

APPIIC ATION, Transcripts, Small Exhibits,

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3	ANDREW LATTU	· · · · · · · · · · · · · · · · · · ·	
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5	ROBERT H. STRAND		
· 6	Direct Examination by Mr. Losey	3	
7	EXHIBITS		
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<i>i</i>	Nye Reporting Service, Inc. Certified Shorthand Reporters		
	621 Old Santa Fe Trail – Suite 7 Santa Fe, New Mexico 87501		
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	MR. STAMETS: We'll call next, case 6485.
2.	MS. TESCHENDORF: Case 6485, Application of
3	Harvey E. Yates Company for compulsory pooling, Eddy County,
4	New Mexico.
5	ANDREW LATTU
6	being called as a witness and having been previously duly
7	sworn upon his oath, testified as follows, to-wit:
8	DIRECT EXAMINATION
9	BY MR. LOSEY:
10-	Q State your name, residence and occupation.
-11	A Andy Lattu, Midland, Texas, I'm a geologist for
12	Harvey É. Yates Company.
13	Q You testified in the previous case did you not
14	A Yes, I did.
15	Q Please refer to what's been marked as Exhibit
16	One and explain what is portrayed by this exhibit.
17	A All right. This is a land plat in Eddy County
18	New Mexico, Township 18 South, Range 28 East, specifically
19	Section 13. I have a proposed location indicated on the
20	Northeast of the Southwest quarter. This will be a Morrow
21	test.
22	Q Please refer to what's been marked as Exhibit
23	Two, and explain what is shown on this.
24	A This is a structural map, contoured on the top
· 25	of the Morrow formation. It shows the strike of the Morrow
	Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail – Suite 7 Santa Fe, New Mexico 87501

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This location would be approximately 25 to 50 feet high to the Travis No. 2 and the Travis No. 3 Wells. Q You got some Morrow dry holes pictured on that map.

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We did perforate and treat about the upper and lower Morrow sands. The well is in No. 1 on my crosssection A.A. Prime, which is Exhibit Three.

Q Turn to Exhibit Three and explain what is shown by this exhibit.

A This is a stratographic cross-section, hung on the datum of the top of the lower Morrow interval. It's South -- the Travis deep unit No. 2 is the well on the left, of well No. 1. And the Travis deep unit No. 1 is the well on the right. Both of these wells show sands in the lower and upper Morrow. However, for the most part these sands are fine-grained and silty and not productive in the Travis

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2	sand which was approximately six feet thick with four to five
3	feet of porosity.
- 4	The well has made a little over half a billion
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	Q Were Exhibits One through Three prepared by
7	you?
8	A Yes they were.
9	MR. LOSEY: Move the introduction of Exhibits
10	One through Three.
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16	set in this case?
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18	Q What is that penalty?
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	Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail - Suite 7 Santa Fe, New Mexico 87501
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	1	ROBERT H. STRAND
	2	being called as a witness and having been duly sworn upon
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·	5	BY MR. LOSEY:
	6	Q Would you state your name, residence and
	7	occupation.
	8	A Robert H. Strand, Roswell, New Mexico, attorney
	9	and land man for Harvey E. Yates Company.
	10	Q Are you aware of the any working interest
	11	owners in the South half of Section 13 that have not consent.
:	12	ed to join in this well?
	13	A Yes. Marathon Oil Company holds the operating
	14	rights under the Southeast quarter of the South west quarter
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	17	participate in the well.
	18	Q Did you also send them an AFE?
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	20	Q What did the AFE reflect as to cost for a dry
	21	hole and cost for a producer?
6	22	A The dry hole cost was \$381,100, and producing
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۔ میں ج		Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail ~ Suite 7 Santa Fe, New Mexico 87501

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	9	time I sent the second letter we had heard nothing definite
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	13	includes the South half of Section 13?
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	18	Q And when by the terms of the agreement are you
	19	required to start the next well?
	20	A By March 15, 1979.
	21	Q So that actually you have fourteen days or
	22	so to start it?
	23	A Yes sir.
• 1	24	Q Now, do you actually understand that at this
	25	point, that Marathon's Midland office has recommended approva
		Nye Reporting Service, Inc. Certified Shorthand Reporters
43* 		621 Old Santa Fe Trail - Suite 7 Santa Fe, New Mexico 87501

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10 1 **REPORTER'S CERTIFICATE** 2 3 I, STEFANIE XANTHULL, a court reporter, DO HEREBY 4 CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; $\mathbf{5}$ 6 that the said transcript is a full, true, and correct record 7 of the hearing, prepared by me to the best of my ability, 8 knowledge, and skill, from my notes taken at the time of 9 the hearing. 10 11 12 13 14 15 anthul 16 17 18 I do hereby certify that the foregoing is 19 a complete record of the proceedings in $\mathbf{20}$ the Examiner hearing of Case 110. 64855 21hears by me on Examiner 22Oil Conservation Division 2324 25Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail - Suite 7 Santa Fe, New Mexico 87501

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- · · ·		e Applicant:		A.J. Losey, Losey, CARSO	Esq. N & DICKERSON
- · · ·	8 For the	e Applicant:		LOSEY, CARSO Attorneys at	N & DICKERSON Law
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18	Q What is that penalty?
19	A Two hundred percent.
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22	MR. LOSEY: I've got a better prepared witness.
23	MR. STAMETS: Any questions of this witness?
24	He may be excused.
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	Nye Reporting Service, Inc. Certified Shorthand Reporters
	621 Old Santa Fe Trail – Suite 7 Santa Fe, New Mexico 87501

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Q Up to that point, Marathon had not indicated their willingness to join in the well?

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> Nye Reporting Service, Inc. Certified Shorthand Reporters 622 Old Santa Fe Trail – Suite 7 Santa Fe, New Mexico 87501

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> Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail – Suite 7 Santa Fe, New Mexico 87501

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ł REPORTER'S CERTIFICATE $\mathbf{2}$ 3 I, STEFANIE XANTHULL, a court reporter, DO HEREBY 4 CERTIFY that the foregoing and attached Transcript of Hearing $\mathbf{5}$ before the Oil Conservation Division was reported by me; 6 that the said transcript is a full, true, and correct record 7 of the hearing, prepared by me to the best of my ability, 8 knowledge, and skill, from my notes taken at the time of 9 the hearing. 10 11 12 13 14 15 Stefanie Xanthull, C.S.R. 16 17 18 19 I do hereby certify that the foregoing is a complete record of the proceedings in 20the Examiner hearing of Case No. 6485. 19 72 21 heard by me on Examiner 221. Lem Kail Oil Conservation Division 23 24 25Nye Reporting Service, Inc. Certified Shorthand Reporters 621 Old Santa Fe Trail - Suite 7 Santa Fe, New Mexico 87501



P.O. Box 552 Middled COMBER TO HOLINN DIVISION Telephone 915898211626

RLS

Houston Division I V 3. D Production Exploration, U.S. a Canada

April 23, 1979

Harvey E. Yates Company P. O. Box 1933 Roswell, New Mexico 88201

Attention: Mr. Robert H. Strand

Gentlemen:

Re: Our Lease NM-901 - State Lease B-8196 Eddy County, New Mexico

Order No. R-5960; Case No. 6485 of the Oil Conservation Department of the Energy and Minerals Department of the State of New Mexico, authorizes you to form a standard 320-acre gas spacing and proration unit covering the S¹/₂ of Section 13, T-18-S, R-28-E, N.M.P.M., Eddy County, New Mexico, for the Wolfcamp, Pennsylvanian and Mississippian formations in a well to be drilled at a standard location.

Our subject lease covers the SE4SW4 of said Section 13 within such spacing and proration unit, and you are hereby notified that Marathon Oil Company elects not to pay its share of the estimated well costs listed on the itemized schedule you have furnished, instead electing to accept the "risk" penalty provided for in said Order as to its interest.

Yours very truly,

MARATHON OIL COMPANY

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A. W. Hanley District Landman

AWH:dr

cc: Mr. L. D. Robbins Mr. D. W. Franklin Mr. J. C. Searcy, Jr. Mr. D. E. Morris Mr. R. J. Pickens New Mexico Oil Conservation Division Attention: Mr. Richard Stamets

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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POST OFFICE BOX 2088 BIATE CAND OFFICE DUM DING SANTA FE, NEW MEXICO 87501 (505) 827-2434

April 3, 1979

Re: Mr. A. J. Losee Losee, Carson & Dickerson Attorneys at Law P. O. Drawer 239 Artesia, New Mexico 88210

1.0

JERRY APODACA

GOVERNOR NICK FRANKLIN SECRETARY

> CASE NO. x=5960 ORDER NO.

Applicant:

Harvey E. Yates Company

6485

Dear Sir: Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly, RAMEY JOE D. Director

JDR/fd

Copy of order also sent to:

x Hobbs OCC Artesia OCC Aztec OCC

and the second second

Other

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 6485 Order No. R-5960

APPLICATION OF HARVEY E. YATES COMPANY FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 2, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>30th</u> day of March, 1979, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Harvey E. Yates Company, seeks an order pooling all mineral interests in the Wolfcamp, Pennsylvanian, and Mississippian formations underlying the S/2 of Section 13, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(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, whatevery they may be, within said unit. -2-Case No. 6485 Order No. R-5960

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1877.95 per month while drilling and \$251.54 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 nonconsenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before June 15, 1979, the order pooling said unit should become null and void and of no effect whatsoever. -3-Case No. 6485 Order No. R-5960

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp, Pennsylvanian, and Mississippian formations underlying the S/2 of Section 13, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of June, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test pooled formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of June, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Harvey E. Yates Company 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 Division 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 Division 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 Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable Case No. 6485 Order No. R-5960

well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1877.95 per month while drilling and \$251.54 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 nonconsenting 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 nonconsenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) Case No. 6485 Order No. R-5960

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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 immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

> STATE OF NEW MEXICO OIL CONSERVATION DIVISION ALL AMEY JOE D. RAMEY Director

١ STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT 2 OIL CONSERVATION DIVISION State Land Office Building 3 Santa Fe, New Mexico 28 February 1979 A EXAMINER HEARING 9 6 IN THE MATTER OF: 7 Application of Harvey E. Yates Company) CASE 8 6484 for compulsory pooling, Lea County, New Mexico 9 10 and A BOYD za Blanca (555) 471 Fe. New Mexico 31 11 Application of Harvey E. Yates Company) CASE SALLY WALTON CERTIFIED SHORTHAND R for compulsory pooling, Eddy County, 6485 ۰. 12 New Mexico. 13 14 BEFORE: Richard L. Stamets 15 16 TRANSCRIPT OF HEARING 17 APPEARANCES 18 19 Lynn Teschendorf, Esq. For the Oil Conservation Legal Counsel for the Division Division 20 State Land Office Bldg. Santa Fe, New Mexico 87503 21 22 23 24 25

MR. STAMETS: For the purpose of those who are present here today, Cases 6484 and 6485 will be heard Friday. This hearing will be recessed and will be resumed Friday after the Commission Hearing and those two cases will be called at that time.

Page _2

(Hearing concluded)

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SALLY WALTON

Blaisca (605 New Mexi

Page REPORTER'S CERTIFICATE 2 3 I, SALLY W. BOYD, a Court Reporter, DO HEREBY 4 CERTIFY that the foregoing and attached Transcript of 5 Hearing before the Oil Conservation Division was reported 6 by me; that the said transcript is a full, true, and correct 7 record of the hearing, prepared by me to the best of my 8 ability, knowledge, and skill, from my notes taken at the 9 time of the hearing. 10 SALLY WALTON BOYC CERTIFIED SHORTHAND REPORTE 105079422 BENCH (016) 111-310 SADDI FO, New MOXCO 57501 11 12 Sally W. Boyd, C.S.R. 13 14 15 I do hereby certify that the formation is 16 a consider record of the 6485 17 ther hearing of €.c heard 18 12 and Oil Conservation Division 19 20 21 22 23 24 25

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WELL NUMBER

LOCATION_ 1980' FWL & FSL Sec. 13, T-185, R-28E < D

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	Producing	Dry Hol
Dual Completion	Well Cost	Cost
lling and completion costs		
Intangible drilling costs	\$ 11,000	
Location Footage 11 200 Actr op		<u>\$ 11,00</u>
Footage <u>11,200 @ \$15.00</u> Daywork <u>10 Days @ \$3950</u>	<u> 168,000 </u>	168,00
Surface casing service		39,50 3,00
Intermediate casing service		
Mud, water		50,00
Company supervisor, engineer	3,500	3,50
Rentals, coring service	10,000.	10,00
Miscellaneous /	2,000_	2,00
Total intangible drilling costs	-295,000	
Intangible formation evaluation cost		e.,
Logs, <u>CNL-D</u> , <u>DIL</u> ,	20,000	20,00
DST @	10,000	10,00
Geological mud logging service	10,000	10,00
Miscellaneous	2,000	2,00
Total intangible formation evaluation	42,000	42,00
Intangible completion costs Unit cost <u>14 Days</u> @ <u>\$800</u>	13 300	
Production casing service	<u> 11,200</u> <u> 10,000</u>	• <u> </u>
Completion fluid		· · · · · · · · · · · · · · · · · · ·
Perforating/production logging	20,000	
Treating	10,000	
Company supervision	4,000_	1_00
Plugging expense		3.00
Miscellaneous liner service	5.000	1,50
Total intangible completion costs Tangible drilling costs and completion costs	61,200_	5,50
Surface casing	S.	
	5,600	5 60
Intermediate casing		
<u>2,900'</u> of <u>9.5/8 32#, 36</u> #	30,500	
Production casing		, t
<u>11,200</u> of <u>7" 23#, 26#, 29</u> #	122,000	ć
Production tubing 11,200' 2 3/8" of 9.800' 2 3/8"	32,800	
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Tubing head		· · · · · · · · · · · · · · · · · · ·
Christmas tree	15,000	
Subsurface equipment	6,700	••••••••••••••••••••••••••••••••••••••
Total tangible drilling costs and		
completion costs		36,10
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Lease equipment 2, 500 BBL Tanks 2 , 200 BBL	10,000	
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Installation costs OIL CONSERVATION Total lease equipmen& and Fo, New Moxim	co4,500	
Total intangible costs Case 64.85	398,200	342,50
Total tangible costs Submitted b	246,100	36,10
Total lease equipment Southernor Administrative Hearing Data	3,500	2,50
CAL COSTS		
epared by: <u>Fred G. Yates</u> Date: 1-10-79	\$704,100	<u>\$ 381,10</u>

are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than here in set out."

Company

Date

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Dockets Nos. 9-79 and 10-79 are tentatively set for hearing on March 14 and 28, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

Docket No. 7-79

DOCKET: COMMISSION HEARING - FRIDAY - FEBRUARY 23, 1979

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205 STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit CASE 6461: Mayor Eddie Armenta, the Village of Jemez Springs, and all other interested parties to appear and show cause why the Jemez Well No. 1 located in Unit A of Section 26, Township 18 North, Range 2 Fast, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

Docket No. 8-79

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 28, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

CASE 6422: (Continued from January 31, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Helton Engineering & Geological Services, Inc., Travele's Indemnity Company, and all other interested parties to appear and show cause why the Brent Well Nr. 1 located in Unit M of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, bc. 1 in Township 13 North, Range 6 East, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6434:

(Continued from January 31, 1979, Examiner Hearing)

Application of Amerada Hess Corporation for approval of infill drilling, Lea Courty, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its State "O" Well No. 5 to be located in Unit H of Section 30, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.

CASE 6435: (Continued from February 14, 1979, Examiner Hearing)

Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Application of America mess corporation for approval of infill diffiling, her county, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its W. A. Weir "B" Well No. 3 located in Unit B of Section 26, Township 19 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which expect the conduct by the voltage will contain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.

CASE 6436: (Continued from January 31, 1979, Examiner Hearing)

Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its State "U" Gas Com Well No. 2 to be located in Unit C of Section 32, Township 19 South, Range 37 East, Eumont Gas Pool, Les County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.

CASE 6462: Application of McClellan Oil Corporation for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Marlisue State Well No. 3 to be located 1155 feet from the North line and 1485 feet from the West line of Section 24, Township 14 South, Range-29 East, Double "L" Queen Associated Pool, Chaves County, New Mexico, the NE/4 NW/4 of said Section 24 to be dedicated to the well.

Application of Orville Slaughter for pool and lease commingling, San Juan County, New Mexico. CASE 6463 Applicant, in the above-styled cause, seeks authority to commingle Oswell-Farmington Pool production from his Sangre de Cristo Well No. 1 with undesignated Fruitland production from his Sangre de Cristo Well No. 2, both located in Unit D of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico.

Page 2 of 4 Examiner licaring - Wednesday - February 28, 1979

Docket No. 8-79

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CASE 6464: Application of Dallas McCasland for clarification of Orders Nos. R-2789 and R-2794, Lea County, New Nexico, Applicant, in the above-styled cause, seeks clarification of Orders Nos. R-2799, Den councy, and R-2794 to determine that formation by the second seeks clarification of Orders Nos. R-2789 and R-2794 to determine what formations have been unitized and what formations are subject to a waterflood project under the South Penrose-Skelly Unit, Sections 6 and 7, Township 22 South, Range 37 East, Lea County, New Mexico, and of the vertical limits of the Fumont and Penrose-Skelly Pools in said sections.

Application of Getty Oil Company for an unorthodox well location and a non-standard proration unit, CASE 6465: Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 31, Township 24 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its J. W. Sherrell Well No. 9 located 2250 feet from the South line and 1650 feet from the East line of said Section 31.

Applicant, in the Application of Getty Oil Company for a dual completion, Lea County, New Nexico. CASE 6466: above-styled cause, seeks approval for the dual completion of its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, Lea County, New Mexico, to produce oil from an undesignated Wolfcamp pool and gas from the Grama Ridge-Morrow Gas Pool through parallel strings of tubing.

Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. CASE 6467: Applicant, in the above-styled cause, seeks an order creating a new oil pool in the Wolfcamp formation for its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, Lea County, New Mexico, and for promulgation of special pool rules, including provision for 160-acre spacing.

Application of Dome Petroleum Corporation for an exception to Order No. R-1069, San Juan County, New CASE 6468: Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2 of Order No. R-1069, as amended, for the Bisti-Lower Gallup Oil Pool to approve the following 13 non-standard proration units: the W/2 NW/4, W/2 NE/4, E/2 SW/4, and the E/2 SE/4 of Sections 3, 4, and 9, and the W/2 NW/4 of Section 10, all in Township 26 North, Range 14 West, San Juan County, New Mexico.

Application of Continental Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Fed. 34 Well No. 1 located in Unit N of Section 34, Township 20 South, Range 26 East, Eddy County, New Mexico, to produce gas from the Springs-Upper Pennsylvanian Pool and an <u>undesignated Morrow pool</u> through parallel strings of CASE 6469: tubing.

CASE 6470:

Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements to permit an infill drilling program in its East Vacuum Unit Area, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, and a finding that such infill wells are necessary to effectively and efficiently drain that portion of their protation units which is not presently being drained by any existing well. Applicant specifically seeks such waivers and findings now for ten wells, all in Township 17 South, Range 35 East, and located as follows: Unit K of Section 27; Units M and O, Section 28; Units B, I, and M of Section 32; Units C, H, and M of Section 33; and Unit C of Section 34.

Application of Phillips Petroleum Company for approval of infill drilling, Lea County, New Mexico.

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New CASE 6471: Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Freeman Well No. 1-A to be located in Unit C of Section 11, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6472: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Jenny Well No. 1-A to be located in Unit P of Section 13, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New CASE 6473: Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its McIntyre Hell No. 1-A to be located in Unit K of Section 11, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements Mexico. and a finding that the drilling of its Williams Well No. 1-A to be located in Unit C of Section 24, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6474:
•	Page 3 of 4 Examiner Hearing - Wednesday - February 28, 1979 Docket No. 8-79	
• .	<u>CASE 6475</u> :	Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Nexico. Applicant, in the above-styled cause, seeks a waiver of existing well-specing requirements and a finding that the drilling of its Nontoya Well No. 1-A to be located in Unit I of Section 35, Township 32 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
in ne-	<u>CASE 6476</u> :	Application of Pennzoil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the South line and 990 feet from the West line of Section 24, Township 17 South, Range 28 East, Aid-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 24 to be dedicated to the well.
•	CASE 6477:	Application of Sun Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its East Millman Pool Unit Area by the injection of water into the Queen and Grayburg formations through eleven wells located in Sections 12 and 13 of Township 19 South, Range 28 East, East Millman Pool, Eddy County, New Mexico.
	CASE 6437:	(Continued and Readvertised)
	×	Application of Curtis Little for compulsory pooling, approval of infill drilling, and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the rescis- sion of Order No. R-4556 and approval of an order pooling all mineral interests in the Dakota formation underlying all of Section 11 and Lot 4 and the SW/4 SW/4 of Section 12, Township 28 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, to form a 344.36-acre non-standard gas proration unit to be dedicated to a well to be located 1085 feet from the South line and 285 feet from the West line of said Section 12. 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.
an st		Applicant further seeks a finding that the drilling of said well is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6478:

Application of Coronado Exploration Corp. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Son Andres formation underlying the NW/4 SE/4 of Section 26, Township 10 South, Range 28 East, Chaves County, New Mexico, to be dedicated to a well to be located 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 6479: Application of Coronado Exploration Corp. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SE/4 SE/4 of Section 5, Township 10 South, Range 28 East, Chaves County, New Mexico, to be dedicated to a well to be located 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 6480: Application of Marvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its State 22 Well No. 1 located in Unit P of Section 22, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.

CASE 6481: Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its Hanlad State Well No. 1 located in Unit K of Section 2, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.

CASE 6482: Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its Mobil 27 State Well No. 1 located in Unit A of Section 27, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.

CASE 6483: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp, Pennsylvanian, and Mississippian formations underlying the S/2 of Section 8, Township 14 South, Range 36 East, 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. Page 4 of 4 Examiner Hearing - Wednesday - February 28, 1979

Docket No. 8-79

CASE 6484: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp, Pennsylvanian, and Mississippian formations underlying the E/2 of Section 28, Township 16 South, Rango 37 East, 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 6485:

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp, Pennsylvanian, and Mississippian formations underlying the S/2 of Section 13, Township 18 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6486:

486: Application of Depco Inc. for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the North and East lines of Section 21, Township 13 South, Range 30 East, undesignated Morrow pool, Chaves County, New Mexico, the E/2 of said Section 21 to be dedicated to the well.

CASE 6487:

37: Application of El Paso Natural Gas Company for approval of infill drilling. Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Com Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eugent Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6485

APPLICATION

COMES NOW HARVEY E. YATES COMPANY, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Travis Deep No. 5 Well in the Pennsylvanian formation as a gas well, which is to be located at a point 1,980 feet from the West line and 1,980 feet from the South line of Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the S/2 of said Section 13, should be pooled. 5. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the S/2 of said Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

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HARVEY E. YATES COMPANY

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239 Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6485

APPLICATION

COMES NOW HARVEY E. YATES COMPANY, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Travis Deep No. 5 Well in the Pennsylvanian formation as a gas well, which is to be located at a point 1,980 feet from the West line and 1,980 feet from the South line of Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the S/2 of said Section 13, should be pooled. 5. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the S/2 of said Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

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HARVEY E. YATES COMPANY

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LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239 Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

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IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6485

APPLICATION

COHES NOW HARVEY E. YATES COMPANY, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Travis Deep No. 5 Well in the Pennsylvanian formation as a gas well, which is to be located at a point 1,980 feet from the West line and 1,980 feet from the South line of Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

i. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Hississippian formation underlying the S/2 of said Section 13, should be pooled. 5. 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 2003 thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate shars of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the S/2 of said Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Maxico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

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HARVEY E. YATES COMPANY

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239 Artesia, New Mexico 88210

Attorneys for Applicant

Harvey E. Yates Company Compulsory Pooling all formations subject to 320 acre spacing or se Wolfcamp thru Miss. 5/2 13-18-28 Eddy County Called in by Bob Strand 2/2/29 Standard location

STATE OF NEW MEXICO DRAFT ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION dr/ IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING: CASE NO. 6485 Order No. R- 5960 APPLICATION OF HARVEY E. YATES COMPANY FOR COMPULSORY POOLING, 1011 EDDY COUNTY, NEW MEXICO. ORDER OF THE DIVISION BY THE DIVISION: This cause came on for hearing at 9 a.m. on March 2 19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets NOW, on this _____ day of March ____, 19 79 , the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof. (2) That the applicant, Harvey E. Yates Company seeks an order pooling all mineral interests in the Wolfcamp, Pennsylvanian, and Mississippian/formations of Section 13 , Township 18 South , Range 28 East Eddy NMPM,

County, New

Mexico.

-2-Case No. Order No. R-

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location thereon

(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 <u>200 percent</u> thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs. Cale Ro. Conder No. R-

(11) That <u>fer-month</u> 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.

1877.95 permonth while drilling and # 1877.95 permonth while producing # 251.54 permonth while producing

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before $\frac{15}{1979}$, 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, and Mississippian in the <u>Wolfcamp, Pennsylvanian</u> formations underlying the <u>S/2</u> of Section <u>13</u>, Township <u>18 South</u>, Range <u>28 East</u>, NMPM, <u>Eddy</u> County, New Mexico are hereby pooled to form a standard <u>320</u> - acre gas spacing and proration muit to be dedicated to a well to be drilled at a standard location thereon

<u>PROVIDED HOWEVER</u>, that the operator of said unit shall commence the drilling of said well on or before the <u>15 74</u> day of <u>func</u>, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the <u>pooled</u> formations;

<u>PROVIDED FURTHER</u>, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

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(2) That <u>Harvey E. Yates Company</u> 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 Division 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 Division 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 Division and the Division 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 Division 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, <u>200 perconv</u> 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.

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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 immediately be placed in escrow in <u>Eddy</u> County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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