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

30, 1980 January

P. O. Box 1150 Midland, TX 79701

prameter

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

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. Griff

CTB/mc Encls.



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 DEPARTISON 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, Lee County, 6737 New Mexico. DEFORE: Richard L. Stamets DEFORE: Richard L. Stamets For the Oil Conservation Ernest L. Padilla, Esg. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87501 For the Applicant: William F. Carr, Esg. COMPETED AND STATE LA BLACK P. A. Jefferson Place Santa Fe, New Mexico 87501 For Evelyn Chambers: Contrad Coffield, Esg. Hable Law Firm		μ		
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18Santa Fe, New Mexico 87501191920For the Applicant:21William F. Carr, Esq. CAMPBELL & BLACK P A Jefferson Place Santa Fe, New Mexico 87501222323For Evelyn Chambers:24Conrad Coffield, Esq. Hinkle Law Firm		-		Legal Counsel for the Divisio
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			For Evelyn Chambers:	Hinkle Law Firm
25 Midland, Texas 79701				P. O. Box 3580 Midland, Texas 79701

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C. D. STENBERG

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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 BY MR , CARR: 24 Would you state your name and place of resi-Q. 25

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dence? 2 A. Charles F. Kalteyer, K-A-L-T-E-Y-E-R, 3 from Midland, Texas. Q. Mr. Kalteyer, by whom are you employed and 5 in what capacity? R A. Employed by Gulf Oil Corporation as a 7 Chief Proration Engineer of the Southwest District in Mid-8 land, Texas. 9 Have you previously testified before this Ç. 10 Commission and had your credentials accepted and made a mat-11 ter of record? 12 Yes, sir, I have. A. 13 Are you familiar with the subject matter Q. 14 of this case? 15 A. Yes, sir. 16 MR. CARR: Are the witness' qualifications 17 acceptable? 13 MR, STAMETS: They are. 19 Mr. Kalteyer, would you state briefly what Q. 20 Gulf's purpose is in bringing this application? 21 Gulf is seeking an order pooling all the A. 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 320acre 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, sìr.
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 24	circled in red. Gulf's holdings consist of the northwest
24 25	quarter of the section and are outlined in yellow. The
20	Evelyn Chambers tract consists of the northwest quarter of

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

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

A. Exhibit Number Two consists of correspondence dating back to August the 3rd of 1979, wherein Gulf proposed the drilling of the subject well to Amoco and Chambers.

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

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

Yes, sìr, notice was given.

Will you now refer to what has been marked

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Q.

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

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

Gross cost of the AFE to drill and complete amounts to \$776,000. In addition to this amount, Gulf estimates some \$50,000 for surface producing equipment for a successfully completed gas well, giving a total cost of some \$826,000.

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

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

Q Mr. Kalteyer, are you prepared to make a recommendation to the Examiner concerning the charges for overhead and administrative costs while drilling and producing the subject well?

A. Yes, sir. In accordance with the accounting 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.
	OYD ONTEN DATEN TIAL	10	Q. Will you now refer to what has been marked
	ND REP ND REP STEOD FT	11	Gulf's Exhibit Number Five and explain this to the Examiner?
	VALT Hortha New M	12	A. Exhibit Five is a plat of the area showing
		13	those wells that have been completed in the North Lusk Morrow
	SAL CENTI Postor	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 Pcol
		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) 12 14	

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

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

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

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

A. Yes, it is the opinion of Gulf, and I believe the opinion of those operators drilling for Morrow in southeast New Mexico, that Morrow drilling is a high risk yenture.

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

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

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

Q In your opinion will granting this application result in the prevention of waste?

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

Q. In your opinion will granting this application impair the correlative rights of anyone in the unit?

A. No, sir.

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

A. They were,

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

MR, STAMETS: These exhibits will be ad-

mitted.

Are there questions of the witness? MR. COFFIELD: Yes, sir.

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2 CROSS EXAMINATION 3 BY MR, COFFIELD: 4 Mr. Kalteyer, what I believe is Exhibit Q. 5 Three is the AFE, you stated was dated May 5th, is this AFE 6 the same -- would this AFE be the same as the one that was 7 submitted to Mrs. Chambers? 8 A Yes. Yes, sir. 9 0. Mr. Kalteyer, you also stated that you were 10 recommending administrative overhead costs be awarded in the 11 amount of \$3330 a month for drilling well and \$330 a month 12 for a producing well, and that this was Gulf's current amounts. 13 Are there other wells in this area that carry this same 14 figure for administrative overhead costs? 15 Yes, sir, all of our joint operated pro-A. 16 perties that are drilled as of this date carry those same 17 figures. I believe you said \$330. It's \$333 per month while 18 producing. 19 \$333. Q. 20 And \$3330 per month during drilling. A. 21 Yes, sir. 0. 22 And completing. A. 23 Yes, sir. The wells that have been spotted Ç. 24 on your exhibits here shown as Morrow producers, are these 25 all operated by Gulf?

A.

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

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				Pege 12
		1	Six, Mewbourne Oil,	that's the production tabulation, I think,
		2	you'll notice the Me	wbourne Oil has two wells; Petroleum
		3	Development Corp. ha	d four on that first page, two of which
		4	have been depleted c	or recompleted; and also they have one on
	1	5	the second page that	has not been placed on production.
		6	Gulf has two wells t	hat 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 Ar	d relative to the excuse me, Mr. Kal-
	PONTEN 71-24 62 87501	10	teyer, go ahead. I'	m sorry I interrupted you.
	AND RE (101) 4 Mexico	11	A. Ar	d Shell has one well.
	HORT Manoa New	12	Q. Ok	ay. Relative to the wells, then, you
> =	CERTIFIED S 3030Plaza I Santa Fe	13	show on this Exhibit	Six, none of these are operated by Gulf
Ċ.		14	as far as producing	wells and you have two that Gulf has
	C	15	potentialed?	
		16	A. Ye	es, none of the past producing wells, but
		17	Gulf has two wells o	on production at this time.
		18	Q. Oł	ay, 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. Ye	es, sir.
		22	<u>0</u> . Tł	nose two bear the figures that you've
94. ¹¹		23	given us?	
		24	A, Ye	es, sir.
		25	Q. M:	r. Kalteyer, the nearest producing wells

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2 exhibit all lying to the, basically, to the east and the 3 north. 4 Yes, sir. A. 5 Is that correct? Would it be accurate, Q. 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 Yes, sir. Q 10 I believe we would classify that. A. 11 So you would not classify it as a wildcat? 0. 12 No, sir. A. 13 Normally wouldn't it be true that a wild-Q. 14 cat would be the most risky? And would be the most --15 the chanciest kind of a prospect --16 Yes, sir. A. 17 -- as opposed to a development well? 0. 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 Yes, sir. A. 22 Is that true? Or in other words, in the Q. 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?

from the Pennsylvanian formation are spotted here on your

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1		A. It's my understanding that our standard
2	operating agreeme	ent 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 pressur	es on your Landsdale and the Vanderburg
10	Wells are?	
11		MR. CARR: Mr. Stamets, we're going to call
12	another witness w	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	А.	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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SALILY WALTON BOYD CERTFIED SHORTHAND REPORTER 2010Flaza Blanca (606) 471-3462 Saula Fo, Now Mozico 37601

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	2		
	3		C. D. STENBERG
	4	being called as a	witness and having been duly sworn upon his
	5	oath, testified as	s follows, to-wit:
	6		
	7		DIRECT EXAMINATION
	8	BY MR. CARR:	
	9	Q.	Will you state your full name and place
1	10	of residence?	
	11	А.	C. D. Stenberg, Midland, Texas.
	12	õ	Have you previously testified before this
	13	Commission, Mr. St	enberg, and had your credentials accepted
	14	as a matter of red	cord?
	15	A.	Yes, sir.
	16	Q.	And by whom are you employed?
	17	A.	Gulf Oil Corporation.
	18	Q.	In what capacity?
	19	Α.	Geologist.
	20	Q.	Are you familiar with the application
	21	presented in this	case?
	22	A.	Yes, I am.
	23		MR. CARR: Are the witness' qualifications
	24	acceptable?	
	25		MR. STAMETS: They are.

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Q. Mr. Stenberg, have you studied the area which is the subject matter of this case and prepared certain 2 exhibits for introduction? 3 A. Yes, I have. 5 Will you please refer to what has been Q. 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 Exhibit Number Seven is a plat of the pro-° A, 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 The east dip depicted by the contours is representative tion. 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 Mr. Stenberg, do you have some additional Q.

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

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

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

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

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

SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 1010 Plaza Blanca (505) 471-2461 Santa Pe, New Mexico 57161. 1

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

And the other well in Section 8, in the southeast quarter, has a TD of 11,887 feet, which is TA'd. And down through these four sections west

of the proposed location shows that there is not -- there is no further Morrow production, therefore the proposed location will be -- will include the western extension of the Morrow to date.

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

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

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

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A. Now the cross section is hung on a stratigraphic marker with a heavy line at the top of the cross section called the reference datum. The well names and locations are at the top of the logs and these logs are gamma ray neutron density logs, all the same type log.

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

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

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

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Q.

Now what conclusions can you draw from this

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

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

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

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

LLY WALTON BOYD TIFIED SHORTHAND REPORTER DELLER BLANDA (505) 771-3463 DELLER PR. Now Mostico 77591 log, gas to the surface in 77 minutes, volume not measured. And it recovered 61 feet of distillate, but the gas was noncommercial, noncommercial quantities.

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

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

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

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

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

A. The pressures?

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Q. Yes. 2 A. Yes, sir. Could you -- are you prepared to answer 3 Q. that question? We'll need the pressure and the production 4 5 there. 6 All right. Well, I didn't put the pressures A. 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 -- Vandever? A. 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 Shut-in wellhead 3420. Shut-in bottom A. 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 That's what they have on the scout card, A,

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23 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 Let's see. Which one is the Vandiver, A. 17 let's see. 18 MR. STAMETS: It would be the first one 19 on your cross section. 20 Okay, it would be -- okay. I have -- hey, A. 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 Let's see, okay, on the Vandiver, on the A.

LLY INALTON BOYD TIFED SHOATHAND REPORTER IPlaze Hilanca (505) 471-3463 dita Pa, New Mexico 57501 drill stem test, the first drill stem test on the Vandiver, initial shut-in, 4052; flow pressure, 1292 to 1313; and the final shut-in, 4052.

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

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

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

How old a pool is this North Lusk? A. Well, the Petroleum Development started these wells, I think, were the first ones, 19 -- let's see, the McKay Federal in Section 34, the northwest one, is completed 7-11-76.

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

A. It's approximately, yes.

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

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

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

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

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

MR. STAMETS: Any other questions of the

13 witness?

MR. COFFIELD: Yes, sir.

BY MR. COFFIELD:

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

CROSS EXAMINATION

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

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

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

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

A. The closest -- the closest one to the proposed location would be southwest, the one in Section 8.
 Q. And are there other dry holes in the immediate area?

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

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

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

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Q. So in that area there are significantly
 more Morrow producers than there are Morrow dry holes.
 A. Oh, yes, right.

A. Oh, yes, right.
Q. What would you say the odds of completing this as a Morrow well are? In other words, how risky is

risky?

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

Q. Would that justify the drilling of the well?

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

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

LY WALTON BOYD IED EHONTHAND NEPONTEN A Di Bibanon (503) 471-342 A Pe, New Meridon 87101 A. It's -- it's worth the risk to drill the well because of the information in the area. As far -- I mean it's worth the risk to drill the well as well as you can any Morrow well in a field, on the edge of a field.
 Q. So it's no riskier than any other? MR. COFFIELD: I have no other questions. MR. STAMETS: Any other questions of the

witness, Mr. Carr?

REDIRECT EXAMINATION

BY MR. CARR:

Q Mr. Stenberg, is it also a distinct possibility that you will drill this well and drill a dry hole?

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

Q. Were Exhibits Seven and Eight prepared by you?

A. Yes, they were.

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

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may be excused.

offer?

MR. COFFIELD: Yes, Mr. Examiner, I would state on behalf of Evelyn Chambers that as you can see, of course, with regard to I guess it's Exhibit Two or Three, the correspondence that Mrs. Chambers has no objection to, as she has stated, the forced pooling action in this case. However, Mrs. Chambers does feel that the 200 percent risk factor that's been requested by Gu^{*} is excessive. It appears to us that the evidence and exhibits, the exhibits and testimony that's been offered in this case, indicate that this is in fact a good prospect. Certainly there are significantly more producers, Morrow producers, in this particular area than there are dry holes, and according to that, the odds do appear to be excellent that a Morrow producer can be developed in this area.

MR. STAMETS:

MR. STAMETS:

MR. CARR:

Accordingly, Mrs. Chambers is willin_{g to} agree that a 100 percent penalty factor would be safe.

MR. STAMETS: Mr. Carr?

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These exhibits will be ad-

Any questions? The witness

I have nothing further.

Mr. Coffield, do you have anything to

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

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

MR, STAMETS: The case will be taken under

advisement.

(Hearing concluded.)

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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 proceed lings in the Examiner hearing of Case 10. 6737 heard by the on 1128 19.72 D. ne

. Examiner Oil Conservation Division

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IN THE MATTER OF:	
Application of Gul for compulsory poo New Mexico.	If Oil Corporation) CASE bling, Lea County,) 6737)
BEFORE: Richard L. Stamets	
TRANSCI	RIPT OF HEARING
	RIPT OF HEARING
APP) For the Oil Conservation	E A R A N C E S Ernest L. Padilla, Esq. Legal Counsel for the Div State Land Office Bldg.
APP) For the Oil Conservation Division:	E P R A N C E S Ernest L. Padilla, Esq. Legal Counsel for the Div State Land Office Bldg. Santa Fe, New Mexico 8750 William F. Carr, Esq.
APP) For the Oil Conservation	E A R A N C E S Ernest L. Padilla, Esq. Legal Counsel for the Div State Land Office Bldg. Santa Fe, New Mexico 8750
APP: For the Oil Conservation Division: For the Applicant:	E P R A N C E S Ernest L. Padilla, Esq. Legal Counsel for the Div State Land Office Bldg. Santa Fe, New Mexico 8750 William F. Carr, Esq. CAMPBELL & BLACK P A Jefferson Place Santa Fe, New Mexico 8750
APP) For the Oil Conservation Division:	E P R A N C E S Ernest L. Padilla, Esq. Legal Counsel for the Div State Land Office Bldg. Santa Fe, New Mexico 8750 William F. Carr, Esq. CAMPBELL & BLACK P A Jefferson Place

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3 CHARLES F , KAMPEYER

Direct Examination by Mr. Carr	3
Cross Examination by Fr. Coffield	11
Cross Examination by Mr. Stamets	14
Redirect Examination by Mr. Carr	14

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C. D. STENBERG

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Cross Examination by Mr. Stamets	2 2
Cross Examination by Mr Coffield	25
Redirect Examination by Mr. Carr	28

EXEIBITS

16	Applicant Exhibit One, Pl	at	5
17	Applicant Exhibit Two, Do	ocuments	6
18	Applicant Exhibit Three,	Cost Estimate	7
19	Applicant Exhibit Four, 1	lagram	7
20	Applicant Exhibit Five, I	lat	8
21	Applicant Exhibit Six, Ta	bulation	8
22	Applicant Exhibit Seven,	Plat 1	6
23	Applicant Exhibit Light,	Cross Section 1	8
24			

SALLY WALTCH BOYD CERTIFIED SHORTHAND REPORTER 3010Plath Blanch (1016) 111-3145 Santa PJ, Now Methics 51501

1 IP. CLADUCE: the hearing will come to order. 2 Call next Case 6737. 3 MP. ETENJA: Application of Gulf Gil Corporation for compulsory pooling, Lea County, New Mexico. 5 10. STANIE: Call for appearances. ME. CARE: 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 Minkle Law Firm in Midland, Texas, appearing on behalf 13 of Evelyn Chambers. I do not have any witnesses. 14 MP. 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 BY MR . CARR: 24 Would you state your name and place of resi-Q. 25

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1 dence? 2 Charles F. Kalteyer, K-A-L-T-E-Y-E-R, λ. 3 from Midland, Texas. Q. Mr. Kalteyer, by whom are you employed and 5 in what capacity? Employed by Gulf Oil Corporation as a A. 7 Chief Proration Engineer of the Southwest District in Mid-8 land, Texas. Have you previously testified before this Q. 10 Commission and had your credentials accepted and made a mat-11 ter of record? 12 Yes, sir, I have. ٨. 13 Are you familiar with the subject matter Q. 14 of this case? 15 A. Yes, sir. 16 MR. CARR: Are the witness' qualifications 17 acceptable? 18 MR. STAMETS: They are. 19 Mr. Kalteyer, would you state briefly what Q. 20 Gulf's purpose is in bringing this application? 21 Gulf is seeking an order pooling all the ۸. 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

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

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

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

A. Exhibit Number Two consists of correspondence dating back to August the 3rd of 1979, wherein Gulf proposed the drilling of the subject well to Amoco and Chambers.

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

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

A. Yes, sir, notice was given.

Will you now refer to what has been marked

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Q.

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

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

Gross cost of the AFE to drill and complete amounts to \$776,000. In addition to this amount, Gulf estimates some \$50,000 for surface producing equipment for a successfully completed gas well, giving a total cost of some \$826,000.

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

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

Mr. Kalteyer, are you prepared to make a recommendation to the Examiner concerning the charges for overhead and administrative costs while drilling and producing the subject well?

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

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

Q And it is your recommendation that these figures be incorporated into any order which is entered pursuant to this hearing?

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Q. Will you now refer to what has been marked

Yes, sir.

A.

Gulf's Exhibit Number Five and explain this to the Examiner? A. Exhibit Five is a plat of the area showing

those wells that have been completed in the North Lusk Morrow Pool. The wells which have produced from this field are circled in yellow. The proposed Federal Com 4 Unit is outlined in pink in Section 4.

Now will you refer to Exhibit Number Six?
 A. Gulf's Exhibit Number Six is a tabulation
 of gas production data for these North Lusk Morrow Gas Pool
 wells which produced gas in 1978 or '79.

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

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

The daily average production in '79 ranges from a low of 200 Mef per day in Mewbourne Oil Company's Federal "G" No. 1, located in Unit X of Section 27, Township 18, Range 32, and to a high of 1166 Mef per day in Petroleum Development Corporation's McKay Shell Federal Well No. 1 in Unit L of Section 3, Township 19, Range 32.

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

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

A. Yes, it is the opinion of Gulf, and I believe the opinion of those operators drilling for Morrow in southeast New Mexico, that Morrow drilling is a high risk venture.

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

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

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

Q In your opinion will granting this application result in the prevention of waste?

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

Q In your opinion will granting this application impair the correlative rights of anyone in the unit?

A. No, sir.

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

A They were.

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

MR. STAMETS: These exhibits will be ad-

Are there questions of the witness? MR. COFFIELD: Yes, sir.

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CROSS EXAMINATION 3 BY MR. COFFIELD: Û Mr. Kalteyer, what I believe is Exhibit 5 Three is the AFE, you stated was dated May 5th, is this AFE 6 the same -- would this AFE be the same as the one that was 7 submitted to Mrs. Chambers? 8 A. Yes. Yes, sir. 9 Mr. Kalteyer, you also stated that you were a 10 recommending administrative overhead costs be awarded in the 11 amount of \$3330 a month for drilling well and \$330 a month 12 for a producing well, and that this was Gulf's current amount 13 Are there other wells in this area that carry this same 14 figure for administrative overhead costs? 15 A. Yes, sir, all of our joint operated pro-16 perties that are drilled as of this date carry those same 17 figures. I believe you said \$330. It's \$333 per month while 18 producing. 19 \$333. Q. 20 Α. And \$3330 per month during drilling. 21 \$ Yes, sir. 22 Λ. And completing. 23 Q. Yes, sir. The wells that have been spotted 24 on your exhibits here shown as Morrow producers, are these 25 all operated by Gulf? No, sir. No, sir. You'll notice on Exhibit Λ.

Page

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 have been depleted or recompleted; and also they have one on 5 the second page that has not been placed on production. 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 And relative to the -- excuse me, Mr. Kal-۵ 10 teyer, go ahead. I'm sorry I interrupted you. 11 And Shell has one well. A. 12 Okay. Relative to the wells, then, you Q 13 show on this Exhibit Six, none of these are operated by Gulf

as far as producing wells and you have two that Gulf has potentialed?

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

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

M. Yes, sir.
 Q. Those two bear the figures that you've given us?
 A. Yes, sir.

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Mr. Kalteyer, the nearest producing wells

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	1	from the Pennsyl	vanian formation	are spotted here	e on your
	2	exhibit all lyin	g to the, basical	ly, to the east	and the
	3	north.			
	4	ħ.	Yes, sir.		
	5	Q.	Is that correct	? Would it be a	accurate,
	6	then, to characte	erize this new pr	coposed well as	a step out
	7	or a logical dev	elopment of the p	articular area?	
	8	` A.	As a developmen	t outpost.	
м	9	Q	Yes, sir.		
87501	10	۸.	I believe we wo	ould classify the	at.
surfare sente (euro) e 11-240 Santa Fe, New Mexico 27501	11	<u></u>	So you would no	ot classify it a	s a wildcat?
e, New	12	A.	No, sir.		
Santa J	13	ý.	Normally wouldr	it it be true th	hat a wild-
•	14	cat would be the	most risky? And	l would be the m	ost
	15	the chanciest ki	nd of a prospect		
	16	А.	Yes, sir.		
	17 18	Q.	as opposed t	co a development	well?
	19		You stated that	you're recomme	nding a 200
	20	percent rusk fac	tor and that this	s is the risk fa	ctor that
	21	would normally b	e carried in your	joint operation	n contracts.
	22	<u>a</u> .	Yes, sir.		
	23	õ	Is that true?	Or in other wor	ds, in the
	24	usual AAPL form	it would be 300 g	ercent nonconse	nt proposition
	25		Do you know whe	ether that type	of joint
		operation contra	ct 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	Mr. Kalteyer, do you know what the poten-
	9	tials and pressures on your Landsdale and the Vanderburg
	10	Wells are?
11 (10)	11	MR. CARR: Mr. Stamets, we're going to call
New M	12	another witness who I think can answer that.
CENTIFIED : HUNIN 3030Plaza Blanca (Santa Fe, New B	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 proposi		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.

SALLY WALTON BOYD

3	C. D. STENBERG		
. 4	being called as a witness and having been duly sworn upon his		
5	oath, testified as follows, to-wit:		
6			
7		DIRECT EXAMINATION	
8	BY MR. CARR:		
- 9	Q	Will you state your full name and place	
10	of residence?		
11	A.	C. D. Stenberg, Midland, Texas.	
12	ġ	Have you previously testified before this	
13	Commission, Mr. St	tenberg, and had your credentials accepted	
14	as a matter of re	cord?	
15	A.	Yes, sir.	
16	Q.	And by whom are you employed?	
17	λ.	Gulf Oil Corporation.	
18	Q.	In what capacity?	
19	λ.	Geologist.	
20	Q.	Are you familiar with the application	
21	presented in this	case?	
22	А,	Yes, I am.	
23		MR. CARR: Are the witness' qualifications	
24	acceptable?		
25		MR. STAMETS: They are.	

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	1	0 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-
04TEA 04TEA 04TEA	10	posed location area to show the structure and the position
UID NEW UID NEW UID NEW	11	of the orthodox location, which is colored in red. This is
VALT HORTHA Indea (1 New M	12	in the Lusk North Gas Pool, Lea County, New Mexico, and the
SALLY V CERTIFIED SI LOSOFIAIZA B Santa Fey	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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data you can present as to various wells depicted on this plat?

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

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

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

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

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

And the other well in Section 8, in the -- southeast quarter, has a TD of 11,887 feet, which is TA'd. And down through these four sections west

of the proposed location shows that there is not -- there is no further Morrow production, therefore the proposed location will be -- will include the western extension of the Morrow to date.

Now the stratigraphic nature of the pool will be shown on the next exhibit, Exhibit Number Eight, which is a cross section through the wells marked with line $A-A^{\dagger}$ on the plat.

Now note the third well in the cross section, before we go to Exhibit Eight, the third well from letter A is circled with a broken circle and not colored yellow. This did drill through the Morrow and was perforated bat it did not make a Morrow producer, and it's plugged back to the Wolfcamp, which we'll see on the cross section. Q All right, Mr. Stenberg, if you would now go to Exhibit Number Eight, and review this for Mr. Stamets.

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A. Now the cross section is hung on a stratigraphic marker with a heavy line at the top of the cross
section called the reference datum. The well names and locations are at the top of the logs and these logs are gamma
ray neutron density logs, all the same type log.

And below the logs at the bottom are drill stem tests if there were any in the Morrow, and perfs, initia -potentials, and the name of the producing formation.

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

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

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Now what conclusions can you draw from this

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

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

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

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

SALLY WALTON BOYE CERTIFIED S-400THAND REPORTE S010 Plaza Blanca (515) 111-24(S4014 Pe, New Me Lico 27501 log, gas to the surface in 77 minutes, volume not measured. And it recovered 61 feet of distillate, but the gas was noncommercial, noncommercial quantities.

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

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

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

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

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

A. The pressures?

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Yes. Q. ñ. Yes, sir. 3 Could you --- are you prepared to answer Q, that question? We'll need the pressure and the production 5 there. 6 All right. Well, I didn't put the pressures A, 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 -- Vandever? A. 13 MR. STAMETS: On the two Gulf wells there. 14 λ. 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 That's what they have on the scout card, A,

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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.
14	4	Lot'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,
OATER 1-2462 17501	10	5679.
CERTIFIED SHORTMANE, REPORTER 3020 Plaza Biunca (501:) 471-445 Santa Fe, jitew Mexico 57501	11	Now the second drill stem test, which is
HORTH/ Blunca (.) Yew B	12	also in the perforated interval, 1-hour initial shut-in,
CENTIFIED SHORTMANE, REPORTER 1020 Plaza Blunca (501:) 411-2463 Santa Fe, jdew Mexico 37501	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. Ckay, 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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Those are written on the cross section, a little hard to read, but I think those are right. Okay, the bottom drill stem test is on there, also. initial shut-in 5 5764; and flow pressure -- well, there are initial and final, pre-flow and flow pressure, the first one is 2226 to 2332; the regular flow during the test was a little higher, 2332 to I believe that's 3688. Oh, that is the drill stem test, okay, that's right.

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

MR. STAMETS: I think those will be good snough for our purposes here.

How old a pool is this North Lusk? A. Well, the Petroleum Development started these wells, I think, were the first ones, 19 -- let's see, the McKay Federal in Section 34, the northwest one, is completed 7-11-76.

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

A. It's approximately, yes.

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

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

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

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

A. Yes, that's my conclusion because of the stratigraphic nature of the pool, the risk would be considerable.

MR. STAMETS: Any other questions of the

witness?

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MR. COFFIELD: Yes, sir.

CROSS EXAMINATION

BY MR. COFFIELD:

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

A Tt will be on the -- it's on the west -yes, it's on the west side, right.

end of it there? Do you know enough about it to the west?

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A. Well, I said, let's see, in Section 5 we
have -- let me see which well that was, that No. 14. All
right. The closest -- the closest Pennsylvanian well west,
which would be a west offset 320 to the proposed location,
only drilled to 11,815 feet, so we have no Morrow information.
Q. Okay. How many units must this North Lusk
Gas Pool, how many dry Morrow wells have been drilled?

A. The closest -- the closest one to the proposed location would be southwest, the one in Section 8.
 Q. And are there other dry holes in the immediate area?

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

Q Okay, 11 then what, there would be two, two more wells in the area that have drilled as dry holes? Would these others be producers that are spotted on your exhibit?

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

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

A Oh, yes, right.

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

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

Q Would that justify the drilling of the well?

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

<u>0</u> Well then, as far as odds are concerned, getting back to that question, Mr. Stenberg, would you say that the odds are that you will in fact get a Morrow well in this case?

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1 It's --- it's worth the risk to drill the Α. 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 can any Morrow well in a field, on the edge of a field. 5 So it's no riskier than any other? Q. MR. COFFIELD: I have no other questions. 7 MR. STAMETS: Any other questions of the 8

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witness, Mr. Carr?

REDIRECT EXAMINATION

BY MR. CARR:

Mr. Stenberg, is it also a distinct pos-Q sibility that you will drill this well and drill a dry hole? Definitely, we have -- when we have offset Α. wells which have only 3 feet of pay, that's -- and the

stratigraphic nature of the pool, the way the stringers can appear and disappear, and like I have in the cross section, we have a well which will not produce in the Morrow, which is surrounded by producers, so therefore it's very possible to drill a dry hole.

Were Exhibits Seven and Eight prepared by Q you?

> A. Yes, they were.

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

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and Eight.

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may be excused.

offer?

MR. STAMETS: These exhibits will be ad-

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MR. CARR: I have nothing further.

MR. STAMETS: Any questions? The witness

Mr. Coffield, do you have anything to

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

Accordingly, Mrs. Chambers is willing to A agree that a 100 percent penalty factor would be safe. MR. STAMETS: Mr. Carr?

ALLY WALTON BOYE RTIFIED SHORTHAND REPORTEI OPLAZA BLANCA (605) 471-448 SADICA FOI, NOW MISICON 57501

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

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

MR. STAMETS: The case will be taken under

advisement.

(Hearing concluded.)

SALLY WALTON BOY CERTIFIED SHORTHANCI REPOR 2020 Plazz Bludga (601;) 471-3 Santa Fe, New Mexico 8715 2

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REPORTER'S CERTIFICATE

Page

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.

Oil Conservation Division

SALLY WALTON BOYD CERTFIED SHORTHAND REPORTER 3038Piaza Blanca (105) 471-2463 80154 P5, New Marico 87501



STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

CIL CONSERVATION DIVISION

BRUCE KING GOVERNOR LARRY KEHOE SECRETARY

December 31, 1979

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

Mr. William F. Carr Campbell and Black Attorneys at Law Post Office Box 2208

Santa Fe, New Mexico

Applicant:

ORDER NO. R-6205

Re: CASE NO.

Gulf Oil Corporatdon

6737

Dear Sir:

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

Yours very truly, 1 JOE D. RAMEY Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
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 <u>21st</u> 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. -2-Case No. 6737 Order No. R-6205

(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.

(3) 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. -3-Case No. 6737 Order No. R-6205

Mark Anna

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 provation unit to be dedicated to a well to be drilled at a standard location thereon.

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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, 1990, 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 reasonble 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 nonconsenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each nonconsenting working interest. +5-Case No. 6737 Order No. R-6205

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in 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 Director

fd/


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

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



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

JER YALLANDERS

(Par. Jer 11, 1979

RECEIVED

Site of GHON

MUDLAND TEX 18

Gan Exploration & Production Company P. G. Drever 1150 M^{*} -land, lexas 79702

intion. Mr. R. E. Griffith

Re: Federal Com 4 Lea County, N.M. (NO 157, USA NM-2067)

n'enslemen:

In recaipe of our October 10, 1975 letter and accomposed N.C. the sting agreement for the subject unit.

Please be advised that we are not prepared to entry weder the coverating agreement at this time and our prepared to entry prove the coverating agreement at this time and our present into a first as app that each in force, posting proposal. We will, how a solution the one sation agreement of file should be feel further consideration to be of write. Thank you.

Sincerely,

EVELYN CHAMBERS

Cecelia Kluz

Cecelia Klug Lease Records Supervisor

BEFORE EXAMINER STAMETS OIL CONCERNMENT OPENON Guie 10. 101. 110. 2 KALTEVER. ¢ . . 1 Heren 1 11/78/79

Exz Obse 6737 11-28-19

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11.2

October 17, 1979

Re: Federal Com 4

LEA COUNTY, New Mexico

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Amodo	Productio	n Company
500 Je	fferson B	ldg.
P. U.	BOX 3092	·
Housta	m, Texas	77061

Attention: Mike Burkhart

Gentlemen:

With reference to the captioned unit and a previously submittee 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 E/iclosures

October 17, 1979

Re: Federal Com 4 LEA COUNTY, New Nexico Sec.

Acres

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.

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

Yours very truly,

R. E. GRIFFITH

CTB/dh Enclosures

C

GU OIL EXPLORATION & PRODUCTION APANY

AREA: 10 bbs.	COST ESTIMATE	DATE: .5-1-79
DRILL & COMPLETE: Federal	COM # 21	

LOCATION: 1980 FSL. + 1980 FM. Sec 4 T195 R32E

INTANGIBLES ·

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
<u>101</u>	LOCATION & ACCESS	10.000		10,000
102	RIG CONTRACT - RIG UP & TEAR DO.'N		0	
·····	RIG CONTRACT - DAY RATE \$ 4560 /DAY 32	16.000	20.000	36.000
10(RIG CONTRACT - FOOTAGE \$ 20.00 /FT	314,000		314,000
106	DRILLING FLUIDS	35.000	1.000	36,000
<u>·</u>	CORKOSION INHIBITOR			
	BRINE WATER	11.000	3.000	13,000
108	CEMENT & CEMENT SERVICES	18.000	7.2.000	40,000
112	RENTAL - SURFACE TOOLS	7,000	3.000	5,000
113	RENTAL - DOJNHOLE TOOLS		2,000	In aro
<u>114</u>	RENTAL - H2S & SAFETY EQUIPMENT	·		
115	RENTAL - CORING			}
130	DRILL STEM TESTING	10,000		10.000
131	ELECTRIC LOGS & SURVEYS	27.000		2.7,000
132	NUD LOGGING			
133	PERFORATING		· 9000	9000
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)	3.00	2.000	5,000
192	ALLOCATION OF FOE	2000	1000	3,000
196	TANGIBLE MATERIALS FOR TEMP USE			
<u> </u>	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
<u></u>	CONTINGENCY			· / · · · · · · · · · · · · · · · · · ·
	GROSS TOTAL INTANGUBLES	2171,000	76.000	547,000

COST ESTIMATE

· · · .

Page 2

DRILL & COMPLETE: Federal Com #1

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TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
018	CASING (SURFACE & INTERMEDIATE)			
<u>21X</u>	MAY 12 4 4 4 101 ERCEDIALE)	8000		Rand
	12.00° 24/8° 28° 580 5170	412,000		8000
	2.00 ATV 20 570 3100	400,00		1. COO
				······
			·	
22X	CASING (OIL STRING)			
	5/2 17 5 25 1.200' S/212" N80		105,000	105,000
5800'	5/ 114 V.5.	(
23X	OTHER SUBSURFACE PRODUCING EQPT:		10000 -	6000
	TUBING: 15000 7. 1/2" A.7" MIRD FUE		44,000	Adico
				· · · · · · · · · · · · · · · · · · ·
				•
-	OTHER:			· · · · · · · · · · · · · · · · · · ·
<u>24X</u>	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			·
•	OTHER:			· · · · · · · · · · · · · · · · · · ·
<u>25X</u>	SURFACE PRODUCING EQPT:			
	PUMPING UNIT			<i>c</i>
	ELECTRIC MOTOR			
	FLON LINE		1.000	1100
	OTHER		1000	1000
<u>26X</u>	CHRISTMAS TREE (Single - Dual)	2000	11.000	1900
<u>29X</u>	NISC. ITEMS (Transfers & Other Expense)		1.000	1000
	SUBTOTAL			
•	CONTINGENCY			. •
<u></u>				•
	GROSS TOTAL TANGIBLES	60.000	169.000	2.29,000
				· · · · · · · · · · · · · · · · · · ·
	GROSS TOTAL AFE	531,000	245.000	776.000

Replantly. PREPARED BY: 11 164 - . . .

2.1 6. \sim AREA PRODUCTION MANAGER

DATE:

MARKA IN MAL

Martin State

October 9, 1979

Re:	Federal Con 4
	Lea County, New Mexico

- 19 **- 1**9

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

To, Marian Gave her be duller and the files

October 9, 1979

Re: Federal Com 4 Lea County, New Mexico

retries and an original second

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

Attn: Mike Burkhart

Gentlemen:

enclosure



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22.23

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,

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ter ter Common ...

R. E. Griffith

1660 Lincoln St. Denver, Colorado 80264

003-892-0464

JERRY CHAMBER

September 17, 19RECEY



VED

Later Section: MUDLAND, TEXAS

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 Lease Records Supervisor

CK:rma

Sent it up and they will recrew it Sent it up and they will recrew it I may a may wort go along. Their vielination hight now is to let us force pool them / mcooch 9-21-79

August 3, 1979

Re: Fodoral Com 4 AEA COUNTY, New Moxico

Evalyn Chambers Me 1660 Lincoln, Suite 1700 Denver, Colorado 80264

Attention: Cecella Klug

Dear Ms. Chaumers:

NEC

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' FSAML 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 Amoco Production Company	160 129	50% 37≩8	
e 1999 - 200 - 200	Evalyn Chambers Store	1. Jahren 40	1233	and contracts
		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

and the second

August 3, 1979

Re: Federal Com 1 LEA COUNTY, New Mexico

Amoco Production Company 500 Jefferson Bldg. P. O. Dox 3012 Houston, Texas 77001

Attentiou: Lond Department

Gentlemen:

print &

Gulf Oil Corporation hereby proposes the formation of the drilling unit covering the W/2 of Section 4, T-19-S, R-32-E, MMPM, Lea County, New Menico for the drilling of a 13,100' Morrow test located 1950' FSL and 1980' FWL of Section 4. According to our records, participation in the proposed test would be set forth as follows:

•	Company		Acreage	Percentage
	f Oil Corporati			50 8 3758
Amoo Eva	co Production (lyn Chambers	lompany	120 40	12128
	-		320	1008

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 thes Blackham of sour Land Section at 915/682-7301.

Yours very truly,

y CTB/dh

R. E. GRIFFITH

9.5-74 Vicke Buckhart / amores indicated they would Join No will follow up w/ alotter. Enclosures

GULF OIL EXPLORATING & PRODUCTION COMPARY

REA:		COST ESTIMATE			DATE: 5	
DRIED & CONDERN	Tederpl Bu	11 # 11				
DCATEGA:	1 1 1 253	- m/.	51.1.	1 - 10	5 6 221	

<u>INTANGIBLES</u>.

_ FEM	DESCRIPTIC	DRILLING	COMPLETION	AFE AMOUNT
	1.0018303 6 1.00800			
- 01	LOCATION & ACCESS	10.000		10,000
<u>:02</u>	TG CONTRACT - RIG UP & TEAR DOWN			
	RIG CONTRACT - DAY RATE \$ 47.60 /DAY 32 (IC CONTRACT - FOOTAGE \$ 2 0.00 /FT	16.000	20,000	£5.000 ×
.)6		314.000		514.000
.10	DRILLONG FIMEDS CORROLLON INHIBITOR	35.000	1.000	36,000
n ordere d	وي موسية المادي ويوسية المادية المادية المادية المادية المادية المتحدث المادية والتواقية والمادية والمادي والمادي والمادي والمادي والمادي والمادية المادي والمادية المادي والمادية المادي والمادية المادي والمادية المادية والمادية المادية والمادية والمادية المادية والمادية والمادية المادية والمادية و	11		
. Úð	DRING ATER CENENT & CEMENT SERVICES	18.000		1500
			12,000	4.5. 00.0
10	RENTAL - SUPRACE TOOLS RENTAL - D. HOLE TOOLS		3.000	5.0.30
113	RENTAL - H & SAFETY EQUIPMENT		2,000	2.00
14	RENTAL - CO 3G			
	DRILL STEY. STING	10,000		
	SLECTRIC LOS & SURVEYS	27 10)		10.00 11:00
	MUD LOGGING			
:33	PERFORATING		000	
34	DIRECTIONAL CONTROL	• • • • • • • • • • • • • • • • • • • •		
140	FORMATION TREATING (INCL. TOOLS)	· · · · · · · · · · · · · · · · · · ·	10.000	10.000
1.50	BITS (Wars, Catters, etc.)		<u>; « ```````````````````````````````````</u>	
151	LUBRICANTS	· · _ · · · · · · · · · · · · · ·		
52	FUEL (Incl. Trans & Laying Line)			a a name a na sa na sa na sa na sa
153	ENVINONMENT L PROTECTION			1 ·····
	FRESH WATE: (Trans, Trtg, Well, Lines)	8. 3. 12	· · · · · · · · · · · · · · · · · · ·	3.165
	DTHER SUPP! CS (Scrs, Cmt, Rtnrs, BP)	4 000	2.000	1.000
	THEP. CONTR SVCS (Csg Crws, Clean-up)	2/ 300	2000	6,00
	DRLG SUPER ON (In 1. Engrs)	7.000		1,000
- <u>64</u> 70 - <u>92</u> - <u>96</u>	JEOLOGICAL ERVISION			
70	TRANS (Mixe Cargo - Lump Charge)	12.11	2.006	1.21.0
.92	LLOCATION FOE	2.0,29	. 1 . 1	1 5.7
196	TANG LE M. JALS FUR TEMP USE			
	TAX ON TANCE DE MATERIALS			
	SUB-TOTAL			
47-99-141	COMP (MARC)			
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EFFORS EXAMINER STANFTS
CIL CONSELMANT HE GIVISION
Gur Halles NO. 3
CA
Scientifics by KACTERE
Hearing Daie 11/28/79

Fy 3 Case 6737 11-28-24

COST ESTIMATE

Page 2

DRILL & COMPLETE: <u>Coderal Core # 1</u>

TANGIBLES

<u>11'EM</u>	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
01%				
<u>21X</u>	CASING (SURFACE & INTERNEDIATE)	8000		2000
	1200 55 25° 550 5100	10,000		8000
	<u>A 30 - 3 5 5 - 23 - 239 - 57 6 62 </u>			1° 000
			·	
				
22X	CASING (OIL STRING)			
1000	3/2 17 5 25 1300' S/112 N80		105,00	105,000
5800	1 635 172 11.55			- Illight Com
23X	OTHER SUBSURFACE PRODUCING EQPT:		6000 .	6000
	TUBING: 15 20 7. 78" 4.7" NSO EUE		1/4,000	14000
Contraction			·	
	OTHER :			
26X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			
	OTHER:		·	
25X	SURFACE PROPERING EQPT:			
	PUNPING UNI		· · · · · · · · · · · · · · · · · · ·	
	ELECTRIC MC OR			· · · · · · · · · · · · · · · · · · ·
	FLOW LINE		1.000	1000
	OTHER		1000	1000
2.6X	CHRISTMAS T DE (Single - Dual)	8000	11.000	19000
<u>9X</u>	MISC. ITEMS (Transfers & Other Expense)		1.000	1000
· · · · · · · · · · · · · · · · · · ·	SUBTOTAL			
	CONTINGENCY			
		10.000	11 6 000	000
	GROSS TOTAL TANGIBLES	60,000	169,000	2.29,000
		521 AAA	Alt son	aut an
	GROSS TOTAL AFE	221,000	245,000	6,000

<u>7.1210...11</u>2 PREPARED BY: 1 96 .17 DATE :

REA PRODUCTION MANAGER



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

Prop

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'

	;* 	•	GULF OIL CORPORATION	ON	Hearing Date_	128/27
	Mewbourne	011 Co.		Petroleum Development	nt Corporation	
Fed. 1B27 El P.	E. Co 18S32E aso Na	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	1	31,961	41,843	3,885	1
FEB	13,319	ı	653	37,184	1,439	32,310
MUR	28,256	,	8,040	41,348	1,178	39,514
APR	31,475	,	289	39,924	726	27,082
MAX	30,842		ı	40,728	ı	Recompleted
JUNE	29,181	ł	ì	39,163	28	
JULY	29,817	2	3	39,101	ŧ	
AUG	28,195	•	1	37,951	ı	
SEPT	27,738	J	.1	37,118	1	
OCT	28,315	J	١	38,468	10	
VON	27,756	1,008	١	36,650	. 1	
DEC	30,959	4,116	,	33,230	Abandoned	Service and the
ANNIAL	331,714	5,124	40,943	462,708	7,266	. 906, 86
CUMULATIVE	586,111	5,124	644,726	1,335,184	103,064	906,86
1979 JAN	19,094	8,387	١	36,398	z	ſ
FEB	17,911	6,653	2,905	32,258	ł	ſ
MAR	30,484	7,234	15,358	34,514	1	i
APR	31,786	6,492	14,590	33,736	ı	r
MAX	29,149	5,242	8,508	34,591	ı	1
JUNE	31,881	5,048	9,892	34,915	J	ı
JULY	32,423	5,057	9,591	38,622	,	ł
YEAR TC DATE	192,728	44,113	63,844	245,034	J	ı
DAILY AVERACE 1979	606	208	353	1,166	J	ı
CUMULACIVE (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 LEA COUNTY, NEW MEXICO EXHIBIT CASE <u>6737</u> DATE: 11-28-79

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION Quie ENIDE I.S. 6 Submilled by KALTEREE CALE NO. 10737 にいたいの 1-2 1-9 1

LUSK, NO	GAS P
IORTH-MORROW	RODUCTION
(GAS)	DATA
POOL	(MCF)

	LUSI	LUSK, NORTH-MORROW (GAS) POOL		
	Shell Oil Company Federal 3 2J3 19S32E Phillips Petr. Co.	Gulf Oil CorporationLandspale D Fed. Com.Vandin11 0419S32E1K 331El Paso Nat'l CasEl Pa	Voration Vandiver Fed. Com. 1K 3318S32E El Paso Nat'l Gas	Petroieum Dev. Corp. Redco Gulf Fed. Com. 2H 3:18S32E
1978 JAN FEB MAR APR	1111	,		
MAY JUNE JULY AUG SEPT	. 1 1 1 1 1	, :		
NOV DEC ANNUAL	65 <u>185</u> 250			
CUMULATIVE	250			
.979 JAN FEB MAR APR	9,331 - 8,315 6 903	Υ.		
MAY JUNE JULY	7,738 4,990 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

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

Exhibit No. 1 Case No. 6737 November 28, 1979 Scale: 1 - 1000' - 160 () - Sen St | _ nver 110 ((000) € 0204 213 89 | 0464





RECEIVED

LAND SECTION

MIDLAND, TEXAS

1979

October 19, 1979

Guid Exploration & Production Company P. O. Drever 1150 Midland, Jexas 79702

Attention: Mr. R. E. Griffith

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

Gentlemen.

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

Plane be advised that we are not prepared to enter under the operating entrement 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

Exhibit 2 case 6737

CK:rma

October 17, 1979 Re: Feueral Com 4

Amoco Production Company 500 Jefferson Bldg. P. O. Box 3092 Houston, Texas 77041

Gentlemen:

C4B/dh E/closures

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Attention: Mike Burkhart

- - -

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,

LEA COUNTY, New Mexico

a and a started

R. E. GRIFFITH

October 17, 1979

Re: Federal Com 4 LEA COUNTY, New Mexico en de prinse La secondada

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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.

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

R. E. GRIFFITH

Vours very truly,

• • • • •

CTB/dh Enclosures

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Same.

•	GU OIL EXPL	ORATION & PRODUCTION	APANY	
AREA: Nobbs.		COST ESTIMATE	DATE: 5-1-7	'9
DRILL & COMPLETE: Fede	rAL CAN	# _/		

IDCATION: 1980 FS1. 1 1980 Emil. Sec 4 T195 P.32E

INTANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
101	LOCATION & ACCESS	10,000		
102	RIG CONTRACT - RIG UP & TEAR DOWN	10.000		10,000
102	RIG CONTRACT - DAY RATE \$ 45 40 /DAY 30	16.000	20.111	
<u></u>	RIG CONTRACT - FOOTAGE \$ 24.00 /FT	314,000	20.000	36.000
106	DRILLING FLUIDS	35.000	1.000	314,000
	CORROSION INHIBITOR			36,000
· · · · · · · ·	BRINE WATER	11.000	2. 1.60	13 - 00
108	CEMENT & CEMENT SERVICES	18.000	2.2.000	13,000
112	RENTAL - SURFACE TOOLS	2,000	3.000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,00
114	RENTAL - H2S & SAFETY EQUIPMENT			Auto
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10.000
131	ELECTRIC LOGS & SURVEYS	27.000		2.7.00
132	MUD LOGGING			
133	PERFORATING	**	9000	9000
134	DIRECTIONAL CONTROL			1
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)	21,000	2.000	6,000
163	DRLG SUPERVISION (Incl. Engrs)	7.000		7,000
164	GEOLOGICAL SUPERVISION			
170	TRANS (Mixed Cargo - Lump Charge)	3.20	2.010	5,000
192	ALLOCATION OF FOE	2000	1000	3,000
<u>196</u>	TANGIBLE MATERIALS FOR TEMP USE			
<u> </u>	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
		×		
	GROSS TOTAL INTANCIBLES	171,000	76.000	547,000

Exhibit 3 Case 6)37

COST ESTIMATE

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Page 2

#1_ DRILL & COMPLETE: Federal Com

1

TANGIBLES

ITEM DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
21X CASING (SURFACE & INTERNEDIATE)	8000		2.2.2
	412,050		8,000
47.00 8510" 28" 580 State	412,00		4000
			· · · · · · · · · · · · · · · · · · ·
22X CASING (OIL STRING)			
1000' 51. 17"5 22 1,200' Stall" N80		105,000	105,000
5866' 5/2 11º Y.S.	1		- Chry Chain
23X OTHER SUBSURFACE PRODUCING EQPT:		lance -	6000
TUBING: 15000 9.3/5" 4.7" MPO EUE		44,000	14500
			•
			•
OTHER:			
24X SUBSURFACE ARTIFICIAL LIFT EQPT:		· · · · · · · · · · · · · · · · · · ·	
RODS:			
OTHER:			•
25X SURFACE PRODUCING EQPT:			
PUMPING UNIT		· · · · · · · · · · · · · · · · · · ·	
ELECTRIC MOTOR		ا در _ا یر از ایر	•
FLON LINE		1.000	1100
OTHER		1000	1010
26X CHRISTNAS TREE (Single - Dual)	2000	11.000	1900
29X MISC. ITEMS (Transfers & Other Expense)		1.000	1000
SUBTOTAL			
CONTINGENCY			
		:	•
GROSS TOTAL TANGIBLES	60.000	169.000	2.2.9,000
GROSS TOTAL AFE	531,000	245.000	776,000

P. Minutty PREPARED BY: 11 (4). . . DATE:

AREA PRODUCTION MANAGER

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October 9, 1979

Re: Federal Com 4 Lea County, New Mexico 18.19 St. 18 19 19

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

Tay Varian Grave handle dullie - and die in 1990

enclosure

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October 9, 1979

Re: Federal Com 4 Lea County, New Mexico

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n hannan di su

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

Attn: Mike Burkhart

Gentlemen:

, **S** (**3**) .

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,

enclosure

R. E. Griffith

1660 Lincoln St. Denver, Colorado 80264

303-892-0464 861-2473

JERRY CHAMBER

OIL PRODUCER

VED

September 17, 19REC DI

S٢ LAND SECTION. MUDLAND, TEXAS

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 Lease Records Supervisor

CK:rma

9-21-79 1-21-79 Sut it up and they will review it I may a may wort go along. Their vielination hight now is to let us force pool them / m cook

August 3, 1979

Re: Foloral Com 4 LEA COURTY, New Nexico

Evalyn Chambers 75- 1660 Lincoln, Suite 1700 Donver, Colorado 80264

Attention: Cecelia Klug

Dear Ms. Chambers:

Gulf Gil 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:

• • Å • • •	Gulf Oil Corporation	160	50%	
•	Anoco Production Company	120	3738	
	Evalyn Chambers Bar and the same	1 Mar 40	1248	Sec. Xilitani
		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,

ser reg

R. E. GRIFFITH

CTB/dh Enclosures

in a second

Statute Service

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August 3, 1979

Re:

Ecderal Con 4 LEA COUNTY, New Moxico

11.

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

Attention: Land Department

Gentlomen: 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 1960' FEL and 1980' FWL of Section 4. According to our

records, participation in the proposed test would be set forth as follows:

Company	Acreage	Percentage
Gulf Oil Corporation	- 120	508 3758
Evalyn Chambors	<u>40</u> 320	1248 1008

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 thes Blackham of our Land Section at 915/682-7301.

Yours very truly,

CTB/dh Enclosures R. E. CRIFFITH

9.5-79 Mike Burkhart / amores indicated - Chang would join No will follow up w/ alotter.

GULF OIL EXPLORATION & PRODUCTION COMPANY

AREA: Kobh	COST ESTIMATE	DATE: 5-1-79
DRILL & COMPLETE: 1010	int Con # 11	
LOCATION: 1280 1.51.	1 1980 Fall Sec 4	T195 6326

INTANGIBLES.

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
101	LOCATION & ACCESS	10.000		10,000
102	RIG CONTRACT - RIG UP & TEAR DOWN			10,000
	RIG CONTRACT - DAY RATE \$ 4560 /DAY 32	16.000	20,000	36.000
÷	RIG CONTRACT - FOOTAGE \$ 2.0.00 /FT	314,000	- e:2.000	314,000
106	DRILLING FLUIDS	35.000	1.000	36,000
	CORKOSION INHIBITOR			
	BRINE WATER	11.000	2 9.30	13,000
108	CEMENT & CEMENT SERVICES	18,000	27,000	40.000
112	RENTAL - SURFACE TOOLS	7,000	3.000	5,000
113	RENTAL - DOWNHOLE TOOLS		2,000	2,00
114	RENTAL - H2S & SAFETY EQUIPMENT	·		
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10,000
131	ELECTRIC LOGS & SURVEYS	27.100		27,00
132	MUD LOGGING			
133	PERFORATING	·····	· 9000	9000
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)	•		
<u>153</u>	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)	3.10	7.000	5,000
192	ALLOCATION OF FOE	2.000	10,00	3,000
<u>196</u>	TANGIBLE MATERIALS FOR TEMP USE			
•	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINCENCY			
		JELL MAN	rel and	Elt an
	GROSS TOTAL INTANGIBLES	1/11,000	76.20	5-17,000

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COST ESTIMATE

Page 2

DRILL & COMPLETE: Lectoral One # 4

TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
011				
<u>21X</u>	CASING (SURFACE & INTERMEDIATE)	0.0.10		
*****	400 100 418 1140 5140 200 538 25 550 5170	8000		8,000
	200 838 25 380 5120	44,000		16000
				
·				
22X	CASING (OIL STRING)			· · · · · · · · · · · · · · · · · · ·
	5 1/ 1/ 5 11 1.202 5.4.12 N80		105,000	105 000
1 800	5/2 17 5 95 6303 5 12 198 N80		10.5,100	105,000
-23X	OTHE SUBSL ACE PRODUCING EQPT:		6000 .	6000
<u></u>	TUBING: 1.3 " "/s" 4.7" MSD EUE		14,000	14000
a tradecia a na serie da serie d			· · · · · · · · · · · · · · · · · · ·	·
	OTHER :			
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:			······································
	OTHER :			
25X	SURFACE PRODUCING EQPT:			
	PUMPING UNIT	·	'	4
• • • • • • • • • • • • • • • • • • • •	ELECTRIC MOTOR			•
	FLOW LINE		1,000	1000
	OTHER		1.020	1000
26X	CHRISTMAS TREE (Single - Dual)	8000	11.000	1900
29X	MISC. ITEMS (Transfers & Other Expense)		1,000	1000
<u> </u>	SUBTOTAL			
	CONTINGENCY			
], [
	GROSS TOTAL TANGIBLES	60,000	169,000	2.29,000
		Color	014	1944
	GROSS TOTAL AFE	531,000	245,000	116,000

<u>7.2216m.(0)</u> REPARED BY 11/1 19 DATE :

REA PRODUCTION MANAGER



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

	When the more than the	•••••	KUS (1-434	641 R 0 (1/2m)	1.11.12.12.1
Bettia, Bayle C.Stowall 2 Sole	11 C 1316 ALC 1	Vincois Viewnon 12:1-001 (131 1 KG2, Ainciois (131 1 KG2, Ainciois (131 1 KG2, Ainciois) (131 1 KG2, Ainciois)	** 4 €	Sears Tenensa Ourreson	Burlaud E. Huff, HEYOres March 2: train (1997) (1997) (1997) Sund 7750 (1997) (1997) 1997) (1997) (1997)
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Centl : Guil N.B.P. (Tenneco S. I.) Oessse Newmont : 198 	11 Jan anie a	(AR Car - 21 Dat is in De) Diece, etal Ossausi Oval Diece	067:04.86L 22-100 Angederte 04371 A PETCO Angederte Ptaspite 01 19680 13218	Gre a antiger a antiger antiger a an	U.C.Bornes 24 84400 8-1-38 C.C.S.S. 9900 (L.R.French, Jr)
	24 25 10000 14.13 1023 1000 10 10 10 14.13 1023 1000 10 10 10 10 1000 10 10 10 10 10 10	Edwardt Weffzei Frid. Bone Spr. 57 Linam Fedr F213	Allaria J Ano- An	(1 - μοσφ-) (1 - μοσ	KG8 12.4 15 12.4 15 14 1
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Tenneco Trigg (PI)	[]] CJ TOUSES	Guir 28 Chair and Chair an		Mather Fod - MON Norry hu Burleyen (126 H Votes	Swettery Jed. Carehica eraine
HEP 9021	-Bertapi Cous 10 65		110	T 15515 1 467 1	8 1 79 Starrage Star 9990 LL R. French Jr. 6 Uncle Som
Marshall (//	115	William LUSK NO			U.S. W.B.Yarbereugh
Sarinta Jane Inc. Ligno Inc. Sarinta Grundan 1:	A 2790 0 (8+ 79) 0 3778 2 3778	Gulf (Superior) (5-1-63 rozaz ossecta /	An Wast II (Soi Weat III) Mell a 1 Anit Con Carp. B. 1 Anit a 1 Anit a	Burissen C. Huff I. Unien C.H. Berry, '9 7-1-60 To 13750 Main J. C. Shell Frod To 13750 Main J. C. Shell Frod Main J. C. Shell Frod Main J. Sh	
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2. E. Clark ; 2300 (Llano, inc. ; 2 et 0 ¹¹ 0; Hanna ; annece	32 Amoco 2: 1 33		3-1-051 72 5 % 24161 sheve 1200		36 Onveil Inc. 2 · 1 · 45 LG 2417
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TOLUS Vertice US. USLConi, Ligno inc. etal	Price-Fed U.S Culterhan	6 1. 34 dole, Amoco 21177 S. 18629	TENNECO (OPER.)	- Superior 51. 104058 State	2.0 001 i
Liono, inc. etol	.2.1.79 121.11 23005	e*a: 13422 	LUSKISEV RIV'S UNIT	Sun Sun 11-11-00 HBP 17568 (11)533	Superior) Hearing (Superior) Hearing S-1 79 Transfer 9550 Dias-1-76
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OF feether stare : (Cup: Disc)	(El Pasa Hat) Srr. # 132) (Kerr-McGee)	Ewell H. Muse, J	Signa Fed.	13422 U.S.	Amoco + Mrs.Jahn
EL 233 AST ABU DALLAS DALLAS DALLAS AND DALL	El Poso Prod. 3 065710A Philips Prat	Liona Inc. (Mobil)	PLAINS UNIT	11 - 1 - 80 12412	8 - E - 78 1 Mitchell 12045 - E - F - 89
35 feetbert inter (Jun 0155) General Trebel (Jun 0155) Frei Trebel (Jun 0155) Frebel (Jun 0155) Fr	20	• HBP Llonoine Diasara Panamen "Plains Unit" 21	Stollenberg 12412 East-Lusk-Fed. TP 2303 22	23	Se Union Prod 1 24 Coulter & Coulter

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

Proposed Federal Com "4" Unit

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Lusk, North-Morrow(Gas) Completion

Proposed Morrow Test

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

EXHIBIT CASE	LEA COINTY. NEW MEXICO	LUSK, NORTH-MORROW (GAS) POOL	GAS PRODUCTION DATA (MCF)
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Ethibit 197

DATE:	CASE	EXHIBIT	LEA COUNTY,
11-28-79			NEW MEXICO
		•	S

GULF OIL CORPORATION

1978 JAN FEB MAR APR MAY JUNE	mewbourne nit com. Fed. E. Com. Federa 1B2718S32E 1K2718 El Pasc Nat'l Gas El Pas 25,861 13,319 13,319 28,256 31,475 30,842 29,181 181	Federal G 1K2718S32E El Paso Nat'l Gas	Gulf McKay-Fed. 1N3418S32E <u>El Paso Nat'1 Gas</u> 31,961 653 8,040 289 -	Ferror McKay-Shell Fed. McKay-West F 1L319S32E 1F3418S32E E1 Paso & Phillips Phillips 41,843 3,885 37,184 1,439 41,348 1,439 41,348 1,439 40,728 23 39,163 28	McKay-West Fed. 1F3418S32E Phillips Petr. Co. 3,885 1,439 1,178 726 - 28
MAY JUNE JULY		1 1 1		40,728 39,163 39,101	28
AUG SEPT OCT	28,195 27,738 28,315	111		37,951 37,118 38,468	- 10
NOV DEC	27,756 30,959	1,008 $\frac{4,116}{2}$,,	36,650 33,230	- Aban <u>don</u> ed
ANNIJAL CUMULATILVE	331,714 586,111	5,124 5,124	40,943 644,726	462,708 1,335,184	7,266 103,064
1979 JAN FEB	19,094 17,911	8,387 6,653	5 905	36,398 32,258	11
MAR APR	30,484 31,786	7,234 6,492	15,358 14,590	34,514 33,736	
MAY JUNE JULY	29,149 31,881 <u>32,423</u>	5,242 5,048 <u>5,057</u>	8,508 9,892 <u>9,591</u>	34,591 34,915 38,622	1 1 1
YEAR TO DATE	192,728	44,113	63,844	245,034	I
DAILY AVERAGE 1979	606	208	353	1,166	
CUMULATIVE (as of 8-1-79)	79) 778,839	49,237	708,570	1,580,218	103,064

Sec. Con

LUSK.	GAS
NORTH-MORROW	PRODUCTION
W (GAS)	DATA
POOL	(MCF)

	Shell Oil Company			Petrcleum Dev. Corp.
	receral 3 2J3 19S32E Phillips Petr. Co.	Landspare D Fed. Com. 11 0419S32E El Paso Nat'1 Gas	IK 3318S32E El Faso Nat'l Gas	2H 3318S32E
1978 JAN	•			
FEB			· ·	
MAR				
APR	ı			
MAY	ı			
JUNE	ı			
JULY	ı			
AUC	1	• • •		
SEPT.	1			
NOV	6.5		•	
DEC	<u>185</u>			
ANNUAL	250			
CUMULATIVE	250			
1979 JAN	9,331			
FEB				
MAR	8,315			
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			

•



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

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

通常学生活体制度も必要



RECEIVED

LAND S.CHON

HUDLAND, TEXAS

1979

October 19, 1979

cold Exploration & Production Company cold Drawer 1150 Colland, Texas 79702

ist ations Mr. R. B. Griffith

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

Se El chent

· 50205

We also in receipt of your October 10, 1979 letter and accompanying op utly, agreement for the subject unit.

Net the advised that we are not prepared to enter under the openation (greement a this time and our present intent is to accept (your ear for fore-the ling proposal. We will, however, maintain the openation openation of file should we feel further consideration to be operation. Thank you.

Sincerely,

EVELYN CHAMBERS

Cecelia King

Cecelia dlug U Lease Records Supervisor

Cientrale.

Exhibit 2 Case 6737
October 17, 1979

1.40

Re: Feueral Com 4 LEA COUNTY, New Mexico

Amodo 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 AFR for the Federal Com 44 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

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Evelyn Chambers 1660 Lincoln Street Denver, Colorado 80264

Dear Ms. Chambers:

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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.

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R. E. GRIFFITE

Yours very truly,

CTB/dh Enclosures

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1.					+	` *
ดเ	01L	EXPLORATION	&	PRODUCTION		APANY

AREA: 10665	COST ESTIMATE	DATE: 5-1-79
DRILL & COMPLETE: Federal CAN	# 4	

LOCATION: 1980 F.S.L. + 1980 EW. Sec 4 T195 832E

INTANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
101	LOCATION & ACCESS	10.000		10,000
102	RIG CONTRACT - KIG UP & TEAR DOWN			10,000
<u> </u>	RIG CONTRACT - DAY RATE \$ 47 50 /DAY 3/	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
	CORKOSION INHIBITOR			
·····	BRINE WATER	11.000	2.000	13,000
108	CEMENT & CEMENT SERVICES	18,000	2.2.000	40,000
112	RENTAL - SURFACE TOOLS	2,000	3,000	5,000
113	RENTAL - DOJNHOLE TOOLS		2,000	2,00
114	RENTAL - H2S & SAFETY EQUIPMENT			
115	RENTAL - CORING			
130	DRILL STEM TESTING	10,000		10.000
131	ELECTRIC LOGS & SURVEYS	27.000		2.7.000
132.	MUD LOGGING			
133	PERFORATING		9660	9000
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)	3.00	2.000	5,000
192	ALLOCATION OF FOE	2000	1000	-3,000
196	TANGIBLE MATERIALS FOR TEMP USE		l	
	TAX ON TANGIBLE MATERIALS			
	SUB-TOTAL			
	CONTINGENCY			
		1.001		
	GROSS TOTAL INTANGIBLES	2171,000	76.00	547,000

COST ESTIMATE

.

Page 2

DRILL & COMPLETE: Federal Com # 4

TANGIBLES

ITEM	DESCRIPTION	DRILLING	COMPLETION	AFE AMOUNT
<u>21X</u>	CASING (SURFACE & INTERMEDIATE)			
	Mr 12-1 42" 1240 5180	8000		8000
	12.00 1210 28° 510 State	412,000		4000
·			· · · · · · · · · · · · · · · · · · ·	
		L		
<u>22X</u>	CASING (OIL STRING)			
1000	5/2 17"5 2" 1,200 S/217" N80		105,000	105,000
5800	5/2 11 V.E.			
23X	OTHER SUBSURFACE PRODUCING EQPT:		lanne -	6000
	TUBING: 15100 7. 15" 4.7 " MIRO EUE	ļ	44,000	ALICO
			<u></u>	
				•
	OTHER:	İ İ		
24X	SUBSURFACE ARTIFICIAL LIFT EQPT:			
	RODS:	Τ]	•
	OTHER:			•
25X	SURFACE PRODUCING EQPT:	T		
	PUMPING UNIT			
	ELECTRIC MOTOR			•
	FLOW LINE		1.000	1100
<u></u>	OTHER		1.000	INCO.
26X	CHRISTMAS TREE (Single - Dual)	2000	11.000	1900
29X	MISC. ITEMS (Transfers & Other Expense)		1.000	1000
	SUBTOTAL			
•	CONTINGENCY			. •
				•
	GROSS TOTAL TANCIBLES	60.000	169,000	2.29,000
	ODOUS WOTAL ARE	521 ANA	245.000	776,000
	GROSS TOTAL AFE	0011000	~ , ~ . 000	1101111

72 Minuth PREPARED BY: 11 1/14/ . . DATE:

Qu De AREA PRODUCTION MANAGER

1.2		October 9	, 1979		
•		2 · · ·			
`• ·	,	Re:	Federal Com Lea County;		in she i
	Evelyn Chambers 1660 Lincoln Str. Denver, CO 80264				
··· ··.	Dear Ms. Chambers:		N 1.4	ج •	61 - P.

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,

fu ist in t

R. E. Griffith

enclosure

1.

Market In Y

In the inter question the deller and deller in the deller

October 9, 1979

Re: Federal Com 4 Lea County, New Mexico

2 . .

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

Attn: Mike Burkhart

Gentlemen:

enclosure

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,

and the second second

Sec. A.

R. E. Griffith

11.6 2503

1.2.

1660 Lincoln St. Denver, Colorado 80264

JUS 892 0464 861-2473

JERRY CHAMBER

September 17, 19PECEIVED LAND SECTION: MUDLAND, TEXAS

SIL PRODUCER

Gulf Oil Corporation Box 1150 Nidland, 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 -21-79 Sent it up and they will review it I may a may wort go along. Their milination hight new is to let us force pool them / m look

August 3, 1979

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Ne: Fodoral Com 4 LEA COUNTY, New Mexico

مودية المحدود والمراجع

1.1

Evalyn Chambers *** 1660 Lincoln, Suite 1700 Denver, Colorado 80264

Attention: Cecelia Klug

Dear Ms. Chambers:

2. 2.

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 1960' FSEWL 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%	a china a
•	Maoco Production Company	120	3748	
	Evalyn Chambers	1254 (1275) as 40	1248	and the second
		320	1009	• •

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

The stands

August 3, 1979

Re: Federal Com 1 LEA COUNTY, New Mexico

Anoco Production Company 500 Jefferson Bldg. P. O. Box 3053 Houston, Texas 77001

Attention: Lond 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, MMPM, Lea County, How Mexico for the drilling of a 13,100' Morrow test located 1950' FSL and 1980' FWL of Section 4. According to our records, participation in the proposed test would be set forth as follows:

• . . •

1.,•	Company		Acreage	Percentage
Gulf	Oil Corporatio	n 🕌	1	508 3758
			120	3748
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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 thes Blackham of our Land Section at 915/682-7301.

Yours very truly,

CTB/dh
Enclosures

R. E. CRIFFITH

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SULT OIL EXPLORATION & PRODUCTION COMPANY

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<u>^</u>. AREA PRODUCTION MANAGER

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

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

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CUMULATIVE (as of 8-1-79)	DAILY AVERAGE 1979	YEAR TO DATE	JULY	JUNE	MAY	APR	MAR		1979 JAN	CUMULATIVE	ANNIAL	DEC	NOV	OCT	SEPT	AUG	JULY	JUNE	MAY	AGK	MAR	FEB	1978 JAN	
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1,580,218	1,166	245,034	38,622	34,915	34,591	33,736	34,514	32,258	36,398	1,335,184	462,708	33,230	36,650	38,468	37,118	37,951	39,101	39,163	40,728	39,924	41,348	37,184	41,843	Petroleum Development McKay-Shell Fed. 1L319S32E El Paso & Phillips
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CUMULATIVE (as of 8-1-79)	DAILY AVERAGE 1979	YEAR TO DATE	FEB MAR APR MAY JUNE JUNE	1979 JAN	ANNUAL CUMULATIVE	1978 JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC	
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			Pot. 9-17-79				Vandiver Fed. Com. 1k 3318S32E El Paso Nat'l Cas
			Pot. 9-15-79				<u>Petroleum Dev. Corp.</u> Redco Gulf Fed. Com. 2H 3318S32E

Poolees: amoco Prod. Co. Box 68 Hobbs

Evely Chambers Oil Frod. Co. Jerry Chambers Oil Frod. Co. 1660 Lincoln St. Lenver, Colorado 80264

Page 2 of 4 Examiner Hearing - Wednesday - November 28, 1979

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 NM/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 eaid 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 we'l 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 vill 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 Nondo Cil 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.
- <u>CASE 6741</u>: Application of ARCO Oil and Gas Company for an amendment to Order No. R-6054, Eddy County, New Mexicc. 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, Rauge 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. Joc D. Ramcy

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,

K. J. Veaurk

R. H. PEACOCK Manager - Operations

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





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DRAFT

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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 <u>November 28</u> 1979 , at Santa Fe, New Mexico, before Examiner Richard L. Stamets. NOW, on this <u>day of</u>, 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, <u>Gulf Oil Corporation</u>, seeks an order pooling all mineral interests in the Pennsylvanian <u>formation</u> underlying the <u>W/2</u> of Section <u>4</u>, Township <u>19 South</u>, Range <u>32 East</u> NMPM, <u>North Lusk-Morrow Gas Pool</u>, <u>Lea</u> County, New Mexico. -2-Case No. Order No. R-

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

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional <u>240 percent</u> thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That ______ per month should be fixed as a reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge sattributable 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.

\$3300 permonthe while drilling and \$33000 permonthe while producing

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before \underline{Merch} 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 <u>Pennsylvanian</u> formation underlying the <u>W/2</u> of Section <u>4</u>, Township <u>19 South</u>, Range <u>32 East</u>, NMPM, <u>North Lusk-Morrow Gas Pool</u>, <u>Lea</u> County, New Mexico, are hereby pooled to form a standard <u>320</u> - 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 <u>March</u>, 1980, and shall thereafter continue the drilling of said well with due diligence to a dopth sufficient to test the Pennsylvanian formation;

<u>PROVIDED FURTHER</u>, that in the event said operator does not commence the drilling of said well on or before the <u>1576</u> day of <u>Murch</u>, $19\frac{80}{}$, 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 <u>Gulf Oil Corporation</u> 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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, <u>200</u> 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 \$ 3300 permonthe while drilling and # 33000 permonthe while producing are the well costs. per month is hereby fixed as a reasonable (9) That charge; for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge; attributable to each nonconsenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each nonconsenting working interest.

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

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

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

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

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