

CASE 6737: GULF OIL CORPORATION FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO

Case No.

6737

Application

Transcripts.

Small Exhibits

ETC.

Gulf Oil Exploration and Production Company

R. E. Griffith
MANAGER LAND, SOUTHWEST DISTRICT

P. O. Box 1150
Midland, TX 79701

RECEIVED
FEB - 1 1980
January 30, 1980
OIL CONSERVATION DIVISION
SANTA FE

Re: Proposed Federal Com. 4
W/2 of Section 4, T-19-S,
R-32-E, NMPM, LEA COUNTY,
New Mexico

Case 6737

Franklin

R. E. Griffith

Ms. Evelyn Chambers
1616 Lincoln Street
Denver, Colorado 80264

Attention: Ms. Cecelia Klug

Dear Ms. Klug:

With reference to the captioned unit, we are enclosing herewith two copies of the estimated well cost for the Federal Com. 4 Well No. 1 as required by the Oil Conservation Division of the State of New Mexico under Order No. R-6205 Article #3.

In accordance with Article #4 therewith of the above mentioned Order you have the option to approve the estimated well cost and pay your share in the same. In lieu of paying your share of said cost out of production and by doing so you shall remain liable for operating cost but shall not be liable for any risk charges.

Please indicate your approval of the estimated well cost by signing and returning one copy of the well cost estimate to this office, retaining one copy for your file.

You are also respectfully requested to execute and return one copy of the Operating Agreement furnished you by letter of October 9, 1979.

Please find for your reference a copy of Order No. R-6205 enclosed herewith. If we can be of any assistance, please contact Mr. Chesley Blackham of our Land Section at (915) 685-4468.

Yours very truly,

R. E. Griffith

CTB/mc
Encls.



A DIVISION OF GULF OIL CORPORATION

cc: State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Amoco Production Company
500 Jefferson Building
P. O. Box 3092
Houston, Texas 77001

Attention: Mike W. Burkhart

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
28 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation) CASE
for compulsory pooling, Lea County,) 6737
New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: William F. Carr, Esq.
CAMPBELL & BLACK P A
Jefferson Place
Santa Fe, New Mexico 87501

For Evelyn Chambers: Conrad Coffield, Esq.
Hinkle Law Firm
P. O. Box 3580
Midland, Texas 79701

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SSE) 471-2482
Santa Fe, New Mexico 87501

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C. D. STENBERG

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3024 Plaza Blanca (SOS) 471-2462
San Antonio, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

1 MR. STAMETS: The hearing will come to order.
2 Call next Case 6737.

3 MR. PADILLA: Application of Gulf Oil Cor-
4 poration for compulsory pooling, Lea County, New Mexico.

5 MR. STAMETS: Call for appearances.

6 MR. CARR: May it please the Examiner, I
7 am William F. Carr, Campbell and Black P. A., Santa Fe,
8 appearing on behalf of the applicant. I have two witnesses
9 who need to be sworn.

10 MR. STAMETS: Any other appearances?

11 MR. COFFIELD: Yes, Conrad Coffield with
12 the Hinkle Law Firm in Midland, Texas, appearing on behalf
13 of Evelyn Chambers. I do not have any witnesses.

14 MR. STAMETS: I'd like to have all the wit-
15 nesses stand and be sworn, please.

16 (Witnesses sworn.)
17

18 CHARLES F. KALTEYER
19 being called as a witness and having been duly sworn upon his
20 oath, testified as follows, to-wit:
21

22 DIRECT EXAMINATION
23

24 BY MR. CARR:

25 Q Would you state your name and place of resi-

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1 dence?

2 A. Charles F. Kalteyer, K-A-L-T-E-Y-E-R,
3 from Midland, Texas.

4 Q. Mr. Kalteyer, by whom are you employed and
5 in what capacity?

6 A. Employed by Gulf Oil Corporation as a
7 Chief Proration Engineer of the Southwest District in Mid-
8 land, Texas.

9 Q. Have you previously testified before this
10 Commission and had your credentials accepted and made a mat-
11 ter of record?

12 A. Yes, sir, I have.

13 Q. Are you familiar with the subject matter
14 of this case?

15 A. Yes, sir.

16 MR. CARR: Are the witness' qualifications
17 acceptable?

18 MR. STAMETS: They are.

19 Q. Mr. Kalteyer, would you state briefly what
20 Gulf's purpose is in bringing this application?

21 A. Gulf is seeking an order pooling all the
22 mineral interests underlying the west half of Section 4,
23 Township 19 South, Range 32 East, in the North Lusk Morrow
24 Gas Pool, Lea County, New Mexico. This is a standard 320-
25 acre unit and is to be dedicated to the Federal Com 4 Well

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1 No. 1 to be drilled at an orthodox location in Unit K, 1980
2 feet from the south and west lines of Section 4.

3 Q And is Gulf seeking to be designated oper-
4 ator of this well?

5 A Yes, sir, Gulf is --

6 Q And the unit?

7 A -- seeking the designation as operator.

8 Q You are also going to be asking for the
9 order to assess certain costs while drilling and completing
10 the well?

11 A Yes, sir.

12 Q And also costs for supervision while the
13 well is being produced, and a risk factor?

14 A Yes. Yes, sir.

15 Q Will you please refer to what has been
16 marked for identification as Gulf Oil Corporation Exhibit
17 Number One and explain to the Examiner what it is and what
18 it shows?

19 A Yes, sir. Our Gulf Exhibit Number One
20 shows the entire boundaries of Section 4, Township 19 South,
21 Range 32 East, and outlined in red is Gulf's proposed Federal
22 Com 4 Unit containing the 320 acres. The proposed well is
23 circled in red. Gulf's holdings consist of the northwest
24 quarter of the section and are outlined in yellow. The
25 Evelyn Chambers tract consists of the northwest quarter of

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1 the southwest quarter and is outlined in blue. The balance
2 of the acreage in the west half of the section, consisting
3 of the northeast quarter of the southwest quarter and the
4 south half of the southwest quarter, are held by Amoco and
5 are outlined in green. The participation is indicated on
6 the exhibit. The 160 acres controlled by Gulf would hold a
7 50 percent interest in the unit; Amoco with 120 acres would
8 hold 37-1/2 percent; Evelyn Chambers with 40 acres would
9 hold 12-1/2 percent.

10 Q Will you now refer to what has been marked
11 for identification as Gulf's Exhibit Number Two and review
12 these documents for the Examiner?

13 A Exhibit Number Two consists of correspon-
14 dence dating back to August the 3rd of 1979, wherein Gulf
15 proposed the drilling of the subject well to Amoco and
16 Chambers.

17 Amoco has approved the AFE for the drilling
18 of this well and as seen in the top letter of the exhibit,
19 dated October 19th, 1979, Evelyn Chambers has advised that
20 they are not prepared to enter under the operating agreement
21 and intend to accept forced pooling.

22 Q Mr. Kalteyer, did Gulf give notice of this
23 hearing by certified mail to both Amoco and Chambers?

24 A Yes, sir, notice was given.

25 Q Will you now refer to what has been marked

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1 Exhibit Number Three and review the data contained thereon
2 for Mr. Stamets?

3 A Exhibit Number Three is a cost estimate
4 prepared by our Hobbs Area Office personnel on May 1st, 1979,
5 for the drilling of the Federal Com 4 No. 1 to a total depth
6 of 13,100 feet.

7 Gross cost of the AFE to drill and complete
8 amounts to \$776,000. In addition to this amount, Gulf esti-
9 mates some \$50,000 for surface producing equipment for a
10 successfully completed gas well, giving a total cost of some
11 \$826,000.

12 Q Will you now refer to what has been marked
13 Exhibit Number Four and summarize the data contained thereon?

14 A Exhibit Four is a schematic diagram of
15 casing and tubing settings planned by our Hobbs office for
16 the well. Gulf proposes to set 13-3/8ths surface casing at
17 400 feet; 8-5/8ths intermediate at 4200; and 5-1/2 inch
18 production casing at 13,100, and approximately 13,000 feet,
19 2-3/8ths tubing set on production packer.

20 Q Mr. Kalteyer, are you prepared to make a
21 recommendation to the Examiner concerning the charges for
22 overhead and administrative costs while drilling and pro-
23 ducing the subject well?

24 A Yes, sir. In accordance with the accounting
25 procedure of Council of Petroleum Accountants Societies of

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1 North America, or COPAS of 1974, for indirect overhead Gulf
2 proposes a fixed rate basis of \$3330 per month during the
3 drilling and completing operations, and a figure of \$333 per
4 month while the well is producing. These are currently
5 Gulf's standard charges under joint operating.

6 Q And it is your recommendation that these
7 figures be incorporated into any order which is entered pur-
8 suant to this hearing?

9 A Yes, sir.

10 Q Will you now refer to what has been marked
11 Gulf's Exhibit Number Five and explain this to the Examiner?

12 A Exhibit Five is a plat of the area showing
13 those wells that have been completed in the North Lusk Morrow
14 Pool. The wells which have produced from this field are
15 circled in yellow. The proposed Federal Com 4 Unit is out-
16 lined in pink in Section 4.

17 Q Now will you refer to Exhibit Number Six?

18 A Gulf's Exhibit Number Six is a tabulation
19 of gas production data for these North Lusk Morrow Gas Pool
20 wells which produced gas in 1978 or '79.

21 Three wells have been completed in the
22 pool but as of July have not reported any production. Each
23 well's monthly production is tabulated together with the
24 1978 annual, as well as the cumulative, as of August 1st,
25 1979. Also listed the year to date production for '79 and

1 the daily average production rate of each well based on the
2 reported days on production.

3 The daily average production in '79 ranges
4 from a low of 208 Mcf per day in Mewbourne Oil Company's
5 Federal "G" No. 1, located in Unit K of Section 27, Township
6 18, Range 32, and to a high of 1166 Mcf per day in Petroleum
7 Development Corporation's McKay Shell Federal Well No. 1 in
8 Unit L of Section 3, Township 19, Range 32.

9 Based on the data, the five wells produced
10 at a daily rate of 2878 Mcf per day during the first seven
11 months of '79, or an average of 576 Mcf per day per well.
12 Cumulative production for the pool as of August 1st, '79,
13 was some 3,363,570 Mcf.

14 Q Mr. Kalteyer, in your opinion is the
15 Drilling of the proposed well a high risk venture?

16 A Yes, it is the opinion of Gulf, and I be-
17 lieve the opinion of those operators drilling for Morrow in
18 southeast New Mexico, that Morrow drilling is a high risk
19 venture.

20 Q Do you have a recommendation to make as to
21 what provisions this order, the order resulting from this
22 hearing, should contain as to the interest owners who do not
23 pay their share of the estimated well costs?

24 A We are recommending that a compulsory
25 pooling order be issued and should have withheld from production

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Jara Blanca (505) 471-2463
Santa Fe, New Mexico 87501

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3030 Plaza Blanca (995) 471-2462
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1 for nonconsenting parties their share of reasonable well
2 costs plus an additional 200 percent as a reasonable charge
3 for risk involved in the drilling of the well. These are
4 Gulf's normal voluntary joint operating agreement standards
5 for a nonconsent interest.

6 Q In your opinion will granting this appli-
7 cation result in the prevention of waste?

8 A It is my opinion that the entry of an order
9 providing for the drilling of the Federal Com 4 Well, as
10 proposed by Gulf, will prevent waste and the drilling of un-
11 necessary wells by providing for the efficient development
12 and production of reserves under the west half of Section 4.

13 Q In your opinion will granting this appli-
14 cation impair the correlative rights of anyone in the unit?

15 A No, sir.

16 Q Were Exhibits One through Six prepared
17 either by you or under your supervision and direction?

18 A They were.

19 MR. CARR: At this time, Mr. Examiner, we
20 would offer into evidence Applicant's Exhibits One through
21 Six, and I have nothing further on direct.

22 MR. STAMETS: These exhibits will be ad-
23 mitted.

24 Are there questions of the witness?

25 MR. COFFIELD: Yes, sir.

CROSS EXAMINATION

BY MR. COFFIELD:

Q Mr. Kalteyer, what I believe is Exhibit Three is the AFE, you stated was dated May 5th, is this AFE the same -- would this AFE be the same as the one that was submitted to Mrs. Chambers?

A Yes. Yes, sir.

Q Mr. Kalteyer, you also stated that you were recommending administrative overhead costs be awarded in the amount of \$3330 a month for drilling well and \$330 a month for a producing well, and that this was Gulf's current amounts. Are there other wells in this area that carry this same figure for administrative overhead costs?

A Yes, sir, all of our joint operated properties that are drilled as of this date carry those same figures. I believe you said \$330. It's \$333 per month while producing.

Q \$333.

A And \$3330 per month during drilling.

Q Yes, sir.

A And completing.

Q Yes, sir. The wells that have been spotted on your exhibits here shown as Morrow producers, are these all operated by Gulf?

A No, sir. No, sir. You'll notice on Exhibit

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (605) 471-2462
Santa Fe, New Mexico 87501

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San Antonio, New Mexico 87501

1 Six, Mewbourne Oil, that's the production tabulation, I think,
2 you'll notice the Mewbourne Oil has two wells; Petroleum
3 Development Corp. had four on that first page, two of which
4 have been depleted or recompleted; and also they have one on
5 the second page that has not been placed on production.
6 Gulf has two wells that have been completed and as of the
7 July production data we did not have any record of production
8 to offer; and Shell --

9 Q And relative to the -- excuse me, Mr. Kal-
10 teyer, go ahead. I'm sorry I interrupted you.

11 A And Shell has one well.

12 Q Okay. Relative to the wells, then, you
13 show on this Exhibit Six, none of these are operated by Gulf
14 as far as producing wells and you have two that Gulf has
15 potentialized?

16 A Yes, none of the past producing wells, but
17 Gulf has two wells on production at this time.

18 Q Okay, so would it then be only these two
19 that you're able to testify to as far as administrative and
20 operating costs?

21 A Yes, sir.

22 Q Those two bear the figures that you've
23 given us?

24 A Yes, sir.

25 Q Mr. Kalteyer, the nearest producing wells

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Santa Fe, New Mexico 87501

1 from the Pennsylvanian formation are spotted here on your
2 exhibit all lying to the, basically, to the east and the
3 north.

4 A Yes, sir.

5 Q Is that correct? Would it be accurate,
6 then, to characterize this new proposed well as a step out
7 or a logical development of the particular area?

8 A As a development outpost.

9 Q Yes, sir.

10 A I believe we would classify that.

11 Q So you would not classify it as a wildcat?

12 A No, sir.

13 Q Normally wouldn't it be true that a wild-
14 cat would be the most risky? And would be the most --
15 the chanciest kind of a prospect --

16 A Yes, sir.

17 Q -- as opposed to a development well?

18 You stated that you're recommending a 200
19 percent risk factor and that this is the risk factor that
20 would normally be carried in your joint operation contracts.

21 A Yes, sir.

22 Q Is that true? Or in other words, in the
23 usual AAPL form it would be 300 percent nonconsent proposition.

24 Do you know whether that type of joint
25 operation contract was offered to Mrs. Chambers?

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1 A. It's my understanding that our standard
2 operating agreement was offered to her.

3 MR. COFFIELD: I have no other questions
4 of Mr. Kalteyer.

5
6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. Kalteyer, do you know what the poten-
9 tials and pressures on your Landsdale and the Vanderburg
10 Wells are?

11 MR. CARR: Mr. Stamets, we're going to call
12 another witness who I think can answer that.

13 MR. STAMETS: Very good.

14 Any other questions of this witness?

15 MR. CARR: I've got one.

16
17 REDIRECT EXAMINATION

18 BY MR. CARR:

19 Q Mr. Kalteyer, in your opinion is a Morrow
20 development well still a risky proposition?

21 A. Yes, sir, very definitely.

22 MR. CARR: I have no further questions.

23 MR. STAMETS: The witness may be excused.

24 MR. CARR: At this time I would call C. D.
25 Stenberg.

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CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (608) 471-3462
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C. D. STENBERG

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A C. D. Stenberg, Midland, Texas.

Q Have you previously testified before this Commission, Mr. Stenberg, and had your credentials accepted as a matter of record?

A Yes, sir.

Q And by whom are you employed?

A Gulf Oil Corporation.

Q In what capacity?

A Geologist.

Q Are you familiar with the application presented in this case?

A Yes, I am.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

1 Q Mr. Stenberg, have you studied the area
2 which is the subject matter of this case and prepared certain
3 exhibits for introduction?

4 A Yes, I have.

5 Q Will you please refer to what has been
6 marked for identification as Gulf Oil Corporation Exhibit
7 Number Seven and explain to the Examiner what it is and what
8 it shows?

9 A Exhibit Number Seven is a plat of the pro-
10 posed location area to show the structure and the position
11 of the orthodox location, which is colored in red. This is
12 in the Lusk North Gas Pool, Lea County, New Mexico, and the
13 proposed orthodox location is 1980 feet from the south and
14 west, Section 4, 19 South, 32 East.

15 The 320-acre proposed proration unit is
16 cross hatched and Morrow producers in the North Lusk Field
17 at present are colored in yellow.

18 The contour lines on the plat are contoured
19 with a contour interval of 50 feet and represent the structure
20 on a correlative bed just above the top of the Morrow forma-
21 tion. The east dip depicted by the contours is representative
22 of the area's regional dip and shows the pool to be strati-
23 graphic in nature with the only structural configuration
24 being slight east nosing without any closure.

25 Q Mr. Stenberg, do you have some additional

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1 data you can present as to various wells depicted on this
2 plat?

3 A. Yes. In -- to accompany the yellow colored
4 Morrow producers to show this is the extent of the field to
5 date producing to the west. To the northwest of the proposed
6 location in Section 29, 18 South, 22 East, I have one dry
7 hole, which had a TD of 19 -- or 11,965 feet. Now in rela-
8 tion to these wells that I list down here, to the west side
9 of the proposed area it takes approximately 12,100 feet of
10 depth to reach the Morrow formation.

11 The next well to the south in Section 32,
12 18 South, 32 East, has a TD of 11,600 feet, which is Strawn.
13 This is to point out there is no further or whether or not
14 there's further Morrow information to the west of the pro-
15 posed location.

16 Now in Section 5 of 19 South, 32 East,
17 which is directly west of the proposed location, we have
18 three wells. The one in the southeast quarter has a TD of
19 11,815 feet. It's a Wolfcamp producer. The one in the north-
20 west quarter of Section 5 has a TD of 11,440 feet, which is
21 a Strawn producer. The one in the southwest quarter has a
22 TD of 11,437 feet and is a Strawn producer.

23 Now in Section 8, right south of it, it
24 would 8, 19 South, 32 East, we have three wells. The one in
25 the northwest quarter has a total depth of 11,447 feet, which

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2492
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1 is plugged and abandoned, and it's marked that way on the
2 plat. In the southwest quarter we have a TD of 12,800 feet,
3 which did penetrate the Morrow. This well perforated the
4 Morrow formation from 12,408 feet to 12,694 feet and was
5 acidized, swabbed gas in the amount too small to measure,
6 was temporarily abandoned, is a Strawn producer.

7 And the other well in Section 8, in the
8 southeast quarter, has a TD of 11,887 feet, which is TA'd.

9 And down through these four sections west
10 of the proposed location shows that there is not -- there is
11 no further Morrow production, therefore the proposed loca-
12 tion will be -- will include the western extension of the
13 Morrow to date.

14 Now the stratigraphic nature of the pool
15 will be shown on the next exhibit, Exhibit Number Eight,
16 which is a cross section through the wells marked with line
17 A-A' on the plat.

18 Now note the third well in the cross sec-
19 tion, before we go to Exhibit Eight, the third well from
20 letter A is circled with a broken circle and not colored
21 yellow. This did drill through the Morrow and was perfor-
22 ated but it did not make a Morrow producer, and it's plugged
23 back to the Wolfcamp, which we'll see on the cross section.

24 Q All right, Mr. Stenberg, if you would now
25 go to Exhibit Number Eight, and review this for Mr. Stamets.

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1 A. Now the cross section is hung on a strati-
2 graphic marker with a heavy line at the top of the cross
3 section called the reference datum. The well names and loca-
4 tions are at the top of the logs and these logs are gamma
5 ray neutron density logs, all the same type log.

6 And below the logs at the bottom are drill
7 stem tests if there were any in the Morrow, and perms, initial
8 potentials, and the name of the producing formation.

9 Now the perforations are colored in red on
10 the righthand -- on the lefthand side of the depth track and
11 drill stem tests on the first two logs are blocked out on the
12 righthand side of the depth track. Now there's a heavy verti-
13 cal line from the depth track over 10-1/2 divisions there's
14 a heavy vertical line which represents 5 percent porosity
15 line crossed by the neutron and density curves.

16 Now the footage numbers out to the side,
17 the righthand side of the -- in large numbers out to the
18 righthand side of the log are -- represent feet of pay, net
19 pay over 5 percent porosity. The other lines on the cross
20 section are correlation lines which correlate the sand stringers
21 between wells and numerous lenses are seen which are contin-
22 uous but thicken and thin Isopach-wise, and also there are
23 numerous lenses which are not continuous and are shown on
24 the pinchout between wells.

25 Q. Now what conclusions can you draw from this

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1 information?

2 A The purpose of the cross section is to
3 show that this is a stratigraphic pool and although there
4 are several clean sand lenses in these wells, the changes
5 in Isopach thickness and porosity characteristics show that
6 drilling in the area is a high risk venture.

7 Now if we compare Log number four, which
8 is at the righthand end of the cross section, that's the
9 Gulf Landsdale, comparing that to Log number three, this was
10 the one that was circled with a broken line on the plat,
11 okay, line number three has three sets of perfs, which are
12 represented by lines drawn through the perforations, and
13 these perforations failed to produce gas in a commercial
14 quantity. Down at the bottom you'll see the maximum flow
15 was 30 Mcf and subsequently it swabbed dry.

16 Now these two lefthand, or these two logs
17 have perforations in the same stringers and even though the
18 stringers, the sands in log number three are thicker than
19 the ones in the producer to the right, it still failed to
20 produce. The porosity is considerably less.

21 Now the two lefthand logs on the cross
22 section have sands in the same intervals which produced in
23 the same intervals as the plugged perforations in log three.
24 There were drill stem tests through this interval and you
25 can see down at the bottom the drill stem tests, the first

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1 log, gas to the surface in 77 minutes, volume not measured.
2 And it recovered 61 feet of distillate, but the gas was non-
3 commercial, noncommercial quantities.

4 The drill stem tests on the second log
5 produced only 500 Mcf.

6 Now these two logs, the first two logs on
7 the left, however, they have one small stringer which is
8 common to both wells in which the production, the current
9 production, is now. And the conclusion is, therefore, from
10 this exhibit, is that there is a good possibility of moving
11 to the west from the present production, west and south, and
12 find a possibility of only 3 feet of net pay over 5 percent
13 porosity, and at a drilling depth of 13,000 feet there would
14 be costs of the well, which Mr. Kalteyer mentioned, definitely
15 proves that this is a high risk venture.

16 Q Mr. Stenberg, are you prepared to make a
17 recommendation to the Examiner as to the risk factor that
18 should be assessed against those who do not participate in
19 the drilling of the well?

20 A Yes, sir. I believe from this evidence
21 that the penalty should be cost plus the maximum, 200 percent
22 penalty.

23 Q Did you hear the question asked by Mr.
24 Stamets concerning the Landsdale Well?

25 A The pressures?

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1 Q Yes.

2 A Yes, sir.

3 Q Could you -- are you prepared to answer
4 that question? We'll need the pressure and the production
5 there.

6 A All right. Well, I didn't put the pressures
7 down here, I don't believe.

8 Okay, Mr. Stamets, what was it exactly,
9 you want to know the pressure, if we have any pressure data
10 on the --

11 MR. STAMETS: Right.

12 A -- Vandever?

13 MR. STAMETS: On the two Gulf wells there.

14 A Or the Landsdale? Okay, the Landsdale,
15 which is in -- well, that's the fourth log on the cross
16 section. The calculated absolute -- the calculated open
17 flow was 14965 Mcf gas per day; GOR 176,800.

18 MR. STAMETS: What was your shut-in pressure?

19 A Shut-in wellhead 3420. Shut-in bottom
20 hole pressure 2900 pounds. I don't have a time on that in
21 this.

22 MR. STAMETS: Obviously that wasn't taken
23 at the same time if your bottom hole was less than your
24 surface.

25 A That's what they have on the scout card,

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3030 Plaza Ilanca (505) 471-3452
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1 sir. I'm sorry I don't have the -- I don't have our own
2 file. I don't know if it would be the same or not.

3 I have the drill stem test pressures here.
4 Let's see, the first drill stem test, it flowed estimated
5 2330 Mcf; initial shut-in or flow pressures, what would be
6 useful, flow pressures?

7 MR. STAMETS: Shut-in pressures.

8 A The one-hour initial shut-in, 5985; flow
9 pressure is 585 to 1002; 3-hour final shut-in pressure,
10 5679.

11 Now the second drill stem test, which is
12 also in the perforated interval, 1-hour initial shut-in,
13 5757; flow pressure 3481 to 4488; 3-hour final shut-in, 5713.

14 MR. STAMETS: Have you got a shut-in pres-
15 sure on the Vandiver Well?

16 A Let's see. Which one is the Vandiver,
17 let's see.

18 MR. STAMETS: It would be the first one
19 on your cross section.

20 A Okay, it would be -- okay. I have -- hey,
21 Chuck, come here a minute; see if you can help me figure
22 this out.

23 (There followed a discussion off
24 the record.)

25 A Let's see, okay, on the Vandiver, on the

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3020 Plaza Blanca (665) 471-2462
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1 drill stem test, the first drill stem test on the Vandiver,
2 initial shut-in, 4052; flow pressure, 1292 to 1313; and the
3 final shut-in, 4052.

4 Those are written on the cross section, a
5 little hard to read, but I think those are right. Okay,
6 the bottom drill stem test is on there, also, initial shut-in, 5
7 5764; and flow pressure -- well, there are initial and final,
8 pre-flow and flow pressure, the first one is 2226 to 2332;
9 the regular flow during the test was a little higher, 2332
10 to I believe that's 3688. Oh, that is the drill stem test,
11 okay, that's right.

12 Now, we don't -- I don't know if we have
13 a 3-hour final. 5705, 3-hour final shut-in.

14 MR. STAMETS: I think those will be good
15 enough for our purposes here.

16 How old a pool is this North Lusk?

17 A. Well, the Petroleum Development started
18 these wells, I think, were the first ones, 19 -- let's see,
19 the McKay Federal in Section 34, the northwest one, is com-
20 pleted 7-11-76.

21 MR. STAMETS: So it's at least three years
22 old by this time.

23 A. It's approximately, yes.

24 Q. The pressures that you've seen here indicate
25 that either lack of communication or indication that you

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1 are picking up zones that are not being produced in the old
2 wells.

3 A Yes, sir, I believe, yes, that would be
4 evident on the cross section. There definitely are different
5 completion intervals and in different lenses and they would
6 not necessarily correlate.

7 Q I would gather this is a typical Morrow
8 pool with the typical Morrow risks associated with it.

9 A Yes, that's my conclusion because of the
10 stratigraphic nature of the pool, the risk would be consider-
11 able.

12 MR. STAMETS: Any other questions of the
13 witness?

14 MR. COFFIELD: Yes, sir.

15
16 CROSS EXAMINATION

17 BY MR. COFFIELD:

18 Q Mr. Stenberg, you have, first of all, if
19 I understood you correctly, you said you expect this pros-
20 pective well to be on the outside limits of the -- or the
21 westerly extension, anyway, of this particular pool.

22 A It will be on the -- it's on the west --
23 yes, it's on the west side, right.

24 Q Are you prepared to say that that's the
25 end of it there? Do you know enough about it to the west?

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1 A Well, I said, let's see, in Section 5 we
2 have -- let me see which well that was, that No. 14. All
3 right. The closest -- the closest Pennsylvanian well west,
4 which would be a west offset 320 to the proposed location,
5 only drilled to 11,815 feet, so we have no Morrow information.

6 Q Okay. How many units must this North Lusk
7 Cas Pool, how many dry Morrow wells have been drilled?

8 A The closest -- the closest one to the
9 proposed location would be southwest, the one in Section 8.

10 Q And are there other dry holes in the imme-
11 diate area?

12 A Yes. Yes, there definitely is. The one,
13 the third log on the cross section, the log third from the
14 left on the cross section, is the one that perforated the
15 Morrow and made gas too small to -- or in noncommercial
16 quantities, and was plugged back to the Wolfcamp, as a Wolf-
17 camp producer, which is direct offset to producing wells.

18 Q Okay, well then what, there would be two,
19 two more wells in the area that have drilled as dry holes?
20 Would these others be producers that are spotted on your
21 exhibit?

22 A That's -- that pretty well covers -- that
23 definitely covers the area within, oh, a couple miles of
24 the proposed location, which is about as far -- is farther
25 than you can project Morrow, anyway.

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1020 Plaza Blanca (905) 471-2482
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1 Q So in that area there are significantly
2 more Morrow producers than there are Morrow dry holes.

3 A Oh, yes, right.

4 Q What would you say the odds of completing
5 this as a Morrow well are? In other words, how risky is
6 risky?

7 A I believe if I had to make a guess as to
8 the production, I would have to assume that it could be no
9 better than the 3 feet -- notice on the cross section, where
10 the producing area, or the producing interval on the first
11 two logs, I have 3 feet of net pay marked. Therefore, I
12 would have to assume that we may anticipate drilling a
13 13,000 foot hole and get only 3 feet of pay.

14 Q Would that justify the drilling of the
15 well?

16 A The initial potentials show that it will
17 possibly pay for drilling the hole; however, they are too
18 new yet that we don't have cumulatives or information which
19 would show actually what the ultimate -- that would be.
20 However, 3 feet of pay will, yes, it would be worth drilling
21 a well on the basis of those two wells so far.

22 Q Well then, as far as odds are concerned,
23 getting back to that question, Mr. Stenberg, would you say
24 that the odds are that you will in fact get a Morrow well
25 in this case?

1 A. It's -- it's worth the risk to drill the
2 well because of the information in the area. As far -- I
3 mean it's worth the risk to drill the well as well as you
4 can any Morrow well in a field, on the edge of a field.

5 Q. So it's no riskier than any other?

6 MR. COFFIELD: I have no other questions.

7 MR. STAMETS: Any other questions of the
8 witness, Mr. Carr?

9
10 REDIRECT EXAMINATION

11 BY MR. CARR:

12 Q. Mr. Stenberg, is it also a distinct pos-
13 sibility that you will drill this well and drill a dry hole?

14 A. Definitely, we have -- when we have offset
15 wells which have only 3 feet of pay, that's -- and the
16 stratigraphic nature of the pool, the way the stringers can
17 appear and disappear, and like I have in the cross section,
18 we have a well which will not produce in the Morrow, which
19 is surrounded by producers, so therefore it's very possible
20 to drill a dry hole.

21 Q. Were Exhibits Seven and Eight prepared by
22 you?

23 A. Yes, they were.

24 MR. CARR: At this time, Mr. Examiner, we
25 would offer into evidence Gulf Oil Corporation Exhibits Seven

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CERTIFIED REPORTER
803 Plaza Blanca (S) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

1 and Eight.

2 MR. STAMETS: These exhibits will be ad-
3 mitted.

4 MR. CARR: I have nothing further.

5 MR. STAMETS: Any questions? The witness
6 may be excused.

7 Mr. Coffield, do you have anything to
8 offer?

9 MR. COFFIELD: Yes, Mr. Examiner, I would
10 state on behalf of Evelyn Chambers that as you can see, of
11 course, with regard to I guess it's Exhibit Two or Three,
12 the correspondence that Mrs. Chambers has no objection to,
13 as she has stated, the forced pooling action in this case.
14 However, Mrs. Chambers does feel that the 200 percent risk
15 factor that's been requested by Gu' is excessive. It ap-
16 pears to us that the evidence and exhibits, the exhibits and
17 testimony that's been offered in this case, indicate that
18 this is in fact a good prospect. Certainly there are signi-
19 ficantly more producers, Morrow producers, in this particular
20 area than there are dry holes, and according to that, the
21 odds do appear to be excellent that a Morrow producer can
22 be developed in this area.

23 Accordingly, Mrs. Chambers is willing to
24 agree that a 100 percent penalty factor would be safe.

25 MR. STAMETS: Mr. Carr?

1 MR. CARR: Mr. Stamets, I don't think any-
2 one would attempt to drill a Morrow well unless they thought
3 there was a chance that they could make a well, but I think
4 it's important when you consider this case to recognize that
5 there are two dry holes in the immediate area and certainly
6 there are not excellent odds that they're going to in fact
7 make a -- obtain a commercial Morrow well.

8 We think that in view of the characteristics
9 of the Morrow and the testimony presented today, that the
10 only reasonable risk factor, or penalty, that can be assessed
11 by this Commission is the maximum 200 percent.

12 MR. STAMETS: The case will be taken under
13 advisement.

14
15 (Hearing concluded.)
16
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25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

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

Sally W. Boyd C.S.R.
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. 6737
heard by me on 11-28-79
Richard R. Hunt, Examiner
Oil Conservation Division

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CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
 ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 STATE LAND OFFICE BLDG.
 SANTA FE, NEW MEXICO
 28 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation) CASE
 for compulsory pooling, Lea County,) 6737
 New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
 Legal Counsel for the Division
 State Land Office Bldg.
 Santa Fe, New Mexico 87501

For the Applicant: William F. Carr, Esq.
 CAMPBELL & BLACK P A
 Jefferson Place
 Santa Fe, New Mexico 87501

For Evelyn Chambers: Conrad Coffield, Esq.
 Hinkle Law Firm
 P. O. Box 3580
 Midland, Texas 79701

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 3030 Plaza Blanca (S.E.) 471-4482
 Santa Fe, New Mexico 87501

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 3020 Plaza Blanca (006) 471-3488
 Santa Fe, New Mexico 87501

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C. D. STENBERG

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1 MR. CLAYTON: The hearing will come to order.
2 Call next Case 6737.

3 MR. FARRER: Application of Gulf Oil Cor-
4 poration for compulsory pooling, Lea County, New Mexico.

5 MR. STAMETS: Call for appearances.

6 MR. CARR: May it please the Examiner, I
7 am William F. Carr, Campbell and Black P. A., Santa Fe,
8 appearing on behalf of the applicant. I have two witnesses
9 who need to be sworn.

10 MR. STAMETS: Any other appearances?

11 MR. COFFIELD: Yes, Conrad Coffield with
12 the Hinkle Law Firm in Midland, Texas, appearing on behalf
13 of Evelyn Chambers. I do not have any witnesses.

14 MR. STAMETS: I'd like to have all the wit-
15 nesses stand and be sworn, please.

16
17 (Witnesses sworn.)

18
19 CHARLES F. KATTEYER
20 being called as a witness and having been duly sworn upon his
21 oath, testified as follows, to-wit:

22
23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q Would you state your name and place of resi-

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2020 Plaza Blanca (955) 471-2462
Santa Fe, New Mexico 87501

1 dence?

2 A Charles F. Kalteyer, K-A-L-T-E-Y-E-R,
3 from Midland, Texas.

4 Q Mr. Kalteyer, by whom are you employed and
5 in what capacity?

6 A Employed by Gulf Oil Corporation as a
7 Chief Proration Engineer of the Southwest District in Mid-
8 land, Texas.

9 Q Have you previously testified before this
10 Commission and had your credentials accepted and made a mat-
11 ter of record?

12 A Yes, sir, I have.

13 Q Are you familiar with the subject matter
14 of this case?

15 A Yes, sir.

16 MR. CARR: Are the witness' qualifications
17 acceptable?

18 MR. STAMETS: They are.

19 Q Mr. Kalteyer, would you state briefly what
20 Gulf's purpose is in bringing this application?

21 A Gulf is seeking an order pooling all the
22 mineral interests underlying the west half of Section 4,
23 Township 19 South, Range 32 East, in the North Lusk Morrow
24 Gas Pool, Lea County, New Mexico. This is a standard 320-
25 acre unit and is to be dedicated to the Federal Com 4 Well

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1 No. 1 to be drilled at an orthodox location in Unit K, 1980
2 feet from the south and west lines of Section 4.

3 Q And is Gulf seeking to be designated oper-
4 ator of this well?

5 A Yes, sir, Gulf is --

6 Q And the unit?

7 A -- seeking the designation as operator.

8 Q You are also going to be asking for the
9 order to assess certain costs while drilling and completing
10 the well?

11 A Yes, sir.

12 Q And also costs for supervision while the
13 well is being produced, and a risk factor?

14 A Yes. Yes, sir.

15 Q Will you please refer to what has been
16 marked for identification as Gulf Oil Corporation Exhibit
17 Number One and explain to the Examiner what it is and what
18 it shows?

19 A Yes, sir. Our Gulf Exhibit Number One
20 shows the entire boundaries of Section 4, Township 19 South,
21 Range 32 East, and outlined in red is Gulf's proposed Federal
22 Com 4 Unit containing the 320 acres. The proposed well is
23 circled in red. Gulf's holdings consist of the northwest
24 quarter of the section and are outlined in yellow. The
25 Evelyn Chambers tract consists of the northwest quarter of

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1 the southwest quarter and is outlined in blue. The balance
2 of the acreage in the west half of the section, consisting
3 of the northeast quarter of the southwest quarter and the
4 south half of the southwest quarter, are held by Amoco and
5 are outlined in green. The participation is indicated on
6 the exhibit. The 160 acres controlled by Gulf would hold a
7 50 percent interest in the unit; Amoco with 120 acres would
8 hold 37-1/2 percent; Evelyn Chambers with 40 acres would
9 hold 12-1/2 percent.

10 Q Will you now refer to what has been marked
11 for identification as Gulf's Exhibit Number Two and review
12 these documents for the Examiner?

13 A Exhibit Number Two consists of correspon-
14 dence dating back to August the 3rd of 1979, wherein Gulf
15 proposed the drilling of the subject well to Amoco and
16 Chambers.

17 Amoco has approved the AFE for the drilling
18 of this well and as seen in the top letter of the exhibit,
19 dated October 19th, 1979, Evelyn Chambers has advised that
20 they are not prepared to enter under the operating agreement
21 and intend to accept forced pooling.

22 Q Mr. Kalteyer, did Gulf give notice of this
23 hearing by certified mail to both Amoco and Chambers?

24 A Yes, sir, notice was given.

25 Q Will you now refer to what has been marked

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1 Exhibit Number Three and review the data contained thereon
2 for Mr. Stamets?

3 A. Exhibit Number Three is a cost estimate
4 prepared by our Hobbs Area Office personnel on May 1st, 1979,
5 for the drilling of the Federal Com 4 No. 1 to a total depth
6 of 13,100 feet.

7 Gross cost of the AFE to drill and complete
8 amounts to \$776,000. In addition to this amount, Gulf esti-
9 mates some \$50,000 for surface producing equipment for a
10 successfully completed gas well, giving a total cost of some
11 \$826,000.

12 Q Will you now refer to what has been marked
13 Exhibit Number Four and summarize the data contained thereon?

14 A. Exhibit Four is a schematic diagram of
15 casing and tubing settings planned by our Hobbs office for
16 the well. Gulf proposes to set 13-3/8ths surface casing at
17 400 feet; 8-5/8ths intermediate at 4200; and 5-1/2 inch
18 production casing at 13,100, and approximately 13,000 feet,
19 2-3/8ths tubing set on production packer.

20 Q Mr. Kalteyer, are you prepared to make a
21 recommendation to the Examiner concerning the charges for
22 overhead and administrative costs while drilling and pro-
23 ducing the subject well?

24 A. Yes, sir. In accordance with the accounting
25 procedure of Council of Petroleum Accountants Societies of

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3020 Plaza Blanca (S16) 471-2442
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1 North America, or COPAS of 1974, for indirect overhead Gulf
2 proposes a fixed rate basis of \$3330 per month during the
3 drilling and completing operations, and a figure of \$333 per
4 month while the well is producing. These are currently
5 Gulf's standard charges under joint operating.

6 Q And it is your recommendation that these
7 figures be incorporated into any order which is entered pur-
8 suant to this hearing?

9 A Yes, sir.

10 Q Will you now refer to what has been marked
11 Gulf's Exhibit Number Five and explain this to the Examiner?

12 A Exhibit Five is a plat of the area showing
13 those wells that have been completed in the North Lusk Morrow
14 Pool. The wells which have produced from this field are
15 circled in yellow. The proposed Federal Com 4 Unit is out-
16 lined in pink in Section 4.

17 Q Now will you refer to Exhibit Number Six?

18 A Gulf's Exhibit Number Six is a tabulation
19 of gas production data for these North Lusk Morrow Gas Pool
20 wells which produced gas in 1978 or '79.

21 Three wells have been completed in the
22 pool but as of July have not reported any production. Each
23 well's monthly production is tabulated together with the
24 1978 annual, as well as the cumulative, as of August 1st,
25 1979. Also listed the year to date production for '79 and

1 the daily average production rate of each well based on the
2 reported days on production.

3 The daily average production in '79 ranges
4 from a low of 208 Mcf per day in Mewbourne Oil Company's
5 Federal "G" No. 1, located in Unit K of Section 27, Township
6 18, Range 32, and to a high of 1166 Mcf per day in Petroleum
7 Development Corporation's McKay Shell Federal Well No. 1 in
8 Unit L of Section 3, Township 19, Range 32.

9 Based on the data, the five wells produced
10 at a daily rate of 2878 Mcf per day during the first seven
11 months of '79, or an average of 576 Mcf per day per well.
12 Cumulative production for the pool as of August 1st, '79,
13 was some 3,363,570 Mcf.

14 Q Mr. Kalteyer, in your opinion is the
15 Drilling of the proposed well a high risk venture?

16 A Yes, it is the opinion of Gulf, and I be-
17 lieve the opinion of those operators drilling for Morrow in
18 southeast New Mexico, that Morrow drilling is a high risk
19 venture.

20 Q Do you have a recommendation to make as to
21 what provisions this order, the order resulting from this
22 hearing, should contain as to the interest owners who do not
23 pay their share of the estimated well costs?

24 A We are recommending that a compulsory
25 pooling order be issued and should have withheld from production

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (S.O.S.) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Elaneca (005) 471-2482
Santa Fe, New Mexico 87501

1 for nonconsenting parties their share of reasonable well
2 costs plus an additional 200 percent as a reasonable charge
3 for risk involved in the drilling of the well. These are
4 Gulf's normal voluntary joint operating agreement standards
5 for a nonconsent interest.

6 Q In your opinion will granting this appli-
7 cation result in the prevention of waste?

8 A It is my opinion that the entry of an order
9 providing for the drilling of the Federal Com 4 Well, as
10 proposed by Gulf, will prevent waste and the drilling of un-
11 necessary wells by providing for the efficient development
12 and production of reserves under the west half of Section 4.

13 Q In your opinion will granting this appli-
14 cation impair the correlative rights of anyone in the unit?

15 A No, sir.

16 Q Were Exhibits One through Six prepared
17 either by you or under your supervision and direction?

18 A They were.

19 MR. CARR: At this time, Mr. Examiner, we
20 would offer into evidence Applicant's Exhibits One through
21 Six, and I have nothing further on direct.

22 MR. STAMETS: These exhibits will be ad-
23 mitted.

24 Are there questions of the witness?

25 MR. COFFIELD: Yes, sir.

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CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

CROSS EXAMINATION

BY MR. COFFIELD:

Q Mr. Kalteyer, what I believe is Exhibit Three is the AFE, you stated was dated May 5th, is this AFE the same -- would this AFE be the same as the one that was submitted to Mrs. Chambers?

A Yes. Yes, sir.

Q Mr. Kalteyer, you also stated that you were recommending administrative overhead costs be awarded in the amount of \$3330 a month for drilling well and \$330 a month for a producing well, and that this was Gulf's current amounts. Are there other wells in this area that carry this same figure for administrative overhead costs?

A Yes, sir, all of our joint operated properties that are drilled as of this date carry those same figures. I believe you said \$330. It's \$333 per month while producing.

Q \$333.

A And \$3330 per month during drilling.

Q Yes, sir.

A And completing.

Q Yes, sir. The wells that have been spotted on your exhibits here shown as Morrow producers, are these all operated by Gulf?

A No, sir. No, sir. You'll notice on Exhibit

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CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-4462
Santa Fe, New Mexico 87501

1 Six, Mewbourne Oil, that's the production tabulation, I think,
2 you'll notice the Mewbourne Oil has two wells; Petroleum
3 Development Corp. had four on that first page, two of which
4 have been depleted or recompleted; and also they have one on
5 the second page that has not been placed on production.
6 Gulf has two wells that have been completed and as of the
7 July production data we did not have any record of production
8 to offer; and Shell --

9 Q And relative to the -- excuse me, Mr. Kal-
10 teyer, go ahead. I'm sorry I interrupted you.

11 A And Shell has one well.

12 Q Okay. Relative to the wells, then, you
13 show on this Exhibit Six, none of these are operated by Gulf
14 as far as producing wells and you have two that Gulf has
15 potentialized?

16 A Yes, none of the past producing wells, but
17 Gulf has two wells on production at this time.

18 Q Okay, so would it then be only these two
19 that you're able to testify to as far as administrative and
20 operating costs?

21 A Yes, sir.

22 Q Those two bear the figures that you've
23 given us?

24 A Yes, sir.

25 Q Mr. Kalteyer, the nearest producing wells

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (S.O.B.) 471-2462
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1 from the Pennsylvanian formation are spotted here on your
2 exhibit all lying to the, basically, to the east and the
3 north.

4 A Yes, sir.

5 Q Is that correct? Would it be accurate,
6 then, to characterize this new proposed well as a step out
7 or a logical development of the particular area?

8 A As a development outpost.

9 Q Yes, sir.

10 A I believe we would classify that.

11 Q So you would not classify it as a wildcat?

12 A No, sir.

13 Q Normally wouldn't it be true that a wild-
14 cat would be the most risky? And would be the most --
15 the chanciest kind of a prospect --

16 A Yes, sir.

17 Q -- as opposed to a development well?

18 You stated that you're recommending a 200
19 percent risk factor and that this is the risk factor that
20 would normally be carried in your joint operation contracts.

21 A Yes, sir.

22 Q Is that true? Or in other words, in the
23 usual AAPL form it would be 300 percent nonconsent proposition.

24 Do you know whether that type of joint
25 operation contract was offered to Mrs. Chambers?

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1 A. It's my understanding that our standard
2 operating agreement was offered to her.

3 MR. COFFIELD: I have no other questions
4 of Mr. Kalteyer.

5
6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. Kalteyer, do you know what the poten-
9 tials and pressures on your Landsdale and the Vanderburg
10 Wells are?

11 MR. CARR: Mr. Stamets, we're going to call
12 another witness who I think can answer that.

13 MR. STAMETS: Very good.

14 Any other questions of this witness?

15 MR. CARR: I've got one.

16
17 REDIRECT EXAMINATION

18 BY MR. CARR:

19 Q Mr. Kalteyer, in your opinion is a Morrow
20 development well still a risky proposition?

21 A. Yes, sir, very definitely.

22 MR. CARR: I have no further questions.

23 MR. STAMETS: The witness may be excused.

24 MR. CARR: At this time I would call C. D.
25 Stenberg.

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (506) 471-2462
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C. D. STENBERG

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A C. D. Stenberg, Midland, Texas.

Q Have you previously testified before this Commission, Mr. Stenberg, and had your credentials accepted as a matter of record?

A Yes, sir.

Q And by whom are you employed?

A Gulf Oil Corporation.

Q In what capacity?

A Geologist.

Q Are you familiar with the application presented in this case?

A Yes, I am.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

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CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (895) 471-2482
Santa Fe, New Mexico 87501

1 Q Mr. Stenberg, have you studied the area
2 which is the subject matter of this case and prepared certain
3 exhibits for introduction?

4 A Yes, I have.

5 Q Will you please refer to what has been
6 marked for identification as Gulf Oil Corporation Exhibit
7 Number Seven and explain to the Examiner what it is and what
8 it shows?

9 A Exhibit Number Seven is a plat of the pro-
10 posed location area to show the structure and the position
11 of the orthodox location, which is colored in red. This is
12 in the Lusk North Gas Pool, Lea County, New Mexico, and the
13 proposed orthodox location is 1980 feet from the south and
14 west, Section 4, 19 South, 32 East.

15 The 320-acre proposed proration unit is
16 cross hatched and Morrow producers in the North Lusk Field
17 at present are colored in yellow.

18 The contour lines on the plat are contoured
19 with a contour interval of 50 feet and represent the structure
20 on a correlative bed just above the top of the Morrow forma-
21 tion. The east dip depicted by the contours is representative
22 of the area's regional dip and shows the pool to be strati-
23 graphic in nature with the only structural configuration
24 being slight east nosing without any closure.

25 Q Mr. Stenberg, do you have some additional

1 data you can present as to various wells depicted on this
2 plat?

3 A. Yes. In -- to accompany the yellow colored
4 Morrow producers to show this is the extent of the field to
5 date producing to the west. To the northwest of the proposed
6 location in Section 29, 18 South, 22 East, I have one dry
7 hole, which had a TD of 19 -- or 11,965 feet. Now in rela-
8 tion to these wells that I list down here, to the west side
9 of the proposed area it takes approximately 12,100 feet of
10 depth to reach the Morrow formation.

11 The next well to the south in Section 32,
12 18 South, 32 East, has a TD of 11,600 feet, which is Strawn.
13 This is to point out there is no further or whether or not
14 there's further Morrow information to the west of the pro-
15 posed location.

16 Now in Section 5 of 19 South, 32 East,
17 which is directly west of the proposed location, we have
18 three wells. The one in the southeast quarter has a TD of
19 11,815 feet. It's a Wolfcamp producer. The one in the north-
20 west quarter of Section 5 has a TD of 11,440 feet, which is
21 a Strawn producer. The one in the southwest quarter has a
22 TD of 11,437 feet and is a Strawn producer.

23 Now in Section 8, right south of it, it
24 would be, 19 South, 32 East, we have three wells. The one in
25 the northwest quarter has a total depth of 11,447 feet, which

SALLY WALTON BOYD
CERTIFIED (NORTH) REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (905) 471-2492
Santa Fe, New Mexico 87501

1 is plugged and abandoned, and it's marked that way on the
2 plat. In the southwest quarter we have a TD of 12,800 feet,
3 which did penetrate the Morrow. This well perforated the
4 Morrow formation from 12,408 feet to 12,694 feet and was
5 acidized, swabbed gas in the amount too small to measure,
6 was temporarily abandoned, is a Strawn producer.

7 And the other well in Section 8, in the
8 southeast quarter, has a TD of 11,887 feet, which is TA'd.

9 And down through these four sections west
10 of the proposed location shows that there is not -- there is
11 no further Morrow production, therefore the proposed loca-
12 tion will be -- will include the western extension of the
13 Morrow to date.

14 Now the stratigraphic nature of the pool
15 will be shown on the next exhibit, Exhibit Number Eight,
16 which is a cross section through the wells marked with line
17 A-A' on the plat.

18 Now note the third well in the cross sec-
19 tion, before we go to Exhibit Eight, the third well from
20 letter A is circled with a broken circle and not colored
21 yellow. This did drill through the Morrow and was perfor-
22 ated but it did not make a Morrow producer, and it's plugged
23 back to the Wolfcamp, which we'll see on the cross section.

24 Q All right, Mr. Stenberg, if you would now
25 go to Exhibit Number Eight, and review this for Mr. Stamets.

SALLY WALTON BOYD
CERTIFIED BORTHAND REPORTER
3030 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

1 A. Now the cross section is hung on a strati-
2 graphic marker with a heavy line at the top of the cross
3 section called the reference datum. The well names and loca-
4 tions are at the top of the logs and these logs are gamma
5 ray neutron density logs, all the same type log.

6 And below the logs at the bottom are drill
7 stem tests if there were any in the Morrow, and perms, initial
8 potentials, and the name of the producing formation.

9 Now the perforations are colored in red on
10 the righthand -- on the lefthand side of the depth track and
11 drill stem tests on the first two logs are blocked out on the
12 righthand side of the depth track. Now there's a heavy verti-
13 cal line from the depth track over 10-1/2 divisions there's
14 a heavy vertical line which represents 5 percent porosity
15 line crossed by the neutron and density curves.

16 Now the footage numbers out to the side,
17 the righthand side of the -- in large numbers out to the
18 righthand side of the log are -- represent feet of pay, net
19 pay over 5 percent porosity. The other lines on the cross
20 section are correlation lines which correlate the sand stringers
21 between wells and numerous lenses are seen which are contin-
22 uous but thicken and thin Isopach-wise, and also there are
23 numerous lenses which are not continuous and are shown on
24 the pinchout between wells.

25 Q. Now what conclusions can you draw from this

1 information?

2 A The purpose of the cross section is to
3 show that this is a stratigraphic pool and although there
4 are several clean sand lenses in these wells, the changes
5 in Isopach thickness and porosity characteristics show that
6 drilling in the area is a high risk venture.

7 Now if we compare Log number four, which
8 is at the righthand end of the cross section, that's the
9 Gulf Landsdale, comparing that to Log number three, this was
10 the one that was circled with a broken line on the plat,
11 okay, line number three has three sets of perfs, which are
12 represented by lines drawn through the perforations, and
13 these perforations failed to produce gas in a commercial
14 quantity. Down at the bottom you'll see the maximum flow
15 was 30 Mcf and subsequently it swabbed dry.

16 Now these two lefthand, or these two logs
17 have perforations in the same stringers and even though the
18 stringers, the sands in log number three are thicker than
19 the ones in the producer to the right, it still failed to
20 produce. The porosity is considerably less.

21 Now the two lefthand logs on the cross
22 section have sands in the same intervals which produced in
23 the same intervals as the plugged perforations in log three.
24 There were drill stem tests through this interval and you
25 can see down at the bottom the drill stem tests, the first

SALLY WALTON BOYD
CERTIFIED S-WORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-3483
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

1 log, gas to the surface in 77 minutes, volume not measured.
2 And it recovered 61 feet of distillate, but the gas was non-
3 commercial, noncommercial quantities.

4 The drill stem tests on the second log
5 produced only 500 Mcf.

6 Now these two logs, the first two logs on
7 the left, however, they have one small stringer which is
8 common to both wells in which the production, the current
9 production, is now. And the conclusion is, therefore, from
10 this exhibit, is that there is a good possibility of moving
11 to the west from the present production, west and south, and
12 find a possibility of only 3 feet of net pay over 5 percent
13 porosity, and at a drilling depth of 13,000 feet there would
14 be costs of the well, which Mr. Kalteyer mentioned, definitely
15 proves that this is a high risk venture.

16 Q Mr. Stenberg, are you prepared to make a
17 recommendation to the Examiner as to the risk factor that
18 should be assessed against those who do not participate in
19 the drilling of the well?

20 A Yes, sir. I believe from this evidence
21 that the penalty should be cost plus the maximum, 200 percent
22 penalty.

23 Q Did you hear the question asked by Mr.
24 Stamets concerning the Landsdale Well?

25 A The pressures?

SALLY WALTON BOYD
CERTIFIED SHOT-HAND REPORTER
3030 Plaza Blanca (S&S) 471-2482
Santa Fe, New Mexico 87501

1 Q Yes.

2 A Yes, sir.

3 Q Could you -- are you prepared to answer

4 that question? We'll need the pressure and the production

5 there.

6 A All right. Well, I didn't put the pressures

7 down here, I don't believe.

8 Okay, Mr. Stamets, what was it exactly,

9 you want to know the pressure, if we have any pressure data

10 on the --

11 MR. STAMETS: Right.

12 A -- Vandever?

13 MR. STAMETS: On the two Gulf wells there.

14 A Or the Landsdale? Okay, the Landsdale,

15 which is in -- well, that's the fourth log on the cross

16 section. The calculated absolute -- the calculated open

17 flow was 14965 Mcf gas per day; GOR 176,800.

18 MR. STAMETS: What was your shut-in pressure?

19 A Shut-in wellhead 3420. Shut-in bottom

20 hole pressure 2900 pounds. I don't have a time on that in

21 this.

22 MR. STAMETS: Obviously that wasn't taken

23 at the same time if your bottom hole was less than your

24 surface.

25 A That's what they have on the scout card,

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (S.O.) 471-2482
Santa Fe, New Mexico 87501

1 sir. I'm sorry I don't have the -- I don't have our own
2 file. I don't know if it would be the same or not.

3 I have the drill stem test pressures here.
4 Let's see, the first drill stem test, it flowed estimated
5 2330 Mcf; initial shut-in or flow pressures, what would be
6 useful, flow pressures?

7 MR. STAMETS: Shut-in pressures.

8 A The one-hour initial shut-in, 5985; flow
9 pressure is 585 to 1002; 3-hour final shut-in pressure,
10 5679.

11 Now the second drill stem test, which is
12 also in the perforated interval, 1-hour initial shut-in,
13 5757; flow pressure 3481 to 4488; 3-hour final shut-in, 5713.

14 MR. STAMETS: Have you got a shut-in pres-
15 sure on the Vandiver Well?

16 A Let's see. Which one is the Vandiver,
17 let's see.

18 MR. STAMETS: It would be the first one
19 on your cross section.

20 A Okay, it would be -- okay. I have -- hey,
21 Chuck, come here a minute; see if you can help me figure
22 this out.

23 (There followed a discussion off
24 the record.)

25 A Let's see, okay, on the Vandiver, on the

SALLY WALTON BOYD
CERTIFIED JOURNALIST
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

1 drill stem test, the first drill stem test on the Vandiver,
2 initial shut-in, 4052; flow pressure, 1292 to 1313; and the
3 final shut-in, 4052.

4 Those are written on the cross section, a
5 little hard to read, but I think those are right. Okay,
6 the bottom drill stem test is on there, also. initial shut-in, 5
7 5754; and flow pressure -- well, there are initial and final,
8 pre-flow and flow pressure, the first one is 2226 to 2332;
9 the regular flow during the test was a little higher, 2332
10 to I believe that's 3688. Oh, that is the drill stem test,
11 okay, that's right.

12 Now, we don't -- I don't know if we have
13 a 3-hour final. 5705, 3-hour final shut-in.

14 MR. STAMETS: I think those will be good
15 enough for our purposes here.

16 How old a pool is this North Lusk?

17 A. Well, the Petroleum Development started
18 these wells, I think, were the first ones, 19 -- let's see,
19 the McKay Federal in Section 34, the northwest one, is com-
20 pleted 7-11-76.

21 MR. STAMETS: So it's at least three years
22 old by this time.

23 A. It's approximately, yes.

24 Q. The pressures that you've seen here indicate
25 that either lack of communication or indication that you

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (966) 471-2462
Santa Fe, New Mexico 87501

1 are picking up zones that are not being produced in the old
2 wells.

3 A Yes, sir, I believe, yes, that would be
4 evident on the cross section. There definitely are different
5 completion intervals and in different lenses and they would
6 not necessarily correlate.

7 Q I would gather this is a typical Morrow
8 pool with the typical Morrow risks associated with it.

9 A Yes, that's my conclusion because of the
10 stratigraphic nature of the pool, the risk would be consider-
11 able.

12 MR. STAMETS: Any other questions of the
13 witness?

14 MR. COFFIELD: Yes, sir.

15
16 CROSS EXAMINATION

17 BY MR. COFFIELD:

18 Q Mr. Stenberg, you have, first of all, if
19 I understood you correctly, you said you expect this pros-
20 pective well to be on the outside limits of the -- or the
21 westerly extension, anyway, of this particular pool.

22 A It will be on the -- it's on the west --
23 yes, it's on the west side, right.

24 Q Are you prepared to say that that's the
25 end of it there? Do you know enough about it to the west?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (505) 471-2462
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1 A Well, I said, let's see, in Section 5 we
2 have -- let me see which well that was, that No. 14. All
3 right. The closest -- the closest Pennsylvanian well west,
4 which would be a west offset 320 to the proposed location,
5 only drilled to 11,815 feet, so we have no Morrow information.

6 Q Okay. How many units must this North Lusk
7 Gas Pool, how many dry Morrow wells have been drilled?

8 A The closest -- the closest one to the
9 proposed location would be southwest, the one in Section 8.

10 Q And are there other dry holes in the imme-
11 diate area?

12 A Yes. Yes, there definitely is. The one,
13 the third log on the cross section, the log third from the
14 left on the cross section, is the one that perforated the
15 Morrow and made gas too small to -- or in noncommercial
16 quantities, and was plugged back to the Wolfcamp, as a Wolf-
17 camp producer, which is direct offset to producing wells.

18 Q Okay, well then what, there would be two,
19 two more wells in the area that have drilled as dry holes?
20 Would these others be producers that are spotted on your
21 exhibit?

22 A That's -- that pretty well covers -- that
23 definitely covers the area within, oh, a couple miles of
24 the proposed location, which is about as far -- is farther
25 than you can project Morrow, anyway.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (908) 471-2452
Santa Fe, New Mexico 87501

1 Q So in that area there are significantly
2 more Morrow producers than there are Morrow dry holes.

3 A Oh, yes, right.

4 Q What would you say the odds of completing
5 this as a Morrow well are? In other words, how risky is
6 risky?

7 A I believe if I had to make a guess as to
8 the production, I would have to assume that it could be no
9 better than the 3 feet -- notice on the cross section, where
10 the producing area, or the producing interval on the first
11 two logs, I have 3 feet of net pay marked. Therefore, I
12 would have to assume that we may anticipate drilling a
13 13,000 foot hole and get only 3 feet of pay.

14 Q Would that justify the drilling of the
15 well?

16 A The initial potentials show that it will
17 possibly pay for drilling the hole; however, they are too
18 new yet that we don't have cumulatives or information which
19 would show actually what the ultimate -- that would be.
20 However, 3 feet of pay will, yes, it would be worth drilling
21 a well on the basis of those two wells so far.

22 Q Well then, as far as odds are concerned,
23 getting back to that question, Mr. Stenberg, would you say
24 that the odds are that you will in fact get a Morrow well
25 in this case?

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3020 Plaza Blanca (515) 471-2402
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1 A. It's -- it's worth the risk to drill the
2 well because of the information in the area. As far -- I
3 mean it's worth the risk to drill the well as well as you
4 can any Morrow well in a field, on the edge of a field.

5 Q So it's no riskier than any other?

6 MR. COFFIELD: I have no other questions.

7 MR. STAMETS: Any other questions of the
8 witness, Mr. Carr?

9
10 REDIRECT EXAMINATION

11 BY MR. CARR:

12 Q Mr. Stenberg, is it also a distinct pos-
13 sibility that you will drill this well and drill a dry hole?

14 A Definitely, we have -- when we have offset
15 wells which have only 3 feet of pay, that's -- and the
16 stratigraphic nature of the pool, the way the stringers can
17 appear and disappear, and like I have in the cross section,
18 we have a well which will not produce in the Morrow, which
19 is surrounded by producers, so therefore it's very possible
20 to drill a dry hole.

21 Q Were Exhibits Seven and Eight prepared by
22 you?

23 A. Yes, they were.

24 MR. CARR: At this time, Mr. Examiner, we
25 would offer into evidence Gulf Oil Corporation Exhibits Seven

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (666) 471-3482
Santa Fe, New Mexico 87501

1 and Eight.

2 MR. STAMETS: These exhibits will be ad-
3 mitted.

4 MR. CARR: I have nothing further.

5 MR. STAMETS: Any questions? The witness
6 may be excused.

7 Mr. Coffield, do you have anything to
8 offer?

9 MR. COFFIELD: Yes, Mr. Examiner, I would
10 state on behalf of Evelyn Chambers that as you can see, of
11 course, with regard to I guess it's Exhibit Two or Three,
12 the correspondence that Mrs. Chambers has no objection to,
13 as she has stated, the forced pooling action in this case.
14 However, Mrs. Chambers does feel that the 200 percent risk
15 factor that's been requested by Gulf is excessive. It ap-
16 pears to us that the evidence and exhibits, the exhibits and
17 testimony that's been offered in this case, indicate that
18 this is in fact a good prospect. Certainly there are signi-
19 ficantly more producers, Morrow producers, in this particular
20 area than there are dry holes, and according to that, the
21 odds do appear to be excellent that a Morrow producer can
22 be developed in this area.

23 Accordingly, Mrs. Chambers is willing to
24 agree that a 100 percent penalty factor would be safe.

25 MR. STAMETS: Mr. Carr?

1 MR. CARR: Mr. Stamets, I don't think any-
2 one would attempt to drill a Morrow well unless they thought
3 there was a chance that they could make a well, but I think
4 it's important when you consider this case to recognize that
5 there are two dry holes in the immediate area and certainly
6 there are not excellent odds that they're going to in fact
7 make a -- obtain a commercial Morrow well.

8 We think that in view of the characteristic
9 of the Morrow and the testimony presented today, that the
10 only reasonable risk factor, or penalty, that can be assessed
11 by this Commission is the maximum 200 percent.

12 MR. STAMETS: The case will be taken under
13 advisement.

14
15 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED REPORTER
3030 Plaza Blanca (S.E.) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,
DO HEREBY CERTIFY that the foregoing and attached Transcript
of Hearing before the Oil Conservation Division was reported
by me; that the said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability 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. _____,
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (0.05) 471-2462
Santa Fe, New Mexico 87501



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

December 31, 1979

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 6737
ORDER NO. R-6205

Applicant:

Gulf Oil Corporatdon

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

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. 6737
Order No. R-6205

APPLICATION OF GULF OIL CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of December, 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, Gulf Oil Corporation, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, NMPM, North Lusk-Morrow Gas Pool, Lea County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$3300.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1980, 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 Pennsylvanian formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, NMPM, North Lusk-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt

-4-

Case No. 6737
Order No. R-6205

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

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

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

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

(9) That \$3300.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

Case No. 6737

Order No. R-6205

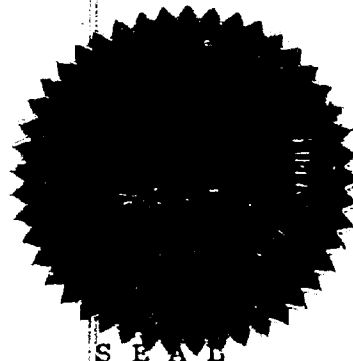
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

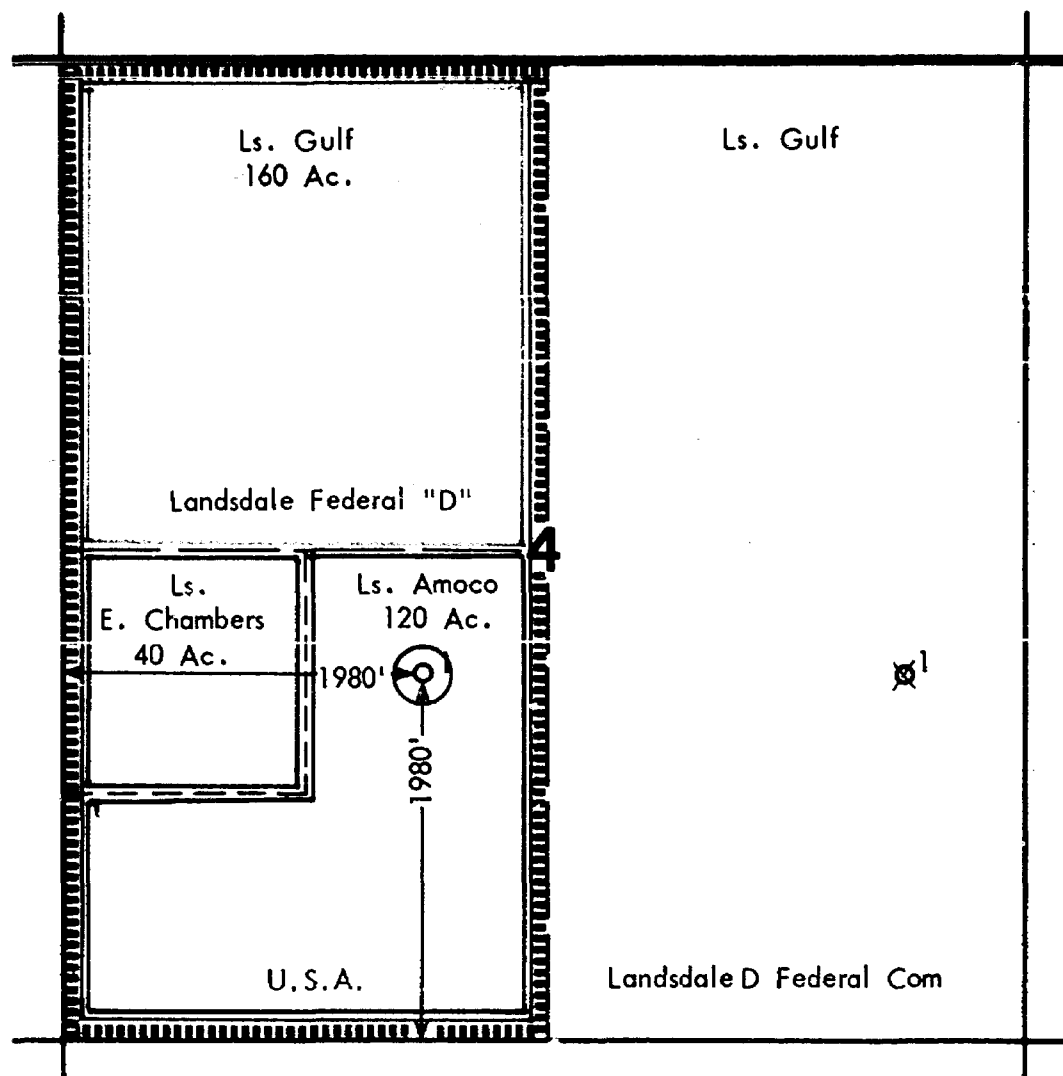
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

Ed/



GULF OIL CORPORATION
 PROPOSED FEDERAL COM "4" UNIT
 W/ SECTION 4, T-19-S, R-32-E
 LUSK, NORTH - MORROW (GAS) POOL
 LEA COUNTY, NEW MEXICO

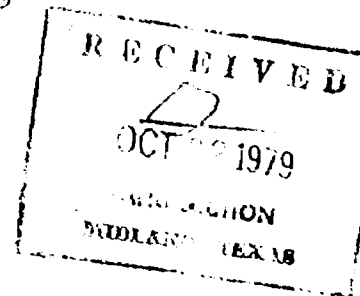
<u>Owner</u>	<u>Acres</u>	<u>Percentage</u>
Gulf	160.00	50.00
Amoco	120.00	37.50
E. Chambers	40.00	12.50
	320.00	100.00

RECEIVED BY GULF OIL CORPORATION
 GULF OIL CORPORATION
 GULF
 6737
 KALTEYER
 11/28/79

Exhibit No. 1
 Case No. 6737
 November 28, 1979
 Scale: 1 - 1000'

LETTERS FROM MEMBERS

October 12, 1979



Gulf Exploration & Production Company
P. O. Drawer 1150
Midland, Texas 79702

Attention: Mr. R. E. Griffith

Re: Federal Com 4
Lea County, N.M.
(NM-157, USA NM-2067)

Enclosure

We acknowledge receipt of your October 10, 1979 letter and accompanying operating agreement for the subject unit.

Please be advised that we are not prepared to enter under the operating agreement at this time and our present intent is to accept your earlier thirteen pooling proposal. We will, however, retain the operating agreement on file should we feel further consideration to be in order. Thank you.

Sincerely,

EVELYN CHAMBERS

Cecilia Klug

Cecilia Klug
Lease Records Supervisor

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Gulf Exploration Co. 2

C. 6737

SEAL KALTERER

Received 11/28/79

Ex 2

Case 6737

11-28-79

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 3092
Houston, Texas 77001

Attention: Mike Burkhart

Gentlemen:

With reference to the captioned unit and a previously submitted operating agreement, please find enclosed for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Chas Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evelyn Chambers
1660 Lincoln Street
Denver, Colorado 80264

Dear Ms. Chambers:

With reference to the captioned unit and a previously submitted operating agreement, please find for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Cnes Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

AREA: Hobbs.

COST ESTIMATE

DATE: 5-1-79

DRILL & COMPLETE: Federal OIL #4

LOCATION: 1980 FSL & 1980 F.W. Sec 4 T19S R22E
I N T A N G I B L E S

ITEM	DESCRIPTION	DRILLING	COMPLETION	APE AMOUNT
101	LOCATION & ACCESS	10,000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 45.00 /DAY	16,000	20,000	36,000
	RIG CONTRACT - FOOTAGE \$ 24.00 /FT	314,000		314,000
106	DRILLING FLUIDS	35,000	1,000	36,000
	CORROSION INHIBITOR			
	BRINE WATER	11,000	2,000	13,000
108	CEMENT & CEMENT SERVICES	18,000	22,000	40,000
112	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,000
114	RENTAL - H ₂ S & SAFETY EQUIPMENT			
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10,000
131	ELECTRIC LOGS & SURVEYS	27,000		27,000
132	MUD LOGGING			
133	PERFORATING		4,000	4,000
134	DIRECTIONAL CONTROL			
140	FORMATION TREATING (INCL. TOOLS)		10,000	10,000
150	BITS (Bms, Cutters, etc.)			
151	LUBRICANTS			
152	FUEL (Incl. Trans & Laying Line)			
153	ENVIRONMENTAL PROTECTION			
154	FRESH WATER (Trans, Trtg, Well, Lines)	8,000		8,000
155	OTHER SUPPLIES (Scrs, Cmt, Rtnrs, BP)	4,000	2,000	6,000
162	OTHER CONTR SVCS (Csg Crvs, Clean-up)	2,000	2,000	6,000
163	DRLG SUPERVISION (Incl. Engrs)	7,000		7,000
164	GEOLOGICAL SUPERVISION			
170	TRANS (Mixed Cargo - Lump Charge)	3,000	2,000	5,000
192	ALLOCATION OF FOE	2,000	1,000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE			
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
	GROSS TOTAL INTANGIBLES	477,000	76,000	547,000

COST ESTIMATE

Page 2

DRILL & COMPLETE: Federal Conn #1TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	APE AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	412' 12 3/4" 48" H48 STD	8,000		8,000
	4200' 7 5/8" 28" S80 STD	42,000		42,000
22X	CASING (OIL STRING)			
	1000' 5 7/8" 17 1/2" 4200' 5 1/2" 17" N80		105,000	105,000
	5800' 5 7/8" 17" V-55			
23X	OTHER SUBSURFACE PRODUCING EQPT:		6,000	6,000
	TUBING: 15000' 7 3/8" 4.7" N80 EUE		44,000	44,000
	OTHER:			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLOW LINE		1,000	1,000
	OTHER		1,000	1,000
26X	CHRISTMAS TREE (Single - Dual)	2,000	16,000	19,000
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1,000
	SUBTOTAL			
	CONTINGENCY			
	GROSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL APE	531,000	245,000	776,000

PREPARED BY: H. K. A.P. P. V. SmithR. C. Anderson
AREA PRODUCTION MANAGERDATE: 1-2-70

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Evelyn Chambers
1660 Lincoln Str.
Denver, CO 80264

Dear Ms. Chambers:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

*By Handwritten: Give him the drilling permit
531 4 15 716000*

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Amoco Production Co.
500 Jefferson Bldg.
P.O. Box 3092
Houston, TX 77001

Attn: Mike Burkhart

Gentlemen:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

1660 Lincoln St.
Denver, Colorado 80264

303-892-0464

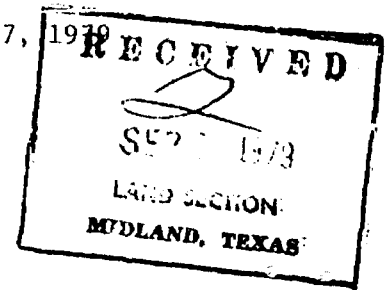
861-2473
C-410

JERRY CHAMBERS



OIL PRODUCER

September 17, 1979



Gulf Oil Corporation
Box 1150
Midland, Texas 79702

Attention: Mr. Sam Martin

Re: NM-157, USA NM-26075
T-19-S, R-32-E
Sec. 4: SWSW
Lea County, New Mexico

Gentlemen:

We have examined your proposal for the formation of a drilling unit to include our above referenced lease for the purpose of drilling a 13,000' Morrow test and after due consideration have decided to reject it. We understand you intend to force pool our acreage and are willing to accept that eventuality.

Sincerely,

EVELYN CHAMBERS

Cecelia Klug
Cecelia Klug
Lease Records Supervisor

CK:rma

9-21-79

*Sent it up and they will review it
It may or may not go along. Their inclination
right now is to let us force pool them / m. Cook*

August 3, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evalyn Chambers
1660 Lincoln, Suite 1700
Denver, Colorado 80264

Attention: Cecelia Klug

Dear Ms. Chambers:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, NMPM, Lea County, New Mexico for the drilling of a 13,100' Morrow test well at a location 1980' FSWL in Section 4, and hereby respectfully request your joinder in the drilling of said test well.

Our records indicate the percentages and participation to be as follows:

Gulf Oil Corporation	160	50%
Amoco Production Company	120	37½%
Evalyn Chambers	40	12½%
	320	100%

Enclosed herewith for your reference are two copies of the AFE and two copies of the tentative drilling plan for the test well. We hereby request that you make your decision as to your joinder within ten days of the receipt of this letter.

Should you choose not to join in the drilling of the captioned well, please be advised that Gulf Oil will institute force pooling proceedings on your acreage.

Should you have any questions, please refer them to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

August 3, 1979

Re: Federal Com 1
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 1012
Houston, Texas 77001

Attention: Land Department

Gentlemen:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, NMPM, Lea County, New Mexico for the drilling of a 13,100' Morrow test located 1980' FSL and 1980' FWL of Section 4. According to our records, participation in the proposed test would be set forth as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Gulf Oil Corporation	160	50%
Amoco Production Company	120	37½%
Evalyn Chambers	40	12½%
	<u>320</u>	<u>100%</u>

Enclosed herewith for your reference are two copies of Gulf's AFE for the well and two copies of the tentative drilling plan for the test well. Please verify your acreage and percentage and let us know of any discrepancies in the same.

Please refer any questions you may have to Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

9-5-79 Mike Burkhardt/Amoco indicated they would join.
He will follow up w/ a letter.

GULF OIL EXPLORATION & PRODUCTION COMPANY

AREA: _____

COST ESTIMATE

DATE: 11/28/79

DRILL & COMPLETE: Field #4

LOCATION: 11/28/79

INTANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFF AMOUNT
01	LOCATION & ACCESS	10,000		10,000
02	RIG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 45.00 /DAY	16,000	20,000	36,000
	RIG CONTRACT - FOOTAGE \$ 24.00 /FT	314,000		314,000
06	DRILLING FLUIDS	35,000	1,000	36,000
	CORROSION INHIBITOR			
	BRINE WATER	11,000	2,000	13,000
08	CEMENT & CEMENT SERVICES	18,000	28,000	46,000
10	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
13	RENTAL - D. HOLE TOOLS		3,000	3,000
14	RENTAL - H. & SAFETY EQUIPMENT			
15	RENTAL - C. G.			
	DRILL STEEL STRING	10,000		10,000
	ELECTRIC LOGS & SURVEYS	24,000		24,000
	MUD LOGGING			
32	PERFORATING		0,000	0
34	DIRECTIONAL CONTROL			
40	FORMATION TREATING (INCL. TOOLS)		10,000	10,000
50	BITS (Bars, Cutters, etc.)			
51	LUBRICANTS			
52	FUEL (Incl. Trans & Laying Line)			
53	ENVIRONMENTAL PROTECTION			
	FRESH WATER (Trans, Trtg, Well, Lines)	8,000		8,000
	OTHER SUPPLIES (Scrs, Cmt, Rtnrs, BP)	4,000	2,000	6,000
	OTHER CONTRACTS (Csg Crvs, Clean-up)	4,000	2,000	6,000
	DRILL SUPERVISION (Incl. Engrs)	7,000		7,000
64	GEOLOGICAL SUPERVISION			
70	TRANS (Mixed Cargo - Lump Charge)	2,000	2,000	4,000
92	ALLOCATION OF FOE	2,000	1,000	3,000
96	TANGIBLE MATERIALS FOR TEMP USE			
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
	CROSS TOTAL INTANGIBLES	111,000	33,000	144,000

BEFORE EXAMINER SIGNATURES
CH. CONCESSION DIVISION

GULF OIL NO. 3

CASE NO. 6737

Submitted by KALTEYER

Hearing Date 11/28/79

143
Case 6737
11-28-79

COST ESTIMATE

Page 2

DRILL & COMPLETE:

Federal Well #4TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFF AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	4 1/2" 13.3' 4 1/2" 1140 5100	8000		8000
	4 1/2" 55' 4 1/2" 550 5100	44,000		44,000
22X	CASING (OIL STRING)			
	1000' 5 1/2" 17' 5 1/2" 4300' 5 1/2" 17" N80		105,000	105,000
	580' 5 1/2" 17" 17.55			
23X	OTHER SUBSURFACE PRODUCING EQPT:		6000	6000
	TUBING: 13,000' 2 1/2" 4.7" N80 EUE		44,000	44,000
	OTHER:			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLOW LINE		1000	1000
	OTHER		1000	1000
26X	CHRISTMAS TREE (Single - Dual)	8000	11,000	19000
27X	MISC. ITEMS (Transfers & Other Expense)		1,000	1000
	SUBTOTAL			
	CONTINGENCY			
	GROSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL AFF	531,000	245,000	776,000

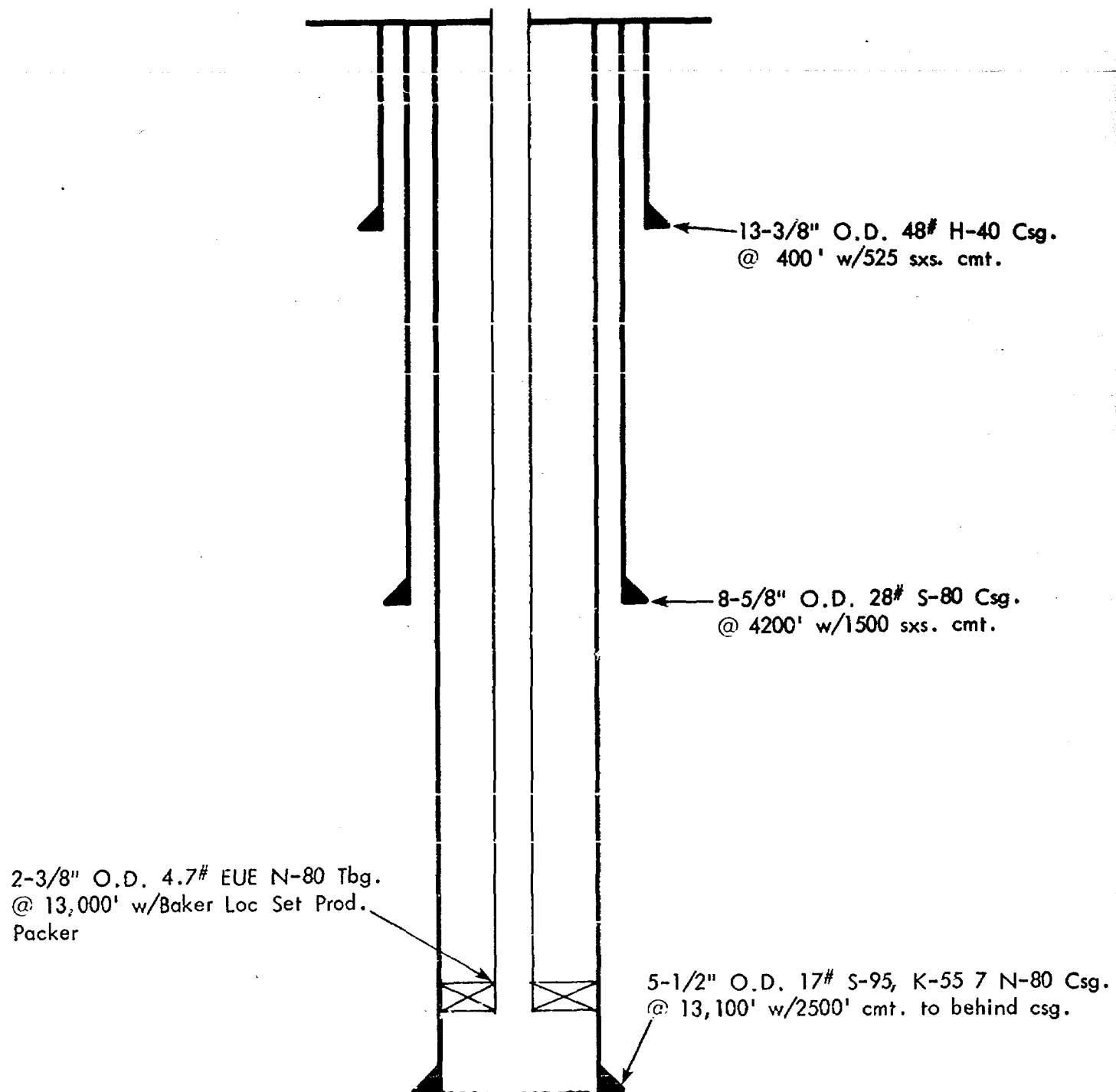
PREPARED BY:

J. R. Galt

DATE:

R. C. Anderson
AREA PRODUCTION MANAGER

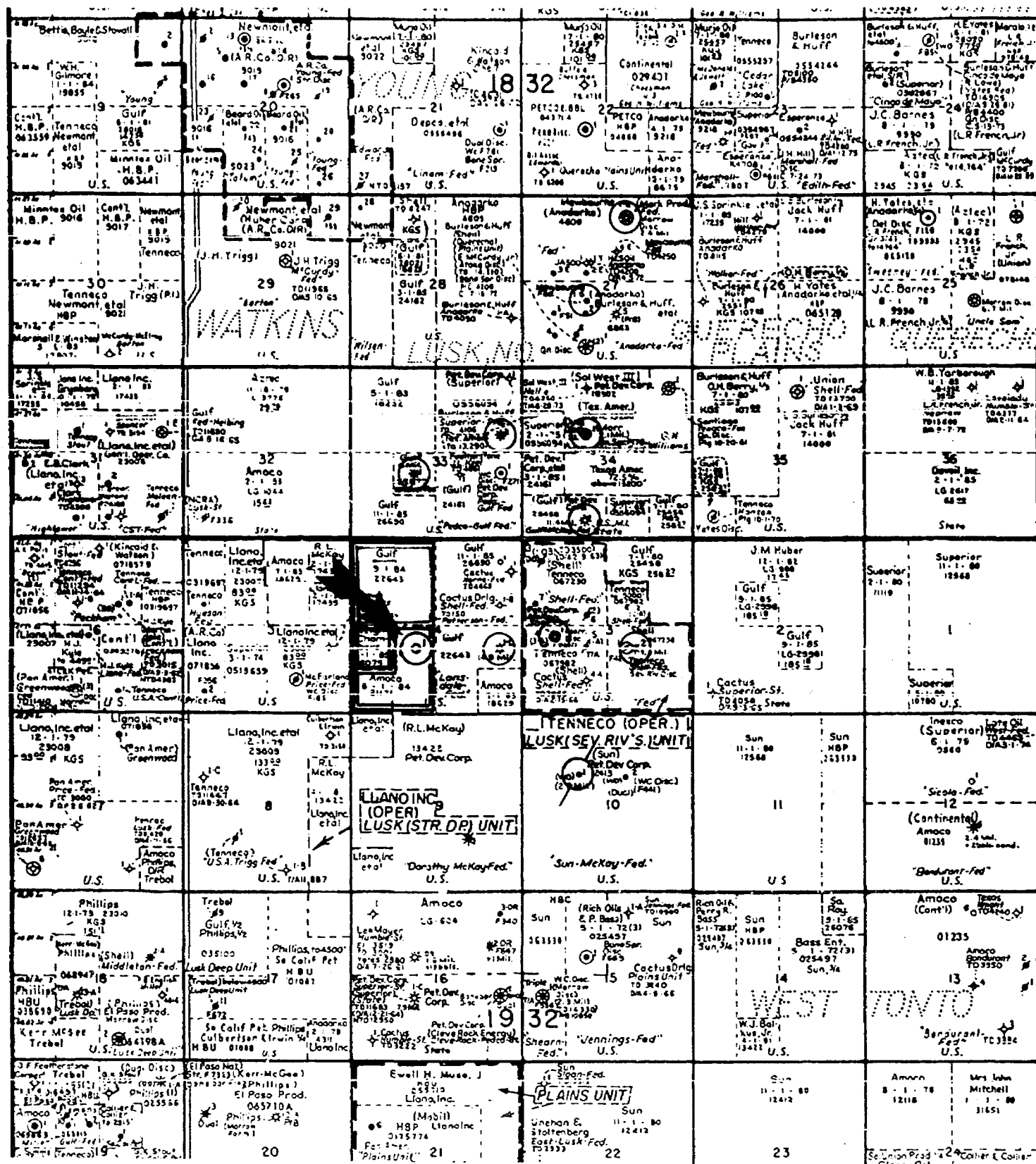
SCHEMATIC DIAGRAM
FEDERAL COM "4" WELL NO. 1
1980' FSL & 1980' FWL, UNIT K, SEC. 4, T-19-S, R-32-E
LUSK, NORTH MORROW (GAS)
LEA COUNTY, NEW MEXICO



BEFORE E. & J. STAMETS
OIL COMPANY DIVISION
GULF OIL CORP. 4
CASE NO. 6737

SUBMITTED BY KALTHER
RECEIVED 11/28/79

EXHIBIT 4
CASE NO. 6737
NOVEMBER 28, 1979
GULF OIL CORP.



LUSK, NORTH - MORROW (GAS) POOL LEA COUNTY, NEW MEXICO

- ☐ Proposed Federal Com "4" Unit
- ☐ Lusk, North-Morrow (Gas) Completion
- ☐ Proposed Morrow Test

Exhibit No. 5
Case No. 6737
Date 11-28-79
Gulf Oil Corp.
Scale: 1"-4000'

BEFORE ME, THE SHERIFF OF
LEA COUNTY, NEW MEXICO, on this
GULF OIL CORP. 5
11/28/79
KALTEHER
11/28/79

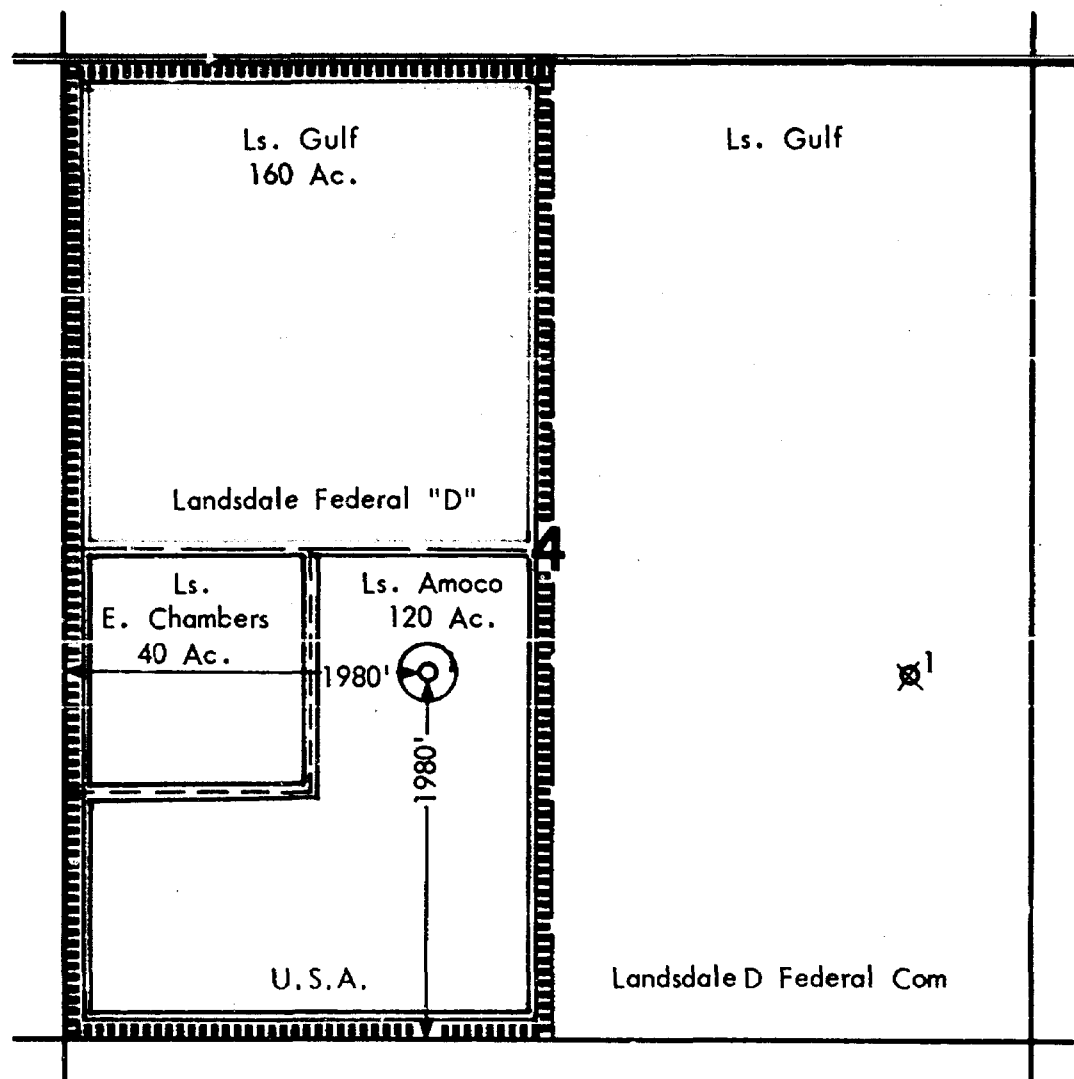
GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL
LEA COUNTY, NEW MEXICO
EXHIBIT 6
CASE 6737
DATE: 11-28-79
GULF OIL CORPORATION

BEFORE EXAMINER STAFFETS
OIL CONSERVATION DIVISION
Case EXHIBIT NO. 6
CASE NO. 6737
Submitted by KATTEYER
Hearing Date 11/28/79

		Newbourne Oil Co.		Petroleum Development Corporation			
		Fed. E. Com. 1B2718S32E	Federal G 1K2718S32E	Gulf McKay-Fed. 1N3418S32E	McKay-Shell Fed. 1L319S32E	McKay-West Fed. 1F3418S32E	Sun-McKay Fed. 1F1019S32E
		El Paso Nat'l Gas	El Paso Nat'l Gas	El Paso Nat'l Gas	El Paso & Phillips	Phillips Petr. Co.	
1978	JAN	25,861	-	31,961	41,843	3,885	-
	FEB	13,319	-	653	37,184	1,439	32,310
	MAR	28,256	-	8,040	41,348	1,178	39,514
	APR	31,475	-	289	39,924	726	27,082
	MAY	30,842	-	-	40,728	-	Recompleted
	JUNE	29,181	-	-	39,163	28	-
	JULY	29,817	-	-	39,101	-	-
	AUG	28,195	-	-	37,951	-	-
	SEPT	27,738	-	-	37,118	-	-
	OCT	28,315	-	-	38,468	10	-
	NOV	27,756	1,008	-	36,650	-	-
	DEC	30,959	4,116	-	33,230	Abandoned	-
ANNUAL		331,714	5,124	40,943	462,708	7,266	98,906
CUMULATIVE		586,111	5,124	644,726	1,335,184	103,064	98,906
1979	JAN	19,094	8,387	-	36,398	-	-
	FEB	17,911	6,653	5,905	32,258	-	-
	MAR	30,484	7,234	15,358	34,514	-	-
	APR	31,786	6,492	14,590	33,736	-	-
	MAY	29,149	5,242	8,508	34,591	-	-
	JUNE	31,881	5,048	9,892	34,915	-	-
	JULY	32,423	5,057	9,591	38,622	-	-
YEAR TC DATE		192,728	44,113	63,844	245,034	-	-
DAILY AVERAGE 1979		909	208	353	1,166	-	-
CUMULATIVE (as of 8-1-79)		778,839	49,237	708,570	1,580,218	103,064	98,806

GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL

	Shell Oil Company Federal 3 2J3 19S32E Phillips Petr. Co.	Gulf Oil Corporation Landspale D Fed. Com. 1I 0419S32E El Paso Nat'l Gas	Vandiver Fed. Com. 1K 3318S32E El Paso Nat'l Gas	Petroleum Dev. Corp. Redco Gulf Fed. Com. 2H 3318S32E
1978	JAN	-	-	-
	FEB	-	-	-
	MAR	-	-	-
	APR	-	-	-
	MAY	-	-	-
	JUNE	-	-	-
	JULY	-	-	-
	AUG	-	-	-
	SEPT	-	-	-
	OCT	-	-	-
	NOV	65	-	-
	DEC	185	-	-
	ANNUAL	250	-	-
	CUMULATIVE	250	-	-
		250	-	-
1979	JAN	9,331	-	-
	FEB	-	-	-
	MAR	8,315	-	-
	APR	6,903	-	-
	MAY	7,738	-	-
	JUNE	4,990	-	-
	JULY	7,309	-	-
	Pot. 5-28-79	-	Pot. 9-17-79	Pot. 9-15-79
YEAR TO DATE		44,586		
DAILY AVERAGE 1979		242		
CUMULATIVE (as of 8-1-79)		44,836		



GULF OIL CORPORATION
 PROPOSED FEDERAL COM "4" UNIT
 W/ SECTION 4, T-19-S, R-32-E
 LUSK, NORTH - MORROW (GAS) POOL
 LEA COUNTY, NEW MEXICO

<u>Owner</u>	<u>Acres</u>	<u>Percentage</u>
Gulf	160.00	50.00
Amoco	120.00	37.50
E. Chambers	40.00	12.50
	<u>320.00</u>	<u>100.00</u>

Exhibit No. 1
 Case No. 6737
 November 28, 1979
 Scale: 1 - 1000'

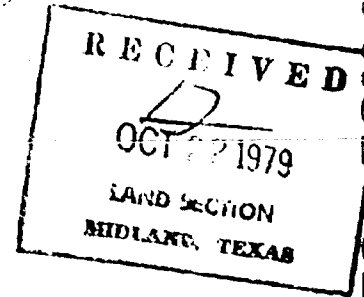
750...
over...
1389 9464

JERRY CHAMBERS



OIL PRODUCER

October 19, 1979



Oil Exploration & Production Company
P. O. Drawer 1150
Midland, Texas 79702

Attention: Mr. R. E. Griffith

Re: Federal Com 4
Lea County, N.M.
(NM-157, USA NM-20675)

Gentlemen:

We are in receipt of your October 10, 1979 letter and accompanying operating agreement for the subject unit.

Please be advised that we are not prepared to enter under the operating agreement at this time and our present intent is to accept your earlier forced pooling proposal. We will, however, maintain the operating agreement on file should we feel further consideration to be of merit. Thank you.

Sincerely,

EVELYN CHAMBERS

Cecelia Klug

Cecelia Klug
Lease Records Supervisor

CK:rma

Exhibit 2
Case 6737

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 3892
Houston, Texas 77001

Attention: Mike Burkhart

Gentlemen:

With reference to the captioned unit and a previously submitted operating agreement, please find enclosed for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CJB/jh
Enclosures

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evelyn Chambers
1660 Lincoln Street
Denver, Colorado 80264

Dear Ms. Chambers:

With reference to the captioned unit and a previously submitted operating agreement, please find for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Cnes Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

AREA: Hobbs

COST ESTIMATE

DATE: 5-1-79

DRILL & COMPLETE: Federal CON #4

LOCATION: 1980 FSL + 1980 FWH Sec 4 T19S R32E

INTANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFF AMOUNT
101	LOCATION & ACCESS	10,000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 45.00 /DAY	16,000	20,000	36,000
	RIG CONTRACT - FOOTAGE \$ 24.00 /FT	314,000		314,000
106	DRILLING FLUIDS	35,000	1,000	36,000
	CORROSION INHIBITOR			
	BRINE WATER	11,000	2,000	13,000
108	CEMENT & CEMENT SERVICES	18,000	22,000	40,000
112	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,000
114	RENTAL - H2S & SAFETY EQUIPMENT			
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10,000
131	ELECTRIC LOGS & SURVEYS	27,000		27,000
132	MUD LOGGING			
133	PERFORATING		9,000	9,000
134	DIRECTIONAL CONTROL			
140	FORMATION TREATING (INCL. TOOLS)		10,000	10,000
150	BITS (Rmrs, Cutters, etc.)			
151	LUBRICANTS			
152	FUEL (Incl. Trans & Laying Line)			
153	ENVIRONMENTAL PROTECTION			
154	FRESH WATER (Trans, Trtg, Well, Lines)	8,000		8,000
155	OTHER SUPPLIES (Scrs, Cmt, Rtnrs, BP)	4,000	2,000	6,000
162	OTHER CONTR SVCS (Csg Crws, Clean-up)	4,000	2,000	6,000
163	DRLG SUPERVISION (Incl. Engrs)	7,000		7,000
164	GEOLOGICAL SUPERVISION			
170	TRANS (Mixed Cargo - Lump Charge)	3,000	2,000	5,000
192	ALLOCATION OF FOE	2,000	1,000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE			
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
	GROSS TOTAL INTANGIBLES	471,000	76,000	547,000

Exhibit 3
Case 6737

COST ESTIMATE

Page 2

DRILL & COMPLETE: Federal Conn #4TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	APE AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	410' 12 3/4" 48" 14.5 5142	8000		8000
	47.00' 8 5/8" 28" 580 5142	44,000		44,000
22X	CASING (OIL STRING)			
	1000' 5 1/2" 17 5/8" 4300' 5 1/2" 17" N80		105,000	105,000
	5800' 5 1/2" 17" V.55			
23X	OTHER SUBSURFACE PRODUCING EQPT:			
	TUBING: 15200' 2 3/8" 4.7" N80 EUE		6000 - 44,000	6000 44,000
	OTHER:			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLOW LINE		1,000	1000
	OTHER		1,000	1000
26X	CHRISTMAS TREE (Single - Dual)	2000	11,000	19000
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1000
	SUBTOTAL			
	CONTINGENCY			
	GROSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL AFE	531,000	245,000	776,000

PREPARED BY: W. K. H.DATE: 2/2/53

R. C. Anderson
AREA PRODUCTION MANAGER

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Evelyn Chambers
1660 Lincoln Str.
Denver, CO. 80264

Dear Ms. Chambers:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

*By Handwritten: Question the drilling permit for the
531 4545 - 714000*

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Amoco Production Co.
500 Jefferson Bldg.
P.O. Box 3092
Houston, TX 77001

Attn: Mike Burkhart

Gentlemen:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

1660 Lincoln St.
Denver, Colorado 80264

303-852-6464

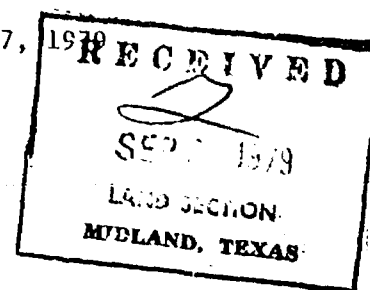
861-2473
(41)

JERRY CHAMBERS



OIL PRODUCER

September 17, 1979



Gulf Oil Corporation
Box 1150
Midland, Texas 79702

Attention: Mr. Sam Martin

Re: NM-157, USA NM-26075
T-19-S, R-32-E
Sec. 4: SWSW
Lea County, New Mexico

Gentlemen:

We have examined your proposal for the formation of a drilling unit to include our above referenced lease for the purpose of drilling a 13,000' Morrow test and after due consideration have decided to reject it. We understand you intend to force pool our acreage and are willing to accept that eventuality.

Sincerely,

EVELYN CHAMBERS

Cecelia Klug
Cecelia Klug
Lease Records Supervisor

CK:rma

9-21-79

*Sent it up and they will review it
It may or may not go along. Their inclination
right now is to let us force pool them / on Cook*

August 3, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evalyn Chambers
1660 Lincoln, Suite 1700
Denver, Colorado 80264

Attention: Cecelia Klug

Dear Ms. Chambers:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, NMPM, Lea County, New Mexico for the drilling of a 13,100' Morrow test well at a location 1980' FS&NL in Section 4, and hereby respectfully request your joinder in the drilling of said test well.

Our records indicate the percentages and participation to be as follows:

Gulf Oil Corporation	160	50%
Amoco Production Company	120	37½%
Evalyn Chambers	40	12½%
	320	100%

Enclosed herewith for your reference are two copies of the AFE and two copies of the tentative drilling plan for the test well. We hereby request that you make your decision as to your joinder within ten days of the receipt of this letter.

Should you choose not to join in the drilling of the captioned well, please be advised that Gulf Oil will institute force pooling proceedings on your acreage.

Should you have any questions, please refer them to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

August 3, 1979

Re: Federal Com 1
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 3082
Houston, Texas 77001

Attention: Land Department

Gentlemen:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, N1PM, Lea County, New Mexico for the drilling of a 13,100' Morrow test located 1960' FSL and 1980' FWL of Section 4. According to our records, participation in the proposed test would be set forth as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Gulf Oil Corporation	160	50%
Amoco Production Company	120	37½%
Evalyn Chambers	40	12½%
	<u>320</u>	<u>100%</u>

Enclosed herewith for your reference are two copies of Gulf's AFE for the well and two copies of the tentative drilling plan for the test well. Please verify your acreage and percentage and let us know of any discrepancies in the same.

Please refer any questions you may have to Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

9-5-79 Mike Burkhardt/Amoco indicated they would join.
He will follow up w/ a letter.

GULF OIL EXPLORATION & PRODUCTION COMPANY

AREA: Hobbs

COST ESTIMATE

DATE: 5-1-77

DRILL & COMPLETE: Federal Con #4

LOCATION: 1980 151 & 1980 501. Sec 4 T19S R32E

INTANGIBLES.

ITEM	DESCRIPTION	DRILLING	COMPLETION	APE AMOUNT
101	LOCATION & ACCESS	10,000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 45.00 /DAY 30	16,000	20,000	36,000
	RIG CONTRACT - FOOTAGE \$ 25.00 /FT	314,000		314,000
106	DRILLING FLUIDS	35,000	1,000	36,000
	CORROSION INHIBITOR			
	BRINE WATER	11,000	2,000	13,000
108	CEMENT & CEMENT SERVICES	18,000	22,000	40,000
112	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,000
114	RENTAL - H ₂ S & SAFETY EQUIPMENT			
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10,000
131	ELECTRIC LOGS & SURVEYS	27,000		27,000
132	MUD LOGGING			
133	PERFORATING		9,000	9,000
134	DIRECTIONAL CONTROL			
140	FORMATION TREATING (INCL. TOOLS)		10,000	10,000
150	BITS (Rmrs, Cutters, etc.)			
151	LUBRICANTS			
152	FUEL (Incl. Trans & Laying Line)			
153	ENVIRONMENTAL PROTECTION			
154	FRESH WATER (Trans, Trtg, Well, Lines)	8,000		8,000
155	OTHER SUPPLIES (Scrs, Cmt, Rtnrs, BP)	4,000	2,000	6,000
162	OTHER CONTR SVCS (Csg Crws, Clean-up)	4,000	2,000	6,000
163	DRLG SUPERVISION (Incl. Engrs)	7,000		7,000
164	GEOLOGICAL SUPERVISION			
170	TRANS (Mixed Cargo - Lump Charge)	3,000	2,000	5,000
192	ALLOCATION OF FOE	2,000	1,000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE			
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
	GROSS TOTAL INTANGIBLES	471,000	46,000	517,000

COST ESTIMATE

Page 2

DRILL & COMPLETE: Eastern Pool #4TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	APE AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	400' 1 3/4" 45" 1140 S/PC	8000		8000
	4200' 5 1/2" 28" 580 S/PC	44,000		44,000
22X	CASING (OIL STRING)			
	1400' 5 1/2" 28" 6200' 5 1/2" 28" N80		105,000	105,000
	800' 1 3/4" 45" 1140 S/PC			
23X	OTHER SUBSURFACE PRODUCING EQPT:		6000	6000
	TUBING: 1500' 2 3/8" 4.7" N80 EUE		14,000	14,000
	OTHER:			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLGW LINE		1000	1000
	OTHER		1000	1000
26X	CHRISTMAS TREE (Single - Dual)	8000	11,000	19000
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1000
	SUBTOTAL			
	CONTINGENCY			
	GROSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL APE	531,000	245,000	776,000

PREPARED BY: H. K. G. 12/10/67DATE: 12/10/67

L. C. Anderson
AREA PRODUCTION MANAGER

SCHEMATIC DIAGRAM
 FEDERAL COM "4" WELL NO. 1
 1980' FSL & 1980' FWL, UNIT K, SEC. 4, T-19-S, R-32-E
 LUSK, NORTH MORROW (GAS)
 LEA COUNTY, NEW MEXICO

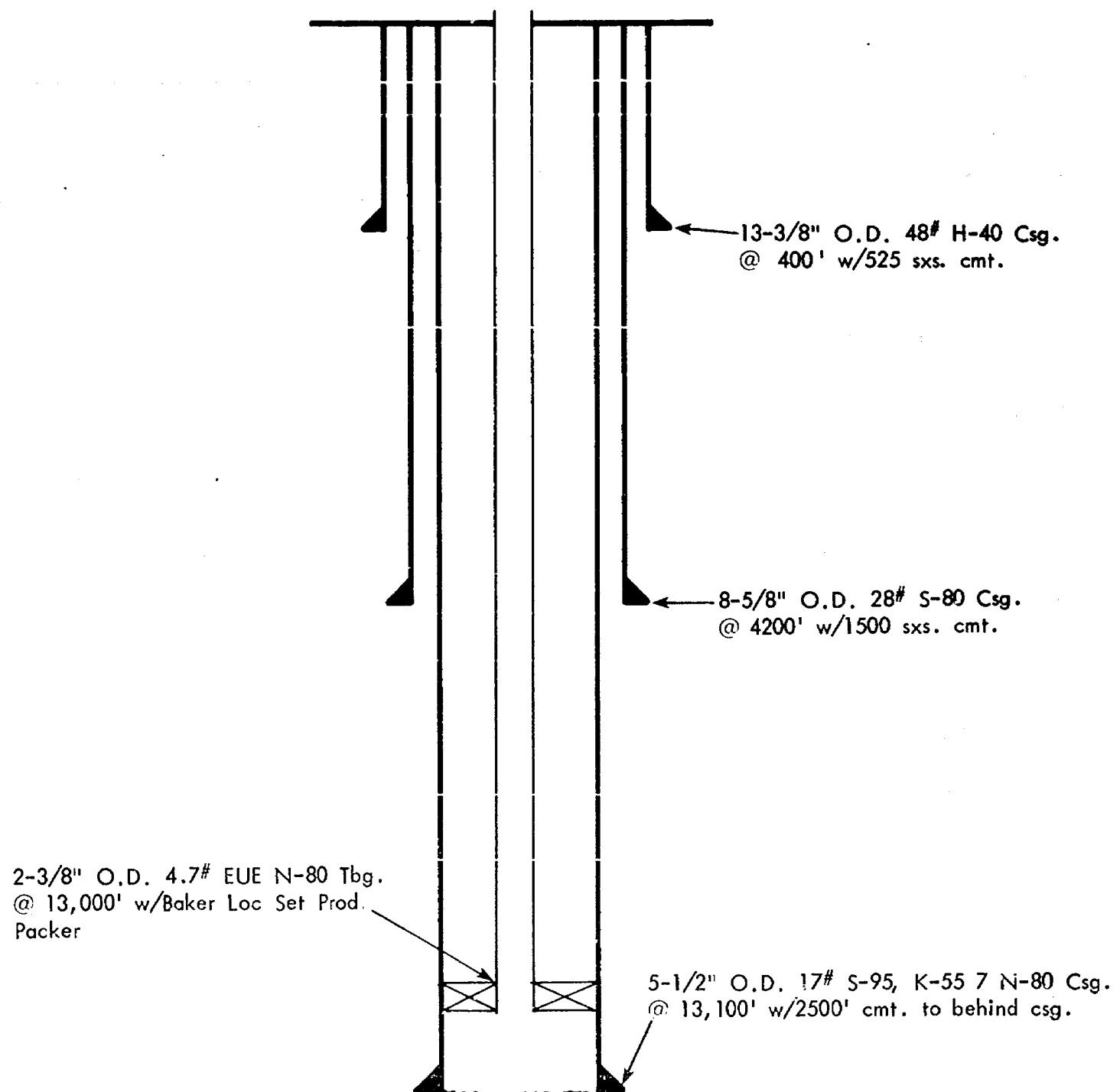


EXHIBIT 4
 CASE NO. 6737
 NOVEMBER 28, 1979
 GULF OIL CORP.

LUSK, NORTH - MORROW (GAS) POOL
LEA COUNTY, NEW MEXICO

GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL
LEA COUNTY, NEW MEXICO
EXHIBIT
CASE 11-28-79
DATE: 11-28-79
GULF OIL CORPORATION

Exhibit 6
Case 6797

		Mewbourne Oil Co.		Petroleum Development Corporation			
		Fed. E. Com. 1B2718S32E El Paso Nat'l Gas	Federal G 1K2718S32E El Paso Nat'l Gas	Gulf McKay-Fed. 1N3418S32E El Paso Nat'l Gas	McKay-Shell Fed. 1L319S32E El Paso & Phillips	McKay-West Fed. 1F3418S32E Phillips Petr. Co.	Sun-McKay Fed. 1F1019S32E
1978	JAN	25,861	-	31,961	41,843	3,885	-
	FEB	13,319	-	653	37,184	1,439	32,310
	MAR	28,256	-	8,040	41,348	1,178	39,514
	APR	31,475	-	289	39,924	726	27,082
	MAY	30,842	-	-	40,728	-	Recompleted
	JUNE	29,181	-	-	39,163	28	-
	JULY	29,817	-	-	39,101	-	-
	AUG	28,195	-	-	37,951	-	-
	SEPT	27,738	-	-	37,118	-	-
	OCT	28,315	-	-	38,468	10	-
	NOV	27,756	1,008	-	36,650	-	-
	DEC	30,959	4,116	-	33,230	Abandoned	-
ANNUAL		331,714	5,124	40,943	462,708	7,266	98,906
CUMULATIVE		586,111	5,124	644,726	1,335,184	103,064	98,906
1979	JAN	19,094	8,387	-	36,398	-	-
	FEB	17,911	6,653	5,905	32,258	-	-
	MAR	30,484	7,234	15,358	34,514	-	-
	APR	31,786	6,492	14,590	33,736	-	-
	MAY	29,149	5,242	8,508	34,591	-	-
	JUNE	31,881	5,048	9,892	34,915	-	-
	JULY	32,423	5,057	9,591	38,622	-	-
YEAR TO DATE		192,728	44,113	63,844	245,034	-	-
DAILY AVERAGE 1979		909	208	353	1,166	-	-
CUMULATIVE (as of 8-1-79)		778,839	49,237	708,570	1,580,218	103,064	98,806

GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL

Shell Oil Company
Federal 3
2J3 19S32E
Phillips Petr. Co.

Gulf Oil Corporation
Landspale D Fed. Com.
1I 0419S32E
El Paso Nat'l Gas

Vandiver Fed. Com.
1K 3318S32E
El Paso Nat'l Gas

Petric Leum Dev. Corp.
Redco Gulf Fed. Com.
2H 3318S32E

1978 JAN
FEB
MAR
APR
MAY
JUNE
JULY
AUG
SEPT
OCT
NOV
DEC

ANNUAL
CUMULATIVE

1979 JAN
FEB
MAR
APR
MAY
JUNE
JULY

YEAR TO DATE

DAILY AVERAGE 1979

CUMULATIVE (as of 8-1-79)

-
-
-
-
-
-
-
-
-
65
185
250
250
250

9,331
-
8,315
6,903
7,738
4,990
7,309

44,586

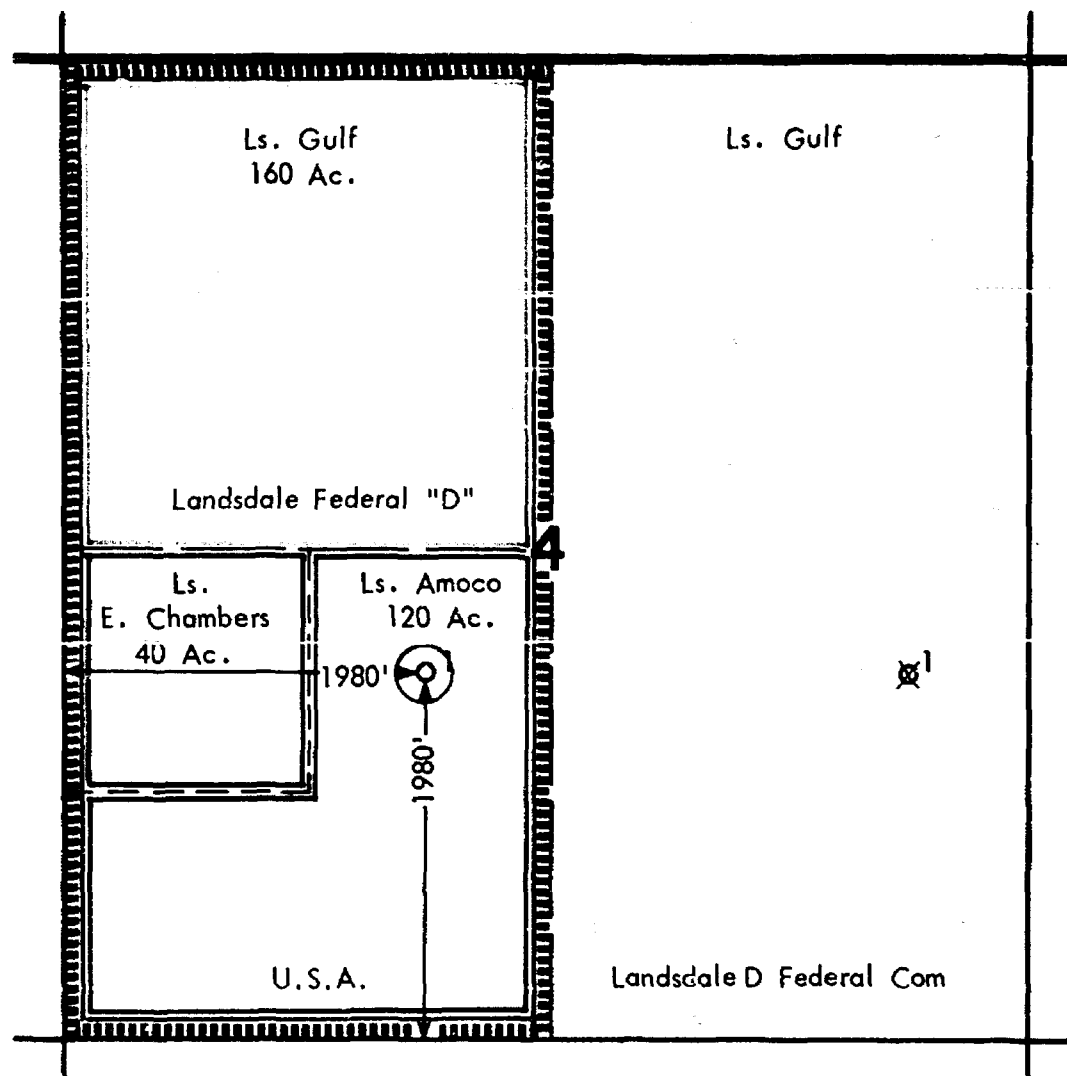
242

44,836

Pot. 5-28-79

Pot. 9-17-79

Pot. 9-15-79



GULF OIL CORPORATION
 PROPOSED FEDERAL COM "4" UNIT
 W/ SECTION 4, T-19-S, R-32-E
 LUSK, NORTH - MORROW (GAS) POOL
 LEA COUNTY, NEW MEXICO

<u>Owner</u>	<u>Acres</u>	<u>Percentage</u>
Gulf	160.00	50.00
Amoco	120.00	37.50
E. Chambers	40.00	12.50
	<u>320.00</u>	<u>100.00</u>

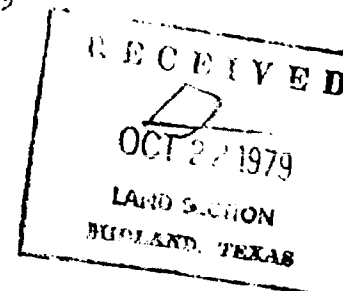
Exhibit No. 1
 Case No. 6737
 November 28, 1979
 Scale: 1 - 1000'

JERRY CHAMBERS



OIL PRODUCER

October 19, 1979



Oil Exploration & Production Company
P.O. Drawer 1150
Bigland, Texas 79702

Attention: Mr. R. E. Griffith

Re: Federal Com 4
Lea County, N.M.
(NM-157, USA NM-20675)

Re: Settlement

We are in receipt of your October 10, 1979 letter and accompanying
offer of settlement for the subject unit.

We are advised that we are not prepared to enter under the
offer of settlement at this time and our present intent is to accept
your offer for the subject unit. We will, however, maintain the
offer of settlement on file should we feel further consideration to be
desirable. Thank you.

Sincerely,

EVELYN CHAMBERS

Cecelia Klug

Cecelia Klug
Lease Records Supervisor

Cc: Mr.

Exhibit 2
Case 6737

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 3092
Houston, Texas 77001

Attention: Mike Burkhardt

Gentlemen:

With reference to the captioned unit and a previously submitted operating agreement, please find enclosed for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

C/B/dh
Enclosures

October 17, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evelyn Chambers
1660 Lincoln Street
Denver, Colorado 80264

Dear Ms. Chambers:

With reference to the captioned unit and a previously submitted operating agreement, please find for your approval and execution two copies of the AFE for the Federal Com #4 Well. Upon your approval and execution of the same, please return one copy to this office for further handling.

Please refer any questions you may have to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

AREA: Hobbs

COST ESTIMATE

DATE: 5-1-79DRILL & COMPLETE: Federal CON #4LOCATION: 1980 FSL & 1980 EOL, Sec 4 T19S R32E

I N T A N G I B L E S

ITEM	DESCRIPTION	DRILLING	COMPLETION	A/E AMOUNT
101	LOCATION & ACCESS	10,000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 45.00 /DAY	16,000	20,000	36,000
	RIG CONTRACT - FOOTAGE \$ 24.00 /FT	314,000		314,000
106	DRILLING FLUIDS	35,000	1,000	36,000
	CORROSION INHIBITOR			
	BRINE WATER	11,000	2,000	13,000
108	CEMENT & CEMENT SERVICES	18,000	22,000	40,000
112	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,000
114	RENTAL - H2S & SAFETY EQUIPMENT			
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10,000
131	ELECTRIC LOGS & SURVEYS	27,000		27,000
132	MUD LOGGING			
133	PERFORATING		9,000	9,000
134	DIRECTIONAL CONTROL			
140	FORMATION TREATING (INCL. TOOLS)		10,000	10,000
150	BITS (Rmrs, Cutters, etc.)			
151	LUBRICANTS			
152	FUEL (Incl. Trans & Laying Line)			
153	ENVIRONMENTAL PROTECTION			
154	FRESH WATER (Trans, Trtg, Well, Lines)	8,000		8,000
155	OTHER SUPPLIES (Sers, Cmt, Rtnrs, BP)	4,000	2,000	6,000
162	OTHER CONTR SVCS (Csg Crws, Clean-up)	4,000	2,000	6,000
163	DRLG SUPERVISION (Incl. Engrs)	7,000		7,000
164	GEOLOGICAL SUPERVISION			
170	TRANS (Mixed Cargo - Lump Charge)	3,000	2,000	5,000
192	ALLOCATION OF FOE	2,000	1,000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE			
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
	GROSS TOTAL INTANGIBLES	471,000	76,000	547,000

COST ESTIMATE

Page 2

DRILL & COMPLETE: Federal CON #4TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	A/E AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	400' 1 3/4" 48" H40 STEEL	8,000		8,000
	4200' 2 3/4" 28" 580 STEEL	441,000		441,000
22X	CASING (OIL STRING)			
	1000' 5 1/2" 17" 580 4200' 5 1/2" 17" 580		105,000	105,000
	5800' 5 1/2" 17" 580			
23X	OTHER SUBSURFACE PRODUCING EQPT:		6,000 -	6,000
	TUBING: 15,100' 2 3/4" 4.7" API EUE		44,600	44,600
	OTHER:			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLOW LINE		1,000	1,000
	OTHER		1,000	1,000
26X	CHRISTMAS TREE (Single - Dual)	2,000	11,000	19,000
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1,000
	SUBTOTAL			
	CONTINGENCY			
	GROSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL A/E	531,000	245,000	776,000

PREPARED BY: H. K. A.DATE: 12/1/68

L. C. Anderson
AREA PRODUCTION MANAGER

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Evelyn Chambers
1660 Lincoln Str.
Denver, CO 80264

Dear Ms. Chambers:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

By: Harrison, Quam, the Dallas, and the Dallas
5/14/15: 71000

October 9, 1979

Re: Federal Com 4
Lea County, New Mexico

Amoco Production Co.
500 Jefferson Bldg.
P.O. Box 3092
Houston, TX 77001

Attn: Mike Burkhardt

Gentlemen:

With reference to the captioned unit, please find enclosed for your approval one copy of the operating agreement plus one additional signature page. Upon your execution please return the executed signature page to this office for further handling.

Should you have any questions regarding the agreement please contact Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. Griffith

enclosure

1660 Lincoln St.
Denver, Colorado 80264

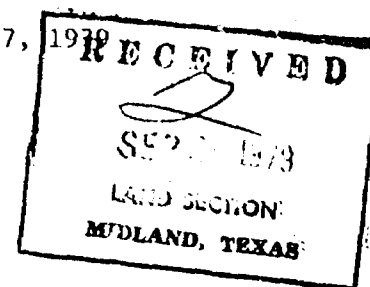
303-892-0464

861-2473
C-41D

JERRY CHAMBERS

OIL PRODUCER

September 17, 1979



Gulf Oil Corporation
Box 1150
Midland, Texas 79702

Attention: Mr. Sam Martin

Re: NM-157, USA NM-26075
T-19-S, R-32-E
Sec. 4: SWSW
Lea County, New Mexico

Gentlemen:

We have examined your proposal for the formation of a drilling unit to include our above referenced lease for the purpose of drilling a 13,000' Morrow test and after due consideration have decided to reject it. We understand you intend to force pool our acreage and are willing to accept that eventuality.

Sincerely,

EVELYN CHAMBERS

Cecelia Klug
Cecelia Klug
Lease Records Supervisor

CK:rma

9-21-79

*Sent it up and they will review it
It may or may not go along. Their inclination
right now is to let us force pool them /m crotch*

August 3, 1979

Re: Federal Com 4
LEA COUNTY, New Mexico

Evalyn Chambers
1660 Lincoln, Suite 1700
Denver, Colorado 80264

Attention: Cecelia Klug

Dear Ms. Chambers:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, NMPM, Lea County, New Mexico for the drilling of a 13,100' Morrow test well at a location 1980' FS&WL in Section 4, and hereby respectfully request your joinder in the drilling of said test well.

Our records indicate the percentages and participation to be as follows:

Gulf Oil Corporation	160	50%
Anaco Production Company	120	37½%
Evalyn Chambers	40	12½%
	320	100%

Enclosed herewith for your reference are two copies of the AFE and two copies of the tentative drilling plan for the test well. We hereby request that you make your decision as to your joinder within ten days of the receipt of this letter.

Should you choose not to join in the drilling of the captioned well, please be advised that Gulf Oil will institute force pooling proceedings on your acreage.

Should you have any questions, please refer them to Ches Blackham of our Land Section.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

August 3, 1979

Re: Federal Com 1
LEA COUNTY, New Mexico

Amoco Production Company
500 Jefferson Bldg.
P. O. Box 3022
Houston, Texas 77001

Attention: Land Department

Gentlemen:

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, N1/4PM, Lea County, New Mexico for the drilling of a 13,100' Morrow test located 1980' FSL and 1980' FWL of Section 4. According to our records, participation in the proposed test would be set forth as follows:

<u>Company</u>	<u>Acreage</u>	<u>Percentage</u>
Gulf Oil Corporation	160	50%
Amoco Production Company	120	37½%
Evalyn Chambers	40	12½%
	<u>320</u>	<u>100%</u>

Enclosed herewith for your reference are two copies of Gulf's AFE for the well and two copies of the tentative drilling plan for the test well. Please verify your acreage and percentage and let us know of any discrepancies in the same.

Please refer any questions you may have to Ches Blackham of our Land Section at 915/682-7301.

Yours very truly,

R. E. GRIFFITH

CTB/dh
Enclosures

9-5-79 Mike Burkhardt/Amoco indicated they would join.
We will follow up w/ a letter.

LOCATION: 100' S. of 11th E. 2nd Sec 4 T19S R32E

INTANGIBLES.

ITEM	DESCR	UNIT	DRILLING	COMPLETION	A/E AMOUNT
101	LOCATION & ACCESS		10,000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN				
103	RIG CONTRACT - DAY RATE \$ 45.00 /DAY		16,000	20,000	36,000
104	RIG CONTRACT - FOOTAGE \$ 24.00 /FT		314,000		314,000
106	DRILLING FLUIDS		35,000	1,000	36,000
	CORROSION INHIBITOR				
	BRINE WATER		11,000	3,000	14,000
108	CEMENT & CEMENT SERVICES		18,000	22,000	40,000
112	RENTAL - SURFACE TOOLS		2,000	3,000	5,000
113	RENTAL - DOWNHOLE TOOLS			2,000	2,000
114	RENTAL - H2S & SAFETY EQUIPMENT				
115	RENTAL - CORING				
120	DRILL STEM TESTING		10,000		10,000
121	ELECTRIC LOGS & SURVEYS		27,000		27,000
122	MUD LOGGING				
123	PERFORATING			9,000	9,000
124	DIRECTIONAL CONTROL				
125	FORMATION TESTING (INCL. TOOLS)			10,000	10,000
126	BITS (Runners, Cutters, etc.)				
131	EXPENDITURES				
132	FUEL (Incl. Trans & Laying Line)				
133	ENVIRONMENTAL PROTECTION				
134	FRESH WATER (Trans, Trtg, Well Lines)		8,000		8,000
135	OTHER SUPPLIES (Scrs, Cmt, Rtns, BP)		4,000	2,000	6,000
136	OTHER CONTR SVCS (Csg Crws, Clean-up)		4,000	2,000	6,000
137	DRG SUPERVISION (Incl. Engrs)		7,000		7,000
138	GEOLOGICAL SUPERVISION				
170	TRANS (Mixed Cargo - Lump Charge)		5,000	2,000	7,000
192	ALLOCATION - FOE		2,000	1,000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE				
	TAX ON TANGIBLE MATERIALS				
	SUB-TOTAL				
	CONTINGENCY				
	GROSS TOTAL ANTICIPATED		477,000	47,000	524,000

Ex 3
Case 6737
11-28-79

COST ESTIMATE

Page 2

DRILL & COMPLETE:

Federal Coal #1TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	A/E AMOUNT
21X	CASING (SURFACE & INTERMEDIATE)			
	400' 12" 45° 1140 S/PC	80,000		80,000
	1200' 8" 28° 580 S/PC	14,000		14,000
22X	CASING (OIL STRING)			
	100' 5" 15° 50' 6200' 5.5 17" N80		105,000	105,000
	5500' 5.5 17" N80			
23X	OTHER SUBSURFACE PRODUCING EQPT:		6,000	6,000
	TUBING: 1500' 2.75" 4.7" N80 EUE		14,000	14,000
	OTHER:			
24X	SUBSURFACE INITIAL LIFT EQPT:			
	ROLS:			
	OTHER:			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			
	ELECTRIC MOTOR			
	FLOW LINE		1,000	1,000
	OTHER		1,000	1,000
26X	CHRISTMAS TREE (Single - Dual)	8,000	11,000	19,000
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1,000
	SUBTOTAL			
	CONTINGENCY			
	GRCSS TOTAL TANGIBLES	60,000	169,000	229,000
	GROSS TOTAL A/E	531,000	245,000	776,000

PREPARED BY:

H. L. L.T. J. Vandyke

DATE:

R. C. Anderson
AREA PRODUCTION MANAGER

SCHEMATIC DIAGRAM
 FEDERAL COM "4" WELL NO. 1
 1980' FSL & 1980' FWL, UNIT K, SEC. 4, T-19-S, R-32-E
 LUSK, NORTH MORROW (GAS)
 LEA COUNTY, NEW MEXICO

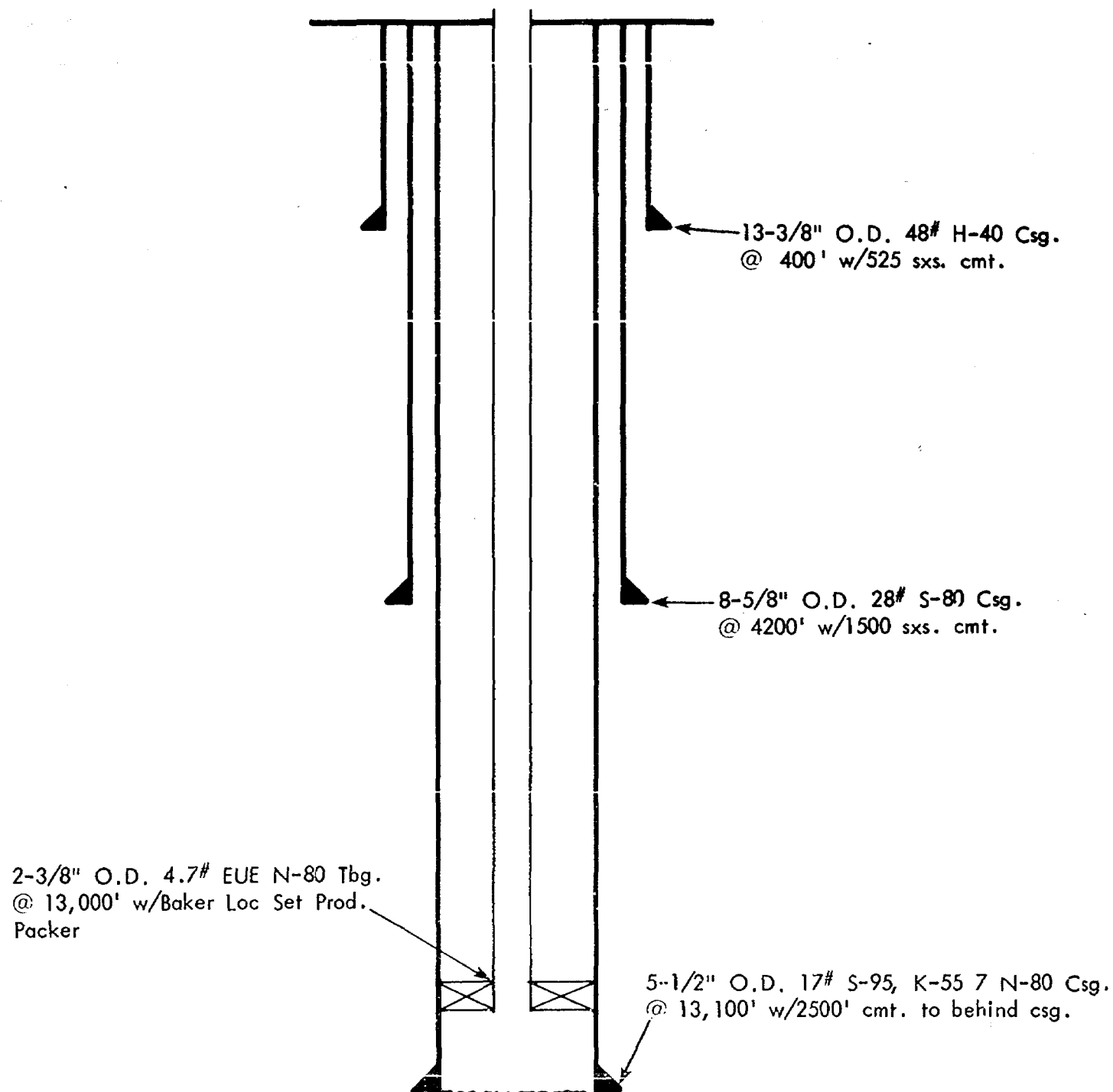
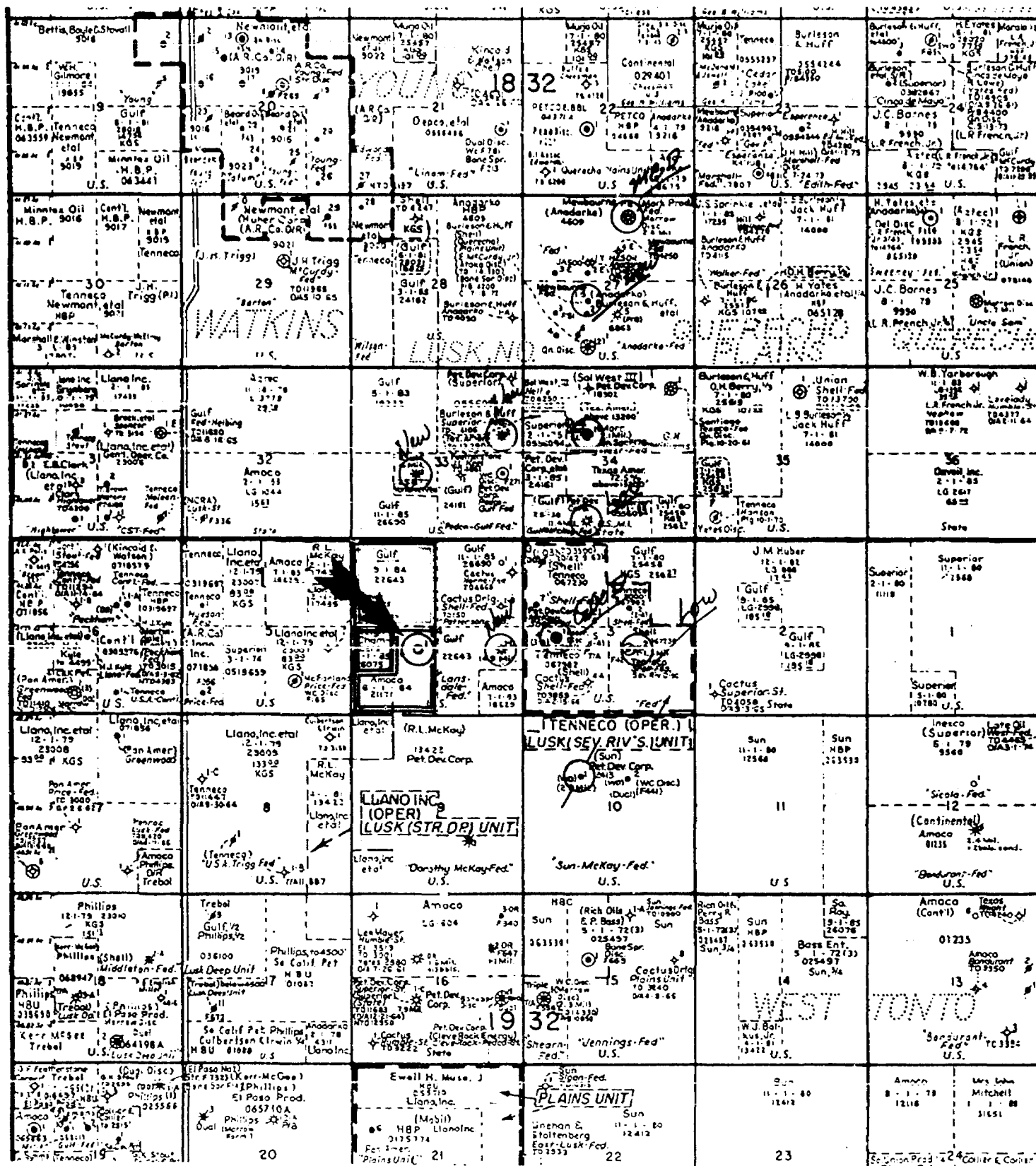


EXHIBIT 4
 CASE NO. 6737
 NOVEMBER 28, 1979
 GULF OIL CORP.



LUSK, NORTH - MORROW (GAS) POOL LEA COUNTY, NEW MEXICO

- ☐ Proposed Federal Com "4" Unit
- ☐ Lusk, North-Morrow (Gas) Completion
- ☐ Proposed Morrow Test

Exhibit No. 5
Case No. 6737
Date 11-28-79
Gulf Oil Corp.
Scale: 1"-4000'

GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL
LEA COUNTY, NEW MEXICO
EXHIBIT
CASE 11-28-79
DATE: 11-28-79
GULF OIL CORPORATION

Exhibit 6
Case 673

		Mewbourne Oil Co.		Petrolium Development Corporation			
		Fed. E. Com. 1B2718S32E El Paso Nat'l Gas	Federal G 1K2718S32E El Paso Nat'l Gas	Gulf McKay-Fed. 1N3418S32E El Paso Nat'l Gas	McKay-Shell Fed. 1L319S32E El Paso & Phillips	McKay-West Fed. 1F3418S32E Phillips Petr. Co.	Sun-McKay Fed. 1F1019S32E
1978	JAN	25,861	-	31,961	41,843	3,885	-
	FEB	13,319	-	653	37,184	1,439	32,310
	MAR	28,256	-	8,040	41,348	1,178	39,514
	APR	31,475	-	289	39,924	726	27,082
	MAY	30,842	-	-	40,728	-	Recompleted
	JUNE	29,181	-	-	39,163	28	-
	JULY	29,817	-	-	39,101	-	-
	AUG	28,195	-	-	37,951	-	-
	SEPT	27,738	-	-	37,118	-	-
	OCT	28,315	-	-	38,468	10	-
	NOV	27,756	1,008	-	36,650	-	-
	DEC	30,959	4,116	-	33,230	Abandoned	-
ANNUAL		331,714	5,124	40,943	462,708	7,266	98,906
CUMULATIVE		586,111	5,124	644,726	1,335,184	103,064	98,906
1979	JAN	19,094	8,387	-	36,398	-	-
	FEB	17,911	6,653	5,905	32,258	-	-
	MAR	30,484	7,234	15,358	34,514	-	-
	APR	31,786	6,492	14,590	33,736	-	-
	MAY	29,149	5,242	8,508	34,591	-	-
	JUNE	31,881	5,048	9,892	34,915	-	-
	JULY	32,423	5,057	9,591	38,622	-	-
YEAR TO DATE		192,728	44,113	63,844	245,034	-	-
DAILY AVERAGE 1979		909	208	353	1,166	-	-
CUMULATIVE (as of 8-1-79)		778,839	49,237	708,570	1,580,218	103,064	98,806

GAS PRODUCTION DATA (MCF)
LUSK, NORTH-MORROW (GAS) POOL

	Shell Oil Company	Gulf Oil Corporation	Petroleum Dev. Corp.
	Federal 3	Landsale D Fed. Com.	Redco Gulf Fed. Com.
	2J3 19S32E	1I 0419S32E	2H 3318S32E
	Phillips Petr. Co.	El Paso Nat'l Gas	El Paso Nat'l Gas
1978	JAN	-	-
	FEB	-	-
	MAR	-	-
	APR	-	-
	MAY	-	-
	JUNE	-	-
	JULY	-	-
	AUG	-	-
	SEPT	-	-
	OCT	-	-
	NOV	65	-
	DEC	185	-
	ANNUAL	250	-
	CUMULATIVE	250	-
1979	JAN	9,331	-
	FEB	-	-
	MAR	8,315	-
	APR	6,903	-
	MAY	7,738	-
	JUNE	4,990	-
	JULY	7,309	-
	Pot. 5-28-79	Pot. 9-17-79	Pot. 9-15-79
YEAR TO DATE	44,586		
DAILY AVERAGE 1979	242		
CUMULATIVE (as of 8-1-79)	44,836		

Pooles:

Amoco Prod. Co.

Box 68

Hobbs

Evelyn Chambers

Jerry Chambers Oil Prod. Co.

1660 Lincoln St.

Denver, Colorado 80264

- CASE 6736: Application of Boyle Hartman for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool to form a 360-acre non-standard gas proration unit comprising the S/2 SE/4 of Section 36, Township 24 South, Range 36 East; SW/4 of Section 31, Township 24 South, Range 37 East; and the N/2 NW/4 and NW/4 NE/4 of Section 6, Township 25 South, Range 37 East, to be dedicated to a well to be drilled 660 feet from the South line and 990 feet from the West line 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 6707: (Continued from November 14, 1979, Examiner Hearing)
- Application of Gulf Oil Corporation for a unit agreement, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Southeast Bisti Unit Area, comprising 7,048 acres, more or less, of State and Federal lands in Townships 24 and 25 North, Range 10 West.
- CASE 6737: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, North Lusk-Morrow Gas Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing 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 6739: Application of Mobil Oil Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gavilan-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its Jicarilla D Well No. 1 located in Unit N of Section 24, Township 26 North, Range 3 West. Applicant further seeks the establishment of an administrative procedure for approval of downhole commingling of the aforesaid pools in others of its wells in Sections 7, 8, 17, 18, and 19, Township 26 North, Range 2 West, Sections 1, 2, 11 thru 14, 23, and 24, Township 26 North, Range 3 West, and Sections 11 thru 15, 22 thru 27, 35, and 36, Township 27 North, Range 3 West.
- CASE 6740: Application of Mondo Oil and Gas Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian test well to be drilled 1550 feet from the North line and 660 feet from the West line of Section 10, Township 18 South, Range 28 East, the N/2 of said Section 10 to be dedicated to the well.
- CASE 6741: Application of ARCO Oil and Gas Company for an amendment to Order No. R-6054, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6054 to amend the findings in said order to make said findings more specific as to the necessity for the drilling of infill wells in the Empire Abo Unit in order to recover additional gas pursuant to the Natural Gas Policy Act of 1978; further to amend said order to make such findings applicable to present and future drilling operations including the drilling of horizontal drainholes.
- CASE 6720: (Continued from November 14, 1979, Examiner Hearing)
- Application of ARCO Oil and Gas Company to drill a horizontal drainhole, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill and complete its Empire Abo Unit Well No. J-213, located in Unit E of Section 6, Township 18 South, Range 28 East, Empire-Abo Pool, with a single horizontal drainhole of about 200 feet in length in the Abo formation.
- CASE 6742: Application of ARCO Oil and Gas Company for an administrative procedure, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an administrative procedure for approval of the drilling of horizontal drainholes in the Empire Abo Unit, Empire-Abo Pool.
- CASE 6743: (This case will be dismissed.)
- Application of Exxon Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine in several unlined surface pits located on its Laguna Grande Unit Area in Sections 16, 21, 28, 29, 32, and 33, Township 23 South, Range 29 East.
- CASE 6744: Application of Texas Oil & Gas Corporation for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Riverside-Morrow Gas Pool to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Pennsylvanian gas pools rather than the present 160-acre spacing.

Gulf Oil Exploration and Production Company

J. M. Thacker
GENERAL MANAGER PRODUCTION
SOUTHWEST DISTRICT

October 31, 1979

P. O. Drawer 1150
Midland, TX 79702

New Mexico Department of Energy & Minerals
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Case 6737

Attention: Mr. Joe D. Ramey

Gentlemen:

Gulf Oil Corporation respectfully requests that a hearing be scheduled on your Examiner Hearing Docket for November 28, 1979, to consider an order for compulsory pooling of all mineral interests in the Pennsylvanian formation underlying the W/2 Section 4, Township 19 South, Range 32 East N.M.P.M. North Lusk Morrow Pool, Lea County, New Mexico.

The above standard 320 acre unit is to be dedicated to the Federal Com. "4", Well No. 1 to be located at a regular location in Unit K, 1980' from the south and west lines of Section 4. To be considered at the hearing will be designation of operator; drilling, completing and operating costs; charges for supervision; and for risk involved in drilling said well.

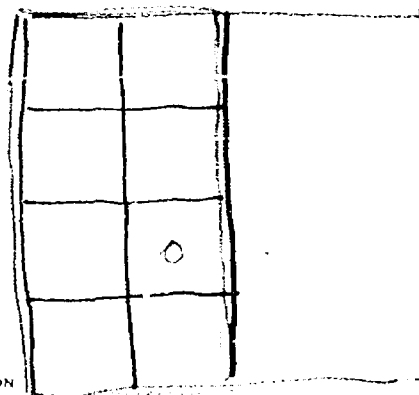
Yours very truly,

R. H. Peacock

R. H. PEACOCK
Manager - Operations

CFK:sdn

cc: J. T. Sexton - Hobbs, New Mexico



A DIVISION OF GULF OIL CORPORATION

DRAFT

dr/

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. 6737

Order No. R- 6205

APPLICATION OF GULF OIL CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 28
1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 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, Gulf Oil Corporation,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the W/2
of Section 4, Township 19 South, Range 32 East
NMPM, North Lusk-Morrow Gas Pool, Lea County, New
Mexico.

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

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, 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 20 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

-3-
Case No.
Order No. R-

\$3300⁰⁰ per month while drilling and
\$330⁰⁰ per month while producing

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1980, 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 Pennsylvanian formation underlying the W/2 of Section 4, Township 19 South, Range 32 East, NMPM, North Lusk-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

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

-5-
Case No.
Order No. R-

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

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

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

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

(9) That \$3300 ^{or} per month while drilling and
\$ 3300 ^{or} per month while producing are
~~per month~~ is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge, attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

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

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.