

Case Number

6030

Application

Transcripts.

Small Exhibits

ETC.

LEWIS B. BURLESON

JACK HUFF

BURLESON & HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683.4747

MIDLAND, TEXAS 79702

March 13, 1978

Stamets

[Handwritten signature]

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

Re: Case No. 6030, Order No. R-5537, Burleson & Huff
Smith # 2 Well, SE/4 SE/4 Section 4, T-25-S, R-37-E,
Lea County, New Mexico

Gentlemen:

In accordance with the above Order, enclosed are the well costs for the above well. We will use the Lovington National Bank, Lovington, New Mexico for escrow agent. We are sending a copy of this letter and the costs to all working interest owners who were force pooled.

Yours very truly,

BURLESON & HUFF

[Handwritten signature]
Jack Huff

copy: Harding S. Frankel & Victor L. Mindlin
Co-executors under Will of Donald S. Frankel, dec.
1520 Post Oak Tower
Houston, Texas 77056

Florence Breacher
11650 Mayfield Ave. (Apt.2)
Los Angeles, Calif. 90049

BURLESON & HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683-4747

MIDLAND, TEXAS 79702

March 13, 1978

ACTUAL WELL COSTS - Burleson & Huff Smith # 2 - Located
330 feet from the south and 990 feet from the east lines
of Section 4, T-25-S, R-37-E, Lea County, New Mexico

| | |
|-------------------------------------|--------------|
| Surface damages | \$ 1,250.00 |
| Drilling | 37,003.36 |
| Water | 5,122.02 |
| Build pad and fence | 3,730.43 |
| Line pits | 1,057.26 |
| Mud | 3,194.57 |
| Stake location | 208.00 |
| 8-5/8 casing | 7,771.11 |
| Caliche | 547.50 |
| Log and perforate | 2,338.20 |
| 4-1/2 casing | 12,177.55 |
| Acid | 1,840.69 |
| Frac | 12,348.13 |
| Cement | 6,683.88 |
| Anchors | 236.24 |
| Completion unit | 5,266.72 |
| Tubing head & misc. fittings | 1,050.25 |
| Tool rental | 931.84 |
| Building tank battery | 3,002.34 |
| Frac tank rental | 977.60 |
| 2-210 bbl. tanks and heater treater | 10,088.00 |
| Tubing | 5,115.93 |
| Rods | 1,600.00 |
| Pumping unit | 1,550.00 |
| 1 Fairbanks-Morse engine | 1,450.38 |
| Supervision - drilling & completing | 1,000.00 |
| TOTAL | \$127,542.00 |

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 14, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Burleson & Huff for
compulsory pooling, Lea County, New
Mexico.

CASE
6030

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

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

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

I N D E X

| | | |
|----|---------------------------------------|-------------|
| 1 | | |
| 2 | | <u>Page</u> |
| 3 | 1. Appearances | 1 |
| 4 | 2. The Witness, Mr. Lewis B. Burleson | |
| 5 | Direct Examination by Mr. Kellahin | 3 |
| 6 | Cross Examination by Mr. Stamets | 9 |
| 7 | 3. Statement by Mr. Hinkle | 10 |
| 8 | 4. Witness Excused | 11 |
| 9 | 5. Reporter's Certificate | 12 |
| 10 | | |
| 11 | | |

EXHIBIT INDEX

| | | |
|----|--|---|
| 12 | | |
| 13 | Applicant's Exhibit No. 1, Land Map | 4 |
| 14 | Applicant's Exhibit No. 2, Plat | 6 |
| 15 | Applicant's Exhibit No. 3, Cost Estimate | 6 |
| 16 | Applicant's Exhibit No. 4, Cost Estimate | 6 |
| 17 | Applicant's Exhibits Admitted | 9 |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |

sid morrish reporting service

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

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

1 MR. STAMETS: Call next case, Number 6030.

2 MS. TESCHENDORF: Case 6030, application of Burleson
3 & Huff for compulsory pooling, Lea County, New Mexico.

4 MR. STAMETS: Call for appearances in this case?

5 MR. KELLAHIN: Tom Kellahin, Kellahin & Fox, Santa
6 Fe, appearing on behalf of the applicant and I have one
7 witness to be sworn.

8 MR. STAMETS: Are there any other appearances in
9 this case?

10 MR. HINKLE: I don't know whether it is necessary
11 to enter an appearance but I would like to make a statement,
12 that's all.

13 Clarence Hinkle, Hinkle, Cox, Eaton, Coffield &
14 Hensley.

15 MR. STAMETS: Will the witness please stand and be
16 sworn?

17 (THEREUPON, the witness was sworn.)

18

19

LEWIS B. BURLESON

20 was called as a witness by the applicant, and having been
21 first duly sworn, testified upon his oath as follows:

22

23

DIRECT EXAMINATION

24 BY MR. KELLAHIN:

25

Q Please state your name and occupation?

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

1 A. Lewis Burleson, partner in Burleson & Huff, Midland,
 2 Texas.

3 Q. Mr. Burleson, have you made a study of and are
 4 you familiar with the facts surrounding this particular
 5 application?

6 A. I am.

7 Q. Have you previously testified before the Commission?

8 A. Yes, I have.

9 Q. In what capacity, sir?

10 A. As a Petroleum Geologist.

11 Q. And have your qualifications as an expert witness
 12 been accepted and made a matter of record?

13 A. Yes, they have.

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

16 MR. STAMETS: Yes, they are. I also presume that
 17 Mr. Burleson has also been qualified as an operator of oil
 18 and gas wells?

19 MR. KELLAHIN: He has, sir.

20 MR. STAMETS: He is considered qualified.

21 Q. (Mr. Kellahin continuing.) Please refer to Exhibit
 22 Number One and identify it?

23 A. Exhibit Number One is a copy of the land map showing
 24 the forty acre tract located in the southeast of the southeast
 25 of Section 4, 25 South, 37 East, Lea County, New Mexico, which

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

1 is the tract that we have an outstanding interest in and
 2 we would like to force this interest so that this well can
 3 either be re-entered or drilled.

4 Q What is the name of the subject well?

5 A It would be the Burleson & Huff Smith No. 1.

6 Q What is its current location?

7 A It would be located in the six-sixty from the south
 8 and six-sixty from the east of said Section 4, 25, 37.

9 Q It would be in Unit P of Section 4?

10 A Right, that is correct.

11 Q Have you obtained voluntary agreement from all owners
 12 for this particular unit?

13 A Yes, we have except for two people who have an
 14 outstanding interest of one fourth or one quarter of the
 15 minerals, being Harden Frankel.

16 Q Is this an undivided one quarter interest in this
 17 entire quarter-quarter section?

18 A Yes, sir, it is.

19 Q And the names of the parties?

20 A Hardin Frankel of Houston, Texas, and his sister
 21 Francis Breecher who has a life estate of one eighth in this
 22 quarter living in London, England, or in Los Angeles, California.

23 Q What, if any, efforts have you made to have these
 24 parties voluntarily join you in the drilling of the well?

25 A We have had correspondence with Mr. Frankel back

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

1 is the tract that we have an outstanding interest in and
 2 we would like to force this interest so that this well can
 3 either be re-entered or drilled.

4 Q What is the name of the subject well?

5 A It would be the Burleson & Huff Smith No. 1.

6 Q What is its current location?

7 A It would be located in the six-sixty from the south
 8 and six-sixty from the east of said Section 4, 25, 37.

9 Q It would be in Unit P of Section 4?

10 A Right, that is correct.

11 Q Have you obtained voluntary agreement from all owners
 12 for this particular unit?

13 A Yes, we have except for two people who have an
 14 outstanding interest of one forth or one quarter of the
 15 minerals, being Harden Frankel.

16 Q Is this an undivided one quarter interest in this
 17 entire quarter-quarter section?

18 A Yes, sir, it is.

19 Q And the names of the parties?

20 A Hardin Frankel of Houston, Texas, and his sister
 21 Francis Breecher who has a life estate of one eighth in this
 22 quarter living in London, England, or in Los Angeles, California.

23 Q What, if any, efforts have you made to have these
 24 parties voluntarily join you in the drilling of the well?

25 A We have had correspondence with Mr. Frankel back

1 in the first part of this year and on July 27, 1977, wrote
2 both parties concerning that since they did not wish to
3 lease we requested that they join in either re-entering
4 one of the dry holes on this tract or to join us in drilling
5 a new well.

6 We have not received an answer as yet from either
7 of the two parties.

8 Q Please refer to Exhibit Number Two and identify
9 it?

10 A Exhibit Number Two is a plat showing the offset
11 operators to this forty acre tract being Mobil with a flood
12 in Section 3 and 10 except in Section 10 the TP being a
13 diagonal southeast offset and El Paso Natural being the south
14 offset in 9 and Mobil to the north of our tract in Section 4
15 and Terra Research at the west and northwest offset to this
16 tract in Section 4.

17 Q Please refer to Exhibit Number Three and identify
18 it?

19 A Exhibit Number Three is filed as either a re-entry
20 of the old existing Plains Production well being the George
21 Smith No. 1, was drilled in 1936, and had three strings of
22 casing in it.

23 We plan to re-enter this well, test the casing and
24 drill down to approximately thirty-five hundred feet and test
25 the Langlie Mattix zones with the Seven Rivers and Queen

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

1 formations showing that with a re-entry our estimated
2 cost with a fifteen percent contingency being forty-eight
3 thousand dollars, approximately.

4 If we fail on this re-enty, then, we would like to
5 drill a well and the total drilling cost and completion
6 would be one hundred and eighteen thousand nine hundred and
7 ten dollars.

8 Q That's set forth on Exhibit Number Four?

9 A That's correct.

10 Q Mr. Burleson, do you have a recommendation to the
11 Commission with regard to a risk factor to be assigned to this
12 well?

13 A We request a two hundred percent risk factor on this
14 well.

15 Q Why?

16 A As there are two dry holes on this location at
17 present. We are in an area where the Queen sand and the
18 Seven River sands are tight but we think we have a chance to
19 get a well in there using present fracking techniques with
20 CO 2.

21 We are offsetting a water flood which is located
22 to the east. But these offset wells are currently producing
23 with a high water cut.

24 Q The dry holes you mentioned, are those set forth
25 on Exhibit Number One?

sid morrison reporting service

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

1 A. Yes, they are.

2 Q. Do you know the history of those wells?

3 A. Yes, I do.

4 Q. Would you relate that for us?

5 A. The Plains Smith No. 1, the re-entry well, was
6 drilled -- it's set forth in the cost figures for the
7 re-entry. It was drilled in 1936, to a TD of thirty-five
8 ten as a cable-tool hole.

9 They did not -- the logs shows slight shows of
10 oil and of course at that date we do not have an accurate
11 log of the formations that they cut.

12 We plan to deepen this well to thirty-six hundred
13 and run a liner and log the well and then perforate any
14 porous zones in the Seven Rivers and Queen formations.

15 The No. 4 well was drilled by Texas Crude and they
16 did not encounter any shows and consider it a valid dry
17 hole. That well is located in the northwest portion of
18 this forty as the No. 4.

19 This well, now, is -- well, it was still drilled
20 by the Texas Crude and their No. 4.

21 Q. Does Burleson & Huff desire to be designated the
22 operator?

23 A. Yes, we do.

24 Q. Do you have a recommendation to the Examiner with
25 regard to a charge to be assessed for supervision while drilling

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

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

1 the well?

2 A. We would request a thousand dollars be charged while
 3 supervising the drilling of the well.

4 Q And after drilling do you have a recommendation
 5 or a recommended charge?

6 A. We request that we be assigned one hundred and
 7 seventy-five dollars a month operating charges for that
 8 well.

9 Q In your opinion, Mr. Burleson, will approval of
 10 this application be in the best interest of conservation
 11 and the prevention of waste and the protection of correlative
 12 rights?

13 A. Yes, it would.

14 Q Were Exhibits One through Four compiled by you
 15 directly or compiled under your direction and supervision?

16 A. Yes, they were.

17 MR. KELLAHIN: If the Examiner please, we move
 18 the introduction of Exhibits One, Two, Three and Four.

19 MR. STAMETS: These exhibits will be admitted.

20 MR. KELLAHIN: This concludes our examination of
 21 Mr. Burleson.

22

23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Mr. Burleson, on your Exhibit Number One I note

1 a figure besides the Smith No. 1 Well thirty-seven hundred
2 and fifty feet which indicates that that well had been
3 drilled to that depth?

4 A. Right, I see that. I could be mistaken but on
5 the records I had -- that I have on that oil well I have
6 a TD of thirty-five -- thirty-five ten as the TD.

7 When we re-enter it we will find out who is right.
8 I hope that -- it will be all right with me if it is deeper.

9 Q. If the map is right it is going to be cheaper and
10 riskier?

11 A. Right.

12 MR. STAMETS: Any other questions of this witness?

13 He may be excused. Is there anything further in this case?

14 Mr. Hinkle, I am sorry, I almost missed you.

15 MR. HINKLE: I have already entered an appearance,
16 I believe, and my appearance is on behalf of Hardin Frankel,
17 the administrator of the estate of Donald Frankel and the
18 heirs of Donald Frankel and his sister and as indicated by Mr.
19 Burleson they have a one-fourth interest in the mineral lease
20 under the southeast, southeast of Section 4.

21 They do not particularly object to the forced
22 pooling but they want to be sure that the order provides that
23 their one-eighth royalty is clear and free of any obligations.

24 They feel that a risk factor of over one hundred
25 percent would be exorbitant in this case and they specifically

1 request that the risk factor be limited to not exceed
2 one hundred percent.

3 MR. STAMETS: Mr. Hinkle, you are familiar with
4 the regular orders that the Commission enters on compulsory
5 pooling and does such an order meet the desires of the
6 Frankel people as to the royalty interest?

7 MR. HINKLE: Yes, I think it would, ordinarily, but
8 they in contacting us they specifically requested this
9 and I am just making the statement for them.

10 MR. STAMETS: Okay, I didn't know whether you were
11 requesting something different from the standard?

12 MR. HINKLE: No, I think that would be satisfactory.

13 MR. STAMETS: Anything further in this case?


14 The case will be taken under advisement.

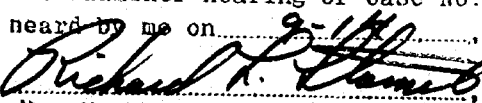
15 (THEREUPON, the witness was excused.)
16
17
18
19
20
21
22
23
24
25

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, San Juan, P.R. 00911
Phone (305) 982-9212

REPORTER'S CERTIFICATE

1 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
2 do hereby certify that the foregoing and attached Transcript
3 of Hearing before the New Mexico Oil Conservation Commission
4 was reported by me, and the same is a true and correct record
5 of the said proceedings to the best of my knowledge, skill
6 and ability.
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6030.
heard by me on 9-14-77, 19 77.
, Examiner
New Mexico Oil Conservation Commission

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



OIL CONSERVATION COMMISSION

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



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
September 27, 1977

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 769
Santa Fe, New Mexico

Re: CASE NO. 6030
ORDER NO. R-5537

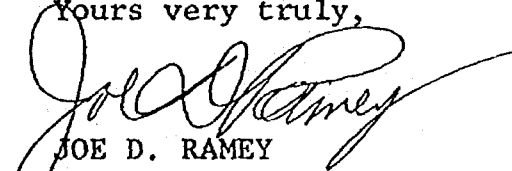
Applicant:

Burleson & Huff

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Clarence Hinkle

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. 6030
Order No. R-5537

APPLICATION OF BURLESON & HUFF
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of September, 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, Burleson & Huff, seeks an order pooling all mineral interests underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico to form a standard 40-acre oil proration unit to be dedicated to applicant's Smith Well No. 1 located 660 feet from the South line and 660 feet from the East lines of said Section 4, or in the alternative, to another well to be drilled at a standard location thereon.

(3) That the applicant has both the right to, and proposes to, re-enter said Smith Well No. 1 or to drill a new well at a standard location within the SE/4 SE/4 of said Section 4.

(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 oil and 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 100 percent thereof as a reasonable charge for the risk involved in the recompletion of the existing well or the drilling of the new 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 \$1000.00 per month while recompleting or drilling and \$175.00 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 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.

-3-

Case No. 6030
Order No. R-5537

(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 recompletion or drilling operations on the well to which said unit is dedicated on or before December 31, 1977, 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 lowermost 100 feet of the Seven Rivers formation and all of the Queen formation underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to applicant's Smith Well No. 1 to be re-entered at a location 660 feet from the South line and 660 feet from the East line of said Section 4 or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SE/4 SE/4 of said Section 4.

PROVIDED HOWEVER, that the operator of said unit shall commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the lower Seven Rivers and Queen formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, 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 proposed well not be carried 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 Burleson & Huff are hereby designated the operator of the subject well and unit.

-4-

Case No. 6030
Order No. R-5537

(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, 100 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 \$1000.00 per month while drilling or recompletion operations are in progress and \$175.00 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 Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

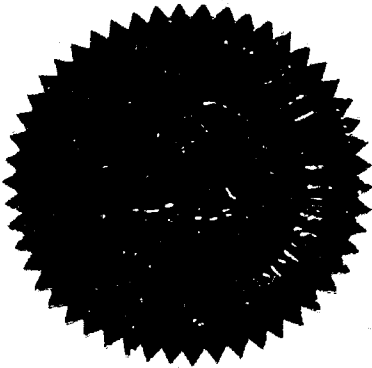
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-6-

Case No. 6030
Order No. R-5537

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



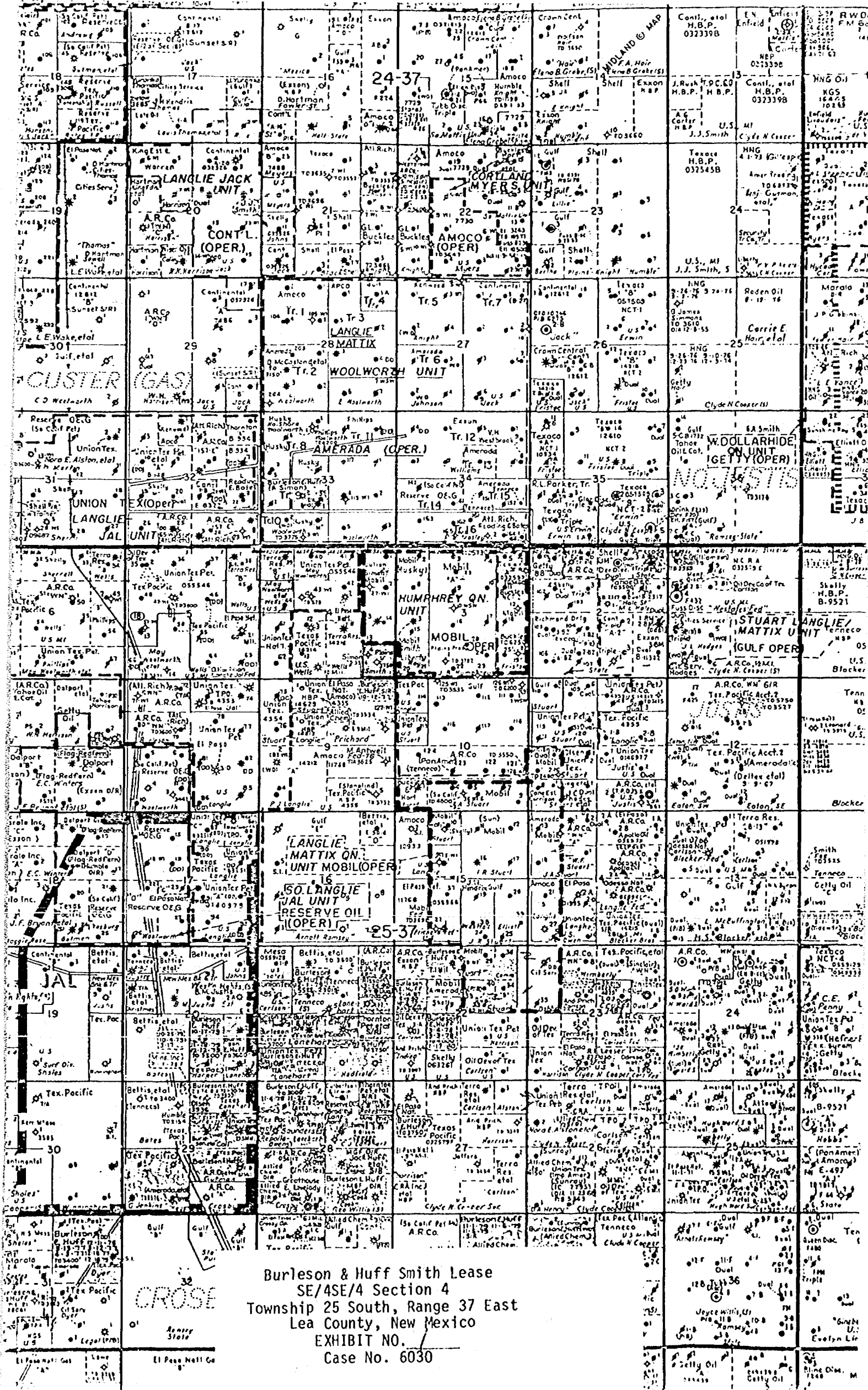
PHIL R. LUCERO, Chairman

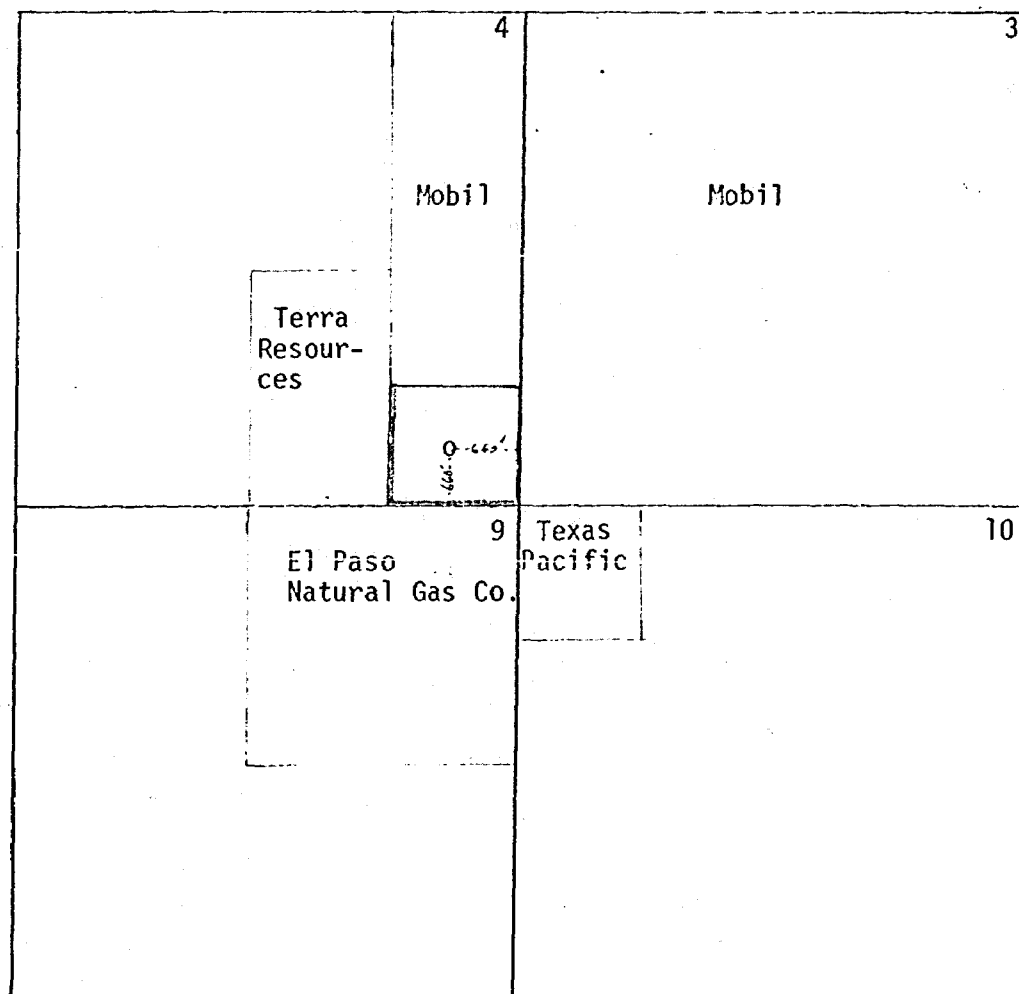
Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

dr/





BURLESON & HUFF SMITH LEASE
 SE/4SE/4 Section 4
 Township 25 South, Range 37 East
 Lea County, New Mexico

BEFORE EXAMINER STAMETS
 OIL CONSERVATION COMMISSION

EXHIBIT NO. _____
 Case No. 6030

Burleson EXHIBIT NO. 2
 CASE NO. 6030
 Submitted by _____
 Hearing Date _____

ESTIMATED COSTS FOR BURLESON & HUFF
SMITH # 1 RE-ENTRY

Drilled by Plains Production Company as George Smith # 1 in 1936 to a T. D. of 3510'. We plan to re-enter this old well from which the pipe has not been pulled, wash down and drill to a new T. D. of 3650'. Set 4½" liner from the base of the 7" pipe now existing in the well from 3200' to TD, perforate and treat and test the Langlie Mattix zones of the 7-Rivers and Queen formation.

10" casing set @ 697', 8-5/8" set @ 1376' & 7" set @ 3200'.

INTANGIBLES:

| | |
|-----------------|--------------------|
| Drill out | \$ 5,000.00 |
| Acidize & frac | 12,000.00 |
| Unit for 7 days | 3,500.00 |
| | <u>\$26,500.00</u> |

TANGIBLES:

| | |
|---------------|--------------------|
| Liner | \$ 3,000.00 |
| Pumping Unit | 7,000.00 |
| Rods | 3,000.00 |
| Tubing | 5,000.00 |
| Miscellaneous | 3,000.00 |
| | <u>\$21,000.00</u> |

| | |
|-------------|----------|
| Supervision | 1,000.00 |
|-------------|----------|

| | |
|-----------------|-----------------|
| TOTAL | \$42,500.00 |
| 15% contingency | <u>6,375.00</u> |

| | |
|-------------|-------------|
| GRAND TOTAL | \$48,875.00 |
|-------------|-------------|

BURLESON & HUFF SMITH LEASE
SE/4SE/4 Section 4
Township 25 South, Range 37 East
Lea County, New Mexico
EXHIBIT NO. _____
Case No. 6030

| |
|---|
| BEFORE EXAMINER STAMPS OIL CONSERVATION COMMISSION |
| Burleson EXHIBIT NO. 3 |
| CASE NO. 6030 |
| Submitted by _____ |
| Hearing Date _____ |

BURLESON & HUFF SMITH LEASE
SE/4SE/4 Section 4
Township 25 South, Range 37 East
Lea County, New Mexico

Estimated Cost of drilling the Smith # 2 well:

| | |
|-------------------------|---------------------|
| Drilling | \$ 34,000.00 |
| 8-7/8" casing | 6,000.00 |
| 5-1/2" casing | 11,500.00 |
| Tubing | 5,500.00 |
| Cement | 5,000.00 |
| Building pad & location | 3,000.00 |
| Line pit | 700.00 |
| Water | 4,000.00 |
| Mud | 4,000.00 |
| Acid | 4,000.00 |
| Perforate | 1,500.00 |
| Frac | 17,500.00 |
| Completion costs | 10,000.00 |
| | <u>\$103,400.00</u> |
| 15% contingency | <u>15,510.00</u> |
| TOTAL | \$118,910.00 |

EXHIBIT NO. _____

Case No. 6030

BURLESON & HUFF SMITH
OIL & GAS LEASE
Burleson
CASE NO. 6030
4
Custodian
Hedden

Dockets Nos. 30-77 and 31-77 are tentatively set for hearing on September 28 and October 12, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 14, 1977

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for October, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6016: (Continued from August 31, 1977 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Land Oil Company, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Garner Well No. 1 located in Unit D of Section 23, Township 14 South, Range 25 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5981: (Continued from July 6, 1977 Examiner Hearing)

Application of W. A. Monerief, 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 5983: (Continued from July 20, 1977 Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6024: Application of Read & Stevens, Inc., for two unorthodox gas well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its R & J Federal Well No. 1 located in the center of Unit A of Section 20, Township 12 South, Range 31 East, and its Jackson Well No. 1, located in the center of Unit I of Section 25, Township 12 South, Range 30 East, Southeast Chaves-Queen Gas Area, Chaves County, New Mexico, the E/2 of said Section 20 and the S/2 of said Section 25, respectively, to be dedicated to the wells.

CASE 6025: Application of Roger C. Hanks for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, retroactive to August 22, 1977.

CASE 6026: Application of William G. Rabe and Alice P. Rabe for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6027: Application of Great Lakes Chemical Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6028: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Luzon Unit Area comprising 5117 acres, more or less, of Federal and fee lands in Township 24 South, Ranges 35 and 36 East, Lea County, New Mexico.

CASE 6029: Application of Phillips Petroleum Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tubb, Drinkard, East Brunson-McKee, and East Brunson-Ellenburger production in the wellbore of its Sims Well No. 6 located in Unit M of Section 24, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 6030: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to its re-entered Smith Well No. 1 located in Unit P of said Section 4, or in the alternative, to a well to be drilled at a standard location thereon. Also to be considered will be the cost of re-entering and recompleting or 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 recompleting or drilling said well.

CASE 6032: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SW/4 SW/4 of Section 21, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to its re-entered Lashart Well No. 1-Y located in Unit M of said Section 21, or, in the alternative, to a well to be drilled at a standard location thereon. Also to be considered will be the cost of re-entering and recompleting or 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 recompleting or drilling said well.

CASE 6031: Application of Rex Alcorn for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, West Knowles-Drinkard Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1930 feet from the West line of said Section 35. 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 6033: Application of Basin Fuels, Inc., for salt water disposal, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Mesaverde formation through the perforated interval from 1948 feet to 2755 feet in its Slick Well No. 1 located in Unit O of Section 7, Township 20 North, Range 5 West, Franciscan Lake-Mesaverde Pool, McKinley County, New Mexico.

CASE 6034: Application of Flag-Redfern Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation through the perforated interval from 4941 feet to 5022 feet in its Bilbrey "51" Well No. 1 located in Unit A of Section 23, Township 9 South, Range 37 East, Sawyer-San Andres Pool, Lea County, New Mexico.

CASE 6035: Application of Southern Union Supply Co., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the N/2 NE/4 of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea 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 6017: (Continued from August 31, 1977 Examiner Hearing)

Application of E. L. Latham, Jr. and Roy G. Barton, Jr., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 NE/4 of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea 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 6036: Application of E. L. Latham, Jr., and Roy G. Barton, Jr., for compulsory pooling of a standard or a non-standard oil proration unit and an unorthodox location, or in the alternative, 40-acre spacing, Lea County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests in the Flying M-San Andres Pool underlying the E/2 NE/4 of Section 30, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said pool within 200 feet of the center of the NE/4 NE/4 of said Section 30, or an order pooling only the NE/4 NE/4 of Section 30 to form a non-standard 40-acre unit to be dedicated to the aforesaid well. In the alternative, applicants seek the amendment of the Flying M-San Andres Pool Rules to provide for 40-acre spacing, and seek an order pooling the aforesaid NE/4 NE/4 of Section 30 as a standard unit for said pool 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 the proposed 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 applicants as operator of the well and a charge for risk involved in drilling said well.

CASE 6037: In the matter of the hearing called by the Oil Conservation Commission upon its own motion for the creation and extension of certain pools in Lea, Eddy, and Chaves 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 Combs-Delaware Gas Pool. The discovery well is the Penroc Oil Corporation Combs Federal Well No. 1 located in Unit P of Section 15, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 15: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Lake-Morrow Gas Pool. The discovery well is the Coquina Oil Corporation Gulf Federal Well No. 1 located in Unit A of Section 5, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 5: N/2

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Cisco production and designated as the Hume-Cisco Pool. The discovery well is Vaquero Independent Producers, Inc. Jackrabbit Draw Com Well No. 1 located in Unit L of Section 15, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 15: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Malaga-Morrow Gas Pool. The discovery well is the HNG Oil Company Ogden 8 Com Well No. 1 located in Unit H of Section 8, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 8: E/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Millman-Atoka Gas Pool. The discovery well is the Depco, Inc. DRY State B Well No. 1 located in Unit L of Section 11, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 11: W/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Pearsall-Abo Pool. The discovery well is the Harvey E. Yates Company, Inc. South Maljamar Deep Well No. 1 located in Unit O of Section 30, Township 17 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 30: SE/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Penlon-Bone Springs Pool. The discovery well is the Penroc oil Corporation Allied B Well No. 1 located in Unit K of Section 27, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 27: SW/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production and designated as the Penlon-Delaware Gas Pool. The discovery well is the Penroc Oil Corporation Allied Com Well No. 2 located in Unit B of Section 27, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 27: NE/4

(i) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Rock Lake-Morrow Gas Pool. The discovery well is the Union Oil Company of California Northern Natural State Well No. 1 located in Unit O of Section 28, Township 22 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 28: S/2

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

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 22: S/2
Section 27: All
Section 34: N/2

(k) EXTEND the North Burton-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 32: SW/4

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

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 24: All
Section 25: E/2
Section 36: All

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 16: All
Section 18: All
Section 19: All
Section 20: S/2
Section 21: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: W/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 4: Lots 3, 4, 5, 6, 11, 12, 13, & 14
Section 5: All
Section 8: S/2
Section 17: All
Section 20: All
Section 29: W/2
Section 30: All
Section 31: N/2
Section 32: W/2

(m) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 35: S/2

(n) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 13: N/2

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

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
Section 1: NE/4

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 8: NE/4

(p) EXTEND the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 19: SE/4

Examiner Hearing - Wednesday - September 14, 1977
Page 5 of 5

(q) EXTEND the Indian Draw-Delaware Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 7: SE/4 and N/2 SW/4
Section 18: W/2 SW/4

(r) EXTEND the South Leonard-Queen Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 11: SW/4

(s) EXTEND the East Lusk-Bone Springs Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 16: SE/4

(t) EXTEND the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 7: S/2 and NE/4

(u) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 9: All
Section 19: All

Docket No. 29-77

DOCKET: COMMISSION HEARING - TUESDAY - SEPTEMBER 20, 1977

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

CASE 5961: (REHEARING)

Application of D. L. Hannifin for amendment of Order No. R-4432, Eddy County, New Mexico.
Applicant, in the above-styled cause, seeks the amendment of Order No. R-4432 to remove the
present operator of the pooled proration unit comprising the S/2 of Section 24, Township 22
South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, and to designate
applicant as operator of said unit.

Case 6030

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

KELLAHIN and FOX
ATTORNEYS AT LAW
800 DON GASPAR AVENUE
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4318
AREA CODE 505

August 17, 1977


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

Re: Burleson & Huff

Dear Dan:

Please find enclosed our application on behalf of
Burleson & Huff for Compulsory Pooling which we would
appreciate being set for hearing on September 14, 1977.

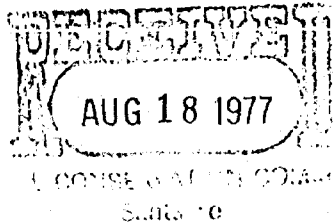
Very truly yours,


W. Thomas Kellahin

WTK:kfm

CC: Mr. Jack Huff

Enclosure



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
BURLESON & HUFF FOR COMPULSORY
POOLING AND AN UNORTHODOX LOCATION,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

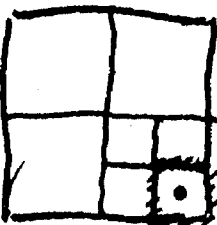
Comes now Burleson & Huff and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and for approval of an unorthodox well location, and in support thereof would show the Commission:

Applicant is the owner of the right to drill and develop the 40-acre tract composed of the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East and proposes to, in the alternative, re-enter and recomplete its Smith # 1 well, located *Unit P* 660 feet from the South and East lines of Section 4, or, in the alternative to drill another well on the unit at an orthodox location at a depth sufficient to test the Langlie-Mattix Queen Formation.

Applicant has sought to obtain the cooperation of all parties.

In order to obtain their just and equitable share of the production underlying the above lands, Burleson and Huff need an order pooling the mineral interest involved.

Those who have not consented to join in the drilling of the well, with their addresses, to the best of applicant's



4-25-37

Location not unorthodox for Langlie Mattix

information and belief, are as follows:

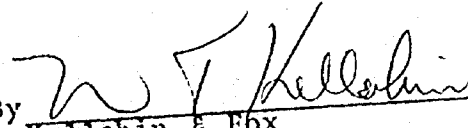
| <u>NAME</u> | <u>ADDRESS</u> | <u>INTEREST</u> |
|--|---|---|
| Harding S. Frankel & Victor L. Mindlin Co-Executors under will of Donald C. Frankel, deceased. | 1520 Post Oak Tower Houston, Texas 77056 | 1/4 mineral interest subject to life estate of 1/2 of 1/4 interest. |
| Florence Breacher | 16 Burton Court Franklin Row London SW 3, England | Life estate of 1/2 of 1/4 or (1/8 net). |

WHEREFORE applicant prays that this application be set for hearing before the Commission, or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all of the mineral interests underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, approving an unorthodox location and the re-entry of the subject well, or the drilling of a replacement well at an orthodox location.

Applicant further prays that it be named operator of the well, and that the order make provision for applicant to recover out of production its costs of recompleting, or drilling, the subject well, completing and equipping it, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling or recompletion of the well, and for such other and further relief as may be proper.

Respectfully submitted,

BURLESON & HUFF

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

Attorneys for Applicant

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. 6030

Order No. R-5537

APPLICATION OF BURLESON & HUFF FOR
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of September, 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, Burleson & Huff,
seeks an order pooling all mineral interests

 underlying the SE/4 SE/4
of Section 4, Township 25 South, Range 37 East,
NMPM, Langlie-Mattix Pool, Lea County, New

Mexico. to form a standard 40-acre oil proration
unit to be dedicated to applicant's Smith
Well No. 1 located 660 feet from the
South ~~line~~ ^{line and 660 feet from the} East lines of said Section
4, or in the alternative, to ~~drill~~ ^{to be drilled} another
well at a standard location thereon.

(3) That the applicant has both the right^{to} and proposes to, re-enter said ~~Cooper~~ Well No. 1 or to drill a new well at a standard location within the SE/4 ~~36~~4 of said Section ~~4~~ 4.

(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^{oil and} 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 100 percent thereof as a reasonable charge for the risk involved in the recompletion of the existing well or the drilling of the^{new} 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.

-3-
Case No.
Order No. R-

\$1000⁰⁰ per month while drilling and
\$175⁰⁰ per month while producing

(11) That per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence ~~drilling~~ ^{recompletion or drilling operations on} the well to which said unit is dedicated on or before December 31, 1977, 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 lowermost 100 feet of the Seven Rivers formation and the Queen formation underlying the SE/4 SE/4 of Section 4, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40 - acre ^{oil} gas spacing and proration unit to be dedicated to applicant's ~~owner~~ Well No. 1 to be re-entered at ~~an unorthodox~~ ^a location ~~1310~~ feet from the ~~South~~ and ~~East~~ lines of said Section ~~4~~ or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SE/4 ~~SE/4~~ ^{SE/4} of said Section ~~4~~ ⁴.

PROVIDED HOWEVER, that the operator of said unit shall commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the ~~Tancill, Yates, and~~ ^{and Queen} ~~Sever~~ Rivers formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry or drilling of said proposed well on or before the 31st day of December, 1977, 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 proposed well not be carried 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.

Smith
660

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 Burleson & Huff ^{OL} ~~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

-5-

Case No.

Order No. R-

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, 100 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. *\$1000.00 per month while producing and drilling and \$175.00 per month while producing and recompleting operations are in progress*

(9) That per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-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 Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(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.

