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	14	A P I	PEARANCES	
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	16 17	For the Oil Conservation Division:	Ernest L. Padilla, Legal Counsel for State Land Office	the Division
	18		Santa Fe, New Mexi	co 87503
	19	For the Applicant:	Joel Carson, Esq. LOSEE, CARSON, ANI	DICKERSON
	20 21		Artesia, New Mexic	
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2	INDEX	•			
3					
4	BUDD HEBERT				
5	Direct Examination by Mr.	. Carso	n	3	
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	EXHIBITS			·	
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1	Applicant Exhibit Two, Plat			5	
16	Applicant Exhibit Three, Letter	,4 y		6	
17	Applicant Exhibit Four, Document	5		6	
18	Applicant Exhibit Five, Document			7	
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	Applicant Exhibit Six, Summary	:	е 19	8	
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MR. STAMETS: We'll call next Case 6492. MR. PADILLA: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

Page

MR. CARSON: Mr. Examiner, my name is Joel Carson, Lossee, Carson, and Dickerson, P. A., Artesia, New Mexico. I have one witness, Mr. Budd Hebert.

(Witness sworn.)

BUDD HEBERT

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARSON:

please?

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SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER

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Bianca (505) 471-2. , New Mexico 3750

For the record, would you state your name,

Budd Hebert, Artesia, New Mexico.

And, Mr. Hebert, by whom are you employed?

Yates Petroleum Corporation.

And in what capacity?

As a landman.

How long have you been employed by them

as a landman?

Approximately two years. Α. And, Mr. Hebert, have you previously 2 Ω. 3 testified before this Commission? А. I have. I refer you to Applicant's Exhibit Number, 0. 5 excuse me, have your qualifications been accepted? 6 They were previously, yes. 7 Α. MR. STAMETS: The witness is considered 8 9 gualified. Mr. Hebert, would you please state 10 Q. 11 the purpose of this application. 12 This is an application of Yates Α. 13 Petroleum Corporation for a compulsory pooling in Eddy 14 County, New Mexico. It seeks an order pooling all mineral 15 interests in the San Andres formation underlying the 16 Northeast Northwest of Section 13, Township 17 South, 17 Range 25 East, Eddy County, New Mexico, to be dedicated to. 18 a well to be drilled at a standard location thereon. Also 19 to be considered will be the cost of drilling and 20 completing the well and the allocation of the cost thereof 21 as well as actual operating costs and charges for 22 supervision. Also to be considered will be the 23 designation of applicant as operator of the well and a 24 charge for risk involved in drilling the well. 25 Mr. Hebert, refering to Applicant's Ω.

ward

Exhibit Number One, I ask you to explain that exhibit. A. This is a land map of the protation unit for the Smith FA Well as well as the offsetting leases to the south indicated in the orange.

Page

Q. I refer you to Applicant's Exhibit Number Two and ask you to identify that.

A. This is a blowup of the land tracts within the proration unit of the Smith FA No. 1, and I have indicated on this map two parcels, Lots No. 5 and No. 7, within Plat Number One, which we have been unable to lease to date.

Q. Was this exhibit prepared by you or under your supervision?

A. It was prepared by me.

Q. Mr. Hebert, just for the Examiner's information, this tract is out around the water tower there in Artesia.

A. That is correct. It is within what is called the Davis Subdivision.

Q. What shows up there is that sixteen acres in the northern part of the tract is the old Circle B Drive-in, is that correct?

A. That is correct.

Q. I refer you to Applicant's Exhibit Three and ask you to identify that.

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A. All right. This is a letter that we wrote to Mr. Tipton for Clardy Dairy Products, as well as to Mr. Medford, advising them that -- we are asking them first of all if they would lease to us, and then advising them that if they did not want to lease that they could participate in the well or be compulsorily pooled.

Q. Now, this well has already been drilled.Λ. That is correct.

Q. Would you tell the Examiner the results of your conversations with Clardy Dairy and with Mr. -the other gentleman.

A. Okay. In talking with Mr. Tipton, they thought that the interest was so small that they did not want to be bothered with it and as a consequence did not want to lease and did not want to participate. That was our last conversation.

In talking with Mr. Medford, he no longer owns the property, and the owner is a -- we are not able to locate to date. We are still looking.

Q. I refer you to Applicant's Exhibit Number Four. Would you tell the Examiner what that proports to show.

A. This proports to show the actual costs of drilling the well and operating the well as of January
1979, approximately \$121,000.

LY WALTON BOYD TED SHORTHAND REPORTER LAXA BLANCA (505) 171-245 LAXA BLANCA (505) 171-245 1

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Q. Okay. You say estimated payout three years?

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SALLY WALTON BOYD CERTFIED SHORTHAND REPORTER 30202 Banca (306) 411-3462 Santa Fe, New Mexico 51501 A. We estimated that date from data in January. I checked with our production department just this morning before coming in. That estimate may have been overstated because we are down now to 1 barrell production per day on the well.

Q. It is possible at this point in time that it may not payout at all?

That is correct.

Α.

Q. I refer you to Applicant's Exhibit Number Five and ask you to identify that.

A. There is a series stapled together on here showing both the production on the FA as well as the offsetting wells showing the history of both oil and gas production, and as a general summary let me just state that the FA No. 1 drilled on 12/1 or completed on 12/1/75 produced 24.5 barrells of oil and 17.7 cubic MCF of gas. It is now down to 1 barrell of oil and the gas is negligible. The EB No. 1 drilled on 11/5/75 potentialed at 10.5 barrells of oil, 8.8 MCF, and is now down to 2 barrells of oil. The other offsetting wells, the DT No. 1 and 2 potentialed together approximately, let's see, 81 barrells of oil. They are now down to 7 barrells of oil together. These are summarized both on a monthly and a cumulative basis

			Page 8
N		1	in Exhibit Number Five.
		2	Q. Mr. Hebert, were these Applicant's
		3	Exhibits Numbers One through Six prepared by you or under
		4	your supervision?
		5	A. Yes, they were.
r		6	MR CARSON: I would like to move for the
	-	7	introduction of these exhibits.
		8	MR. STAMETS: What is Number Six? Is
		9	that the summary of Five?
YD ATER 3463		10	A. No, it is the summary of the revenues
N BO D REPOI		11	on the Smith FA.
WALTON SHORTHAND Blanca (605)	- 14 	12	MR. STAMETS: We talked about Six?
> 0 5 A		13	MR. CARSON: I think we talked about it
SALLY CERTIFIED 8010Plaza Santa F	zi	14	at the beginning, but if we didn't please explain what
	•	15	it is.
		16	A. Okay. It is showing on a monthly basis
	an Albana	17	the net revenues from the Smith FA. You can see in
	e,	18	January of '79 we are down to approximately \$100 a month,
		19	\$111.
	en in tra	20	Q. Mr. Hebert, have any of these wells, the
		21	San Andres wells in this Eagle Creek Pool paid out?
		22	A. All of the wells within the Eagle Creek
}		23	San Andres are extremely marginal. I might add that the
		24	north FA is located on the northern most fringe of the
	ere e	25	Eagle Creek field. There were, subsequently, two wells
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9 Page. drilled right across the street, which is Main Street in 1 Artesia, that were dry holes. So we feel that the Smith 2 FA really represents the very northern most extension of 3 the San Andres field in that particular area. 4 Q. You asked the Commission to set a risk 5 factor in this case. 6 That is correct. Α. 7 What do you think that risk factor should Q. 8 be? 9 We are asking for 200 percent. 10 Α. 11 Q. You have also asked that Yates be 12 designated as the operator and that the Commission set a 13 fee for supervisory costs for operating well -- for 14 producing well. 15 That is correct. Α. 16 What do you feel that that fee should be? Q. 17 We are asking for \$300 a month. Α. And that \$300 would be prorated among 18 <u>ي</u>. 19 the various interests? 20 That is correct. Α. 21 Mr. Hebert, do you feel that this, Q. 22 the fourth pooling of these two small tracts would avoid 23 the drilling of unnecessary wells, protect correlative 24 rights and afford the owner of each interest in this 25 proration unit the opportunity to recover, receive, without

75	· .		Page10
~	1	unnecessary expe	nse, his just and fair share of oil
•	:	from this prorat	ion unit?
	;	А.	I do.
		Ω.	You ask that the Commission force
:	!	pool these two i	nterests.
		а.	That is correct.
			MR. STAMETS: I will admit all of these
~	-1	Exhibits One thr	ough Six. I don't think I ever ruled on
· .	*,* !	that, but I do n	QW.
6 E \$ 3	1		CROSS EXAMINATION
N BOY	1	BY MR. STAMETS:	
ALTOI ALTOI ATHAND Con (600	1 1	Ω.	Getting back to Exhibit Number Six,
LY W/ HED SHO A Fe, N		Mr. Hebert. Tha	t consists of two pages. I believe the
SALLY CERTIFIED 1 1010Plaza Santa Fe	1	first page must	reflect the
	1	5 A.	One is gas and one is oil.
	1	β.	The first page is gas and the second is
	1	oil.	
	1	Α.	That is correct.
а 1.1. т	1	Q.	And the far right-hand column shows
٤	2	the net by month	to Yates.
	2	Α.	That is correct.
	2	Q.	Now, does this include any operating
1	2	costs?	
- Ange	2	A.	On the net?
	2	<u></u> Ω.	Yes.

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A. It is just the gross less the taxes.
Q. Okay. So you would have your operation
costs on top of that. Have you made any calculations
which would support your Exhibit Number Four, which show
estimated payout three years from 1/79.

Page

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A. We did -- the accounting department did that form for me. It was based on data back in January and at that time -- I do not have the production figures here in front of me, but the well has fallen off since January, so that that estimation probably was overstated in January.

Do you have a set of those calculations

with you?

Q.

А.

I don't have those with me, no. MR. CARSON: We can and will furnish

them.

Q. (Mr. Stamets continuing) Okay, of this \$120,000, well, no, let's forget the \$120,000, let's go back to the intangible drilling costs and equipment costs of roughly \$106,000. Do you recall what the income on this well has been through the first of January of this year?

A. No, I don't.

MR. CARSON: You can make that calculation, though, can't you?

SALLY WALTON BC CERTIFIED SHORTHAND REPO 030Plaza Blunca (805) 471 84014 Te, New Mexico 87 1

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I think we could, yes.

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SALLY WALTON BOYD CENTIFIED SHORTHAND REPORTER 1030Plaza Blanck (505) 4719462 SADIA 76, New Mechoo 5779462 Α.

MR. CARSON: From the exhibits

MR. STAMETS: It looks like from Exhibit Number Six the average gas income is probably a couple hundred dollars a month. For two years, is that going to be what \$4,800?

A. That looks, as a generalization, fairly correct, yes. And about, I would say, what \$2,500 for oil.

Q. (Mr. Stamets continuing) So it would be something in excess of \$50,000 probably for the oil income. So it would be safe to say that by this time half of the drilling and equiping costs have been accounted for.

A. Approximately, yes. Although that is only a generalization. We could work it out for you if you want it.

Q. Well, I was just trying to find some basis for assigning a risk factor at this point in time. It would seem, offhand, that though Yates Petroleum in drilling this well in 1975 certainly has accepted a good portion of the risk. Although, there does seem to be some risk that the well will ever pay out at this time.

A. Well, yes, that is true, and the risk really lies in the falloff of production in the last few

months considerably. We are producing only about a barrell of oil a day right now. We are still having to maintain the well.

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Q. How many acres are we talking about here in this forced pooling?

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WALTON

A. Approximately about a third of an acreal all together. I forget the exact numbers. It is about a third to a -- well, it is probably about a third.
O. How many dollars is Yates Petroleum going to get if the Division assigns a 200 percent risk factor in this case?

N. Well, it ain't going to make us rich.
 I haven't figured it out.

Q. Well, if you don't get it it is not going to make you poor either.

A. Probably not.

Α.

Q.

Q.

Q. Now, you indicated Mr. Medford had sold his lot in this area.

A. That is correct.

Ω. Who did he sell it to?

He sold it to a Mr. Steed.

Is Mr. Steed in Artesia?

A. Well, he has some relatives in Artesia,

but I haven't been able to chase him down yet.

Okay. How long have you been/trying to

	ſ	e Aa	

track down Mr. Steed?

SALLY WALTON CERTIFIED SHORTHAND RI

Fe, New Mex

A. About four months.

MR. STAMETS: Are there any other

questions of the witness?

You may be excused.

MR. CARSON: We have no other witnesses. MR. STAMETS: If there is nothing further this case will be taken under advisement and we will have a fifteen minute recess for coffee.

(Hearing concluded)

REPORTER'S CERTIFICATE

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SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 3010 Plaza Blanca (505) 111-3457 Santa Pe, New Mexico 37501 I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case 40. heard by me on______19

, Examiner

Oil Conservation Division

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		3		and Office Building Fe, New Mexico		
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			EXAN	IINER HEARING		
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		7	IN THE MATTER OF:	· · · · · · · · · · · · · · · · · · ·		
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		9	Eddy County, New	(Mexico.)		
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		14		PEARANCES		
		15		EARANCES		
		16	For the Oil Conservation	Ernest L. Padilla,	Esa	
		17	Division:	Legal Counsel for	the Division	
				State Land Office Santa Fe, New Mexi		
		18				
		19	For the Applicant:	Joel Carson, Esq.		
		20		LOSEE, CARSON, AND		
		01		Artesia, New Mexic	0	
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	2	INDEX		
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Page _____ 3____

MR. STAMETS: We'll call next Case 6492. MR. PADILLA: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

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DIRECT EXAMINATION

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A.

Q.

A.

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A.

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For the record, would you state your name,

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And, Mr. Hebert, by whom are you employed? Yates Petroleum Corporation.

And in what capacity?

As a landman.

How long have you been employed by them

as a landman?

SALLY WALTON BOYI CERTIFIED SHORTHAND REPORTE 2020Plaza Blanca (606) 471-340 Santa Fe, New Medico 87801 1

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	Α.	Approximately two years.
	Q.	And, Mr. Hebert, have you previously
testifie	d before	e this Commission?
	Α.	I have.
	Q.	I refer you to Applicant's Exhibit Number
excuse m	e, have	your qualifications been accepted?
	А.	They were previously, yes.
-	· · ·	MR. STAMETS: The witness is considered
qualifie	đ.	
	Q.	Mr. Hebert, would you please state
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interest	s in the	e San Andres formation underlying the
Northeas	t North	west of Section 13, Township 17 South,
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a well t	o be dr:	illed at a standard location thereon. Also
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	Q.	Mr. Hebert, refering to Applicant's
	:1	

SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 2020 Plant Blanca (805) 472-3462 Sanca Fe, New Mexico 57502 15[°]

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Y WALTON B ED SHORTHAND REI ED SHORTHAND REI ED SHARCA (605) 4

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SALLY WALTON BOYD SERTIFIED SHORTHAND REPORTEI 010 Planta Blanca (005) 471-346 Santa Fe, New Mexico 87501 1

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Q. Okay. You say estimated payout three years?

A. We estimated that date from data in January. I checked with our production department just this morning before coming in. That estimate may have been overstated because we are down now to 1 barrell production per day on the well.

Q. It is possible at this point in time that it may not payout at all?

A. That is correct.

Q. I refer you to Applicant's Exhibit Number Five and ask you to identify that.

A. There is a series stapled together on here showing both the production on the FA as well as the offsetting wells showing the history of both oil and gas production, and as a general summary let me just state that the FA No. 1 drilled on 12/1 or completed on 12/1/75 produced 24.5 barrells of oil and 17.7 cubic MCF of gas. It is now down to 1 barrell of oil and the gas is negligible The EB No. 1 drilled on 11/5/75 potentialed at 10.5 barrells of oil, 8.8 MCF, and is now down to 2 barrells of oil. The other offsetting wells, the DT No. 1 and 2 potentialed together approximately, let's see, 81 barrells of oil. They are now down to 7 barrells of oil together. These are summarized both on a monthly and a cumulative basis

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\sim		1	in Exhibit Number Five.
		2	Q. Mr. Hebert, were these Applicant's
		3	Exhibits Numbers One through Six prepared by you or under
		4	your supervision?
		5	A. Yes, they were.
		6	MR CARSON: I would like to move for the
		7	introduction of these exhibits.
		8	MR. STAMETS: What is Number Six? Is
		9	that the summary of Five?
		10	A. No, it is the summary of the revenues
	REPORT	11	on the Smith FA.
\bigcirc	ALTOI ATHAND ICA (5.05	12	MR. STAMETS: We talked about Six?
	LY WI IED SHO	13	MR. CARSON: I think we talked about it
	SALLY CERTIFIEI 8030 Plaz Santa 1	14	at the beginning, but if we didn't please explain what
		15	it is.
		16	A. Okay. It is showing on a monthly basis
	2	17	the net revenues from the Smith FA. You can see in
		18	January of '79 we are down to approximately \$100 a month,
		19	\$111.
		20	Q. Mr. Hebert, have any of these wells, the
		21	San Andres wells in this Eagle Creek Pool paid out?
	۲.	22	A. All of the wells within the Eagle Creek
<u>്</u>		23	San Andres are extremely marginal. I might add that the
		24	north FA is located on the northern mcst fringe of the
		25	Eagle Creek field. There were, subsequently, two wells

3 Q.

Page drilled right across the street, which is Main Street in 1 Artesia, that were dry holes. So we feel that the Smith 2 FA really represents the very northern most extension of 3 the San Andres field in that particular area. 4 You asked the Commission to set a risk ο. 5 factor in this case. 6 That is correct. Α. 7 What do you think that risk factor should Q. 8 be? 9 We are asking for 200 percent. Α. 10 You have also asked that Yates be Q. 11 designated as the operator and that the Commission set a 12 fee for supervisory costs for operating well -- for 13 producing well. 14 That is correct. Α. 15 What do you feel that that fee should be? Q. 16 We are asking for \$300 a month. Α. 17 And that \$300 would be prorated among Q. 18 the various interests? 19 That is correct. Α. 20 Mr. Hebert, do you feel that this, Q. 21 the fourth pooling of these two small tracts would avoid 22 the drilling of unnecessary wells, protect correlative 23 rights and afford the owner of each interest in this 24 proration unit the opportunity to recover, receive, without 25

			Page10
N.	1	unnecessary exper	nse, his just and fair share of oil
	2	from this prorati	ion unit?
	3	Α.	I do.
	4	Q.	You ask that the Commission force
	5	pool these two in	nterests.
	6	Α.	That is correct.
	7		MR. STAMETS: I will admit all of these
	8	Exhibits One thro	ough Six. I don't think I ever ruled on
	9	that, but I do no	₩.
<u>م ۳ ۵</u> -	10		CROSS EXAMINATION
BOYI REPORTE 471-24	11	BY MR. STAMETS:	
LTON THAND 1 # (605)	12	Q.	Getting back to Exhibit Number Six,
SALLY WALTOI CERTIFIED SHORTHANG 103.0 Plaza Blanca (6.01 Santa Fe, New Mex	13	Mr. Hebert. That	t consists of two pages. I believe the
SALL CERTIFIE CERTIFIE CERTIFIE Santa	14	first page must i	reflect the
	15	А.	One is gas and one is oil.
	16	Q.	The first page is gas and the second is
	17	oil.	
	18	Α.	That is correct.
	19	Q.	And the far right-hand column shows
	20	the net by month	to Yates.
	21	Α.	That is correct.
	22	Q.	Now, does this include any operating
	23	costs?	
	24	А.	On the net?
	25	Q.	Yes.
	1,		

- [] - - -

A. It is just the gross less the taxes.
Q. Okay. So you would have your operation
costs on top of that. Have you made any calculations
which would support your Exhibit Number Four, which show
estimated payout three years from 1/79.
A. We did -- the accounting department did

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that form for me. It was based on data back in January and at that time -- I do not have the production figures here in front of me, but the well has fallen off since January, so that that estimation probably was overstated in January.

Q. Do you have a set of those calculations with you?

A. I don't have those with me, no.
 MR. CARSON: We can and will furnish them.

Q. (Mr. Stamets continuing) Okay, of this \$120,000, well, no. let's forget the \$120,000, let's go back to the intangible drilling costs and equipment costs of roughly \$106,000. Do you recall what the income on this well has been through the first of January of this year?

No, I don't.

MR. CARSON: You can make that calculation

though, can't you?

Α.

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I think we could, yes.

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MR. CARSON: From the exhibits

MR. STAMETS: It looks like from Exhibit Number Six the average gas income is probably a couple hundred dollars a month. For two years, is that going to be what \$4,800?

A. That looks, as a generalization, fairly correct, yes. And about, I would say, what \$2,500 for oil.

Q. (Mr. Stamets continuing) So it would be something in excess of \$50,000 probably for the oil income. So it would be safe to say that by this time half of the drilling and equiping costs have been accounted for.

A. Approximately, yes. Although that is only a generalization. We could work it out for you if you want it.

Q. Well, I was just trying to find some basis for assigning a risk factor at this point in time. It would seem, offhand, that though Yates Petroleum in drilling this well in 1975 certainly has accepted a good portion of the risk. Although, there does seem to be some risk that the well will ever pay out at this time.

A. Well, yes, that is true, and the risk really lies in the falloff of production in the last few

		4 1/4	Page13
$\widehat{}$		1	months considerably. We are producing only about a barrell
		2	of oil a day right now. We are still having to maintain
		3	the well.
		4	Q. How many acres are we talking about
		5	here in this forced pooling?
		6	A. Approximately about a third of an acre
		7	all together. I forget the exact numbers. It is about a
	2	8	third to a well, it is probably about a third.
	.*	9	Q. How many dollars is Yates Petroleum
		10	going to get if the Division assigns a 200 percent risk
	H BOYD REPONTER) 471-246 100 87501	11	factor in this case?
	NLTOA RTHAND RC (605 W MOE	12	A. Well, it ain't going to make us rich.
	Y WA ED SHOL IZA Blan	13	I haven't figured it out.
	SALLY CERTIFIED 3030 Plaza Santa P	14	Q. Well, if you don't get it it is not
		15	going to make you poor either.
	, t	16	A. Probably not.
		17	Q. Now, you indicated Mr. Medford had sold
	4 ₁₀	18	his lot in this area.
		19	A. That is correct.
		20	Q. Who did he sell it to?
		21	A. He sold it to a Mr. Steed.
	x 2	22	Q. Is Mr. Steed in Artesia?
رگ		23	A. Well, he has some relatives in Artesia,
****		24	but I haven't been able to chase him down yet.
		25	Q. Okay. How long have you been trying to

 track down Mr. Steed? A. About four months. MR. STAMETS: Are there any other questions of the witness? You may be excused. MR. CARSON: We have no other witnesses. MR. STAMETS: If there is nothing further this case will be taken under advisement and we will have a fifteen minute recess for coffee. (Hearing concluded) 			Page14	
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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sully W. Boyd CSR Sally M. Boyd, C.S.R.

I do hereby certify that the foregoing h a complete record of the proceedings in the Examiner hearing of Case No. 6493 heard by the on 5-23 1979.

SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTEI lanca (505) 4 New Mexico

Oil Conservation Division

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6 IN THE MATTER OF:) 7 Application of Yates Petroleum Corporation) CASE 8 for compulsory pooling, Eddy County, New) 6492 9	1 2 3 4 5	STATE OF NE ENERGY AND MINERA OIL CONSERVATI State Land Off Santa Fe, Ne 9 May 1 <u>EXAMINER</u> 1	LS DEPARTMENT ON DIVISION Lice Building W Mexico .979	
OG ON OUTPOND 11 TRANSCRIPT OF HEARING 13 A P P E A R A N C E S 14 For the Oil Conservation Division: 15 16 17 18 19 20 21 23	7 8 9	Application of Yates Petr for compulsory pooling, E Mexico.		
17 18 19 20 21 21 23	SALLY WALTON SALLY WALTON CERTIFIED SHORTHAND R 0030 Plats Blanca (005) Santa Fo, New Mostoo 12	TRANSCRIPT OF HEA A P P E A R A N C For the Oil Conservation	C E S Ernest L. Padilla, H Legal Counsel for th	ne Division
22 23	17 18 19		Santa Fe, New Mexico	5 87501
25	22 23 24			

MR. NUTTER: Call Case Number 6492. Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. We will call Case Number 6492 later in the day. MR. NUTTER: We will call Case Number 6492 again. At the request of applicant Case Number 6492 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 a.m., May 23, 1979. With that particular hearing -- the hearing is adjourned. (Hearing concluded.)

REPORTER'S CERTIFICATE

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WALTON BOYI

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cor) Sally W. Boyd, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. (6973heard by me on 5/9 19.79. Arthur Examiner

Oil Conservation Division

Page STATE OF NEW MEXICO 1 ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION 2 State Land Office Building Santa Fe, New Mexico 3 9 May 1979 4 EXAMINER HEARING 5 6 IN THE MATTER OF: 7 Application of Yates Petroleum Corporation CASE for compulsory pooling, Eddy County, New 6492 8 Mexico. 9 10 BEFORE: Daniel S. Nutter ON BOY 11 12 TRANSCRIPT OF HEARING SALLY WAL 13 APPEARANCES 14 For the Oil Conservation Ernest L. Padilla, Esq. 15 Division: Legal Counsel for the Division State Land Office Building 16 Santa Fe, New Mexico 87501 17 18 19 20 21 22 23 24 25

Page _____ 2

MR. NUTTER: Call Case Number 6492.

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. We will call Case Number 6492 later in the day.

SALLY WALTON BOYD CERTFIED SHORTHAND REPORTER 8020Plaza Blanca (806) 471-2462 Santa Fe, New Medico 87601 MR. NUTTER: We will call Case Number 6492 again. At the request of applicant Case Number 6492 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 a.m., May 23, 1979.

With that particular hearing --- the hearing is adjourned.

(Hearing concluded.)
REPORTER'S CERTIFICATE

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SALLY WALTON BOYD DERTIFIED SHORTHAND REPORTER

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MACA (605) 471-246) New Mexico 87501 Page

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing Is a complete record of the proceedings in the Examiner hearing of Case No. 677 1976 heard by me an Examiner Off-Conservation Division

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

AU It

JERRY APODACA COVERNOR NICK FRANKLIN

SECRETARY

June 14, 1979

Re:

POST DEFICE BOX 2008 STATE LAND DEFICE BUILDING SANTA FE, NEW MEXICO 07501 (505) 027-2434

Mr. Joel Carson Losee, Carson & Dickerson Attorneys at Law Post Office Box 239 Artosia, New Mexico 88210

Applicant:	-		
			-

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Yates Petroleum Corporation

Dear Sir:

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

CASE NO.

ORDER NO.R-6017

Yours very truly, enny ųζ RAMEY JOE D. Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x Artesia OCC x Aztec OCC

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. 6492 Order No. R-6017

APPLICATION OF YATES PETROLEUM CORPORATION 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 May 23, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>l2th</u> day of June, 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, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 East, NMPM, Eagle Creek-San Andres Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and has drilled its Smith FA Well No. 1 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 oil in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit. -2-Case No. 6492 Order No. R-6017

(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 actual 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 actual well costs should have withheld from production his share of the reasonable well costs plus an additional 100 percent thereof as a reasonable charge for the risk involved in the 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 \$300.00 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 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.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 East, NMPM, Eagle Creek-San Andres Pool, Eddy County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to the Yates Petroleum Corporation Smith FA Well No. 1 drilled at a standard location thereon.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That within 30 days after the effective date of this order the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of actual well costs. -3-Case No. 6492 Order No. R-6017

(4) That within 30 days from the date the schedule of actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of 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 well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) 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 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 well costs within 30 days from the date the schedule of well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 100 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of well costs within 30 days from the date the schedule of well costs is furnished to him.

(7) That \$300.00 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 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.

(8) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)royalty interest for the purpose of allocating costs and charges under the terms of this order. -4-Case No. 6492 Order No. R-6017

(9) 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.

(10) 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.

(11) 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.



STATE OF NEW MEXICO OIL CONSERVATION DIVISION

JOE D. RAMEY Director

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207 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210 TELEPHONE (505) 746-3558

January 5, 1979 🜙

Clardy's Dairy Products, Inc. 1605 North Garden Ave. Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease <u>Township 17 South, Range 25 East, NMPM</u> Section 13: NE¹₄NW¹₄ Eddy County, New Mexico

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NE4NW4 of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw Land Department

By: Budd H. Hebert

BHH/jlm Enclosure

BEFORE EXAMPLER STAMETS
OIL CONSELVATION DIVISION
 DALISIT NO. 5
CASE NO. 6492
Submitted by APPLICANT
Hearing Date
 EX HABITO

S. P. YATES PRESIDENT MARTIN YATLS. III VICE TADUDENT JOHN A. YATES VICE PRESIDENT B. W. HARPER SEC.-TREAS Preducers 88 Rev. (5 Year Lease) 10-57

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OFIVE YEAR PAID UP LEASES OIL AND GAS LEASE

Perm 315 Hall-Poorboogh Press Reawell, New Mexico

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5th THIS AGREEMENT made this CLARDY'S DAIRY PRODUCTS, INC., Lessor, and

YATES PETROLEUM CORPORATION, a New Mexico corporation-1/4; YATES DRILLING COMPANY, a New Mexico corporation - 1/6; MARTIN YATES, III-1/6; JOHN A. YATES-1/6 1. Lessor in consideration of TEN AND NO/100-----Dollars.

thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following discribed land in.

County, New Mexico

Township 17 South, Range 25 East, NMPM Section 13: NEWNY

2. Without reference to the commencement, prosecution or constation at any time of drilling or other development operations and/or to the discovery, development or constituent any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding any-thing else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primery term") and as long thereafter as oil or gas is produced from said land or land with which said land is pocked hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lesser may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, pro-

duced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4.

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4... of the amount realized from such sale; while there is a ras well on this leave or on accease pooled therewith but gas is not being sold or used. Leave may pay or trader as royalty, on or before biases (53) days after, the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this leave shall not terminate and it will be considered that gas is being produced from this leave in paying quantities. Payment or tender of said shuting that gas is being produced from this leave in paying quantities. Payment or tender of said shuting that gas is being produced from this leave in paying quantities. Payment or tender of said shuting the arroyalty may be made by check or draft of Lesser mailed or delivered to the parties cattled thereto on or before the date said payment is due. Lesser shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

The one basis with main words the set matter of vertices to the prints exclude and or televe to the task and payment is called set in have the puted after debuting any so used.
4. Lease, at its option, is break given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oll and gas, or either of the main and the royalty or when to do so wold, in the royalty or most to be accessed by the royalty or the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oll and gas, or either and the royalty or when to do so wold, in the judgment of Lesse, promote the conservation of oil and gas in and under and that may be produced from said premises. Unlis puched for oil breaked areana in attrained to access the royalt of the any portion thereof as the old accesses and units pooled for gas hereunder shall not subtantially exceed 40 accesses each in area and units pooled do gas hereunder shall not subtantially exceed and a to can any one or more strata. The units formed by pooling as to any stratum or strata and sto can any one or more strata and as to can in any one or more strata. The units formed by pooling as to any stratum or strata, and oil units are posled or so any stratum or strata, and oil units needed or pooling in so any stratum or strata, and oil units needed or provided as to oil in any one or more intrata. The pooled or gas in paying quantities had the posled of gas as the pooled or is any previse or atter the exceeding or provided in the strate and oil units are strate and or provide the short of the diffing. The posled of a strate and oil or gas in paying quantities had the posled on in gas from any part of the pooled on the diffing a well for oil or gas have the difficult of the posled on the posled on the posled on the pooled on the diffing. Have the posled on the posled unit, a

and the same may be recorded either before or after the completion of wells. 5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lesse shall remain in force so long as operations charten, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lesse shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 con-secutive days, and if they result in the production of oil or gas is produced from said land, or from land pooled therewith. If, should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of should cease in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate fectoris of the completen of a dry hole or the cessation of production of radiations of wells accordance with the terms hereof, the completent is down of a dry hole or the cessation of presses or similar circuits about the same or similar circuits about be brought in on adjacent land and within 60 feet of and draining the lease premises, or land pooled therewith. Lessee agrees to irill such offset well or wells as a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the a

6. Lessee shall have the right at any time during or after the expiration of this lesse 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 below ordinary plow depth. and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royaltics, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

3. The breach by Lesses of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the state created hereby nor be grounds for cancellation hereof in while or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease. Lessor shall notify Lesses in writing of the facts relied upon as constituting a breach hereof, and Lesses, if in default, that have sixty days after receipted on their or notify Lesses in writing of the facts relied upon as constituting a breach hereof, and Lesses, if a default, that have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in gaying quantities on said premises, Lessee shall develop the accesser relations here one as a reasonably prudent operator but in discharging this ublightion it shall in no event be required to drill more than one well per forty (10) acres of the area related hereunder and cayable of producing gas in paying quantities.

9. Lessor boreby worrants and across to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other him upon said land either in wheth or in part, and in went Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royaltien accruing bireunder toward satisfying some. Without impourment of Lessee's right under the warranty in event of follows of fitte, it is agreed that if Lesser owned an interest in the offer parton, in or under said hard less that the entire free shares extend to such the royalties to be paid Lessor shall be reduced proportionallely. Should any one or more of the parties named as Lessors full to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lesse be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing dilling in reworking operation of fore majoure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lesse's abligation to comply with such covenant shall be supported, and force shall not be liable in damages for future to comply therewith; and this leave shall be extended while and so long as Lesse's in prevented, by any such force from conducting dualities or reworking operations or from producing ult or sets that is the leaved prevented by any such force from conducting dualities or reworking operations or from producing ult or sets from the leaved prevented that has be counted against beauty anything in this leave to the contrary notwithatanding.

IN WITNESS WIIFREOF, this instrument is executed on the date first above written.

ATTEST:	CLARDY'S DAIRY PRODUCTS, INC.
	By:
	12X •
Lessor	Jator

SMITH FA #1 INTANGIBLE DRILLING COST \$56,375.58 \$ 50, 378.07 EQUIPMENT COSTS \$ 13,971.72 OPERATING COSTS (to JANUART, 1979) TOTAL \$120, 725.37 ESTIMATED PAYOUT - 3 YRS FROM 1-79 EXHIBIT D 4.5 BEFORE EXAMINER STAMETS OIL CONCERVATION DIVISION CASE NO. 6492 Seladada T APPLICANT Hearing Dala

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207 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210 TELEPHONE (505) 746-3558

January 5, 1979

Clardy's Dairy Products, Inc. 1605 North Garden Ave. Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease <u>Township 17 South, Range 25 East, NMPM</u> Section 13: NE¹4NW¹4 Eddy County, New Mexico

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NEANWA of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw Land Department

By: Budd H. Hebert

BHH/jlm Enclosure

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO.
CASE NO. 6492
Submitted by APPLICANT
Hearing Date

EXHIBIT C

MARTIN YATLS, III VICE PRESIDENT JOHN A. YATES VICE PRESIDENT B. W. HARPER SEG.-TREAS

5 P. YATER President Provagers 88 Rev. (5 Year Lesse) 10-37

(FIVE YEAR PAID UP LEASE) OIL AND GAS LEASE

January

Ferm 315 Hall-Poorboogh Press Reswell, New Mexico

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5th THIS AGREEMENT made this day of

YATES PETROLEUM CORPORATION, a New Mexico corporation-1/4; YATES DRULLING COMPANY, a New Mexico_corporation - 1/6; MARTIN YATES, III-1/6; JOHN A. YATES-1/6

Dollars 1. Lesso: In consideration of TEN AND NO/100-----**(; 10.00** (3.10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets ex-clusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gre, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lassor adjacent and contiguous

thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in. Eddy County, New Mexico

Township 17 South, Range 25 East, NMPM

Section 13: NEWNWY

2. Without reference to the commencement, prosecution or cosmition at any time of drilling or other development operations and/or to the discovery, de-dopanent or cosmition at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding any-ling else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long the calter as oil gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (2) on oil, $\frac{1}{4}$ of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be concretely Lessor into the purchase any royalty oil in its passession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, pro-

of the gas so sold or used, provided that unight fold at the cells the royalty shall be 1/4, of the amount realized from such r_1 e; while there is a well on this leave or on acreage pooled therewith but gas is not being sold or used. Lessee may pay or tender as royalty, on or before heavy (5) days the determinate and it will be benuidered that gas is obtained from this leave in paying quantities. Paynett of tender of sold shuttin gas royalty be made by check or draft of Lesses mailed or delivered by the patter of the date sold but the delivered by the patter of the date sold but water from sold had, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be putted after deducting any so used. shall

we of oil, case, on point where many on unterverse to the points coulder into a clear the the same payment is clear the stall have the payfed after deducting any an well.
4. Lesse, at its option, is hereby given the right and power to pool or combine the acreage covered by this lesse, or any portion thereof as to, oil and gas, or either of them, with other land, have or lesses in the immediate vicinity thereof to the extent, hereinatics stillulated, when in Lessee's judgment is for a cover portion, is hereby given the right and power to pool or combine the acreage covered by this lesse, or any portion thereof as to, oil and gas, or either of them, with other land, have or lesses in the immediate vicinity thereof to the extent, hereinatics stillulated, when in Lessee's judgment is clear to acreate acreation of the same stall cases are covered by this lesse, or any portion thereof as the other with the submantially exceed in area as the and on the pooled or as that may be noted from and previous the stall mays there of the stall mays are compared to a cover acach in area and units pooled for gas hereunder shall not submantially exceed in a result and units pooled for gas becauted with the unit or units into which the lease is poolid or combine acreage covered by this lesse, or any portion thereof as above provided as to oil in any one or more strata. The units formed by nooling at to any stratum or strata and as to gas an one or more strata. The units formed by nooling at the out of a unit into which the lease is poolid or the county in which the definition and the description of the count in the strate and oil or gas and on any acreations for the description and the rest and the pooled or gas as pooled on the stratum and the description and the pooled on the stratum and all or a portion thereof as there of the description of of a strate and all or a portion of the apprecise accounting the pooling at a pooled one or production of the pooled one as the ander the acreation and astrate and and the pooled o

and the same may be recorded either before or after the completion of wells. 5. If at the expiration of the primary term ull or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engrade in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lesse shall remain a force so long as operations consolid well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 con-recutive days, and if they result in the production of oil or gas is produced from said land, or from land pooled therewith. If silter the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith. If should cease from any cause, this lease shall not terminate if Lessee confinences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long such operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any probed unit designated by Lessee in accordance with the terms hereof, muy be dissolved by Lessee by instrument filed for record in the appropriate records of the completion of a dry hole or the cessation of production or said unit. In the event a well or the constitution of a dry hole or the cessation of production production wells are areanably prudent operator would drill under the same or similar circuits should be brought in on adjuant land and within 60 feet of and draining the fease premises, or jand poole wells producing oil or gas in pying quartities should be brought and and within 60 feet of and draining the fease prem

6. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and fixtures placed by Lessee on said land, luding the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be lied within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigned bot no charge or division in ownership of the land or royalties, however accomplished, shall operate to collarge the obligations or diminish the rights of Lessee; and no charge or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment bereof in whole or in part islability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lesses of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in while or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lesses in writing of the facts relied upon as constituting a breach hereof, and Lesses, it in default, shall have sixty days after receipt of such notifier in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, fessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in or event be required to drill more than one well per forty (50) acres of the area retained hereunder and capable of producing oil in pavise quantities and one well per 640 acres plus no acreage tolerance not to exceed 10% of 610 acres of the area retained hereunder and capable of producing gas in paying quantities.

6. Lessor hereby warrants and surces 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 either in whele or in part, end in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing birconner toward satisfying some. Without impairment of Lessee's right under the warranty in event of followe of title, it is agreed that if Lesser over an interest in the offer part on, in or under said and her the entry for simple events that he resulties to be paid Lesser shull be related properiorately. Should any one or more of the parties named as Lessors full to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing dilling or reworking operation of core majore, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented. Lessee's obligation to comply with such covenant shall be supported, and ferre shall not be table in damages for finite to comply therewith; and this have shall be evended while and so have as fassee is prevented by any such cause from conducting drilling or reworking operations on or from predicting of restored while and so have to prevented by any such cause from conducting drilling or reworking operations on or from predicting of or ges from the leased prevented that not be counted against lesses, anything in this lease to the contrary notwithatanding.

IN WITNESS WIFFREOF, this instrument is executed on the date first above written,

ATTEST:	 	

CLARDY'S DAIRY PRODUCTS, INC.

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207 SOUTH FOURTH STREET ARTESIA. NEW MEXICO 88210 TELEPHONE (505) 746-3558

January 5, 1979

Clardy's Dairy Products, Inc. 1605 North Garden Ave. Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease <u>Township 17 South, Range 25 East, NMPM</u> Section 13: NE¹4NW¹4 Eddy County, New Mexico

S P. YATES PREDIDENT MARTIN YATES, DI VICE PREDIDENT JOHN A. YATES VICE PREDIDENT B. W. HARPER S. SEC. TREAS

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NEANWA of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw Land Department

By: Budd H. Hebert

BHH/jlm	
Enclosure	

 BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. 3
CASE INO. 6492 Submilled by APPLICANT
Hearing Daie

EXHIBIT C

Producers 83 Roy, (5 Year Lease) 10-57

(FIVE YEAR PAID UP LUASE) OIL AND GAS LEASE Prem 315 Hall-Pourbaugh Press Roswell, New Mexico

THIS AGREEMENT made this 5tch day of January CLANDY'S DAIRY PRODUCTS, INC., Lessor, and

Eddy County, New Mexico to the one to the termine termine to the termine
Township 17 South, Range 25 East, NMPM Section 13: NE4NW4

2. Without reference to the commencement, presecution or constition at any time of drilling or other development operations and/or to the discovery, development or constition at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this base shall be for a term of five years 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 hereunder.

3. The splitter to be added with which she have be posted increased in saved from said land, the same to be delivered at the wells or to the credit of 1_{cred} in the two line in the wells on said 1_{cred} of that produced and saved from said land, the same to be delivered at the wells or to the credit of 1_{cred} of that produced and saved from said land, the same to be delivered at the wells or to the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, pro-

duced from said land, and sold, or used off the premises or for the extraction of pasoline or other product therefrom, the market value at the well of 1/4...

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4... of the amount realized from such sale; while there is a ras well on this leave or on acreage pooled therewith but gas is not being sold or used. Lessee may pay or tender as royalty, on or before ninety 1531 days after the det on which said well is shot in and thereafter at annual intervals the sum of SLOB per acre, and it such payment is made or tendered, this leave shall not terminate and it will be considered that gas is being produced from this base in paying quantities. Payment or tender of said shift not delivered to the partice entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

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and the same may be recorded either before or after the completion of wells. 5. If at the expiration of the primary term uil or gas is not being produced on said lend, or from land pooled therewith, but Lessee is then expanded in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lesse shall remain in force so long as operations on said well of for drilling or reworking of any Additional well are prosecuted with no closation of more than 50 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, should cease from any cause, this lease shall not terminate it is save commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations for drilling or reworking within 60 days after the cessation of it they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith, any designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the approprintur records of the country wells production, poly Lesse grees to drill such offset wells as a reasonably brudent operator would dril under the same or similar, incords of the country therewith. Lessee agrees to drill such offset wells as a release or releases covering any portion or portions of the above described premises. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portions and be releaved of all obligations as to the access of the above described premises and thereby surrender this lease as to such portions are drive acord a release or releases covering any portion or portions of the

6. 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 Lesser, Lessee will hury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

1. The rights of either party hereander may be assigned in whole or in part, and the provisions hereof shall extend to their heirs/successors and assigns but no charge or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no charge or division in such ownership shall be binding on Lessee; and no charge or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have here it as grant to grant and assignment bereof in whole or in part liability for breach of any obligation bereorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereounder shall rest exclusively upon the owner of this lease or of a portion thereof who commits euch breach. If six or more parties become entitled to forsalty hereculer, lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

3. The breach by Lesses of any obligation arising hercunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in while or in part. In the event Lessor considers that operations are not at any time being conducted in combinance with this lease. Lessor shall notify Lesses in writing by the facts relief upon as constituting a breach hereof, and Lesses, if in default, shall have sixty days after receipt of such active in which to commence the compliance with the obligations imposed by virtue of this instrument. After the diversery of oil or gas in paying quantities on said premises, feasee shall develop the accesse retained hereunder as a reasonably predent operator of producing oil in paving quantities and one well per tio acres ylus an acresse televance not to exceed 10% of 610 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor bereby warrants and averes to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortcage or other lien upon raid land either in whole or in part, and in event lessee does so, it shall be subrogated to such lien with the right to enforce some and apply royalities accruing horeunder toward satisfying some. Without impairment of Lessee's right under the warranty in event of fellace of title, it is nerved that if Lessor owners an interest in the oil or may on, in or under said hand less than the entire for simple estate, then the covariant to be paid Lessor shall be reduced proportionately. Should any one or more of the pactice sound as Lessors full to excente this lesse, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lesse be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majoure, any federal or state law or any order, rule or repulsion of governmental authority, then while so prevented, hence's obligation to comply with such covenant shall be supported of and instead of state law or any order, rule or repulsion of governmental authority, then while so prevented, hence's obligation to comply with such covenant shall be supported of and instead of the or the order of the comply therewith; and this lease shall be extended while and so long as laster is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas these there are the time while lesses is no prevented thall not be counted against because, any this have to the contrary-notwithatanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

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ATTEST :		

CLARDY'S DAIRY PRODUCTS, INC.

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Application of Yates Petroleum Corpor-) CASE ation for compulsory pooling, Eddy 6492 County, New Mexico. } BEFORE: Richard L. Stamets NOTWOM NEW YOUR AND THE ARING A P P E A R A N C E S For the Oil Conservation Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 37503 For the Applicant: 21 22 23 24		IN THE MATTER OF:			4
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SALLY WALTON BOYD CERINFIED SHORTHAND REPORTER

8030 Plaza Bla Santa Fe, D I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me, that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

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I do here a device that the foregoing is a convolute converse of the proceedings in the Examiner hearing of Case 100. $\frac{1492}{19.29}$ heard by me on $\frac{125}{19.29}$. 19.29. Or church of the proceeding of Case 100. $\frac{19.29}{19.29}$.

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Page MR. STAMETS: Call next Case 6492. MS. TESCHENDORF: Case 6492. Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. The applicant has requested that the case be continued to the May 9th Examiner Hearing. MR. STAMETS: The case will be so continued. (Hearing concluded) WALTON BO

2 REPORTER'S CERTIFICATE 3 4 I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY 5 CERTIFY that the foregoing and attached Transcript of 6 Hearing before the Oil Conservation Division was reported 7 by me, that said transcript is a full, true, and correct 8: record of the hearing, prepared by me to the best of my Ŷ ability, knowledge, and skill, from my notes taken at the 10 time of the hearing. 11 SALLY WALTON B CERTIFIED SHORTHAND REP CERTIFIED SHORTHAND REP 202027422 Blanca (505) 47 84014 Fe, New Madou 5 12 13 Sally W. Boyd, C.S.R. 14 15 16 17 I do here a start that the foregoing is 18 a complete so and the proceedings in the Examiner hearing of Case 10. 19 heard by nie on______19 20 , Examiner Oll Conservation Division 21 22 23 24 25

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Dockels Nos. 23-79 and 24-79 are tentatively set for hearing on June 13 and 27, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 23, 1979.

9 A.H. - 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 6545: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, Travelern Indomnity Company, and all other interested parties to appear and show cauce why the Foklah Roby Well No. 1 located in Unit G of Section 24, Township 22 South, Range 26 East, Eddy County, New Nexico, should not be plugged and abandoned in accordance with a Divisionapproved plugging program.

(Continued from February 28, 1979, Examiner Hearing) CASE 64221

> In the matter of the hearing colled by the Oil Conservation Division on its own motion to permit Holton Engineering 6 Geological Services, Inc., Travelers Indemnity Company, and all other interested parties to appear and show cause why the Brent Well No. 1 located in Unit N of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, both 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 6546:

Application of Black River Corporation for compulsory pooling and non-standard gas proration unit, Application of black kiver corporation for comparisory pooring and non-standard gas profacion while Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jaimat Gas Pool underlying the SW/4 of Section 32, Tourship 23 South, Range 37 Fast, to form a 160-acre non-standard gas provation unit 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 6536: (Continued from May 9, 1979, Examiner Hearing)

Application of Black River Corporation for two non-standard gas proration units, Lea County, New Application of Black Kiver Corporation for two non-standard gas provation units, Lea county, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas provation units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/Z SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P.

CASE 6535: (Continued from May 9, 1979, Examiner Hearing)

Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

- Application of American Petrofina Company of Texas for the creation of a waterflood buffer zone, CASE 6547: Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a waterflood buffer zone comprising the NE/4 SE/4 of Section 26, Township 17 South, Range 32 East, Maljamar Grayburg-San Andres Pool, to enable applicant to produce its Johns B Well No. 4 located thereon at an unrestricted rate.
- · CASE 6548: Application of John F. Staver for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Dakota formation through the open hole interval from 1408 feet to 1412 feet in his Table Mesa Well No. 22 located in Unit N and from 1394 feet to 1400 feet in his Table Mesa Well No. 23 located in Unit O, both in Section 34, Township 28 North, Range 17 West, Table Mesa-Dakota Oil Pool.

CASE 6549:

Application of Gulf Oil Corporation for pool creation, discovery allowable, and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Bone Springs oil pool for its Lea "YH" State Well No. 1 located in Unit O of Section 25, Township 18 34 East. Applicant also seeks a discovery allowable and promulgation of special pool South, Range rules, including a provision for 80-acre spacing.

Page 2 of 4 Examiner Hearing - Wednesday - May 23, 1979

CASE 6550: Application of Yates Petroleum Corporation for an unorthodox gas well location and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp the sissippian formations underlying the S/2 of Section 12, Township 19 South, Range 24 East, to be dedicated to its Allison Federal "CQ" Well No. 2 to be drilled at an unorthodox location 1980 feet from the South line and 660 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.

CASE 6492:

(Continued from May 9, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6551:

Application of Bass Enterprises Production Company for an unorthodox gas well-location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Lower Morrow gas well location 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 28 East, the N/2 of said Section 1 to be dedicated to the well.

CASE 6528: (Continued from April 25, 1979, Examiner Hearing)

> Application of Bass Enterprises Production Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Morrow test well location to be drilled 660 feet from the North and West lines of Section 10, Township 21 South, Range 32 East, Lea County, New Mexico, the W/2 of said Section 10 to be dedicated to the well.

- Application of Maddox Energy Corporation for compulsory pooling, Eddy County, New Mexico. CASE 6552: Application of name of the standard location for computation pooring, had soundey, new texted. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsyl-vanian formation underlying the E/2 of Section 3, Township 24 South, Range 28 East, 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.
- Application of The Atlantic Richfield Company for approval of infill drilling, Eddy County, New CASE 6553: Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Empire Abo Unit located in Townships 17 and 18 South, Ranges 27, 28 and 29 East, which could not be so drained by the existing wells.
- CASE 6554: Application of The Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Bevonian, McKee, and Ellenburger formations underlying the E/2 of Section 10, Township 22 South, Range 36 East, Langlie Field, to be dedicated to a well to be drilled at a standard location thereon.
- Application of Jake L. Hamon for an unorthodox gas well location, Lea County, New Mexico. CASE-6555: Applicant, in the above-styled cause, seeks approval for an unorthodox location 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, North Osudo-Morrow Cas Pool, all of said Section 30 to be dedicated to the well.
- CASE 6556: Application of Curtis Little for the amendment of Order No. R-5962, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R=5962 to provide for the unorthodox location of a well to be drilled 1000 feet from the South line and 50 feet from the East line of Section 11, Township 28 North, Range 12 West, Basin-Dakota Pool, and for the extension of the date to commence drilling.

(Continued from February 28, 1979, Examiner Hearing)

CASE 6435:

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 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 provation unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.

Page 3 of 4

Examiner Hearing - Wednesday - May 23, 1979

CASE 6559: Application of Roy L. McKay for a unit agreement, Lea County, New Mexico. Applicant, in the abovestyled cause, seeks approval for his Morton Solid State Unit Area, comprising 1,480 acres, more or less, of State lands in Township 15 South, Range 34 East.

CASE 6487: (Continued from February 28, 1979, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a univer 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, Kange 36 East, Euront Gas Fool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the provation unit which cannot be so drained by the existing well.

CASE 6471: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan 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 Preeman 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: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Nexico. 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 Nexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6473: (Continued from February 28, 1979, Examiner Hearing)

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 McIntyre Well 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.

CASE 6474: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan 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 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 6475: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan 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 Montoya 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.

Page 4 of 4

Docket No. 21-79

DOCKET: COMMISSION HEARING - TUESDAY - MAY 29, 1979

9.00 a

26.03

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

CASE 6557: Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Morrow gas pool for its State 35 Kell No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, and its Getty Two State Well No. 1 located in Unit F of Section 2, Township 22 South, Range 34 East, and for promulgation of special pool rules, including provision for 640-acre gas well spacing.

CASE 6497: (DE NOVO)

Application of Llano, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 1650 feet from the South line and 660 feet from the East line of Section 34, Township 21 South, Range 34 East, Grama Ridge-Morrow Gas Pool, the E/2 of said Section 34 to be dedicated to the well.

Upon application of Getty Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6558:

Application of Liano, inc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 of Section 34, Township 21 South, Range 34 East, to be dedicated to its Liano 34 State Com Well No. 1 located in Unit I of sold Section 34. Dockets Nos. 20-79 and 21-79 are tentatively set for hearing on May 23 and June 13, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 9, 1979

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

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

CASE 6544: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Geologic Resources, Inc., United States Fire Insurance Company, and all other interested parties to appear and show cause why the B. T. Gedee Strat. Test Well No. 1 located in Unit I of Section 25, Township 12 North, Range 8 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6492:

: (Continued from April 25, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NN/4 of Section 13, Township 17 South, Range 25 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 6534:

24: Application of Amoco Production for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its Gilluly Fed. Well No. 17 at an unorthodox location in Unit H of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, along with the three wells now dedicated to the previously approved 480-acre unit comprising the N/2 and SE/4 of said Section 24.

CASE 6535: Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

CASE 6536: Application of Black River Corp. for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas proration units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well NO. 3 located in Unit P.

CASE 6537: Application of Harper Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its West Ranger Lake Unit Area, comprising 1,120 acres, more or less, of State lands in Township 12 South, Range 34 East, Lea County, New Mexico.

CASE 6538: Application of Bedford, Inc., for approval of infill drilling, San Juan 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 Ram Well No. 1-A located in Unit G of Section 8, Township 26 North, Range 12 West, WAW Fruitland-Pictured Cliffs 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 6539: 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 James Ranch Unit Well No. 7 located in Unit G of Section 6, Township 23 South, Range 31 East, Eddy County, New Mexico, to produce gas from the Morrow and Atoka formations, Los Medanos Field, through parallel strings of tubing.

CASE 6540: Application of Caulkins Oil Company for an NGPA determination, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a Section 108 stripper gas well determination for its State B Well No. 233 located in Unit D of Section 16, Township 26 North, Range 6 West, South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico.

CASE 6541: Application of Sun Oil Company for an unorthodox well location, Chaves County, New Nexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State H Well No. 17, 1328 feet from the North line and 1336 feet from the East line of Section 16, Township 8 South, Range 30 East, Cato-San Andres Pool, Chaves County, New Mexico. Page 2 of 3 Examiner Rearing - Wednesday - May 9, 1979

Docket No. 18-79

CASE 6542: Application of Sun Oil Company for special casinghead gas allowables, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an increase in the casinghead gas allowable for its Annie Christmas Well No. 1 and its Walter Lynch Well No. 2, located in Units N and L, respectively, of Section 1, Township 22 South, Range 37 East, Drinkard and Wantz-Granite Wash Pools, Lea County, New Mexico.

CASE 6523: (Continued and Readvertised)

Application of Lonnie J. Buck for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yates and Seven Rivers formations underlying each of the following 40-acre tracts in Section 25, Township 25 South, Range 36 East, Lea County, New Mexico: NW/4 SW/4 to be dedicated to the Brown Well No. 6 iocated in Unit L and SW/4 SW/4 to be dedicated to the Brown Well No. 7 located in Unit M. Also to be considered will be the cost of recompleting said wells 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 wells and a charge for fisk involved in recompleting said wells.

CASE 6543:

3: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, redesignating, and extending certain pools in Chaves and Lea Counties, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM Section 25: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Mississippian production and designated as the North Caprock-Mississippian Pool. The discovery well is Morris R. Antweil Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM Section 8: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Bell Lake-Atoka Gas Pool. The discovery well is Amoco Production Company Federal H Well No. 1 located in Unit L of Section 26, Township 23 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM Section 26: W/2

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production and designated as the Langley-Devonian Gas Pool. The discovery well is ARCO 011 and Gas Company Langley Getty Com Well No. 1 located in Unit N of Section 21, Township 22 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP	22	SOUTH,	RANGE	36	EAST,	NMPM	
Section 2	21:	\$/2					

(e) ABOLISH the West Warren-Blinebry Pool in Lea County, New Mexico, described as:

TOWNSHI	P 20	SOUTH,	RANGE	38	EAST,	NMPM
Section	19:	SE/4				
Section	20:	SW/4				
Section	29:	NW/4				

(f) REDESIGNATE the Grama Ridge-Bone Spring Pool created by Order No. R-5958 as the East Grama Ridge-Bone Spring Pool, described as:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPN Section 35: SW/4

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

TOWNSHIP 20	SOUTH,	RANGE	38	EAST,	NMPM
Section 19:	SE/4				
Section 20:	SW/4				
Section 26:	NE/4				
Section 29:	NW/4				

Page 3 of 3 Examiner Hearing - Wednesday - May 9, 1979

Docket No. 18-79

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

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NNPM Section 3: NE/4

(1) EXTEND the Comanche Stateline-Tansill-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM Section 21: SW/4

(f) EXTEND the East Crossroads-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 36 FAST, NMPM Section 12: SE/4 Section 23: SE/4 Section 26: NE/4

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

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM Section 1: NW/4

(1) EXTEND the South Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMFM Section 12: NW/4

(m) EXTEND the East Lusk-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM Section 10: E/2 and SW/4

(n) EXTEND the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM Section 13: NW/4

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

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM Section 11: NW/4

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

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM Section 29: N/2

(q) EXTEND the Quail Ridge-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH; RANGE 34 EAST, NMPM Section 16: NE/4

(r) EXTEND the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM Section 6: S/2

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

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM Section 16: E/2 Section 21: N/2

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

TOWNSHIP 15 SOUTH, RANCE 35 EAST, NMPM Section 25: SW/4 Section 26: SE/4

(u) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 26: NE/4

Docket No. 19-79

1

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 16, 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:

ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for June, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

LAW OFFICES

A. J. LOSEE JOEL M. CARSON CHAD DICKERSON DAVID R.VANDIVER LOSEE, CARSON & DICKERSON, P.A. ELVED REA CODE 505 300 AMERICAN HOME BUILDING 46-3508 P. O. DRAWER 239 CL JO BIS ARTESIA, NEW MEXICO 88210 OIL CONSERVATION DIVISION

17 April 1979

lovene

Mr. Dick Stamets Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

Dear Dick:

On your docket sheet for cases to be heard on April 25, you have Case No. 6492 for Yates Petroleum Corporation scheduled. I would appreciate it if you could please continue this case and, if you will send us your statement for the additional publication cost, we will remit the amount immediately.

Yours truly,

LOSEE, CARSON & DICKERSON, P.A.

Joel M. Carson

JMC:bjm

cc: Mr. Budd Hebert

Page 2 of 2

Examiner Hearing - Wednesday - April 25, 1979

Bocket No. 16-79

TASE 6492: (Continued from March 28, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico, Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NM/4 of Section 13, Township 17 South, Kange 25 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 6502:

(Continued from April 11, 1979, Examiner Hearing)

Application of Stevens Oil Company 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 SW/4 SW/4 of Section 30, Township 8 South, Range 29 East, Chaves 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 6500: (Continued and Readvertised)

Application of Culf Oll Corporation for approval of infill drilling, Les County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing wellspacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Central Drinkard Unit located in Sections 28, 29, 30, 31, 32 and 33, Township 21 South, Range 37 East, Lea County, New Mexico, which could not be so drained by the existing wells.

(Continued and Readvertised) CASE 6501:

Application of Delta Drilling Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the Williamson State Unit Well No. 1, the surface location of which is 660 feet from the North and West lines of Section 30, Township 16 South, Range 33 East, Lea County, New Mexico, and directionally drill said well in such a manner as to bottom it in the Morrow Formation within 100 feet of a point 1980 feet from the North and East lines of said Section 30, the N/2 of the section to be dedicated to the well.

Docket No. 17-79

COMMISSION HEARING - MONDAY - APRIL 30, 1979 DOCKET:

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

CASE 6533:

Application of El Paso Natural Gas Company for the amendment of Orders Nos. R-1670 and R-1670-C, Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Orders Nos. R-1670 and R-1670-C, Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico, to permit the option drilling and production of a second well on proration units in said pool, to establish well location requirements, and to provide that the deliverabilities of both wells on the unit would be additive for allowable purposes.

Dockets Nos. 18-79 and 20-79 are tentatively set for hearing on May 9 and 23, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER REARING - WEDNESDAY - APRIL 25, 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. Stanets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- In the matter of the hearing called by the Oil Conservation Division on its own motion to amend the Special Rules for the Tubb Gas Pool in hea County, New Mexico, to provide for the classification of wells as oil wells and gas wells on the basis of gas-oil ratios rather than on the basis of liquid CASE 6525: gravity as at present.
- In the matter of the hearing called by the Oil Conservation Division on its own motion to consider CASE 6526: a procedure for the adoption of findings, when applicable and pursuant to the Federal Natural Gas Policy Act, that another well is necessary to effectively and efficiently drain that portion of its proration unit which cannot be so drained by any existing well, and that existing well spacing requirements are waived. The proposed procedure would provide a system whereby such findings could be issued administratively without the necessity for public hearing.
- Application of Tenneco Oil Company for two non-standard oil proration units, Lea County, New Mexico. CASE 6527: Applicant, in the above-styled cause, seeks approval of two 80-acre non-standard oil proration units, the first comprising the N/2 NW/4, the other the N/2 NE/44 of Section 12; Township 9 Southy Range 34 East, Vada-Pennsylvanian Pool, Lea County, New Mexico, said units to be dedicated to applicant's Ward Insall Wells Nos. 1 and 2, respectively, located in Units D and A of said Section 12.
- Application of Bass Enterprises Production Co. for an unorthodox gas well location, Lea County, New CASE 6528: Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Morrow test well location to be drilled 660 feet from the North and West lines of Section 10, Township 21 South, Range 32 East, Lea County, New Mexico, the W/2 of said Section 10 to be dedicated to the well.
- Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsyl-vanian formation underlying the S/2 of Section 22, Township 23 South, Range 28 East, Eddy County, CASE 6529: New Mexico, to be dedicated to its Brantley Gas Com. Well No. 1 located in Unit K of said Section 22. 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.
- Application of Amoco Production Company for unorthodox gas well locations, temporary injection of CASE 6530: Application of Amoco Production Company for unorthodox gas well locations, temporary injection of produced gas, and to vent gas, Union and Harding Countles, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations in the Tubb formation of its State FI Well No. 3, located 1315 feet from the South line and 1980 feet from the East line of Section 36, Township 20 North, Range 34 East, Union County, and its Heimann Well No. 5, located 660 feet from the South line and 1315 feet from the West line of Section 3, Township 19 North, Range 33 East, Varding County Applicant further cooks withority to conduct program interformer to the south line and 1315 feet from the West line of Section 3, Township 19 North, Range 33 East, Harding County. Applicant further seeks authority to conduct pressure interference tests, including authority to vent gas produced from the State FI Well No. 1 for a period not to exceed 45 days and to inject produced gas into its Heimann Well No. 4 located in Unit K of Section 34, Township 20 North, Range 33 East, for a period not to exceed six months.
- Application of Getty Oil Company for an unorthodox gas well location and simultaneous dedication, CASE 6531: Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to simultaneously dedicate its Baker B Well No. 6 at an unorthodox location 510 feet from the South and West lines of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico, and its Baker B Well No. 15 located in Unit L of said Section 10, the current unit well, to the existing proration unit.
- CASE 6532: Apple ation of Northwest Production Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole compingling of Tapacito-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its Jicarilla 117E Well No. 5 located in Unit M of Section 28, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.

.CASE 6072:

(Continued from March 28, 1979, Examiner Hearing)

In the matter of Case 6072 being reopened pursuant to the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80-acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

Docket No. 13-79

Dockets Nos. 14-79 and 15-79 are tentatively set for hearing on April 11 and 18, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 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 6500: Application of Gulf Oil Corporation for approval of infill drilling. Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Central Drinkard Unit located in Sections 28, 29, 32 and 33, Township 21 South, Range 37 East, Lea County, New Mexico, which could not be so drained by the existing wells.

CASE 6501: Application of Delta Drilling Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the Williamson State Unit Well No. 1, the surface location of which is 660 feet from the North and West lines of Section 30, Township 16 South, Kange 33 East, Lea County, New Mexico, and directionally drill said well in such a manner as to bottom it in the Morrow formation within 100 feet of a point 1980 feet from the North and West lines of said Section 30, the N/2 of the section to be dedicated to the well.

- CASE 6502: Application of Stevens Oil Company 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 SW/4 SW/4 of Section 30, Township 3 South, Range 29 East, Chaves 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 6503: Application of Sundance Oil Company for salt water disposal, Roosevelt 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 4207 feet to 4228 feet in its Cone Federal Well No. 8 located in Unit P of Section 31, Township 7 South, Range 32 East, Tomahawk-San Andres Pool, Roosevelt County, New Mexico.
- CASE 6504: Application of Phoenix Resources Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Buckhorn Canyon Unit Area No. 2, comprising 23,009 acres, more or less, of Federal and State lands in Township 19 South, Ranges 19 and 20 East, Chaves County, New Mexico.
- CASE 6505: Application of Doyle Hartman for vertical pool limit redefinition, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order extending the vertical limits of the Langlie Mattix Pool in Lea County, New Mexico, to include the lowermost 200 feet of the Seven Rivers formation and the concomitant contraction of the vertical limits of the Jalmat Gas Pool underlying the following described lands in Township 23 South, Range 36 East: Section 35: SW/4, S/2 SE/4, and NW/4 SE/4; Section 36: W/2 SW/4; and in Township 24 South, Range 36 East: Section 1: NW/4, S/2 NE/4, and NW/4 NE/4; Section 2: W/2.
- <u>CASE 6506</u>: Application of Bedford, Inc. for approval of infill drilling, San Juan 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 Ram Well No. 1-A located in Unit G of Section 8, Township 26 North, Range 12 West, WAW-Fruitland Pictured Cliffs 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 6507: 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 6508: Application of Harvey E. Yates Company for an unorthodox well location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approvide of a 62.75-acre non-standard gas proration unit comprising Lots 1 and 2 of Section 19, Township 18 South, Range 29 East, Eddy County, New Mexico, to be dedicated to its Depco Federal Well No. 1 to be located 330 feet from the North line and 660 feet from the West line of said Section 19. Page 2 of 3

Examiner Hearing - Wednesday - March 28, 1979

CASE 6509: Application of Marvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new gas pool in the Yates formation for its Depco Federal Well No. 1 located in Unit D of Section 19, Township 18 South, Kange 29 East, Eddy County, New Mexico, and for promulgation of special pool rules, including provision for 80-acre gas well spacing.

CASE 6480: (Continued from February 28, 1979, Examiner Hearing)

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 6482: (Continued from February 28, 1979, Examiner Hearing)

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 Nobil 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 6072: (Continued from March 14, 1979, Examiner Hearing)

In the matter of Case 6072 being reopened pursuantto the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

CASE 6492: (Continued from March 14, 1979, Examiner Hearing)

said well.

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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

CASE 6510: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for the Wolfcamp through Mississippian formations of its Rio Pecos Federal "KO" Well No. 1, to be located 660 feet from the North line and 1300 feet from the East line of Section 28, Township 18 South, Range 27 East, Eddy County, New Mexico, the E/2 of said Section 28 to be dedicated to the well.

<u>CASE 6511</u>: Application of Yates Petroleum Corporation for a dual completion and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Tom Brown "GO" Com. Well No. 1 located in Unit C of Section 22, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Nexico, to produce gas from the Lower Morrow formation through tubing and to commingle and produce the Strawn and Upper Morrow zones in the annulus of said well.

CASE 6512: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Hilliard "BF" Federal Well No. 2, to be located 330 feet from the North line and 2310 feet from the West line of Section 14, Township 21 South, Range 22 East, to test the Wolfcamp through Mississippian formations, Eddy County, New Mexico, the W/2 of said Section 14 to be dedicated to the well.

CASE 6513: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Stebbins GQ Fed. Well No. 1 located in Unit B of Section 20, Township 20 South, Range 29 East, East Burton Flats Field, Eddy County, New Mexico.

CASE 6514: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico, Applicant, in the above-styled cause, seeks approval for the downhole commingling of North Burton Flats-Atoka and East Burton Flats-Morrow production in the wellbore of its Williamson BC Fed. Well No. 4 located in Unit K of Section 7, Township 20 South, Range 29 East, Eddy County, New Mexico. Page 3 of 3 Examiner Hearing - Wednesday - March 28, 1979

CASE 6515: Application of Southland Royalty Company for compulsory pooling. San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, to be dedicated to its Grenier Well No. 23 drilled at a location 1190 feet from the South and West lines of said Section 31. 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 6516: Application of Union 0il Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Maduro Unit Area, comprising 2,560 acres, more or less, of Federal and State lands in Tournchip 19 South, Range 33 East, Lea County, New Mexico.

CASE 6452: (Continued and Readvertised)

Application of Burleson & Huff for a non-standard gas proration unit and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SW/4 of Section 25, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico. Applicant further seeks a finding that the recompletion of its Harrison Well No. 2 located in Unit N or in the alternative, the drilling of its Harrison Well No. 4 in Unit L, of Section 25 is necessary to effectively and efficiently drain that portion of the previously approved 160-acre proration unit which cannot be drained by the old unit well.



1	MR. STAMETS: Call next Case 6492.	17 m.
2	MS. TESCHENDORF: Case 6492. Application of	,
3	Yates Petroleum Corporation for compulsory pooling, Eddy	
4	County, New Mexico.	
5	MR. CARSON: Mr. Examiner, in Case Number	
6	6492 my name is Joel Carson, Losee, Carson, & Dickerson,	
7	P. A., in Case 6492, the land man that's responsible for	
8	that case came up with the flu, various kinds of illnesses	¢ 7
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	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 20 21 22 23 24	MS. TESCHENDORF: Case 6492. Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. MR. CARSON: Mr. Examiner, in Case Number 6492 my name is Joel Carson, Losee, Carson, & Dickerson, P. A., in Case 6492, the land man that's responsible for that case came up with the flu, various kinds of illnesses in the middle of the night, and he's not here. So we'd like to ask that that case be con- tinued, probably for a month. MR. STAMETS: Okay, we will continue Case 6492 to April 25th. (Hearing concluded.)

REPORTER'S CERTIFICATE

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I, SALLY WALTON BOYD, a Court Reporter, DO HEREDY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereoy certity that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. <u>6492</u>. heard by me on <u>3.28</u> 1979.

Oll Conservation Division

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e		20	For the Applicant:	Joel Carson, Esq. LOSEE, CARSON & DI	CKERSON	
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. **1** MR. STAMETS: Call next Case 6492. 2 MS. TESCHENDORF: Case 6492. Application of 3 Yates Petroleum Corporation for compulsory pooling, Eddy 4 County, New Mexico. 5 MR. CARSON: Mr. Examiner, in Case Number 6 6492 -- my name is Joel Carson, Losee, Carson, & Dickerson, 7 P. A., in Case 6492, the land man that's responsible for 8 that case came up with the flu, various kinds of illnesses terrete la résile se ĝ in the middle of the night, and he's not here. 10 ' So we'd like to ask that that case be con-SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 11 tinued, probably for a month. ra Bivnea (505) Fo, New Mexic 12 MR. STAMETS: Okay, we will continue Case 13 6492 to April 25th. 14 (Hearing concluded.) 15 16 17 18 19 20 21 22 23 24 25

REPORTER'S CERTIFICATE

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SALLY WALTON BOYL CERTIFIED SHORTHAND REPORTE

za Blanca (505) Fe, New Mexic

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 19 heard by me on_ _, Examiner

Oil Conservation Division

ł STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT 2 OIL CONSERVATION DIVISION State Land Office Building Santa Fe, New Mexico 3 14 March 1979 4 EXAMINER HEARING 5 6 IN THE MATTER OF: 7 Application of Yates Petroleum Cor-) CASE 8 poration for compulsory pooling,) 6492 Eddy County, New Mexico. 3 9 À 10 SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER Bianca (505) 471-24 . New Mexico 5750 BEFORE: Daniel S. Nutter 11 12 TRANSCRIPT OF HEARING 13 14 APPEARANCES 15 16 For the Oil Conservation Lynn Teschendorf, Esq. 17 Division: Legal Counsel for the Division State Land Office Bldg. 18 Santa Fe, New Mexico 87503 19 20 21 22 23 24 25
MR. NUTTER: Call next Case Number 6492. MS. TESCHENDORF: Case 6492. Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

8.

SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER

ca (505) 471-2462 w Mexico 57501 The applicant has requested that this case be continued to the March 28th hearing.

MR. NUTTER: Case Number 6492 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 o'clock a.m., March the 28th, 1979.

(Hearing concluded.)

1 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 by me; that the said transcript is a full, true, and correct 6 7 record of the heairng, prepared by me to the best of my 8 ability, knowledge, and skill, from my notes taken at the 9 time of the hearing. SALLY WALTON BOYD CEINTEED SHORTHAND REPORTER 2010 Place Blance (0.6.) 111-2162 Slanta Fe, New Mexico 57601 10 Sally W. Boyd, C.S.R. 11 12 13 14 I do to say contry that the foregoing is 15 a conclere record of the proceedings in the Examiner hearing of Case No. 6492, 16 heard by me on 19.79 17 , Examiner Oll Conservation Division 18 19 20 21 22 23 24 25

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Page 1 STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION 2 State Land Office Building 3 Santa Fe, New Moxico 14 March 1979 4 EXAMINER HEARING 5 6 IN THE MATTER OF: 7 Application of Yates Petroleum Cor-) CASE 8 poration for compulsory pooling, 6492) . Eddy County, New Mexico. 9 10 LLY WALTON BOYD. TIFIED SHORTHAND REPORTER PLAZE BLADCA (605) 411-5462 DATA FOR MONICO 57501 BEFORE: Daniel S. Nutter 11 .12 TRANSCRIPT OF HEARING 13 14 APPEARANCES 15 16 Lynn Teschendorf, Esq. For the Oil Conservation 17 Division: Legal Counsel for the Division State Land Office Bldg. 18 Santa Fe, New Mexico 87503 19 20 21 22 23 24 25

	Page 2
··•	1 MR. NUTTER: Call next Case Number 6492.
	2 MS. TESCHENDORF: Case 6492. Application of
	3 Yates Petroleum Corporation for compulsory pooling, Eddy
	4 County, New Mexico.
	5 The applicant has requested that this case
1 <u>1</u> 111	6 be continued to the March 28th hearing.
£	7 MR. NUTTER: Case Number 6492 will be con-
· .	8 tinued to the Examiner Hearing scheduled to be held at this
lana da sala antanang sa sala. S	9 same place at 9:00 o'clock a. m., March the 28th, 1979.
YO.	10 (Hearing concluded.)
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Pao REPORTER'S CERTIFICATE 1 2 I, SALLY N. BOYD, a court reporter, DO HEREBY 3 CERTIFY that the foregoing and attached Transcript of 4 Hearing before the Oil Conservation Division was reported 5 by me; that the said transcript is a full, true, and correct 6 record of the heairng, prepared by me to the best of my 7 ability, knowledge, and skill, from my notes taken at the 8 9 time of the hearing. 10 BOYD 11 Sally W. Boyd, C.S.R. 12 13 14 I do hereby certify that the foregoing is 15 a complete record of the proceedings in the Examiner hearing of Case No. 6492-16 heard by me on_ 3/14 _ 19. **79** . 17 un, Examiner H Oil Conservation Division 18 19 20 21 22 23 24 25

LAW OFFICES

A.J.LOSEE JOEL M.CARSON CHAD DICKERSON LOSEE & CARSON, P.A. 300 AMERICAN HOME BUILDING P. O. DRAWER 239 ARTESIA, NEW MEXICO BB2IO

5 March 1979

Case 6492

DIVISION

AREA CODE 505

746-3508

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

Dear Dan:

I am writing this letter in connection with the Yates Petroleum Corporation application to force pool certain mineral interest owners under its Smith "FA" No. 1 Well located in the NE/4 NW/4 Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The parties to be force pooled are Immanuel House of Prayer, c/o Murl Hughes, 1601 West Main, Artesia, New Mexico, 88210, Clardy-Campbell Dairy Products, Inc., 1605 North Garden Avenue, Roswell, New Mexico, 88201, and/Mr. Henry E. Medford, Jr., 6004 El Fandango Place, El Paso, Texas, 79912.

Yours truly,

hockets (3/6

LOSEE, CARSON & DICKERSON, P.A. Maun Joel

JMC:bjm

cc: Yates Petroleum Corporation

Dockets Nos. 11-79 and 12-79 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: CONMISSION HEARING - WEDNESDAY - MARCH 7, 1979

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

CASE 6489: Application of J. V. Fritts and Wm. B. Barnhill for review of Order No. R-4831, Eddy County, New Mexico. Applicants, in the above-styled cause, seek the review and interpretation of Order No. R-4831 to permit them the opportunity to join in the drilling of the Federal "B" Well No. 1 located in Unit P of Section 1, Township 18 South, Range-26 East, Ateka-Pennsylvanian Pool, Eddy County, New Mexico, and to determine the applicability of the 200% risk factor.

CASE 6398: (DE NOVO)

Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for the Wolfcamp and Pennsylvanian formations of its State Com Well No. 1, to be located 660 feet from the South and West lines of Section 18, Township 21 South, Range 26 East, Catclaw Draw Field, Eddy County, New Mexico, all of said Section 18 to be dedicated to the well in the Morrow formation.

Upon application of Texas Oil & Gas Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

Docket No. 11-79

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 14, 1979

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6490: Application of L. C. Harris for a unit agreement, Chaves and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for his Walnut Draw Unit Area comprising 9,797 acres, more or less, of Federal, state and fee lands in Townships 15 and 16 South, Ranges 23 and 24 East, Chaves and Eddy Counties, New Mexico.

CASE 6491: Application of C & E Operators, Inc. for an unorthodox well location and a non-standard protation unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard gas protation unit comprising the E/2 SW/4 of Section 10, Township 30 North, Range 11 West, Aztec-Pictured Cliffs Pool, San Juan County, New Mexico, to be dedicated to a well to be located 1700 feet from the South line and 1760 feet from the West line of said Section 10.

CASE 6477: (Continued from February 28, 1979, Examiner Hearing)

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, Kange 28 East, East Millman Pool, Eddy County, New Mexico.

CASE 6492: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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. Page 2 of 6 Examiner Hearing - Wednesday - March 14, 1979

Docket No. 11-79

CASE 6072: (Reopened and Readvertised)

In the matter of Case 6072 being reopened pursuant to the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

CASE 6493: Application of Merrion & Bayless for gas well commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the surface commingling, prior to measurement, of Pictured Cliffs production from the Hi Roll Wells Nos. 1 and 2 located in Units U and K of Section 35, Township 27 North, Range 13 West, San Juan County, New Mexico.

CASE 6494: Application of Norris R. Antweil for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Mesa Macho Well No. 1 located in Unit O of Section 24, Township 20 South, Range 27 East, Morrow formation, Eddy County, New Mexico, the E/2 of said Section 24 to be simultaneously dedicated to the aforesaid well and to applicant's Macho Norte Well No. 1 located in Unit C of Section 24.

CASE 6495: Application of Amax Chemical Corporation for the amendment of Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-111-A to extend the boundaries of the Potash-Oil Area by the inclusion of certain lands in Sections 23 and 24, Township 19 South, Range 29 East, Sections 1, 4, 5, 6, 7, 11, 12, 13, 14, -19, 20, -23, 24, and 29, Township 19 South, Range 30 East, and Sections 7, 8, 17, 18, and 19, Township 19 South, Range 31 East, all in Eddy County, New Mexico.

CASE 6496: Application of Llano, Inc. for rescission of pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Order No. R-3006, which promulgated 640-acre spacing for the Grama Ridge-Morrow Gas Pool, Lea County, New Mexico. Applicant proposes that said pool be developed and operated under 320-acre spacing and well location requirements.

CASE 6497: Application of Llano, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 1650 feet from the South line and 660 feet from the East Line of Section 34, Township 21 South, Range 34 East, Grama Ridge-Morrow Cas Pool, Lea County, New Mexico, the E/2 of said Section 34 to be dedicated to the well.

CASE 6498: Application of Pogo Producing Company to limit application of pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to limit the application of the Grama Ridge-Morrow Gas Pool Rules to the horizontal limits of said pool, being all of Sections 2, 3, 4, and 10, Township 22 South, Range 34 East and Sections 33 and 34, Township 21 South, Range 34 East, Lea County, New Mexico.

CASE 6499:

9: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending horizontal limits and contracting vertical limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Antelope Sink-Morrow Gas Pool. The discovery well is Maddox Energy Corporation State 32 Well No. 1 located in Unit I of Section 32, Township 18 South, Range 24 East, NMPM. Said pool would comprise:

> TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM Section 32: E/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas phol for Morrow production and designated as the Baldridge Canyon-Morrow Gas Pool. The discovery vell is W. A. Moncrief, Jr., Baldridge Canyon Com Well No. 1 located in Unit G of Section 13, Township 24 South, Range 24 East, NMPN. Said pool would comprise:

> TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM Section 13: E/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Burton Plat-Delaware Pool. The discovery well is Yates Petroleum Corporation Stonewall EP State Well No. 3 located in Unit N of Section 19, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

> TOWNSHIP 20 SOUTH, RANGE 28 FAST, NMPM Section 19: SW/4

Page 3-of-6-

Examiner Hearing - Wednesday - March 14, 1979

Docket-No-11-79-

(d) -CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the East Crossroads-San Andres Pool. The discovery will is MGP Oil Corporation Santa Fe Railway Well No. 1 located in Unit A of Section 13, Township 10 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM Section 13: NE/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the South Culebra Bluff-Atoka Gas Pool. The discovery well is Delta Drilling Company South Culebra Bluff Unit Hell No. 1 located in Unit G of Section 23, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

> TOWNSHIP 23 Solin, MANGE 25 TAST, 1977 Section 14: E/2 Section 23: All Section 26: All

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Dublin Ranch-Morrow Gas Pool. The discovery well is J. C. Barnes Oil Company Big Chief Com Well No. 1 located in Unit F of Section 22, Township 22 South, Range 28 East, NMPM. Said pool would comprise:

> TOWNSHIP 22 SOUTH, RANGE 28 FAST, NMPM Section 22: All Section 27: N/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Gardner Draw-Morrow Gas Pool. The discovery well is Phoenix Resources Company Gardner Draw Unit Well No. 1 located in Unit C of Section 20, Township 19 South, Range 21 East, NMPM. Said pool would comprise:

> TOWNSHIP 19 SOUTH, RANGE 21 EAST, NNPM Section 17: W/2 Section 19: N/2 Section 20: N/2

(h) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Jubilee-Pennsylvanian Gas Pool. The discovery well is Tom L. Ingram Jubilee Well No. 1 located in Unit E of Section 28, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM Section 28: W/2

(i) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the King-Mississippian Gas Pool. The discovery well is Cabot Corporation J. L. Reed Well No. 1 located in Unit H of Section 35, Township 13 South, Range 37 East, NMPM. Said pool would comprise:

> TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM Section 35: NE/4

(j) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Atoka production and designated as the Lone Wolf-Atoka Gas Pool. The discovery well is Depco, Inc. Sundance A Federal Well No. 1 located in Unit J of Section 25, Township 12 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 29 EAST, NMPM Section 25: S/2

(k) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Strawn production and designated as the Lost Lake-Strawn Gas Pool. The discovery well is Texas Oil & Gas Corporation O'Brien Well No. 1 located in Unit I of Section 11, Township 9 South, Range 29 East, NMPM. Said pool would comprise:

> TOWNSHIP 9 SOUTH, RANGE 29 EAST, NMPM Section 2: S/2 Section 11: All Section 14: N/2

Page 4 of 6 Examiner Hearing - Wednesday - March 14, 1979

Docket No. 11-79

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(1) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the West Mescalero-Morrow Gas Pool. The discovery well is Natomas North America, Inc. New Mexico State Well No. 1 located in Unit M of Section 19, Township 10 South, Range 32 East, NMPN. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM Section 19: W/2

(m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Permo-Penn production and designated as the Penasco Draw Permo-Penn Gas Pool. The discovery well is Yates Petroleum Corporation La Cama Com Well No. 1 located in Unit F of Section 20, Township 18 South, Range 25 East, NNPM. Said-pool-would comprise:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM

Section 18:	S/2
Section 19:	A11
Section 20:	A11
Section 21;	W/2
Section 30:	A11
Section 31:	A11

(n) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Siegrest Draw-Morrow Gas Pool. The discovery well is Yates Petroleum Corporation Siegrest JS State Com Well No. 1 located in Unit C of Section 30, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

> TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM Section 30: N/2

(o) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the North Turkey Track-Atoka Gas Pool. The discovery well is Amoco Production Company State ER Com Well No. 1 located in Unit G of Section 6, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

> TOWNSHIP 19 SOUTH, RANGE 29 EAST, NNPM Section 6: N/2

(p) EXTEND the Angell Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM Section 35: E/2

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

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM Section 17: S/2

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

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM Section 5: NW/4 SW/4

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

TOWNSHIP 17	SOUTH,	RANGE	30	EAST,	NMPN
Section 25:	W/2				
Section 26:	E/2	-			
Section 36:	NW/4	•			

(t) EXTEND the East Chisum-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NNPMSection 9:E/2 NE/4Section 10:W/2 NW/4

(u) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM Section 20: SW/4

(v) EXTEND the Double L Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 FAST, NMPM Section 24: NW/4 and E/2 SW/4 Section 36: NW/4 NW/4, S/2 NW/4 and SW/4

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

TOWNSHIE 22 SOUTH, RANGE 37 EAST, NMPM Section 18: SE/4

(x) EXTEND the East Eagle Creek Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 FAST, NMPM Section 7: N/2

(y) EXTEND the Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM Section 35: All

(2) REDEFINE the vertical limits of the Monument Tubb-Drinkard Pool in Lea County, New Mexico, to include only the Tubb formation and redesignate said pool as the Monument-Tubb Pool.

(aa) EXTEND the West Indian Basin-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM Section 23: E/2

(bb) EXTEND the Millman-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM Section 12: E/2

(cc) EXTEND the South Prairie-Wolfcamp Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM Section 20: N/2

(dd) EXTEND the Querecho Plains-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 34: NW/4

(ee) EXTEND the Richard Knob Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM Section 7: All Section 18: N/2

(ff) EXTEND the Round Tank-Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM Section 30: NE/4

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

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM Section 5: Lots 11, 12, 13, 14 and SW/4

(hh) EXTEND the North Teague-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 FAST, NMPM Section 22: NW/4

(11) EXTEND the Tomahawk-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANCE 32 EAST, NMPM Section 30: SW/4

Page 6 of 6 Examiner Hearing - Wednesday - March 14, 1979

Docket No. 11-79

(jj) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 FAST, NMPM Section 36: NE/4

Docket No. 12-79

DOCKET: COMMISSION HEARING - THURSDAY - MARCH 15, 1979

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

CASE 6222: (Rehearing) (Continued from March 2, 1979, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

LAW OFFICES

1-LOSEE JOEL M. CARSON CHAD DICKERSON LOSEE & CARSON, P.A. 300 AMERICAN HOME BUILDING P. O. DRAWER 239 ARTESIA, NEW MEXICO BERIO

AREA CODE 505 746-3508

7 February 1979 . INSTANTIN COM

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Mr. Joe D. Ramey, Director New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed for filing, please find three copies of an Application of Yates Petroleum Corporation for compulsory pooling, in Eddy County, New Mexico.

We ask that this case be set for hearing before an examiner on February 28, if possible, and that you furnish us with a docket of said hearing.

Yours truly,

LOSEE, CARSON & DICKERSON, P.A.

lacon Joel M. Carson

JMC:bim Enclosures

cc w/enclosure: Yates Petroleum Corporation

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

 $a B^{(n)} = a \overline{B}^{(n)} = a \overline{B}^$

CASE NO. 6492

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Smith "FA" No. 1 Well in the San Andres formation as an oil well, which is to be located at a point 924 feet from the North line and 1,710 feet from the West line of Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the NE/4 NW/4 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 oil in said unit, all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 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 surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-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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YATES PETROLEUM CORPORATION auon By: Joel M. Carson

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

APPLICATION

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

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CASE NO. 6492

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys, and in support hereof, respectfully states:

 Applicant has the right to drill its Smith "FA"
No. 1 Well in the San Andres formation as an oil well, which is to be located at a point 924 feet from the North line and 1,710 feet from the West line of Section 13, Township 17
South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the NE/4 NW/4 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 oil in said unit, all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 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 surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

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

YATES PETROLEUM CORPORATION By: Joel M. Carson

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

Attorneys for Applicant

-2-

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF XATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 64923

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APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Smith "FA" No. 1 Well in the San Andres formation as an oil well, which is to be located at a point 924 feet from the North line and 1,710 feet from the West line of Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the NE/4 NW/4 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 oil in said unit, all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 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 surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

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

-2-

YATES PETROLEUM CORPORATION

By: Joel M. Carson

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

Attorneys for Applicant

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. 6492

Order No. R- 6017

APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

DRAFT

dr/

This cause came on for hearing at 9 a.m. on 19 79, at Santa Fe, New Mexico, before Examiner NOW, on this day of May NOW, on this day of May May 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, <u>Yates Petroleum Corporation</u>, seeks an order pooling all mineral interests in the San Andres <u>formation</u> underlying the <u>NE/4 NW/4</u> of Section <u>13</u>, Township <u>17 South</u>, <u>Range 25 East</u> NMPM, <u>Cagle Creek-Sen Thereske</u>, <u>Eddy</u> County, New Mexico. -2-Case No. Order No. R-

(3) That the applicant has the right to drill and has drilled its Smith FR Well No. 1 at a standard location Thereon. 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 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 raid estimated well costs exceed reasonable well costs. -3-Case No. Order No. R-

(17) That 300 ²⁴ per nonth 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.

(*II*) (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.

(1) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before ______, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the <u>San Andres</u> formation underlying the <u>NE/4 NW/4</u> of Section <u>13</u>, Township <u>17 South</u>, Range <u>25 East</u>, NMPM, <u>Cayle Creek - San Fredres W</u>, Eddy County, New Mexico, are hereby pooled to form a standard <u>40</u> - acre gas spacing and proration unit to be dedicated to a well to be drilled Smith FB Well No 1 Grilled

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the ______ day of _______, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the _______ formation

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the ______ day of _______, 19 79, 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 abandomient, within 120 days after contaencement thereof, said operator shall appear before the Division Director and show cause why order (1) of this order should not be rescinded. (2) That Yates Petroleum Corporation is hereby designated

the operator of the subject well and unit.

(3) That fafter 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 <u>octual</u> well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of <u>estimated</u> 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 collowing 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

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Cáse 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

(6) 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>for percent</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.

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

(3) That <u>1300</u> 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 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. Case Order No.

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(8)(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.

(9) (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. (10) (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.

(I) (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 herein-

above designated.