

W. E. YATES COMPANY FOR
NEW VENTHROP GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO

Case No.

6903

Application

Transcripts

Small Exhibits

ETC



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

June 20, 1980

Mr. Robert H. Strand, Attorney
Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Re: CASE NO. 6903
ORDER NO. R-6381

Applicant:

Harvey E. Yates Company

Dear Sir:

Dear Sir:

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

~~Yours very truly,~~

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD _____ 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. 6903
Order No. R-6381

APPLICATION OF HARVEY E. YATES
COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of June, 1980, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Harvey E. Yates Company, seeks
approval of an unorthodox gas well location 660 feet from the
South line and 990 feet from the East line of Section 33,
Township 13 South, Range 36 East, NMPM, to test the Pennsylvanian-
Mississippian formations, Austin-Mississippian Area, Lea County,
New Mexico.
- (3) That the S/2 of said Section 33 is to be dedicated to
the well.
- (4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration
unit.
- (5) That no offset operator objected to the proposed
unorthodox location.

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Case No. 6903
Order No. R-6381

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Harvey E. Yates Company for an unorthodox gas well location for the Pennsylvanian-Mississippian formations is hereby approved for a well to be located at a point 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, NMPM, Austin-Mississippian Area, Lea County, New Mexico.

(2) That the S/2 of said Section 33 shall be dedicated to the above-described well.

(3) 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


S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
4 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company
for an unorthodox gas well location,
Lea County, New Mexico.

CASE
6903

and

Application of Harvey E. Yates Company
for a unit agreement, Lea County, New
Mexico.

CASE
6904

and

Application of Harvey E. Yates Company
for compulsory pooling, Lea County,
New Mexico.

CASE
6921

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Robert H. Strand, Esq.
Harvey E. Yates Company
Roswell, New Mexico

I N D E X

ROSEMARY T. AVERY

Direct Examination by Mr. Strand

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RANDOLPH C. SMITH

Direct Examination by Mr. Strand

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E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two,

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Applicant Exhibit Three, Letters

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Applicant Exhibit Four A & B, Structure Maps

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Applicant Exhibit Five, AFE

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MR. NUTTER: Call Case Number 6903.

MR. PADILLA: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico.

MR. STRAND: Mr. Examiner, Robert H. Strand, attorney for Harvey E. Yates Company, appearing on behalf of the applicant.

Mr. Examiner, I'd like to ask leave to combine testimony for Cases 6903, 6904, and 6921.

MR. NUTTER: We will call next Case Number 6904.

MR. PADILLA: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico.

MR. NUTTER: And Case Number 6921.

MR. PADILLA: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico.

MR. NUTTER: Cases Numbers 6903, 6904, and 6921, will be consolidated for purposes of testimony and exhibits.

Proceed.

MR. STRAND: Mr. Examiner, before we proceed with testimony, I noticed this morning that we have

a problem with the advertisement on one of these cases and with the application as well. These three cases involve the unit that the applicant is attempting to put together in Lea County, and the initial well to be drilled on that unit, we are asking for an unorthodox location in Case 6903, 660 feet from the south line and 990 feet from the east line of Section 33, Township 15 South, Range 36 East.

However, in Case 6921, the compulsory pooling case, the unorthodox location is mistakenly stated there as 660 feet from the south and east lines, and I would suggest that we be allowed to put on the testimony today for these cases and if necessary, the Case 6921 be re-advertised.

MR. NUTTER: Okay. The only error in the advertisement of the three cases is in the well location as described in 6921.

MR. STRAND: Yes, that's correct.

MR. NUTTER: And it should be 660 from the south and 990 from the east.

MR. STRAND: Yes, that's correct.

MR. NUTTER: So we will go ahead and hear the cases and we'll have to withhold any order in Case Number 6921 until after June the 25th. We'll re-advertise the case then for the hearing on June 25th and recall it at

that time. You may present your testimony today, however.

MR. STRAND: Thank you, Mr. Examiner.

We have two witnesses that need to be sworn.

(Witnesses sworn.)

ROSEMARY T. AVERY

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

DIRECT EXAMINATION

BY MR. STRAND:

Q Will you state your full name, please?

A Rosemary T. Avery.

Q Mrs. Avery, where are you employed?

A I'm employed for Harvey E. Yates Company of Roswell, New Mexico.

Q What is the nature of your employment?

A I'm a landman.

Q Mrs. Avery, are you familiar with the applications in Cases Numbers 6903, 6904, and 6921?

A Yes, I am.

Q Mrs. Avery, referring to Exhibit Number One, would you briefly describe that exhibit?

A This is a land plat showing the unit -- the proposed unit outline in red and the proposed proration unit outline in blue for 320-acre spacing, and the initial well in red.

Q Mrs. Avery, that plat shows the initial location of the well as 660 feet from the east line -- or 990 feet from the east line and 660 feet from the south line, is that correct?

A Yes, sir, it certainly is.

Q And is the name that we propose for this unit the McDonald Unit?

A Yes, it is.

Q Mrs. Avery, what is the total acreage within the proposed unit boundary?

A 1440.22 acres, which consists of the south half of Section 33, the southwest quarter of Section 4, in Township 13 South, Range 36 East, plus the west half of Section 3, and all of Section 4, in Township 14 South, Range 36 East, in Lea County, New Mexico.

Q Mrs. Avery, going back to your description of the lands in 13 South, 36 East, that's Section 34 in the southwest quarter.

A I'm sorry.

Q What is the mineral ownership under this

proposed unit?

A. It's 100 percent fee land.

MR. STRAND: Mr. Examiner, we have intended to introduce as Exhibit Number Two the proposed form of unit agreement that will be circulated to the interest owners under this proposed unit. A copy of that is attached to the application; however, we neglected to bring the three copies of the unit agreement today, and I would ask leave to present those at a later date.

MR. NUTTER: We have the unit agreement attached to the application. That should be sufficient. There hasn't been a change in it since the --

MR. STRAND: No, no.

MR. NUTTER: Since it was drawn up here, has there?

MR. STRAND: No.

MR. NUTTER: Well, it's really not all filled in. It's got a bunch of blanks.

Q. Mrs. Avery, with reference to the south half of Section 33, Township 13 South, Range 36 East, are there any working interest owners that have not agreed to pool their interests under this particular 320-acre spacing unit?

A. Yes, there are. Richard L. Moore,

Michael H. Moore, and Stephen F. Moore, who together own the unleased mineral interest under the northeast quarter of the northwest quarter of the southeast quarter of Section 33, have not agreed to pool their interests and join the unit.

Q Mrs. Avery, do these parties you've mentioned own the entire mineral interest under that 10-acre tract?

A Yes, they do.

Q Does the applicant own leasehold interests within the south half of Section 33?

A Yes, we do.

Q Have all other working interest owners agreed at least verbally to pool their interests under this half section?

A Yes, they have.

MR. NUTTER: Okay, now Mrs. Avery, looking at your Exhibit One here and also looking at the application, it looks like the Moores, there were three of them, Richard, Michael, and Stephen?

A Yes, sir.

MR. NUTTER: And it looks like they own 10 acres being in the northeast of the northwest of the southeast. So that would be a little 10-acre square that's

on your Exhibit Number One here.

A. Yes, sir.

MR. NUTTER: And it would be the second one to the right of the word -- of the number 33 on that exhibit, is that correct?

A. Let's see. Yes, that is correct.

MR. NUTTER: And that's the only un-committed working interest --

A. Yes, it is.

MR. NUTTER: -- in the entire -- now do they own these lands in fee?

A. They own the mineral estate.

Q. So they would also be a royalty owner in any pooling action here.

A. Yes, sir.

MR. NUTTER: Okay. How about all the rest of the royalty ownership?

A. It's all under lease.

MR. NUTTER: Well, is it committed to the unitization either by pooling clause in the lease or by commitment of the royalty.

A. Yes, sir.

MR. NUTTER: So the only outstanding interest we have are the Moores here in this 10-acre tract?

A. Yes, sir.

MR. NUTTER: Okay.

Q. Mrs. Avery, referring to Exhibit Number Three, will you describe that?

A. Exhibit Three consists of two letters, one dated March the 31st, 1980, wherein we invited the Messrs. Moore to join the unit or to give us a 1-year lease, and we had no response at all to that letter.

The second letter was dated May the 27th, 1980, and we informed them of our plans to seek compulsory pooling and sent them copies of the application for compulsory pooling.

Q. Mrs. Avery, have you been in contact with Mr. Richard Moore within the past few days concerning this matter?

A. Yes, I have. Mr. Richard Moore speaks for the entire group and he called me on May the 28th and wanted to discuss this situation but he did not have anything reasonable to propose. And then I called him again on June the 2nd to see if he would be reasonable and we could not reach any kind of reasonable agreement.

Q. But he was provided with a copy of the compulsory pooling application?

A. Oh, yes, yes, he was. I had talked to

him earlier on the telephone, too, as long ago as a year ago, when I was acquiring oil and gas leases in that area.

Q Mrs. Avery, does Harvey E. Yates, as applicant, request that it be designated as operator of this unit?

A Yes.

Q And does the proposed unit agreement, which will be Exhibit Number Two, designate Harvey E. Yates Company as the operator?

A Yes, it does.

Q Mrs. Avery, were Exhibits One through Three prepared or compiled by you or to your knowledge to they come from files of the applicant?

A Yes, they do.

MR. STRAND: I have no further questions of Mrs. Avery at this time.

MR. NUTTER: Are there any questions of Mrs. Avery? She may be excused.

RANDOLPH C. SMITH

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

Direct.

DIRECT EXAMINATION

BY MR. STRAND:

Q Would you state your full name, please?

A Randolph C. Smith.

Q Mr. Smith, what is your occupation and by whom are you employed?

A I am an exploration geologist for Harvey E. Yates Company in Midland, Texas.

Q Have you testified before the Division in the past and are your credentials a matter of record?

A Yes, they are.

MR. STRAND: Mr. Examiner, we tender Mr. Smith as an expert witness.

MR. NUTTER: Mr. Smith is qualified.

Q Mr. Smith, are you familiar with the applications that have been previously described in Cases 6903, 6904, and 6921?

A Yes, I am.

Q Mr. Smith, referring to what we've marked as Exhibit Four-A, would you please explain that exhibit?

A Yes, I will. Exhibit Number Four-A is a structure map on top of the Pennsylvanian with the unit outline and the proposed well location marked with an arrow.

Q Referring to Exhibit Four-B, would you

please explain that?

A. Exhibit Four-B is a structure map in the Austin area on top of the Mississippian-Austin structure. Also, the well, proposed well location is indicated with an arrow.

Q. Mr. Smith, would you state briefly the objective formation of the well to be drilled at the location you've testified to?

A. Yes. The recommended location is for a well to go to the Devonian approximately at a depth of 14,700 feet, located 660 from the south, 990 from the east, Section 33, 13 South, 36 East.

The purpose of this location in this proposed well is based on Exhibit Number Four-A, Pennsylvanian structure map, primarily because of the dense control of this horizon, and it is suggested that this tight feature in the Pennsylvanian is indicative of a deeper feature at the Devonian depth.

Q. Mr. Smith, is this a Morrow prospect?

A. Yes, sir, it is.

Q. If that is the case, then the proration unit to be assigned to a producing well from the Devonian would be a 40-acre proration unit, is that correct?

A. That's correct.

Q And would the location that we have discussed previously be an orthodox location for that Devonian well?

A Yes, it would.

Q Mr. Smith, are there any secondary objectives, particularly that would be relevant to a 320-acre gas proration unit?

A Yes, sir, as it is possible that we may encounter equivalent Atoka -- or excuse me, possibly Atoka Sand zone or Mississippian-Austin gas zone up the section from the Devonian, and this would be classified under a 320 proration unit.

Q Mr. Smith, then the basic purpose for the application for the unorthodox location in the Wolfcamp through Mississippian and the compulsory pooling application is in the event that we should complete a gas well up the hole?

A Yes.

Q Mr. Smith, I refer you to Exhibit Number Five. Would you please describe that exhibit?

A Exhibit Number Five is an AFE stating a producing well cost for this proposed Devonian test of \$979,300, being the producing well cost; the dry hole cost being \$645,100.

Q What is the proposed depth of this well?

A 14,700 feet.

Q Mr. Smith, in your opinion as a geologist, does drilling of a well to this depth or to the depth of the Wolfcamp through Mississippian formations present substantial risk to the operator?

A Yes, it does.

Q Mr. Smith, the Division under the compulsory pooling statute has authority to allow recovery of costs from nonconsenting interest owners, plus a reasonable penalty for risk, up to 200 percent of the costs of drilling and supervision.

In your opinion what would be a reasonable penalty for risk for drilling this well?

A 200 percent.

Q Mr. Smith, to your knowledge, have there been other operating agreements covering similar wells in this area where the nonconsent penalties which the parties have agreed to have been as high as 500 percent?

A Yes, I am, and there has been.

Q Has Harvey E. Yates Company been a party to that type of operating agreement?

A Yes, they have.

Q Mr. Smith, in your opinion will approval

of the applications in Cases 6903, 6904, and 6921 maximize the production of unitized substances, prevent the drilling of unnecessary wells, and otherwise promote conservation, prevent waste, and protect correlative rights?

A Yes, sir, it will.

Q Mr. Smith, were Exhibits Four-A, Four-B, and Five prepared by you or under your supervision, or to your knowledge were they prepared by other employees of the applicant?

A Yes, sir, they were.

MR. STRAND: Mr. Examiner, I would move the admission of Exhibits One, Three, Four-A, Four-B, Five, and Exhibit Two when you receive it.

MR. NUTTER: Exhibits Numbers One, Three, Four-A, Four-B, and Five will be admitted in evidence.

You will mail in Exhibit Number Two to us, correct?

MR. STRAND: Yes, sir.

MR. NUTTER: And it will be similar to the copy of the unit agreement as filed with the application except the blanks will be filled in.

MR. STRAND: That's correct.

MR. NUTTER: And it will call for drilling of a well to 14,700 or depth sufficient to test the Devonian,

is that it?

MR. STRAND: Yes, that's correct.

MR. NUTTER: Are there any questions of Mr. Smith?

Well now, Mr. Smith, we're talking in Case 6921 about the pooling of the south half. Now, we'd be pooling the interests down to the Mississippian, but you'd be going on down to test the Devonian, and this is going to present a rather complicated accounting procedure, I would imagine, if you end up with a 40-acre Devonian well, and pool 320 to drill to the Mississippian. How will that be handled, or can you answer that, Mr. Strand?

MR. STRAND: Mr. Examiner, I would assume the costs would have to be prorated down to the base of the Mississippian.

MR. NUTTER: On the basis of 320 acres?

MR. STRAND: Yes. I might state that we will still attempt to secure the joinder of Mr. Moore in this unit, or at least in a pooling agreement covering the south half of Section 33 voluntarily. We hope we don't have to get to the point of going through this.

MR. NUTTER: It would be nice if a working interest operating agreement could be made up to share in the Devonian venture as well, even though it's not dedicated.

MR. STRAND: Mr. Examiner, we have not prepared formally an operating agreement for this unit at the present time, due to the fact that it's extremely complicated because of numerous depth segregations under various leases, and we're still in the process of negotiating that, but it is certainly our objective to get everyone to sign at least that operating agreement.

MR. NUTTER: I see. Are there any further questions of Mr. Smith? He may be excused.

Do you have anything further, Mr. Strand?

MR. STRAND: Nothing further, Mr. Examiner.

MR. NUTTER: Does anyone have anything to offer in Cases 6903, 6904, 6921?

We'll take the cases under -- Numbers 6903 and 6904 under advisement, and we will continue Case Number 6921 to the Examiner Hearing scheduled to be held at this same place at 9:00 o'clock a. m. June 25th, and it will be readvertised to correct the well location.

(Hearing concluded.)

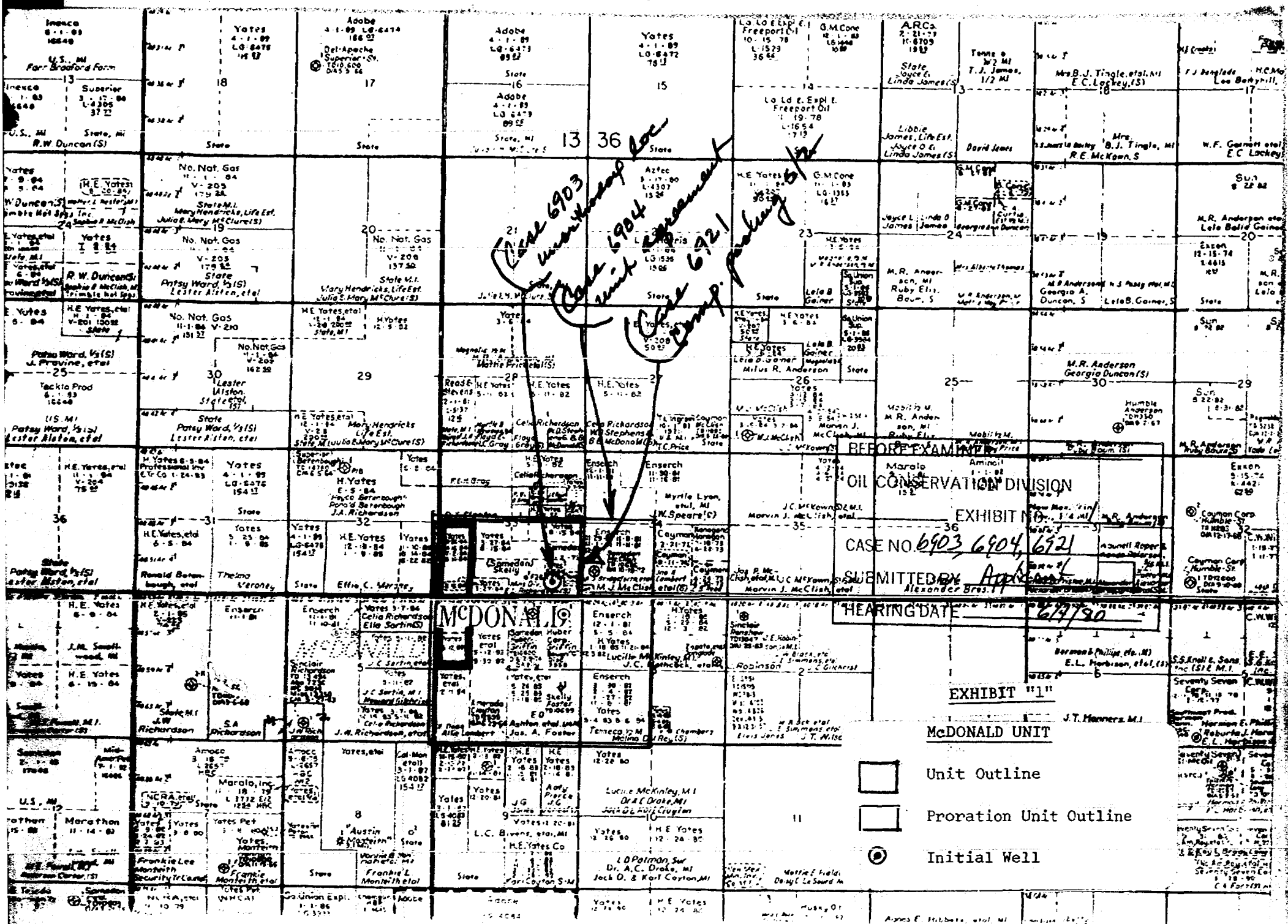
C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

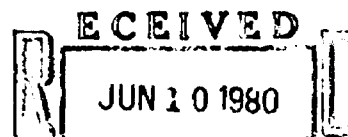
Sally W. Boyd CSR.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Exar. hearing of Case No. 6902-04 6921
heard by me on 6/4 19 ,
[Signature], Examiner
Oil Conservation Division

[illegible]



BEFORE EXAMINER _____
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO. 6903, 6904, 6921
SUBMITTED BY Applicant
HEARING DATE 6/4/80



UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OIL CONSERVATION DIVISION
OF THE SANTA FE

MCDONALD UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 2nd day of June
19 80, by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to as the "parties hereto";

WITNESSETH

WHEREAS, the parties hereto are the owners of working, royalty, or other oil
or gas interests in the unit area subject to this agreement; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Depart-
ment of the State of New Mexico (hereinafter referred to as the "Division"), is
authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being
Section 70-2-1 et seq. New Mexico Statutes Annotated, 1978 Compilation) to approve
this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the _____
McDonald Unit Area covering the land hereinafter described to give
reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural re-
sources, prevent waste and secure other benefits obtainable through development
and operation of the area subject to this agreement under the terms, conditions
and limitations herein set forth;

NOW THEREFORE, in consideration of the premises and promises herein contained,
the parties hereto commit to this agreement their respective interests in the
below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and
recognized as constituting the unit area:

Township 13 South, Range 36 East N.M.P.M.

Section 33: S/2
34: SW/4

Township 14 South, Range 36 East, N.M.P.M.

Section 3: W/2
4: All
Containing 1,440.22 acres, more or less,

Lea County, New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by each party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in ownership in the unit area render such revisions necessary.

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: HARVEY E. YATES COMPANY, whose address is Suite 300, Security National Bank Building
P. O. Box 1933, Roswell, New Mexico 88201

is hereby designated as Unit Operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit Operator may, upon default or failure in the performance of its duties

or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator.

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of the Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator, or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until a Unit Operator so selected shall accept in writing the duties and responsibilities of the Unit Operator.

6. ACCOUNTING PROVISIONS: The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the Unit Operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify

any of the terms and conditions of this unit agreement or to relieve the unit operators of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of the Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The Unit Operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to adequately test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of the Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that the Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 14,700 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) the Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of pro-

ducing unitized substances in paying quantities in the formation drilled here-
under. Any well commenced prior to the effective date of this agreement upon
the unit area and drilled to the depth provided herein for the drilling of an
initial test well shall be considered as complying with the drilling requirements
hereof with respect to the initial well.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: After
discovery of unitized substances in paying quantities, the Unit Operator shall
proceed with diligence to reasonably develop the unitized area as a reasonably
prudent operator would develop such area under the same or similar circumstances.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of
producing unitized substances in paying quantities, the owners of working interests
shall participate in the production therefrom and in all other producing wells
which may be drilled pursuant hereto in the proportions set out in the Unit
Operating Agreement. For the purpose of determining any benefits accruing under
this agreement and the distribution of the royalties payable to the lessors, each
separate lease shall have allocated to it such percentage of said production as
the number of acres in each lease respectively committed to this agreement bears
to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working
interest owner shall have the right to take such owner's proportionate share of
the unitized substances in kind or to personally sell or dispose of the same, and
nothing herein contained shall be construed as giving or granting to the Unit
Operator the right to sell or otherwise dispose of the proportionate share of any
working interest owner without specific authorization from time to time to do so.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each
tract in the unitized area established under this agreement, except any part
thereof used for production or development purposes hereunder, or unavoidably lost,
shall be deemed to be produced equally on an acreage basis from the several tracts
of the unitized land, and for the purpose of determining any benefits that accrue
on an acreage basis, each such tract shall have allocated to it such percentage
of said production as its area bears to the entire unitized area. It is hereby
agreed that production of unitized substances from the unitized area shall be
allocated as provided herein, regardless of whether any wells drilled on any parti-

cular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals, if any, due under leases committed to this agreement shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom, provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practice, and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar

as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not effect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the Unit Operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, the Unit Operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after the Unit Operator is furnished with the original, photostatic, or certified copy of the instrument or transfer.

1 17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon ap- 1
2 proval by the Division and shall terminate in two (2) years after such date unless a 2
3 valuable discovery of unitized substances has been made on unitized land during 3
4 said initial term or any extension thereof in which case this agreement shall 4
5 remain in effect so long as unitized substances are being produced in paying 5
6 quantities from the unitized land and, should production cease, so long thereafter 6
7 as diligent operations are in progress for the restoration of production or 7
8 discovery of new production and so long thereafter as the unitized substances so 8
9 discovered can be produced as aforesaid. This agreement may be terminated at any 9
10 time by not less than seventy-five percent (75%) on an acreage basis of the owners 10
11 of the working interests. Likewise, the failure to comply with the drilling 11
12 requirements of Section 8 hereof, may subject this agreement to termination. 12
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25 18. RATE OF PRODUCTION: All production and the disposal thereof shall be 25
26 in conformity with all applicable laws and lawful regulations. 26
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28 19. APPEARANCES: The Unit Operator shall, after notice to other parties 28
29 affected, have the right to appear for and on behalf of any and all interests 29
30 affected hereby, before the appropriate governmental regulatory agencies, and 30
31 appeal from orders issued under the regulations of such agencies, or to apply for 31
32 relief from any of said regulations or in any proceedings on its own behalf 32
33 relative to operations pending before such agencies; provided, however, that any 33
34 other interest party shall also have the right at his own expense to appear and 34
35 to participate in any such proceeding. 35
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46 20. NOTICES: All notices, demands, or statements required hereunder to be 46
47 given or rendered to the parties hereto, shall be deemed fully given, if given in 47
48 writing and sent by postpaid registered mail, addressed to such party or parties 48
49 at their respective addresses, set forth in connection with the signatures hereto 49
50 or to the ratification or consent hereof, or to such other address as any such 50
51 party may have furnished in writing to party sending the notice, demand, or state- 51
52 ment. 52
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60 21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the 60
61 Unit Operator to commence or continue drilling or to operate on or produce unitized 61
62 substances from any of the lands covered by this agreement, shall be suspended 62
63 while, but only so long as, the Unit Operator, despite the exercise of due care 63
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and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to title to any royalty, working, or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled. The Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, within sixty (60) days after the date of this agreement may be committed by the owner or owners of such rights by subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following delivery to the Unit Operator of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to the Unit Operator, their proportionate share of the unit expenses incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and

shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

ATTEST:

Robert H. Stine
Assistant Secretary

HARVEY E. YATES COMPANY

By: *George M. Yates*
George M. Yates, Vice President

DATE: June 2, 1980

STATE OF NEW MEXICO)

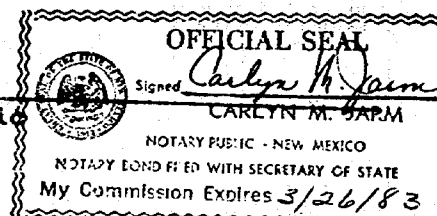
COUNTY OF CHAVES) §§

The foregoing instrument was acknowledged before me this 2nd day of June, 1980, by GEORGE M. YATES, Vice President of HARVEY E. YATES COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

March 26, 1983

Notary Public



HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/823

ROSWELL, NEW MEXICO 88

May 27, 1980

Mr. Richard L. Moore
P. O. Box 1733
Midland, Texas 79702

Re: Proposed McDonald Unit
Lea County, New Mexico

Dear Mr. Moore:

You may recall that we attempted to lease the ten-acre mineral interest you own, along with Messrs. Michael H. Moore and Stephen S. Moore, under the NE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 33, T-13S, R-36E, Lea County, New Mexico, following our telephone calls with our letter of March 31, 1980 (copy enclosed). In that letter we offered you the option either to participate in this venture or to grant us a lease.

Two months have now elapsed with no response to our letter. Since we are now at the point of circulating APE's and an operating agreement, submitting an application to drill, and engaging a rig, we have no alternative other than to request a compulsory pooling hearing from the OCD. In this connection, we now attach copies of the application for compulsory pooling which has been sent to the Oil Conservation Division in Santa Fe. The hearing date has been set for June 4, 1980.

Very truly yours,

Rosemary Avery
for: George M. Yates

RA/ms
Enclosures

BEFORE EXAMINER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. <u>6903, 6904, 6921</u>
SUBMITTED BY <u>Applicant</u>
HEARING DATE <u>6/4/80</u>

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1944

SOUTH 90 SECURITY NATIONAL BANK BUILDING

505/621-6601

ROSWELL, NEW MEXICO 88201

March 31, 1980

Mr. Richard Lyons Moore
Michael Harrison Moore
Stephen Scott Moore
P. O. Box 1733
Midland, Texas 79702

Re: Proposed McDonald Unit
Lea County, New Mexico

Gentlemen:

Harvey E. Yates Company proposes the formation of a working interest unit comprising the S/2 Section 33, SW/4 Section 34, T-13S, R-36E; and the W/2 Section 3 and all of Section 4, T-14S, R-36E, Lea County, New Mexico, for the drilling of a 14,700-foot Devonian test to be located 660' FSL & 990' FEL Section 33, T-13S, R-36E. The estimated cost of the test well is \$979,300 for a producing well, and \$645,100 for a dry hole.

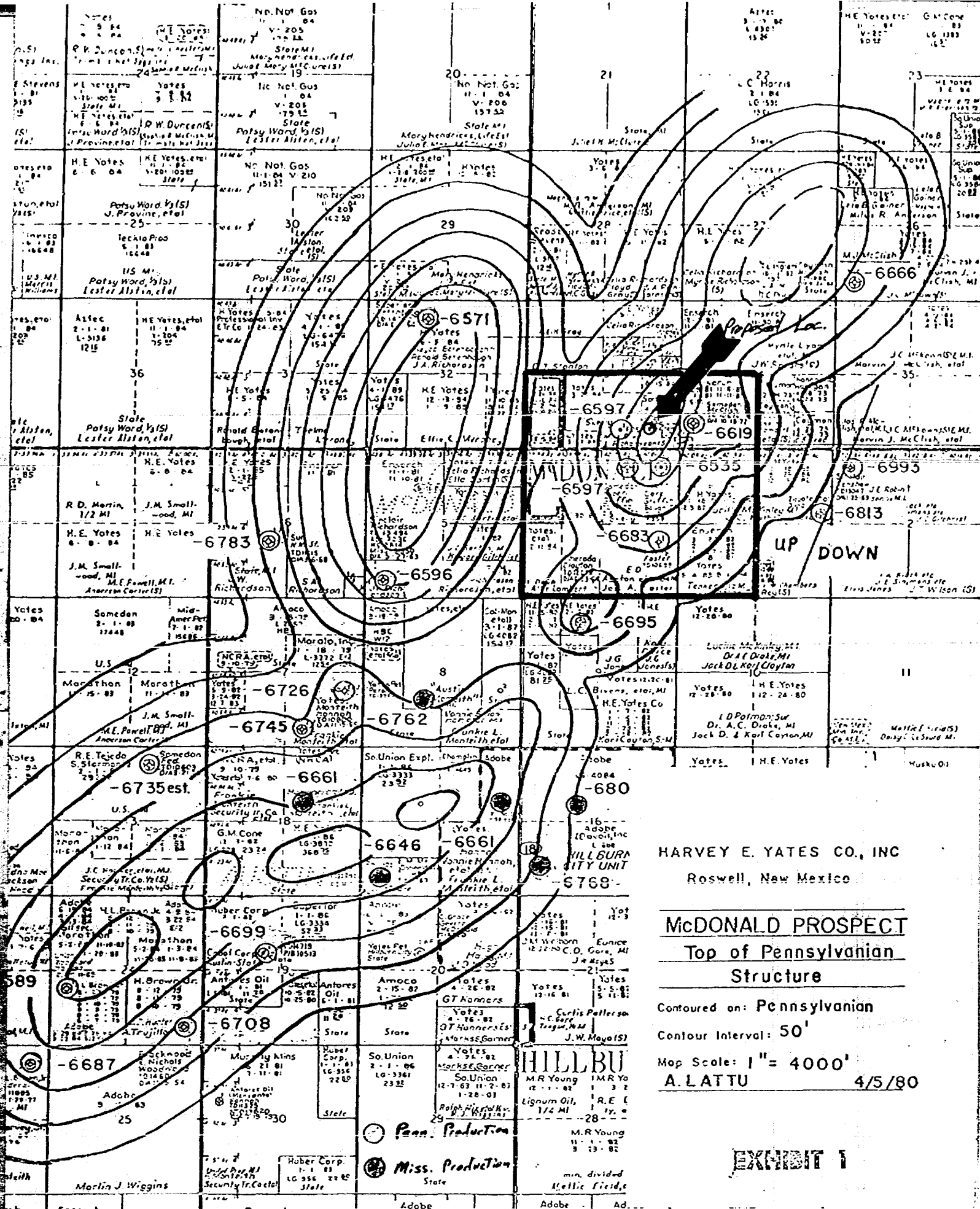
The three of you own unleased mineral interests under the E/2 N/2 NW/4 SE/4 of Section 33, totaling 10.0 net acres. You are invited to participate in this unit or, alternatively, to grant us a one-year lease with a 1/4 royalty and no bonus consideration.

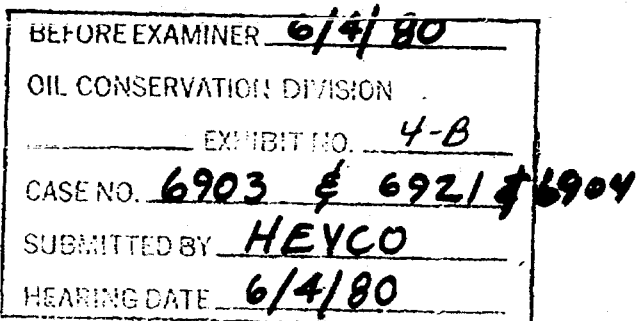
Please let us have your response at your earliest convenience, so that we will be able to include this well in our drilling program for the first half of 1980.

Very truly yours,

George M. Yates

RA:klo





LEASE McDonald

WELL NUMBER 1

LOCATION 660' FSL & 990' FEL, SEC. 33, T-13S, R-36E

COUNTY Lea

DEPTH 14,700'

PRODUCING FORMATION Devonian

Drilling and completion costs

Intangible drilling costs

Location

Footage 14,700' @ \$24/ft

Daywork 12 days @ \$4,500/day

Surface casing service

Intermediate casing service

Mud, water

Company supervisor, engineer

Rentals, coring service

Miscellaneous

Total intangible drilling costs

Producing
Well CostDry Hole
Cost

\$ 15,000

\$ 15,000

352,800

352,800

54,000

54,000

3,500

3,500

18,000

18,000

35,000

35,000

8,000

8,000

15,000

15,000

10,000

10,000

511,300

511,300

Intangible formation evaluation cost

Logs, CNL-D, DLL-Rxo

27,500

27,500

DST 10 @ \$2000/ea

20,000

20,000

Geological mud logging service

9,000

9,000

Miscellaneous

5,000

5,000

Total intangible formation evaluation

61,500

61,500

Intangible completion costs

Unit cost 25 days @ \$900/day

22,500

Production casing service

18,000

Completion fluid

2,000

Perforating/production logging

36,000

Treating

20,000

Company supervision

7,500

Plugging expense

10,000

Miscellaneous

5,000

5,000

Total intangible completion costs

111,000

111,000

Tangible drilling costs and completion costs

Surface casing

375' of 13-3/8"

6,500

6,500

Intermediate casing

4600' of 8-5/8"

46,300

46,300

Production casing

14,700' of 5-1/2"

136,700

Production tubing

14,200' of 2-3/8"

47,000

Casing head

5,000

Tubing head

7,000

Christmas tree

7,000

Surface equipment

3,000

Total tangible drilling costs and completion costs

258,500

258,500

Lease equipment

Tanks 2, 210 BBL

8,000

Separator

15,000

Flow lines

3,000

Meter runs

1,000

Pumping unit

3,500

Installation costs

30,500

Total lease equipment

30,500

Total intangible costs

683,800

683,800

Total tangible costs

258,500

258,500

Total lease equipment

30,500

30,500

Administrative

6,500

6,500

TOTAL COSTS

Prepared by: Fred G. Yates Date: 2-27-80

\$ 979,300

\$ 979,300

APPROVED BY:

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."

Company

Date

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
21 May 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-
pany for an unorthodox gas well
location, Lea County, New Mexico.

CASE
6903

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. STAMETS: Call next Case 6903.

2 MR. PADILLA: Application of Harvey E.
3 Yates Company for an unorthodox gas well location, Lea
4 County, New Mexico.

5 MR. STAMETS: Applicant has requested
6 this case be continued to the June 4th Examiner Hearing,
7 and it shall be.

8
9 (Hearing concluded.)
10
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SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6903
heard by me on 5-21 1980.

Richard L. Stewart, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
21 May 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Com-
pany for an unorthodox gas well
location, Lea County, New Mexico.

CASE
6903

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

MR. STAMETS: Call next Case 6903.

MR. PADILLA: Application of Harvey E.

Yates Company for an unorthodox gas well location, Lea
County, New Mexico.

MR. STAMETS: Applicant has requested
this case be continued to the June 4th Examiner Hearing,
and it shall be.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

EL 1 Box 199-B
Hasta Va, New Mexico 87501
Phone (505) 455-7609

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6801

ROSWELL, NEW MEXICO 88201

OIL CONSERVATION DIVISION
May 19 1980
SANTA FE

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

Attention: Richard Stamets

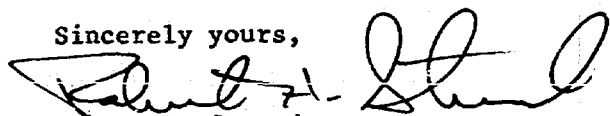
Re: Case #6903
Case #6904

Gentlemen:

The above cases are set for hearing on the May 21, 1980 Docket.
Please continue these cases and set them for hearing on June 4, 1980.

Thank you.

Sincerely yours,


Robert H. Strand
Attorney

RHS/cj

Docket No. 17-80

Dockets Nos. 19-80 and 20-80 are tentatively set for June 25 and July 9, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 5, 1980

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

CASE 6927: Application of Doyle Hartman for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and West lines of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6928: Application of ARCO Oil and Gas Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 16-80

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 4, 1980

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

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

CASE 6803: (Continued from April 23, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit EPROC Associates, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why its Monsanto State H Well No. 1 located in Unit E of Section 2, Township 30 North, Range 16 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6906: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 39 located in Unit G of Section 15, Township 24 South, Range 37 East, to produce oil from the Fowler-Upper Yesso and Fowler-Drinkard Pools thru parallel strings of tubing.

CASE 6907: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Myers B Federal Well No. 28 located in Unit M of Section 9, Township 24 South, Range 37 East, to produce gas from the Jalmat and Langlie Mattix Pools thru parallel strings of tubing.

CASE 6908: Application of Estoril Producing Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Curry State Well No. 1, a Pennsylvanian test to be drilled 660 feet from the North and East lines of Section 22, Township 23 South, Range 34 East, Antelope Ridge Field, the N/2 of said Section 22 to be dedicated to the well.

CASE 6909: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Largo-Gallup production in the wellbore of its Rincon Unit Well No. 164 located in Unit L of Section 2, Township 26 North, Range 7 West.

CASE 6886: (Continued from May 21, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6910: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying four 40-acre proration units, being the SE/4 NE/4, the SE/4 NW/4, and the NW/4 NW/4 of Section 28, and the SW/4 SE/4 of Section 29, all in Township 24 North, Range 7 West, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6911: Application of Grace Petroleum Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying the NE/4 NW/4 of Section 11, Township 23 North, Range 7 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6912: Application of Southland Royalty Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State "14" Comm. Well No. 1 located in Unit E of Section 14, Township 19 South, Range 29 East, Turkey Track Field, to produce gas from the Morrow and Atoka formations thru tubing and the casing-tubing annulus, respectively

CASE 6913: Application of Kerr-McGee Corporation for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State F Well No. 14 to be drilled 1310 feet from the North line and 1330 feet from the West line of Section 2, Township 8 South, Range 33 East, Chaveroo-San Andres Pool.

CASE 6914: Application of Wilson Oil Company for a non-standard proration unit and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 29, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to its State JD Well No. 1 at an unorthodox location 1650 feet from the South line and 1980 feet from the West line of said Section 29.

CASE 6915: Application of Jake L. Hamon for a non-standard gas proration unit and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 8, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 8.

CASE 6916: Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinberry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East.

CASE 6917: Application of Yates Petroleum Corporation for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Com. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

CASE 6918: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Upper Penn and Morrow gas production in the wellbore of its Kennedy "JQ" Com. Well No. 1 located in Unit H of Section 33, Township 17 South, Range 26 East, Kennedy Farms Field.

CASE 6919: Application of Yates Petroleum Corporation for downhole commingling or consolidation of two pools, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wolfcamp and Penn gas production in the wellbore of its Anderson State "CS" Com. Well No. 1-Y located in Unit G of Section 14, and its Fordinkus State "HZ" Com. Well No. 1 located in Unit G of Section 22, both in Township 18 South, Range 24 East, or, in the alternative, the consolidation of the Fordinkus-Cisco Gas Pool and the Penasco Draw Permo-Penn Gas Pool into one Permo-Penn gas pool to include the above-described wells.

CASE 6920: Application of Yates Petroleum Corporation for a dual completion and unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its 5 Mile Draw Federal Well No. 1 to produce from the Pennsylvanian and Abo formations thru the tubing and casing-tubing annulus, respectively; applicant also seeks approval for the unorthodox location of said well in the Abo formation 800 feet from the South line and 2100 feet from the East line of Section 34, Township 6 South, Range 25 East, the SE/4 of the section to be dedicated to the well.

CASE 6903: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.

CASE 6904: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.

CASE 6921: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Mississippian formations underlying the S/2 of Section 33, Township 13 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and East lines of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6922: Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the E/2 of Section 24, Township 18 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6923: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cayton-Austin Unit Area, comprising 960 acres, more or less, of State and fee lands in Township 14 South, Range 36 East.

CASE 6924: Application of Caribou Four Corners, Inc. for two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of two wells to be drilled, the first being 860 feet from the North line and 2090 feet from the West line, and the second being 910 feet from the North line and 395 feet from the West line, both in Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, the E/2 and the W/2, respectively, of the NW/4 of said Section 13 to be dedicated to the wells.

CASE 6925: Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

CASE 6889: (Readvertised)

Application of Belco Petroleum Corporation for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill a well, the surface location of which is 1980 feet from the North line and 920 feet from the West line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom it at an unorthodox location within 660 feet of a point 1320 feet from the North line and 2640 feet from the West line of said Section 36 in the Morrow formation, the E/2 of said Section 36 to be dedicated to the well.

CASE 6896: (Continued from May 21, 1980, Examiner Hearing)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverte gas proration unit comprising the NE/4 of Section 8, Township 23 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

CASE 6926: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting vertical limits, and extending horizontal limits of certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the Arkansas Junction-Pennsylvanian Pool. The discovery well is Rex Alcorn Bobbi Well No. 1 located in Unit J of Section 20, Township 18 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Avalon-Delaware Pool. The discovery well is MWJ Producing Company State GW Well No. 1 located in Unit K of Section 36, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the East Burton-Delaware Pool. The discovery well is J. C. Williamson TGC Federal Well No. 1 located in Unit F of Section 16, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 16: NW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Dog Canyon-Strawn Gas Pool. The discovery well is Harvey E. Yates Company Gates Federal Deep Well No. 1 located in Unit P of Section 6, Township 17 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 6: S/2

(e) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the South Double L-San Andres Pool. The discovery well is McClellan Oil Corporation Mark Federal Well No. 1 located in Unit I of Section 30, Township 15 South, Range 30 East, NMPM. Said pool would comprise:

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

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production and designated as the Empire-Grayburg Gas Pool. The discovery well is Carl A. Schellinger West Federal Well No. 1 located in Unit C of Section 14, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 14: NE/4

(g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Hume-Morrow Gas Pool. The discovery well is Bass Enterprises Production Company Bass 36 State Well No. 1 located in Unit E of Section 36, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 36: W/2

(h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Lusk-Atoka Gas Pool. The discovery well is Phillips Petroleum Company Lusk Deep Unit A Com Well No. 13 located in Unit K of Section 18, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 18: S/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Milepost-Morrow Gas Pool. The discovery well is Exxon Corporation Scheidt Federal Well No. 1 located in Unit L of Section 30, Township 26 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 25 EAST, NMPM
Section 36: N/2 N/2 and Lots 1, 2,
3, and 4

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM
Section 30: S/2
Section 31: N/2 NW/4 and Lots 3 and 4

(j) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Turkey Track-Atoka Gas Pool. The discovery well is Tenneco Oil Company State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 10: E/2
Section 11: S/2

(k) CONTRACT the vertical limits of the East Grama Ridge-Bone Springs Pool to the interval from 10,472 feet to 10,900 feet as found on the type log for the Getty Oil Company State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, NMPM, and redesignate said pool as the East Grama Ridge-Lower Bone Springs Pool.

(l) EXTEND the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: W/2 SW/4
Section 26: SE/4

(m) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 33: NW/4 and N/2 S/2

(n) EXTEND the Brunson-Fusselman Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 8: SE/4

(o) EXTEND the Buckeye-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 9: NW/4

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

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 13: W/2
Section 14: E/2

(q) EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Section 2: Lots 1 through 8

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

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 34: NE/4

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: SW/4

- (a) EXTEND the Cinta Roja-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM
Section 4: All

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 29: N/2
Section 30: N/2

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 28: W/2

- (v) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 8: S/2

- (w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 17: All

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

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 12: W/2

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

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: W/2

- (z) EXTEND the Henshaw Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 11: SW/4 SW/4
Section 14: S/2 and W/2 NW/4
Section 15: E/2 SE/4

- (aa) EXTEND the Hobbs-Prinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 4: SE/4

- (bb) EXTEND the Indian Flats-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 2: N/2 NE/4

- (cc) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 29: W/2

- (dd) EXTEND the Logan Draw-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 19: N/2 NE/4 and SE/4 NE/4

- (ee) EXTEND the Middle Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2 SW/4

(ff) EXTEND the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 31: SW/4

(gg) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: S/2 S/2
Section 26: S/2 SE/4 and SE/4 SW/4
Section 36: N/2 NW/4

(hh) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2

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

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 25: SE/4

(jj) EXTEND the Turkey Track Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 9: E/2 NE/4

(kk) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 17: NW/4

(ll) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 3: All

(mm) EXTEND the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 30: W/2

Docket No. 18-80

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 19, 1980

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

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for July, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for July, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Docket No. 14-80

Dockets Nos. 16-80 and 17-80 are tentatively set for June 4 and 25, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - MAY 20, 1980

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

CASE 6715: (DE NOVO)

Application of Texaco Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Loomis Fed. Well No. 1 to be drilled 1600 feet from the North line and 660 feet from the West line of Section 5, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, the N/2 of said Section 5 to be dedicated to the well.

Upon application of Texaco Inc. and Bass Enterprises Production Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

Docket No. 15-80

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 21, 1980

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6891: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6859: (Continued from April 9, 1980, Examiner Hearing)

Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6886: (Continued from May 7, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6884: (Continued from May 7, 1980, Examiner Hearing)

Application of Supron Energy Corporation for compulsory pooling and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the N/2 of Section 4, Township 30 North, Range 11 West, to be dedicated to a proposed dual completion to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 6892:** Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the South Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6878:** (Readvertised)
- Application of Stevens Oil Company for a non-standard gas proration unit and unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the N/2 SW/4 and S/2 NW/4 of Section 25, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, to be dedicated to its O'Brien "F" Well No. 4 at an unorthodox location 1650 feet from the South line and 2310 feet from the West line of said Section 25.
- CASE 6893:** Application of Stevens Oil Company to amend Order No. R-5353, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks a revision of the special rules for the Twin Lakes-San Andres Associated Pool as promulgated by Order No. R-5353 to provide that each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of the quarter-quarter section.
- CASE 6894:** Application of Sun Oil Company for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jennings-Federal "B" Well No. 1, a Yates test to be drilled 2440 feet from the South line and 2290 feet from the West line of Section 15, Township 19 South, Range 32 East, Lusk Field, the NE/4 SW/4 to be dedicated to the well.
- CASE 6895:** Application of Sun Gas Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks findings that the drilling of its J. A. Akens Well No. 10 located in Unit N of Section 3, Township 21 South, Range 36 East, was necessary to effectively and efficiently drain that portion of an existing proration unit which could not be drained by the existing well.
- CASE 6896:** Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.
- CASE 6897:** Application of McClellan Oil Corporation for two compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and the SE/4 of Section 30, Township 6 South, Range 26 East, each to be dedicated to a proposed gas well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 6898:** Application of Conoco Inc. for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Meyer B-28 Well No. 4 to be drilled 560 feet from the North line and 1980 feet from the West line of Section 28, Township 20 South, Range 37 East, Eumont Gas Pool, to be simultaneously dedicated with its Meyer B-28 Well No. 1 in Unit G to the NE/4 and E/2 NW/4 of said Section 28.
- CASE 6899:** Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the South and East lines of Section 9, Township 17 South, Range 26 East, the E/2 of said Section 9 to be dedicated to the well.
- CASE 6900:** Application of Yates Petroleum Corporation for a non-standard oil proration unit, unorthodox well location, and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard oil proration unit comprising the N/2 SE/4 of Section 22, Township 16 South, Range 33 East, Kennitz Field, to be dedicated to its Sombrero "MS" State Well No. 1 at an unorthodox location 1650 feet from the South and East lines of said Section 22. Applicant also seeks approval for the downhole commingling of Wolfcamp and Cisco production in the wellbore of said well.

- CASE 6901:** Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6902:** Application of Harvey E. Yates Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Young Deep Unit Well No. 1 located in Unit D of Section 10, Township 18 South, Range 32 East, to produce gas from the Morrow formation and oil from the Bone Springs formation thru parallel strings of tubing.
- CASE 6903:** Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.
- CASE 6904:** Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.
- CASE 6905:** Application of Harvey E. Yates Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Buffalo Lake Unit Area, comprising 2,560 acres, more or less, of Federal, State, and fee lands in Township 15 South, Range 27 East.

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 89201

May 7, 1980

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

Case 6903

Re: Application for
Unorthodox Location
S/2 of Section 33,
T-13S, R-36E, N.M.P.M.
Lea County, New Mexico

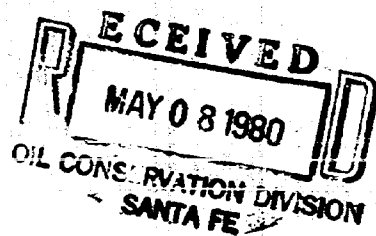
Gentlemen:

Enclosed for filing is an original and two executed copies of the
above referenced application. This application was previously called in
by telephone and is set for hearing on the May 21, 1980 Docket.

Sincerely yours,

Robert H. Strand
Robert H. Strand
Attorney

RHS/cj
Enclosures



BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
HARVEY E. YATES COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO

Case No. 6903

APPLICATION

COMES NOW HARVEY E. YATES COMPANY by its attorney
and respectfully states:

1. Applicant is the operator of the Pennsylvanian
and Mississippian formations underlying:

Township 13 South, Range 36 East, N.M.P.M.

Section 33: S/2

2. Applicant proposes to drill its McDonald Unit
Well at a location 660 feet from the South line and 990
feet from the East line of said Section 33 to a depth suf-
ficient to adequately test the Pennsylvanian & Mississippian
formations which are reasonably expected to be productive of
gas.

3. Applicant seeks an exception to the well location
requirements of Rule 104-C.2(a) of the Oil Conservation Divi-
sion to drill said well to the Pennsylvanian & Mississippian
formations at the above described unorthodox location.

4. A standard 320 acre gas proration unit compris-
ing the aboved described lands should be dedicated to such
well.

5. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

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

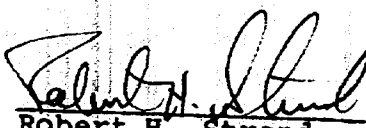
B. That upon hearing, the Division enter its order granting applicant permission to drill said well at a location 660 feet from the South line and 990 feet from the East line of said Section 33 and to dedicate the S/2 of Section 33 to said well.

C. For such further relief as the Division deems just and proper.

DATED this 28th day of April, 1980.

HARVEY E. YATES COMPANY

By:


Robert H. Strand
Attorney for Applicant
P. O. Box 1933
Roswell, New Mexico 88201

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HARVEY E. YATES COMPANY :
FOR AN UNORTHODOX GAS WELL LOCATION, : Case No. 6903
LEA COUNTY, NEW MEXICO :

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C. For such further relief as the Division deems just and proper.

DATED this 28th day of April, 1980.

HARVEY E. YATES COMPANY

By: 
Robert H. Strand
Attorney for Applicant
P. O. Box 1933
Roswell, New Mexico 88201

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To

Called in by Bob Strand
April 28, 1980

Harvey E. Yates Co.
Unorthodox Location

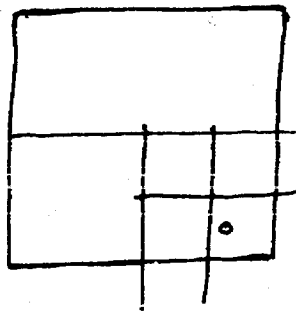
Pennsylvanian - Mississippian
test

660/5 + 9901E

Section 33-T135-R36E

Lea County

5/2 to be dedicated



OIL CONSERVATION COMMISSION-SANTA FE

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6903

ORDER NO. R- 6381

APPLICATION OF HARVEY E. YATES COMPANY

FOR AN UNORTHODOX GAS WELL LOCATION,

LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4,
1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this day of June, 19 80, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Harvey E. Yates Company,
seeks approval of an unorthodox gas well location 660
feet from the South line and 990 feet from the
East line of Section 33, Township 13 South
Range 36 East, NMPM, to test the Pennsylvanian-Mississippian
formation, Lea
County, New Mexico.

(3) That the S/2 of said Section 33 is to be
dedicated to the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____
Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That ^{the application of Harvey & Fair Company for} an unorthodox gas well location for the Pennsylvanian-Mississippian formations is hereby approved for a well to be located at a point 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East NMPM, Austin-Mississippian area, Pecos Lea County, New Mexico.

(2) That the S/2 of said Section 33 shall be dedicated to the above-described well.

(3) 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.