and designated as the Brynes Tank-Middle Delaware Gas Pool. The discovery well is the Hanagan Petroleum Corporation Newman Well No. 1 located in Unit O of Section 7, Township 23 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 7: SE/4

(b) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Caluret-San Andres Pool. The discovery well is the Elk Oil Company Dexter State Well No. 1 located in Unit D of Section 36, Township 12 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 26 EAST, NMPM
Section 36: NW/4

(c) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Morrow production and designated as the Carson-Morrow Gas Pool. The discovery well is Maralo, Inc. Chavelea-Carson Well No. 1 located in Unit F of Section 10, Township 9 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 31 EAST, NMPM
Section 10: N/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Cisco production and designated as the South Keenitz-Cisco Pool. The discovery well is the W. A. Moncrief, Jr., State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 26: W/2
Section 27: S/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the South Paduca-Wolfcamp Gas Pool. The discovery well is the Texaco Inc. Cotton Draw Unit Well No. 68 located in Unit F of Section 12, Township 25 South, Range 31 East, NMPM. Said pool would comprise;

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM
Section 12: W/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the Reeves-Queen Pool. The discovery well is the Honeysuckle Exploration Corporation State 22 Well No. 1 located in Unit P of Section 22, Township 18 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 22: SE/4

(g) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for San Andres production and designated as the Tomahawk-San Andres Pool. The discovery well is the Sundance Oil Company Cone "31" Federal Well No. 1 located in Unit A of Section 31, Township 7 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 31: NE/4

(h) EXTEND the North Dagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NM4M
Section 5: SW/4
Section 8: W/2

(i) EXTEND the Baish-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NM4M
Section 15: SE/4

(j) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NM4M
Section 28: S/2 NW/4

(k) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 27 EAST, NM4M
Section 36: N/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NM4M
Section 7: N/2

(l) EXTEND the East Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NM4M
Section 4: W/2
Section 9: W/2

(m) EXTEND the North Burton Flat-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NM4M
Section 9: All

(n) EXTEND the North Cemetery-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NM4M
Section 34: N/2

(o) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NM4M
Section 9: N/2

(p) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NM4M
Section 25: W/2 NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NM4M
Section 18: NW/4

(q) EXTEND the Rumont Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NM4M
Section 33: SE/4

(r) EXTEND THE South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NM4M
Section 30: S/2

(s) EXTEND the Grayburg-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NM4M
Section 27: N/2

(t) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NM4M
Section 12: W/2

- (u) EXTEND the Linda San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM
Section 31: NE/4, NE/4

- (v) EXTEND the Osudo-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM
Section 18: E/2
Section 19: N/2

- (w) EXTEND the POW-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 26 EAST, NMPM
Section 32: S/2
Section 33: S/2

- (x) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 4: Lots 9, 10, 15, 16, and SE/4

- (y) CONTRACT the vertical limits of the Sams Ranch Grayburg-San Andres Gas Pool in Chaves County, New Mexico, to the Grayburg formation only, redesignate said pool as the Sams Ranch-Grayburg Gas Pool, and extend horizontal limits of said pool to include therein:

TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM
Section 8: S/2
Section 9: S/2
Section 17: N/2
Section 18: E/2

- (z) EXTEND the Sanmal-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 2: NW/4
Section 3: NE/4

- (aa) EXTEND the North Vacuum Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 8: NE/4
Section 17: W/2

- (bb) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 2: NW/4

- (cc) EXTEND the Wilson-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 12: E/2

J. M. Huber Corporation

1900 Wilco Building
Midland, Texas 79701

OIL AND GAS
DIVISION

July 15, 1977

JUL 18 1977
OIL CONSERVATION COMM
SANTA FE

TELEPHONE
MUTUAL 2 3724

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

Attention: D. S. Nutter

RE: Pooling Application
Huber-Parr Well No. 1
Section 15-23S-26E
Eddy County, New Mexico
Huber's 14-N-125-N

Gentlemen:

Reference is made to our letter to you dated July 12, 1977, wherein Huber requested that the Commission force pool an unleased one (1) acre tract situated within the SE/4 of Section 15-23S-26E. A copy of the aforementioned letter is enclosed for your convenience.

Because the captioned well may not be completed by the August 3rd hearing, we are uncertain what type of completion will be made. Since the amount of acreage dedicated to an oil or gas well is different, we must amend our Pooling Application so as to provide for the contingency that it could be an oil well and require 40 acre pooling. Therefore, we ask that the Commission afford us an opportunity to force pool irregardless of the type of completion made. In either event, the one (1) acre tract is located so that it would be in both 160 and 40 acre proration units.

As an alternative, we are aware that the Commission may establish either a 159 or a 39 acre non-standard unit as provided for in Rule 104. Huber has an interest in and is operator of, down to a depth of 12,051 feet, all of Sections 14, 15, N $\frac{1}{2}$ 22 and NW $\frac{1}{4}$ 23-23S-26E, comprising all of the offset acreage to the captioned well.

Should you require any additional information, please contact the undersigned.

GEC:mmt
encl.

*Amended
application*

Very truly yours,

Geo. E. Conner
George E. Conner
Senior Landman

7/18

J. M. Huber Corporation

1900 Wilco Building
Midland, Texas 79701

OIL AND GAS
DIVISION

July 12, 1977

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

RE: Pooling Application
Huber-Parr Well No. 1
Section 15-23S-26E
Eddy County, New Mexico
Our 14-N-125-N

Gentlemen:

In accordance with Section 65-3-14 of the New Mexico Statutes Annotated, we are hereby making application to have the SE/4 Section 15-T23S-R26E, Eddy County, New Mexico, pooled by the Commission.

We anticipate that by July 18, 1977 Huber, as Operator, will spud the captioned well to be located 990' FSL and 990' FEL of the above Section. The objective is the Delaware Bell Canyon Sand expected to be encountered at or about 2600 feet below the surface. We anticipate that the well will be a dry gas well in view of our recent successful recompletion of the Sorenson No. 1 (1980' FNL & FEL Sec. 14-23S-26E) in the Delaware Sand interval 2645-2665' below the surface. A four-point test is being taken on this well this week which should enable the Commission to establish the amount of acreage dedicated thereto. We expect a standard dedication of 160 acres.

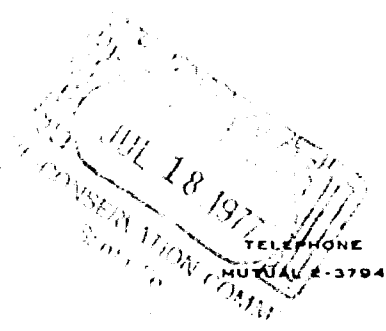
With regard to the SE/4 Section 15-23S-26E, we are the lessee of 159 net mineral acres. Adequate pooling provisions are contained in the leases which will enable us to file a Unit Designation comprising the entire SE/4. However, a one (1) acre tract within that quarter-section is presently unleased. For this reason, we are petitioning the Commission to exercise the powers granted it and pool all of such interests in the spacing unit.

Very truly yours,

J. M. HUBER CORPORATION

Geo. Conner
George E. Conner
Senior Landman

GEC:mmt
cc-file



Orig application

J. M. Huber Corporation

1900 Wilco Building
Midland, Texas 79701

OIL AND GAS
DIVISION

July 12, 1977

JUL 14 1977
NEW MEXICO
CONSERVATION COMMISSION
SANTA FE, NEW MEXICO 87501

*this letter
will be
reopened*

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

RE: Pooling Application
Huber-Parr Well No. 1
Section 15-23S-26E
Eddy County, New Mexico
Our 14-N-125-N

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With regard to the SE/4 Section 15-23S-26E, we are the lessee of 159 net mineral acres. Adequate pooling provisions are contained in the leases which will enable us to file a Unit Designation comprising the entire SE/4. However, a one (1) acre tract within that quarter-section is presently unleased. For this reason, we are petitioning the Commission to exercise the powers granted it and pool all of such interests in the spacing unit.

Very truly yours,

J. M. HUBER CORPORATION

Geo. E. Conner
George E. Conner
Senior Landman

GEC:mmt
cc-file

purpose to drill it; Case No. 1 to the Delaware
formation at a point 990 feet from the South and East
lines of Section 15, Township 23 South, Range 26 East, Eddy
County, New Mexico, and for said well

application of J. M. Huber Corporation
for a non-standard unit or
compulsory pooling, Eddy County,
New Mexico.

Applicant, in the above styled cause, seeks
approval for a 39-acre non-standard oil
production unit comprising all of the SE/4 SE/4 of
Section 15, Township 23 South, Range 26 East,
Eddy County, ~~New Mexico~~, except that tract
of land, ^{owned by Mr. Frank Lipton and} described as being one acre,
more or less, lying immediately north
of the South line of said Section 15
and east of the ^{immediately} Eastern boundary of the
right of way of US Highways Nos 62 and
180; in the alternative, applicant seeks an
order pooling all mineral interests in
~~land to and including~~ the Delaware
formation underlying the SE/4 SE/4 of said
Section 15 ~~and of~~ to be dedicated to the
aforeaid well. If said well is classified as a
gas well, applicant seeks approval for a
159-acre non-standard gas production unit
comprising all of the SE/4 of said Section
15 except the above described one-acre
tract, or in the alternative, an order
pooling all mineral interests ~~in~~ in the
Delaware formation underlying the SE/4 of
said ~~and~~ Section 15 to be dedicated
to the aforeaid well. If an order is entered
pooling either the SE/4 SE/4 or the SE/4
of Section 15 as outlined above, ~~applicant~~
as to be considered will be the cost of
drilling and completing the unit 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.

2214
111

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dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICOIN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:CASE NO. 6005Order No. R- 5514APPLICATION OF J.M. HUBER CORPORA-
TION FOR A NON-STANDARD UNIT
OR COMPULSORY ~~POOLING~~, EDDY
COUNTY, NEW MEXICOORDER OF THE COMMISSIONBY THE COMMISSION:This cause came on for hearing at 9 a.m. on August 3, 1977
at Santa Fe, New Mexico; before Examiner Daniel S. Nutter.NOW, on this August day of August, 1977, 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, J.M. Huber Corporation,
seeks an order pooling all mineral interests in the Delaware
formation underlying the SE/4
of Section 15, Township 23 South, Range 26 East,
NMPM, Eddy County, New
Mexico, or, in the alternative, an order creating a 159-acre
non-standard Delaware gas proration unit comprising
all of said SE/4 Section 15 except that tract of land
belonging to Mr. Monk Lofton and described as being one
acre, more or less, lying immediately North of the South line of
said Section 15 and immediately East of the Eastern boundary
of ~~the~~ the right of way of U.S. Highways Nos. 62 and 180.

→ 990 feet from the South line and 990 feet from the East line of said Section 15.

-2-

Case No.

Order No. R-

(3) That the applicant has the right to drill and ^{has drilled} ~~proposes~~ a Delaware gas well in the SE/4 of said Section 15, said well ~~to drill a well~~ ^{being described as applicant's Pore well No. 1, located}

(4) That there are interest owners in the proposed proration unit, ^{being the SE/4 of said Section 15,} 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 ~~160-acre~~ unit.

^{(6) That the alternative application, for a 159-acre unit, should be}

(7) 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 ^{has not paid} ~~does not pay~~ his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 50 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.

Dismissed.

Case No.
Order No. R-

\$771.00 should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well and

(10) That \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) *while producing;* that the operator should be 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 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.

(11) 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.

~~(12)~~ 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 _____, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

effective ~~on~~ August 3, 1977,
(1) That all mineral interests, whatever they may be, in the ~~SE 1/4~~ *Delaware* formation underlying the SE 1/4 of Section 15, Township 23 South, Range 26 East, NMPM, _____, Eddy County, New Mexico, are hereby pooled to form a standard 160 acre gas spacing and proration unit to be dedicated to ~~a well to be drilled~~ *the J.M. Huber Corporation* Parr Well No. 1, located 990 feet from the South line and 990 feet from the East line of said Section 15.

~~PROVIDED HOWEVER, that the operator of said unit shall~~
commence the drilling of said well on or before the _____ day of _____, 19____, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the _____ formation;

~~PROVIDED FURTHER, that in the event said operator does not~~
commence the drilling of said well on or before the _____ day of _____, 19____, 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 J.M. Huber Corporation is hereby designated the operator of the subject well and unit.

~~(3) That~~ ^{within 30 days} 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.~~

(4) 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, 50 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.

(5) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. *\$771.00 is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling the subject well, and*

(6) That \$ 150.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) *while producing;* 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(10) That that portion of the application relating to a 39-acre or 40-acre oil proration unit, or a 159-acre gas proration unit, is hereby dismissed.

