

Case Number

6032

Application

Transcripts.

Small Exhibits

ETC.

BURLESON & HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683-4747

MIDLAND, TEXAS 79702

January 30, 1978

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

Re: Case No. 6032
Order No. R-5538

Attn: Richard L. Stamets

Gentlemen:

The only person we force pooled under the above order was John A. Lanehart. We just recently received a Lease Amendment from him which covers the force pooled land. We will operate under the lease instead of the force pooling now.

Yours very truly,

BURLESON & HUFF


Jack Huff

JH/sw

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
6032

BEFORE: Richard L. Stamets, Examiner.

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

For the New Mexico Oil
Conservation Commission:

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

For the Applicant;

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

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

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1 MR. STAMETS: Call next case, Number 6032.
 2 MS. TESCHENDORF: Case 6032, 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,
 6 Santa Fe, appearing on behalf of the applicant. May the
 7 record reflect that my witness is Mr. Burleson who has been
 8 previously sworn and qualified as an expert witness?

9 MR. STAMETS: The record will so show and are there
 10 any other appearances in this case?

11 You may proceed.

12
 13 LEWIS B. BURLESON
 14 was called as a witness by the applicant, and having been
 15 previously duly sworn, testified upon his oath as follows:

16
 17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q Mr. Burleson, would you refer to what has been
 20 marked as Applicant's Exhibit Number One and identify it and
 21 explain what information it contains?

22 A Exhibit One is a land map copy showing colored
 23 in yellow the southwest of the southwest of Section 21, 25, 37,
 24 and it is the forty acres we wish to force pool so that we
 25 may re-enter or drill a new well on this forty. The re-entry

1 well to be designated as our No. 1 Y.

2 In red on this map shows our one hundred and twenty
3 acre Lanehart Jalmat gas unit with our No. 3 well producing
4 located in Unit L of Section 21, 25, 37.

5 Q Please refer to Exhibit Number Two and identify
6 it?

7 A Exhibit Number Two is the plat showing the offset
8 operators to this forty acre unit. We control all of the
9 acreage as a direct offset to this forty acre unit.

10 Q Is the well located in the center of the yellow
11 square and labeled one -- what is that well?

12 A That was the first gas well we had, Jalmat gas
13 well, we had on this one hundred and twenty acre unit. That
14 well has been temporarily abandoned and we have not plugged
15 this because I feel that we can run a liner in there and
16 get some more gas out of the Jalmat zone.

17 The location of the No. 1 Y which we propose to
18 re-enter is located eight hundred and ten from the west and
19 six-sixty from the south and is our old Olson Lanehart No. 1
20 Devonian well which was drilled in the 50's and was plugged
21 in the early 60's.

22 We re-entered this well and attempted a recompletion
23 in the Yates Jalmat gas zone and were unsuccessful. We now
24 would like to re-enter this well and knock out the plugs and
25 attempt a Langlie Mattix producer in the lower Seven Rivers-

1 Queen formations.

2 Q Is the No. 1 well currently productive from the
3 Langlie Mattix?

4 A The No. 1 well has not been drilled to the Langlie
5 Mattix. It is TD'd in the Yates and the Jalmat.

6 Q Has Burleson & Huff obtained voluntary agreements
7 from all owners of the particular unit?

8 A We have re-leased the rights from everybody -- there
9 are thirty-seven mineral owners under this forty acre tract
10 and only one mineral owner and only one-twentieth interest
11 being a John A. Lanehart of Pecos, Texas, will not lease
12 to us -- but he has not leased to us on any fee land that we
13 have offsetting this lease, so that we have always had to
14 force pool this individual.

15 Q He has an undivided one-twentieth interest in the
16 entire forty acre tract?

17 A That is correct.

18 Q What, if any, correspondence have you sent Mr.
19 Lanehart?

20 A On April 7, 1977, we proposed that either if he
21 would lease to us or he had the option at that time to
22 join us in this re-entry. He was again notified on August
23 3rd, 1977, of our proposed plans and as yet we have not
24 received an answer from this man.

25 Q Does Burleson & Huff desire to be designated the

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1 operator of this well?

2 A. Yes, we do.

3 Q. Would you please refer to Exhibit Number Three
4 and identify it?

5 A. Exhibit Number Three is -- since on this hearing
6 we asked for either a re-entry or to drill a new well -- the
7 Exhibit Number Three is the re-entry costs which states that
8 we hope to drill this well to the Devonian at nine thousand
9 twenty-seven feet. Then, set surface casing and then set
10 nine and five-eighths casing below any -- below the Queen and
11 the Seven Rivers formations.

12 We wish to re-enter this nine and five eighths pipe
13 and attempt these completions and the cost would be with
14 fifteen percent contingency forty-two thousand five hundred
15 dollars.

16 To drill a new well on this forty acre tract to
17 test these zones would cost approximtely one hundred and
18 eighteen thousand nine hundred and ten dollars which would
19 be Exhibit Number Four.

20 Q. If your re-entry is unsuccessful, Mr. Burleson,
21 how long do you estimate it would be before you would
22 commence the drilling of a new well?

23 A. I would say within six months. But I would think
24 right now we cannot get a rig in this area until after the
25 first of the year.

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1 Q Do you have a recommended risk factor to be
2 assigned against this unit and against Mr. Lanehart?

3 A We would like to have a factor of one hundred and
4 fifty percent on this well.

5 Q On what do you base that recommendation?

6 A Based on the poor performance to date of the
7 Langlie Mattix wells in this area and also we are on the
8 southern edge of known Queen production with no Queen wells
9 located south of us for approximately ten miles.

10 There is only one Langlie Mattix well -- let's see --
11 there is only one Langlie Mattix well in Section 21 and
12 most of the production in this area to date has been Jalmat
13 either oil or gas.

14 Q Do you have a recommendation to the Examiner with
15 regards to a charge to be assessed against Mr. Lanehart for
16 supervision while the well is being recompleted?

17 A Yes. We would like to receive a thousand dollars
18 a month while this well is being drilled.

19 Q After recompletion or after completion of a new
20 well do you have a recommendation as to a charge?

21 A For an operating monthly expense we request one
22 hundred and seventy-five dollars a month.

23 Q In your opinion, Mr. Burleson, will the approval
24 of this application be in the best interest of conservation
25 and the prevention of waste and the protection of correlative

1 rights?

2 A. Yes, sir.

3 Q Were Exhibits One through Four prepared by you or
4 compiled under your direction and supervision?

5 A. Yes, they were.

6 MR. KELLAHIN: Move the admission of Exhibits One
7 through Four.

8 MR. STAMETS: These exhibits will be admitted.

9 MR. KELLAHIN: That concludes our examination.

10 CROSS EXAMINATION

11
12 BY MR. STAMETS:

13 Q Mr. Burleson, I notice on the two figures for
14 expenses here that on the re-entry well you included cost for
15 pumping unit rods and those are not included on the drilling
16 well, is that correct?

17 A. That is correct.

18 Q On the brand new hole -- I presume that those would
19 have to be added in there and that would make the cost some-
20 what higher?

21 A. Yes, it would. That is an oversight on my part.

22 Q The same thing is true on the preceding case, Case
23 6030?

24 A. The basic cost figures are the same for both of
25 these.

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1 Q In both of these cases those costs would be added
 2 in all likelihood?

3 A Yes, sir, that is correct.

4 Q Okay. This is an oil well that you are proposing?

5 A Right.

6 Q And it was an oil well in the last case as well?

7 A Right, that is correct.

8 Q Now, you indicated that an attempt had been made
 9 at sometime earlier to recomplete this Olson well and what
 10 zone was that in?

11 A In the Upper Yates -- I have a log here that will
 12 give you the exact date if you like.

13 We attempted a re-entry of this well in '73, and
 14 perforated the Upper Yates sand from twenty-six thirty down
 15 to twenty-seven forty and these zones proved non-commercial.

16 We owned only the Yates rights on this lease down
 17 to three thousand feet. So, we decided that we would like
 18 to test the Seven Rivers so we had to go back in and re-lease
 19 from the thirty-five people the rights from three thousand
 20 to thirty-five hundred feet.

21 In other words we have Mr. Lanehart's rights down
 22 to three thousand feet but if we were to test the Seven Rivers
 23 we had to go back and get those rights from three thousand
 24 to thirty-five hundred.

25 Q And you have all of the other rights to drill to

1 thirty-five hundred feet with the exception of Mr. Lanehart?

2 A. That's correct.

3 Q. As to Mr. Lanehart, this thousand dollar a month
4 drilling charge and one hundred and seventy-five dollars a
5 month producing charge, that would be applicable only to his
6 one-twentieth interest, is that correct?

7 A. That is correct.

8 Q. And he would receive his one-eighth royalty on
9 his one-twentieth?

10 A. Yes, sir, he would.

11 MR. STAMETS: Are there any questions of this
12 witness? He may be excused. Is there anything further
13 in this case?

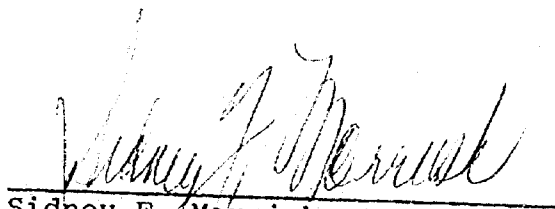
14 MR. KELLAHIN: No, sir.

15 MR. STAMETS: The case will be taken under
16 advisement.

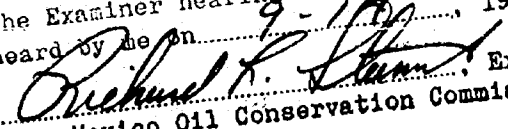
17 (THEREUPON, the witness was excused.)
18
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REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

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Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6032,
heard by me on 9-18-1977, 1977.
 Examiner
New Mexico Oil Conservation Commission

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

October 5, 1977

Mr. John Lanehart
P. O. Box 314
Barstow, Texas 79719

Re: Case No. 6032

Dear Mr. Lanehart:

The Oil Conservation Commission has entered its Order No. R-5538 for pooling the Queen formation underlying Unit M, Section 21, Township 25 South, Range 37 East, Lea County, New Mexico, and authorizing re-entry of the Lanehart Well No. 1-Y. Burleson & Huff had filed their Notice of Intent to Drill with the Hobbs district office and had it approved September 12, 1977. Their intent was to perforate in the Queen between 3300 and 3400 feet.

Approval of a drilling permit is often given prior to a forced pooling case. The operator is taking the gamble that, should his application be denied, he will not be allowed to produce that well. In this case, Burleson & Huff were not premature in their efforts.

In any case, the lease in question is on fee land and the Commission has no authority to cancel it. If Burleson & Huff have exceeded their authority under Order No. R-5538, they could be subject to a fine. However, our Order force pooled the entire Queen formation and thus they have the right to drill there. If you feel that the lease has been violated, you may want to contact your own attorney. Mr. W. Thomas Kellahin, 500 Don Gaspar, Santa Fe, New Mexico, represented Burleson & Huff in this case, and you may also wish to contact him regarding this problem.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

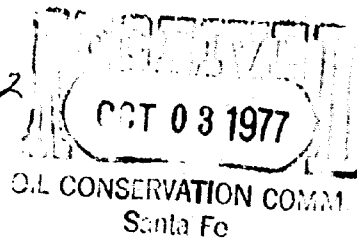
cc: Tom Kellahin
Jerry Sexton, District Supervisor

JOHN R. DORR, PETROLEUM LAND MANAGEMENT 212 SECURITY STATE BANK BUILDING
PECOS, TEXAS 79772 AREA CODE 915 OFFICE 445-4927 MIDLAND OFFICE 563-2004

September 30, 1977

File

Case 6032



Mr. R. L. Stamets
Technical Support Chief
Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Stamets:

Thank you very much for your letter of September 21, 1977,
concerning compulsory pooling. I very much appreciate
your taking the time to answer my inquiry.

With kindest personal regards, I am,

Very truly yours,

John R. Dorr

JOHN R. DORR

JRD:jd



OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

September 21, 1977

C Mr. John R. Dorr
Petroleum Land Management
212 Security State Bank Building
Pecos, Texas 79772

Dear Mr. Dorr:

O Your letter of September 16, 1977, could result in a very lengthy discourse on what is a complex subject. However, to preserve both your time and mine I shall attempt to cover only the rudiments of compulsory pooling.

P
Y By law this agency must determine the standard spacing unit for each oil and gas pool in the State. This would be the acreage that could be efficiently and economically drained by one well. These spacing units vary in size from 40 to 640 acres and consist of governmental sections or standard divisions thereof. As one would expect, there is often a division in ownership within standard spacing units. Generally operators are able to reach voluntary agreement on how such standard units are to be developed or operated. Occasionally because of being unable to contact "missing" owners, ill will between owners, or other disagreements, the owners in a standard unit cannot reach a voluntary pooling agreement. To permit the spacing unit to be drilled and to permit all of the owners in the spacing unit to recover their share of the oil and gas from the pool without unnecessary expense (such as having to drill their own extra well on the tract) Section 65-3-14(c) of our statutes,

Page 2
Letter to Mr. John R. Dorr
September 21, 1977

copy enclosed, provides the means by which such a spacing unit may be compulsorily pooled.

When Mr. Lanehart spoke to me on Tuesday, the 13th of this month, he indicated that there were other owners of interest below a depth of 3000 feet in the SW/4 SW/4 of Section 21, Township 25 South, Range 37 East, Lea County, New Mexico. As Mr. Lanehart is apparently not the sole owner of interest in the spacing unit, he then becomes subject to the above referenced statute.

I would point out that any compulsory pooling order gives the party pooled the opportunity to pay his share of the expected well costs without penalty and provides that 1/8 of his undivided interest will be a royalty interest free of any well costs. Further, all compulsory pooling takes place after notice and public hearing. In Case 6032, Mr. Lanehart was in attendance at the hearing. Under the conditions outlined in this paragraph, I would hardly feel that the use of the words "confiscate his property" is appropriate.

I hope this has been a sufficient explanation of this matter.

Very truly yours,

R. L. STAMETS
Technical Support Chief

RLS/fd
enc.

JOHN R. DORR, PETROLEUM LAND MANAGEMENT 212 SECURITY STATE BANK BUILDING
PECOS, TEXAS 79772 AREA CODE 915 OFFICE 445-4927 MIDLAND OFFICE 563-2004

SEP 21 1977
OIL CONSERVATION COMMISSION
SANTA FE

September 16, 1977

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

Re: Case 6032

Gentlemen:

I have been ask by Mr. John Lanehart of Barstow, Texas to write to you in regard to the above captioned case. Mr. Lanehart executed an oil and gas lease, copy enclosed, to Lewis B. Burleson and Jack Huff. You will note that the lease is limited to a depth of 3,000'. Burleson and Huff have either re-entered or re-drilled a new well to a depth of 3,750'. The above captioned case was brought to our attention to pool all mineral interest. Can they force pool this interest even though they do not have an oil and gas lease covering this depth? It seems to us that drilling a well past the designated depth is trespassing and Mr. Lanehart should be compensated for this action.

Enclosed also is the Amendment of Oil and Gas Lease from Burleson and Huff which still does not cover the exceeded depth of 3,750' to which they have already drilled.

I am unable to explain to Mr. Lanehart how the Lessee and the State of New Mexico can confiscate his property. Although Mr. Lanehart is only a small interest owner it seems to us that he has a right to his own property and a right to an explanation.

I realize your office is very busy but we would appreciate any help you can be to us concerning this matter.

Very truly yours,

John R. Dorr
JOHN R. DORR

JRD:bp
encls.

cc: Mr. John Lanehart
P. O. Box 314
Barstow, Texas 79719

OIL & GAS LEASE

THIS AGREEMENT made this 6th day of October

JOHN A. LAINEHART and wife MAGGIE LAINEHART

21 1977

19

92

between

of _____
(Post Office Address)

LEWIS B. BURLESON & JACK HUFF

herein called lessor (whether one or more) and

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Lea County, New Mexico, to-wit:

Township 25 South, Range 37 East, N. M. P. M.
S/2 of SW/4 of Section 21, down to but not
below a depth of 3000 feet beneath the surface
of the soil.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise six months acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of six months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-
1/4 1/4 80
some substances produced from said land and sold or used off the premises or in the manufacture of gasoline or other product, therefrom, the market value of such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay royalty provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ _____ which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the _____ Bank

5. _____ which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank for any successor bank shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

6. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proportion unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon such commitment the provisions of this lease shall be conformed to the unit agreement.

7. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it is within the primary term commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

8. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

9. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

10. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

11. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

12. Lessor, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Lessee shall not maintain this lease in effect by virtue of making shut-in gas payments as provided in Paragraph 3 (c) hereabove for a period of more than two years from the date on which said gas and/or condensate well referred to in said Paragraph 3 (c) is shut in for lack of a market.

Executed on the date first above written.

John A. Lanchart
John A. Lanchart

Maggie Lanchart
Maggie Lanchart

THE STATE OF TEXAS

COUNTY OF Pecos

The foregoing instrument was acknowledged before me this 17 day of October, 1969 by John A. Lanchart and Maggie Lanchart.

My commission expires:

6-1-71

Peter J. Houston
Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1969 by _____, _____ President of _____ a _____ corporation

on behalf of said corporation.

My commission expires:

Notary Public

BURLESON & HUFF

OIL PROPERTIES
BOX 2479 - PHONE 683-4747
MIDLAND, TEXAS 79701

January 26, 1977

Mr. and Mrs. John A. Lanehart
Box 314
Barstow, Texas 79719

Re: Lanehart Lease,
S/2 SW/4, NW/4 SW/4 Sec. 21,
T-25-S, R-37-E, Lea County,
New Mexico

To all Lessors:

We propose to re-enter one of the wells presently situated on the above tract of land and deepen it from the Yates formation to the Queen formation at about 3500 feet. At the present time our rights extend only from the surface down to a depth of 3000 feet. We would like to undertake this operations sometime this year and ask that you extend our rights under your lease to a depth of 3700 feet which will be sufficient to include the Queen rights. We are enclosing an Amendment to the lease which will accomplish this when signed by you. The Amendment gives us one year in which to deepen the well and attempt completion in the Queen; otherwise it becomes null and void.

If you are agreeable to our proposal please sign the enclosed amendatory instrument and have your signature acknowledged before a notary public and return it to us.

If you should have any questions please get in touch with us.

Yours very truly,

BURLESON & HUFF


Jack Huff

JH/sw

Enc:

AMENDMENT OF OIL & GAS LEASE

WHEREAS, on the 6th , day of October , 1969 ,
John A. Lanehart and wife, Maggie Lanehart , as lessor
executed an Oil & Gas Lease which is of record in Volume 266 ,
Page 496 , of the Oil & Gas Lease Records of Lea County, New
Mexico in favor of Lewis B. Burleson and Jack Huff, as lessee,
covering the following described tract of land situated in Lea
County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
S/2 of SW/4 of Section 21, down to but
not below a depth of 3000 feet beneath
the surface of the soil.

and,

WHEREAS, it is the desire of the undersigned lessor to
amend said lease so that the rights granted to the lessee there-
under shall be extended to a depth of 3700 feet beneath the surface
of the soil.

NOW, THEREFORE, in consideration of the premises and for
sufficient consideration, receipt of which is hereby acknowledged,
the undersigned do hereby amend said Oil & Gas Lease so that the
land covered thereby shall be and become as follows:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
S/2 of SW/4 of Section 21, down to but
not below a depth of 3700 feet beneath
the surface of the soil.

This instrument and all rights granted hereunder shall become
null and void unless on or before one year from date hereof lessee
shall commence operations to drill a new well or reenter and
clean out an existing well on the above described land and there-
after with due diligence does drill and clean out said well to
a depth sufficient to test the Queen formation expected to be
encountered at about 3500 feet beneath the surface .

Executed this _____ day of _____, 1977.

John A. Lanehart

Maggie Lanehart

STATE OF TEXAS

COUNTY OF

The foregoing instrument was acknowledged before me this
____ day of _____, 1977 by _____

John A. Lanehart and Maggie Lanehart

My Commission Expires:

Notary Public

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this
____ day of _____, 1977 by _____

_____, _____ President of

_____, a _____

corporation on behalf of said corporation.

My Commission Expires:

Notary Public

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. 6032
Order No. R-5538

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 SW/4 SW/4 of Section 21, 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 Lanehart Well No. 1-Y located 660 feet from the South line and 810 feet from the West line of said Section 21, 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 Lanehart Well No. 1-Y or to drill a new well at a standard location within the SW/4 SW/4 of said Section 21.

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

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Case No. 6032
Order No. R-5538

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 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.

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Case No. 6032

Order No. R-5538

(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 SW/4 SW/4 of Section 21, 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 Lanehart Well No. 1-Y to be re-entered at a location 660 feet from the South line and 810 feet from the West line of said Section 21, or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SW/4 SW/4 of said Section 21.

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 is hereby designated the operator of the subject well and unit.

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Case No. 6032
Order No. R-5538

(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 recompletion of the existing well or the drilling of the new well, 150 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.

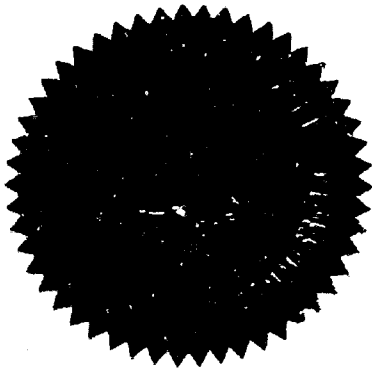
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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Case No. 6032
Order No. R-5538

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



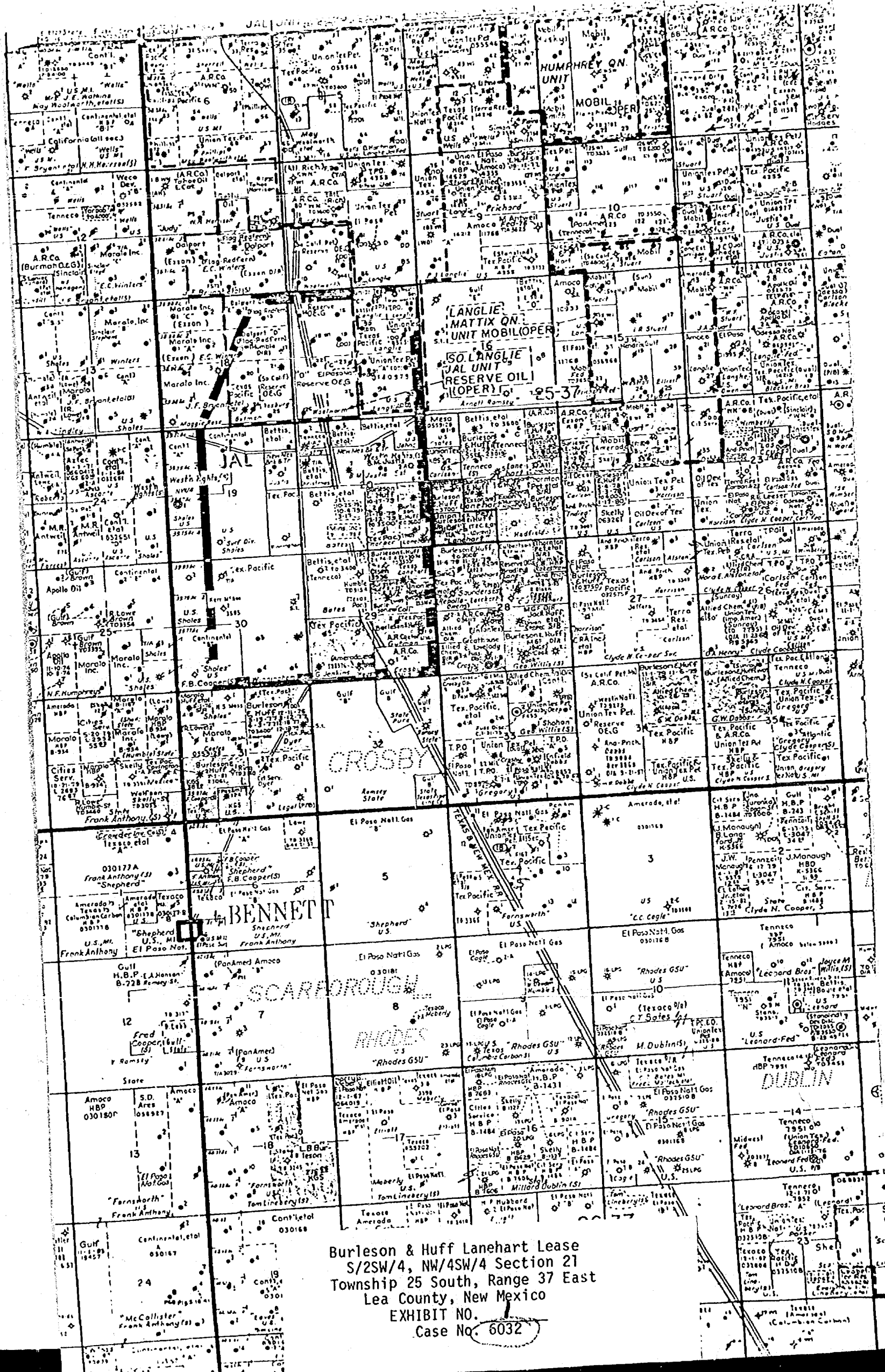
PHIL R. LUCERO, Chairman

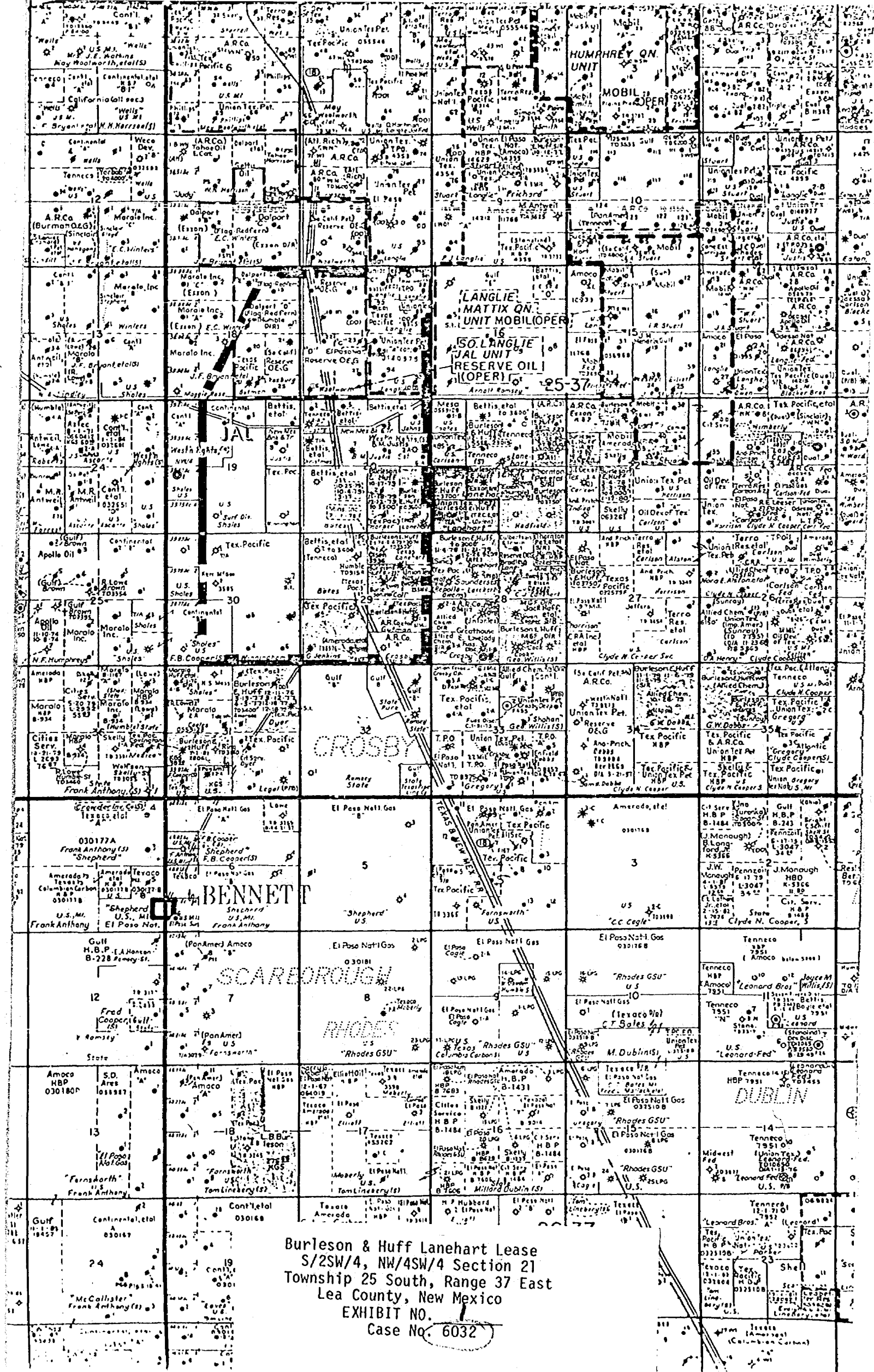
Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

dr/





	Bettis, Boyle & Stovall ²⁰	Mesa Pet.	Bettis, Boyle & Stovall	21
	Burleson & Huff	Burle- son & Huff	Burleson & Huff	
	Burleson & Huff ²⁹	³ ¹ 1-Y - 810'	Burleson & Huff	Reserve Oil & Gas ²⁸

BURLESON & HUFF LANEHART LEASE

S/2SW/4, NW/4SW/4 Section 21

Township 25 South, Range 37 East

Lea County, New Mexico

EXHIBIT NO. _____

Case No. 6032

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Burleson	EXHIBIT NO. <u>2</u>
CASE NO.	<u>6032</u>
Submitted by	_____
Hearing Date	_____

ESTIMATED COSTS FOR BURLESON & HUFF
LANEHART # 1-Y RE-ENTRY

Originally drilled by R. Olsen Oil in the SW/4SW/4 of Section 21, to a TD of 9027'. This well was abandoned and the 7" production string was cut and pulled @ 5500'. 13-3/8" surface casing was set @ 587' with 500 sacks and the 9-5/8", 36# pipe was set @ 3602' cemented with 500 sx 2-stage with DV2. We propose to clean out to a TD of 3500', with cast iron bridge plug @ TD and frac and perforate the Queen at approximately 3400', acidize and treat and test.

The estimated well costs for the above operations are as follows:

INTANGIBLES:

Drill out	\$ 3,000.00
Acidize and frac	10,000.00
Unit for 7 days	3,000.00
Log and perforate	2,000.00
	<u>\$18,000.00</u>

TANGIBLES:

Pumping Unit	\$ 7,000.00
Rods	3,000.00
Tubing	5,000.00
Miscellaneous	3,000.00
	<u>\$18,000.00</u>

Supervision	1,000.00
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TOTAL	\$37,000.00
+15% contingency	5,550.00
GRAND TOTAL	<u>\$42,550.00</u>

BURLESON & HUFF LANEHART LEASE
S/2SW/4, NW/4SW/4 Section 21
Township 25 South, Range 37 East
Lea County, New Mexico

EXHIBIT NO.

Case No. 6032

BEFORE EXAMINER STAMETS

OIL CONSERVATION COMMISSION

Burleson EXHIBIT NO. 3

CASE NO. 6032

Submitted by

Hearing Date

BURLESON & HUFF LANEHART LEASE
S/2SW/4, NW/4SW/4 Section 21
Township 25 South, Range 37 East
Lea County, New Mexico

Estimated cost of drilling Lanehart No. 4 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
Build pad & Location	3,000.00
Line pit	700.00
Water	4,000.00
Mud	4,000.00
Acid	700.00
Perforate	1,500.00
Frac	17,500.00
Completion costs	10,000.00
	<hr/>
	\$103,400.00
15% contingency	15,510.00
	<hr/>
TOTAL	\$118,910.00

EXHIBIT NO. _____

Case No. 6032

UNION COUNTY, TEXAS
OIL CONSERVATION COMMISSION
Burleson EXHIBIT NO. 4
CASE NO. 6032
Submitted by _____
Hearing Date _____

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. Mutter, 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 Lanehart 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 1980 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. DHY 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

- (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 6032

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

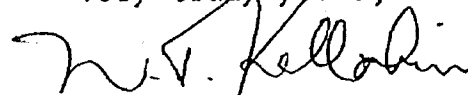
Mr. Dan Nutter
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

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.

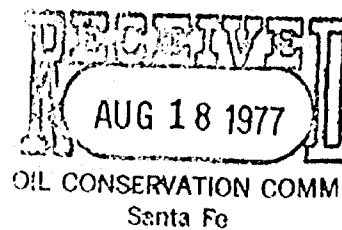
Very truly yours,


W. Thomas Kellahin

CC: Mr. Jack Huff

WTK:kfm

Enclosure



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

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

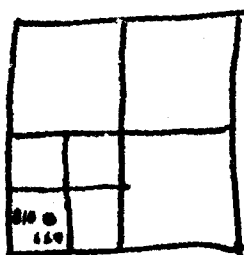
A P P L I C A T I O N

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 SW/4 SW/4 of Section 21, 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 SW/4 SW/4 of Section 21, Township 25 South, Range 37 East and proposes to, in the alternative, re-enter and recomplete its Burleson & Huff Lanehart No. 1-Y well, at an unorthodox location located 660 feet the ^{North of} South line and 810 feet from the West line of Section 21, 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

*Location not unorthodox
for Langlie Mattix*

the well, with their addresses, to the best of applicant's information and belief, are as follows:

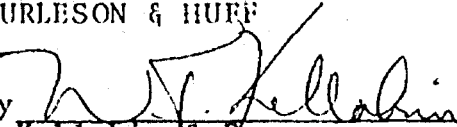
<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST</u>
John A. Lanehart	Box 314 Barstow, Texas 79719	1/20 unleased mineral int.
Sue S. Graham	Box 987 Roswell, New Mexico 88201	1/48
Elyse S. Patterson	6444 Indian Lane Shawnee Mission, Kansas 66208	1/48
Sally S. Toles	Drawer 1300 Roswell, New Mexico 88201	1/48

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 SW/4 SW/4 of Section 21, 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. 6032

Order No. R- 5538

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, 19 77
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of September, 19 77, 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 SW/4 SW/4
of Section 21, Township 25 South, Range 37 East,
NMPM, Langlie-Mattix Pool, Lea County, New

Mexico to form a standard 40-acre oil
production unit to be dedicated to applicant's
Lancaster Well No. 1-Y ~~at~~ located
660
810 feet from the South line and 660 810
feet from the West line of said Section
21, or in the alternative, to ~~drill~~ 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 ~~Cooper~~ ^{Case No. 1} Well No. 1 or to drill a new well at a standard location within the SW/4 of said Section ~~2~~ ² 2/.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 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.

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Case No.
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*\$1000.00 per month while drilling on a
\$195.00 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, *lowermost 100 feet of the Sever Rivers formation and in the feet of the Queen* formation underlying the SW/4 SW/4 of Section 21, Township 25 South, Range 37 East, NMPM, Langlie-Mattix Pool, Lea County, New Mexico, are hereby pooled to form a standard 40 - acre ~~gas~~ *oil* spacing

Lauchart
the South line and
and proration unit to be dedicated to applicant's ~~Well No. 1~~ *Well No. 1* to be re-entered at a ~~location~~ *location* ~~2.10 feet from the North and East lines~~ *2.10 feet from the North and East lines* of said Section 21, or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SW/4 SW/4 of said Section 21.

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 ~~Tanillo, Yates, and~~ *Tanillo, Yates, and* Sever Rivers formations; *and Queen*

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.

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 is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the *recompletion* of the *existing well or the* ~~drilling of the well~~, *150 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. *\$1,000.00 per month while drilling or recompletion operations are in progress and \$175.00 per month while producing are*

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

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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(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.

