Cont'd
Fig 6

Case No. 6982

Application

Transcripts

Small Exhibits

ETC

RECEIVED
OCT 0 2 1980
OIL CONSERVATION DIVISION
SANTA FE

DON G. McCORMICK
JAY W. FORBES
THOMAS L. MAREK
ROGER E. YARBRO
JOHN M. CARAWAY
JAMES W. KLIPSTINE, JR.
PERRY C. ABERNETHY
CAS TABOR

McCORMICK AND FORBES
ATTORNEYS AT LAW
BUJAC BUILDING
P. O. BOX 1718
CARLSBAD, NEW MEXICO 88220

TELEPHONE 885-4171
AREA CODE 505

29 September 1980

File

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

Attention: Examiner Nutter

Re: Case No. 6982
Aminoil Company, U.S.A., Inc. - By Willow Lake Unit Area

Dear Mr. Nutter:

It has now been in excess of fifty days since our hearing before the Commission on 6 August 1980 concerning Aminoil's proposed plan of development for 1980 in the Willow Lake Unit Area.

According to our files, Aminoil has not filed any amended plan of development for 1980, despite their geologist's indication at the hearing that they intended to do so. This failure to file an amended plan by this time is further evidence of their pattern of tardiness.

On behalf of Mr. Courtney, we renew our request that the Division disapprove of the proposed 1980 plan of development, and order Aminoil to submit an amended plan within ten days, or suffer withdrawal of the Division's approval of the Willow Lake Unit Agreement.

Your attention to this matter is most appreciated.

Very truly yours,

John M. Caraway

JMC:cb
Copy : Mr. Felton W. Courtney
Doug Foster, Esquire

State of New Mexico

Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

October 29, 1980

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701

Re: Application for Approval of the Initial Participating Area for the Morrow Sand Formation, South Half of Section 15, T24S, R28E, Under the Willow Lake Agreement, Eddy County, New Mexico.

ATTENTION: Mr. Steve Wright

Gentlemen:

The Commissioner of Public Lands has this date approved the Initial Participating Area for the Morrow Sand Formation for the Willow Lake Unit, Eddy County, New Mexico. Such Participating Area includes the S/2 of Section 15, Township 24 South, Range 28 East. Our approval is subject to like approval by the United States Geological Survey and the New Mexico Oil Conservation Division.

Enclosed is one approved copy for your files.

Please advise this office the date the USGS gives their approval. If the USGS has approved, please furnish this office with evidence of their approval.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:

FLOYD O. PRANDO, Assistant
Director-Oil & Gas Division
AC 505-827-2748

AJA/FOP/s
encl.
cc: OCD-Santa Fe, New Mexico
USGS-Roswell, New Mexico
USGS-Albuquerque, New Mexico

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5434

November 26, 1980

Re: CASE NO. ~~6982~~
ORDER NO. ~~R-6523~~

Mr. Conrad E. Coffield
Hinkle, Cox, Eaton, Coffield
& Hensley
Attorneys at Law
P. O. Box 3580
Midland, Texas 79702

Applicant:

OCD (Aminoil USA)

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 ~~John Caraway~~

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. 6982
Order No. R-6523

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO PERMIT AMINOIL, USA, TO APPEAR AND SHOW CAUSE WHY ITS 1980 PLAN OF OPERATION/DEVELOPMENT FOR ITS WILLOW LAKE UNIT AREA, EDDY COUNTY, NEW MEXICO, SHOULD NOT BE DISAPPROVED.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 6, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of November, 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 Aminoil, USA, is the operator of the Willow Lake Unit Area, comprising some 4800 acres, more or less, of State, Federal, and fee lands in Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) That as unit operator of said unit area, and in accordance with the provisions of the Willow Lake Unit Agreement, Aminoil, USA, in April, 1980, submitted to the Division for approval its 1980 Plan of Operation/Development.

(4) That said plan called for the drilling of an additional well in the Unit Area during 1980, said well to be designated Willow Lake Unit Well No. 4, to be located in the Southwest

quarter of Section 14, Township 24 South, Range 28 East, NMPM, and have dedicated thereto the W/2 of said Section 14.

(5) That the drilling of said well, according to the record, would be contingent upon agreement between the unit operator and the owner of the NW/4 of said Section 14 to form a standard gas spacing and proration unit comprising the W/2 of Section 14.

(6) That the unit operator does not appear to be able to come to such agreement with the owner of the NW/4 of said Section 14, and thus the April, 1980 plan of operation/development apparently will not result in the drilling of any well in the Willow Lake Unit Area during 1980.

(7) That Felton W. Courtney is a lessor of lands situate in the N/2 of Section 23, Township 24 South, Range 28 East, NMPM, leased to Burmah Oil and Gas Company (now Aminoil, USA) which lands are committed to the Willow Lake Unit Agreement.

(8) That said Felton W. Courtney appeared at the hearing and objected to the April 1980 Plan of Operation/Development submitted by Aminoil, USA.

(9) That Aminoil, USA, has withdrawn its April plan and in October, 1980, submitted an alternate Plan of Operation/Development for 1980 for the Willow Lake Unit Area.

(10) That said new plan includes the drilling of an Atoka-Strawn-Morrow test well in the NE/4 of Section 23, Township 24 South, Range 28 East, NMPM, to which the N/2 of Section 23 would be dedicated.

(11) That said well would be known as the Maddox well and would be on lands not committed to the unit area and would be drilled by a non-participant to the unit agreement, but some 40.625 percent of the lands dedicated to the well would be unitized lands.

(12) That upon consideration by each of the Willow Lake Unit Participants, the Willow Lake Unit has decided to commit its entire interest in said proration unit to the drilling of the Maddox well.

(13) That the lands owned by Felton W. Courtney would be dedicated to the Maddox well.

(14) That the alternate 1980 Plan of Operation/Development submitted by Aminoil, USA, in October, 1980, is acceptable and should be approved.

(15) That a satisfactory plan of operation/development having been submitted, Case No. 6982 should be dismissed.

IT IS THEREFORE ORDERED:

(1) That Case No. 6982 is hereby dismissed.

(2) 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

SEAL

fd/

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701
(915) 682-8231

AMINOIL USA

August 18, 1980

RECEIVED
AUG 20 9 30 AM '80
STATE LAND OFFICE
SANTA FE, N. M.

Oil Conservation Division
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

Attention: Mr. Dan Nutter

Re: AMENDED PLAN OF OPERATION/DEVELOPMENT
FOR CALENDAR YEAR 1980 WILLOW LAKE
FEDERAL UNIT (14-08-0001-14-260)
EDDY COUNTY, NEW MEXICO

All amended Plan dated Oct 14

Dear Mr. Nutter:

Reference is made to the Oil Conservation Division hearing of August 6, 1980, wherein Aminoil USA, Inc., agreed to submit an amended Plan of Operation/Development for the Calendar Year 1980. Please find a preliminary copy of said item attached.

In letter dated August 15, 1980, Aminoil supplied each of the other Unit Participants of the Willow Lake Unit with the identical preliminary Plan of Operation/Development as attached. Aminoil requested that if any of the participants had any requested changes or alterations, that they advise Aminoil as soon as possible. At the time when all recommendations have been received, Aminoil will consider these and prepare a formal Plan of Operation/Development for the Calendar 1980, to the proper regulatory agency for review and approval.

Please be advised that Aminoil, in accordance with the Willow Lake Unit Agreement and Willow Lake Unit Operating Agreement, is attempting to satisfy the regulatory requirements as soon as possible, so that development activity will commence in the area.

If there are any questions, please advise.

Yours very truly,

J. G. Thagard

J. G. Thagard
Landman

JGT/sls

Attachments

Thanks for Courtesy
John Caraway
P. O. Box 1718
Cbd, NM. 88220

SW NE
23 24S 28E

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701
(915) 682-8231

AMINOIL USA

RECEIVED
AUG 20 9 50 AM '80
STATE LAND OFFICE
SANTA FE, N. M.

August 15, 1980

ADDRESS LIST ATTACHED

RE: Willow Lake Unit
OCD Hearing and Amended Plan
of Development for Calendar Year 1980
Eddy County, New Mexico
AUSA File No. 2841

Gentlemen:

Reference is made to Aminoil's letter of July 31, 1980, wherein you were advised of the hearing called by the Oil Conservation Division of the State of New Mexico. After hearing evidence submitted by Aminoil's counsel and the attorney representing Mr. Felton W. Courtney, the Examiner of the hearing felt it would be advisable for Aminoil, as Unit Operator, to file a revised Plan of Operation/Development for 1980 concerning the Willow Lake Unit.

Aminoil has prepared the attached item as the Amended Plan of Operation/ Development for Calendar Year 1980. Please review said plan and advise Aminoil of any decision you may reach at your earliest convenience.

It is understood that approval of the attached plan in regard to the attached Plan of Operation/Development in no way binds any of the Unit Participants to participation in said plan by joining in the drilling of the planned wells. Aminoil desires to submit a Plan of Operation/Development that is acceptable to the other participants as well as the regulatory bodies.

If there are any questions, please advise.

Very truly yours,

J. H. Thagard

J. G. Thagard
Landman

JGT/jb

Attachment

cc: Dan Nutter

ADDRESSES OF THE PARTIES:

Southland Royalty Company
1100 Wall Towers West
Midland, Texas 79701
Attention: Mr. Richard W. Petrie

Mr. Roy G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. M. Brad Bennett
P. O. Box 2062
Midland, Texas 79702

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79702
Attention: Bob Lockhart

Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79702
Attention: Mr. John Young

HNG Oil Company
P. O. Box 2267
Midland, Texas 79702
Attention: Mr. Bill Lewis

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attention: Mr. Paul E. Hanna

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. James Allen

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. Joe W. Durkee

Mr. Robert N. Enfield
P. O. Box 2431
Santa Fe, New Mexico 87501

Kathleen Cone
P. O. Drawer 1509
Lovington, New Mexico 88260

Douglas L. Cone
P. O. Box 6217
Lubbock, Texas 79413

Tom R. Cone
P. O. Box 126
Southwest City, Montana 64863

Cathie Auvenshire
Route 6, Box 79 N
Austin, Texas 78737

Kenneth G. Cone
P. O. Drawer 1509
Lovington, New Mexico 88260

RECEIVED
MAR 20 9 58 AM '90
STATE LAND OFFICE
SANTA FE, N.M.

AMENDED
PLAN OF OPERATION/DEVELOPMENT
FOR CALENDAR YEAR 1980
WILLOW LAKE FEDERAL UNIT (No. 14-08-0001-14-260)
EDDY COUNTY, NEW MEXICO

TO: THE OIL AND GAS SUPERVISOR (6)
UNITED STATES GEOLOGICAL SURVEY
P. O. BOX 1857
ROSWELL, NEW MEXICO 88201

COMMISSIONER OF PUBLIC LANDS (3)
STATE OF NEW MEXICO
P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION COMMISSION (2)
STATE OF NEW MEXICO
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RECEIVED
MAR 20 9 58 AM '80
STATE LAND OFFICE
SANTA FE, N. M.

Gentlemen:

In compliance with Section 10 of the Willow Lake Unit Agreement dated February 10, 1975, Aminoil USA, Inc. (formerly Burmah Oil and Gas Company), as Unit Operator, previously submitted to you for approval a Summary of Operations and Development for the Year 1979 and a Plan of Operation/Development for 1980. Now, in further compliance with Section 10 of the Willow Lake Unit Agreement dated February 10, 1975 and in line with authority to offer to you modifications of said plan to meet changing conditions, Aminoil USA, Inc., as Unit Operator, hereby submits for your approval a Summary of Operations and Development for the Year 1979 and an amended or modified Plan of Operation/Development for 1980.

SUMMARY OF 1979 OPERATIONS:

During the year 1979 an Application for approval of the initial participating area for the Willow Lake No. 3 Well was filed and approved by the United States Geological Survey and was submitted to the Commissioner of Public Lands and Oil Conservation Commission on April 23, 1980.

No new wells were drilled during the year.

The Willow Lake Unit No. 1 (Atoka) produced 245,581 MCFG plus 58 BC during 1979 and has accumulated 1,999,520 MCFG plus 968 BC to January 1, 1980.

The Willow Lake Unit No. 3 (Morrow) produced 243,823 MCFG during 1979 and has accumulated 622,346 MCFG, no condensate to January 1, 1980.

OTHER ITEMS AFFECTING UNIT OPERATIONS:

On or about April 10, 1980, a lawsuit was filed in the District Court for the Fifth Judicial District, State of New Mexico, Cause No. CV-80-121 styled "FELTON W. COURTNEY, a single man, Plaintiff, vs. AMINOIL U.S.A., INC., a Corporation, Defendant." This lawsuit was, subsequent to filing, removed on May 15, 1980 to the Federal District Court for the District of New Mexico, being Cause No. CV-80-358-JB. Basically, the Plaintiff in this case, who is a lessor and royalty interest owner whose interest is committed to the Unit, seeks the release of an oil and gas lease committed to the Willow Lake Unit.

On or about June 2, 1980, Mr. Ned Maddox has proposed the drilling of a well sometimes referred to as the "Maddox Well" to be commenced prior to the end of the calendar year 1980 with such well to have dedicated to it N½ Section 23, Township 24 South, Range 28 East, N.M.P.M, and the well is to be located 1980 feet from the North line and 1980 feet from the East line of said Section 23. Within the proration spacing area which is to be dedicated to the Maddox Well are certain interests which are not committed to the Willow Lake Unit. However, of the total interests which are within the area proposed to be dedicated to the Maddox Well, 40.625% are committed to the Unit. Ned Maddox has proposed that the interest owners within the unit participate with him and other interest owners in the drilling of the Maddox Well.

On August 6, 1980, a hearing was held before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, on the matter of the approval or disapproval by that administrative agency of the Unit Operator's Plan of Operation and Development for 1980 as previously submitted to the addressees hereof under date of March 21, 1980. Said hearing was held upon the motion of the Oil Conservation Division. Mr. Courtney appeared as a witness at said hearing and, among other things, Mr. Courtney indicated a strong desire to have a well drilled within the Unit Area at a location which might reasonably include his interests in any participating area which might be dedicated to such a well if the well is drilled as a producer. Aminoil USA indicated at the same hearing that it is willing to propose as an amendment to the original Plan of Operation/Development for 1980 a Plan of Development and Operations which would include as an alternative to the previously submitted 1980 Plan of Development and Operation, participation in the Maddox Well. No order has, as yet, resulted from the August 6, 1980 hearing. At said hearing Aminoil verbally agreed to submit an amended Plan of Development for 1980 which would include the Maddox Well as an alternative.

Accordingly, in view of the belief by Aminoil USA, Inc. that participation in the drilling of the Maddox Well would be an acceptable alternative to the drilling of the Willow Lake Unit Well No. 4 as proposed in the original Plan of Operation/Development for 1980 as specified in Aminoil's letter under date of March 21, 1980, the proposed development during 1980 as specified below includes the Maddox Well.

PROPOSED DEVELOPMENT DURING 1980:

It is our plan to participate with Ned Maddox et al in the drilling of the Maddox Well at the location specified above upon the same being mutually acceptable to the working interest owners of the Willow Lake Federal Unit. If the Maddox Well is drilled with participation mutually acceptable to the working interest owners of the Willow Lake Federal Unit, then we propose that said well be deemed a Unit Well to the extent unit ownership of acreage within the proration spacing area attributable to the well permits unit participation therein.

If the Maddox Well is not drilled, it is our plan to drill an additional development well which we designate as the Willow Lake Unit Well No. 4 to be located in the SW¼ of Section 14, Township 24 South, Range 28 East, N.M.P.M. We are now clearing title in preparation to submit this proposal to the working interest owners in the Unit in order to secure their acceptance of the title involved.

If the Maddox Well is drilled, but is plugged and abandoned as a dry hole or if the Maddox Well is drilled and completed as a producer, but with results which Aminoil deems to be unsatisfactory or undesirable relative to the reasonable development of the

Unit Area, then Aminoil, as Operator, shall file a new Plan of Development. The Maddox Well or the No. 4 Well and any subsequent development wells will be drilled to a depth sufficient to test the Morrow, Strawn and Atoka formations and to protect these formations from drainage by any non-unit well which might be drilled.

We will continue watching production and pressures from the Amoco No. 1 Pecos Com. which is a South offset to Willow Lake Unit's Section 26 and Amoco's No. 1 AI located in SE¼ of Section 34, currently being drilled below 11,000 feet. If the latter well proves commercial, one other development location will be recommended for the 1981 Plan of Development.

MODIFICATION:

It is understood that portions of this Plan of Operation/Development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work as well as other contingencies, and for these reasons, this Plan of Operation/Development may be modified from time to time with like approval to meet changing conditions.

EFFECTIVE DATE:

This Plan of Operation/Development shall be effective upon approval by the Supervisor, Commissioner and Commission.

DATE: _____, 1980

TERM:

This Plan of Operation/Development is submitted for the period ending December 31, 1980. Prior to that date another Plan of Operation/Development will be submitted for approval.

AMINOIL USA, INC.
UNIT OPERATOR

By: _____

Date: _____

APPROVED: _____ Date: _____
Department of the Interior

APPROVED: _____ Date: _____
Commissioner of Public Lands

APPROVED: _____ Date: _____
New Mexico Oil Conservation Commission

MM to 2-3-81

11/19/80

Memo

From

ERNEST L. PADILLA
GENERAL COUNSEL

To Florene

~~The~~ An amended plan of operations for 1980 is in this file with a cover letter dated Oct 16. This plan of operations should be signed by Joe to comport with this order.

EP

OIL CONSERVATION DIVISION SANTA FE

Ernie - 7/16/80 16982

Conrad Coffield
Called —

Pls. Continue
Amend - Willow
Lake Unit Case
to Dept docket (Aug 6?)

John said OK
with Hein. Letter
following

CASE 6992: Application of Amoco Production Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its Anderson 3 Com. Well No. 1 in Unit R of Section 3, Township 16 South, Range 32 East.

CASE 6956: (Continued from July 9, 1980, Examiner Hearing)

Application of Amoco Production Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its State "GH" Well No. 1 located in Unit F of Section 21, Township 16 South, Range 35 East.

CASE 6957: (Continued from July 9, 1980, Examiner Hearing)

Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for its State HK Com Well No. 1 located in Unit L of Section 6, Township 24 South, Range 25 East.

CASE 6993: Application of Tom Bolack for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 1, Township 30 North, Range 12 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 6994: Application of Enserch Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Siluro-Devonian formations underlying the N/2 of Section 14, Township 25 South, Range 34 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 6995: 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 Penrose Skelly, Blinebry, and Drinkard production in the wellbore of its L. G. Warlick Well No. 2 located in Unit B of Section 19, Township 21 South, Range 37 East.

CASE 6996: Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 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 6982: (Continued from July 23, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6997: Application of Benson-Montin-Greer Drilling Corporation for amendment of pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as promulgated by Order No. R-2565-B, which currently prescribe 320-acre spacing for pool.

Applicant proposes that said rules be amended to provide for 640-acre spacing units with wells to be located within 165 feet of the center of a governmental quarter section.

Applicant further seeks approval for the following non-standard spacing units in Township 24 North, Range 1 East: two 640-acre units being the E/2 of Section 7 and W/2 of 8, and the W/2 of Section 17 and E/2 of 18; and two 480-acre units being the N/2 of Section 19 and NW/4 of 20, and the S/2 of Section 19 and SW/4 of 20; in Township 24 North, Range 1 West: a 320-acre unit being the N/2 of Section 1 and two 640-acre units being the N/2 of Sections 23 and 24, and the S/2 of Sections 23 and 24; also the following eight 640-acre units: the W/2 of Section 29 and E/2 of 30, Township 25 North, Range 1 East; the E/2 of Section 19 and W/2 of 20, Township 26 North, Range 1 East; the E/2 of Sections 5 and 8; the W/2 of Sections 5 and 8; the E/2 of Sections 17 and 20; and the W/2 of Sections 17 and 20, all in Township 26 North, Range 1 West; the W/2 of Sections 1 and 12, and the W/2 of Sections 13 and 24, all in Township 27 North, Range 1 West; also three 600-acre units being the W/2 of Section 25 and all of 26; all of Section 27 and the E/2 of 28; and the W/2 of Section 28 and all of 29, Township 27 North, Range 1 West; and one 400-acre unit in the same township comprising all of Section 30.

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

EXAMINER HEARING

IN THE MATTER OF:

The Hearing called by the Oil Conservation Division on its own motion to permit Aminoil, USA, to appear and show cause why its 1980 plan of operation/ development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6982

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

For the Applicant:

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: Call next Case 6982, in the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil, USA, to appear and show cause why its 1980 plan of operation/development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

And this case will be continued on the motion of the Division to August 6th Examiner Hearing.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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 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 C.S.R.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-D
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. 6982 heard by me on 7-23 19 80.

Richard L. Stamets, Examiner
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

The Hearing called by the Oil Conservation Division on its own motion to permit Aminoil, USA, to appear and show cause why its 1980 plan of operation/ development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6982

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

For the Applicant:

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: Call next Case 6982, in the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil, USA, to appear and show cause why its 1980 plan of operation/development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

And this case will be continued on the motion of the Division to August 6th Examiner Hearing.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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 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.

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

_____, Examiner
Oil Conservation Division

SALLY 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

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

July 28, 1980

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Aminoil USA
600 Western United Life Building
Midland, Texas 79701

Attention: Mr. J. G. Thagard

Re: File No. 3045
Willow Lake Unit
Eddy County, New Mexico
T-24-S, R-28-E, NMPM
AUSA File Series 2841

Dear Mr. Thagard:

Your letter of July 17, 1980, requesting certain information on the above-referenced Willow Lake Unit has been given to me for reply.

I am enclosing a copy of the Application for Unitization, the January 22, 1975 docket, and a copy of Order No. R-4954 which approved this unit.

If you should need any further information, please do not hesitate to contact me.

Sincerely,

(Ms.) DIANE RICHARDSON
Secretary
Legal Department

dr/

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

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/ Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6922

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: Conrad E. Coffield, Esq.
HINKLE LAW FIRM
P. O. Box 3580
Midland, Texas 79701

For the Protestant: John Caraway, Esq.
McCORMICK & FORBES
Carlsbad, New Mexico 88220

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MR. NUTTER: We'll call next Case Number 6982.

MR. PADILLA: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

MR COFFIELD: Conrad Coffield with the Hinkle Law Firm of Midland, Texas, appearing on behalf of Aminoil USA.

I have one witness.

MR. CARAWAY: Mr. Nutter, John Caraway of the law firm of McCormick & Forbes in Carlsbad, appearing on behalf of Mr. Courtney, who has filed an objection to the Plan of Development, and I would point out to the Examiner that we do have an argument to present concerning jurisdiction of the Division in this case to approve or disapprove of this Plan of Development.

We would submit that this jurisdictional argument be, as a matter of order in the hearing, be taken first, and then if the Examiner desires to hear testimony on the merits from the -- from Aminoil USA, we could proceed on the merits at that time.

MR. NUTTER: If there's a question of jurisdiction, we'd better hear that argument first and then

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we might not have to hear the rest of it.

MR. CARAWAY: If I have not introduced him yet, Mr. Courtney is the gentleman sitting there in the tan suit.

May I proceed?

MR. NUTTER: Please do.

MR. CARAWAY: Mr. Examiner, we, Mr. Courtney contends that the Oil Conservation Division had no original authority to approve the Willow Lake Unit Area agreement, as was done by Order No. I believe it's 5601 -- as was done by Order No. 5401, dated January 22nd, 1975, and we also contend that the Division has no jurisdiction to approve or disapprove of this Plan of Development for 1980, nor did the Commission have jurisdiction to approve or disapprove any of the plans of development for previous years.

We first direct the attention of the Examiner to the Willow Lake Unit agreement itself. I believe the Examiner has two -- do we have the entire file in here, Mr. Padilla?

MR. PADILLA: I believe so.

MR. CARAWAY: Okay, Mr. Nutter may desire to follow along with me on some of these, as to the portions of the agreement referred to.

Now I call your attention to the first page of this agreement. Well, following the table of contents

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the first page of the body of the agreement.

I direct your attention to line 28 of the first page, which states that whereas the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature, cited as Article III, Chapter 65, Volume 9, Part II, 1953 Statutes, to approve this agreement and the conservation provisions hereof.

The operator in this agreement has cited the entire act. That is not a specific provision of the act. That is the entire act, I believe it's cited Oil and Gas Act, if I may have just a moment.

Yes, that is the Oil -- that's the entire Oil and Gas Act.

Now, we contend there's nothing specific in that act that authorizes the Commission to approve an agreement providing for the operation of a unitized area. The citation, by the way, for the record, of that act is 70-2-1 et sequence of the 1978 compilation.

At the time this agreement was formulated it was 65-3-1 of NMSA 1953.

As the Examiner is well aware, there are a number of specific powers conferred in this act upon the Oil Conservation Commission, or Division, I should say now. That is cited as 70-2-12, New Mexico Statutes, 1978. There is a number of enumerated powers there, none of which includes

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authority to approve or disapprove of a unit area agreement.

There are approximately eighteen itemized paragraphs setting forth the specific authorities of the Commission under enumeration of powers.

Now, the Statutory Unitization Act was passed by the Legislature in 1975 and it did not contain any emergency clause, so it actually commenced its validity for all purposes on or about July 1st, 1975, which would have been ninety days following the adjournment of the Legislature. This Statutory Unitization Act, we contend, gave implicit recognition to the fact that the Division had no powers to approve or disapprove unitized management prior to the date of the 1975 Act. This Act, according to section, the first section, 70-7-1, 1978, applies only to secondary or tertiary recovery operations. It does not apply to exploratory units.

For the information of the Division, we quote 70-7-1: "The Legislature finds and determines that it is desireable and necessary under the circumstances and for the purposes hereinafter set out, to authorize and provide for the unitized management, operation, and further development of the oil and gas properties to which the Statutory Unitization Act is applicable, to the end that the greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the Legislature that

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the Statutory Unitization Act apply to any type of operation that would substantially increase the recovery of oil above the amount that would be recovered by primary recovery alone and not to what the industry understands as exploratory units.

I think it's already been established before the Commission at the original hearing on the unit area agreement itself that this was indeed an exploratory unit. The Willow Lake Unit was an exploratory unit and as there was no established field or pool in the acreage consumed by the unit area.

Of course, the next section of the Act specifically listed jurisdiction in the Division to enforce the provisions of the Statutory Unitization Act.

Now some may argue that the Statutory section authorizing the Division to quote unquote do what is necessary to prevent waste and protect correlative rights may give this Commission the broad powers to approve or disapprove these unit plans, but we submit that the passage of this Unitization Act is direct testimony contrary to that interpretation. Additionally, that is a very general section and as the Examinor is well aware, immediately following that section are the specific enumeration of powers sections, none of which again contain power to approve of these exploratory unit agreements.

Now, we contend that -- well, let me back

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up a moment. We don't contend for a moment there is not proper authorization in the Federal statutes for the government to commit their lands, or in the State statutes for the State to commit their lands, but we do, and we are advocating that there are serious problems here insofar, jurisdictional and authority problems, insofar as the Division approving an agreement for an exploratory unit.

Now we contend that the only way that the fee lands could have been properly unitized in this area would be a voluntary commitment of 100 percent of the fee title owners in the area. That would have been the only way for the entire fee lands to be unitized.

By analogy, not by application but by analogy, we would point out the pooling statute. Now this, of course, as the Examiner is aware, provides for both voluntary pooling and forced pooling. We've seen a number of forced pooling applications in here today. This is the -- again, this is pooling for production of oil or gas in what is commonly known as a proration unit, but by analogy, Section 70-2-17, NMSA 1978, provides that the -- as far as pooling goes, if there's going to be a proration unit voluntarily pooled, it's got to be all of the interest owners in that unit that voluntarily pool their lands for drilling or production purposes.

Now I cite that by analogy because that is pooling and here we're exactly or more specifically speaking

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of unitization, but I feel the analogy is persuasive and we feel that all of the fee title owners in the Willow Lake Unit Agreement would have had to voluntarily consent for the lands for the fee lands to be properly unitized.

Now there is a regulation which the Commission has providing for unitization and you're well aware of it, but for the record it's Rule 507, Rule 507, Unitized Areas is the caption. After petition and notice of hearing, -- after petition and notice and hearing, excuse me, the Division may grant approval for the combining of contiguous developed proration units into a unitized area.

Now we urge that that's talking about a field approval and it is not directed at exploratory units. We feel that the -- if the Commission had such a regulation providing for exploratory units of wildcat acreage, then that would definitely be an argument against us, because at least it would be an interpretation by the Commission that that's the applicable statute authorizing them to pass a regulation or adopt a regulation pertaining to exploratory units.

It will be established here today that no greater than 25 percent of the fee lands in this unit area -- let me restate that.

It will be established that the owners of no more than 25 percent of the fee lands in the Willow Lake Unit area voluntarily ratified or agreed to be committed to

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the unit. That, I don't have the document before me, but I believe that your records contain some correspondence from Aminoil wherein which they stated that a far greater percentage of fee lands, of fee land owners, would ratify or agree to be bound by the unit than actually occurred.

Now finally, as to the jurisdictional argument, paragraph 10 of the Unit Agreement itself, page 9, paragraph 10, recognizes, we contend, that the Oil Conservation Division has no power to approve a plan of development. I quote the language: "Within six months after completion of a well capable of producing unitized substances in paying quantities," this is within six months from the developmental well, the unit operator shall submit for the approval of the supervisor and the Commissioner, that's oil and gas supervisor of the Geological Survey for Federal lands, and Commissioner for State lands, the supervisor and Commissioner an acceptable plan of development and operation for the unitized lands, which when approved by the supervisor and Commissioner shall constitute the further drilling and operating obligations of the unit operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, will also be a point we desire to make today concerning this 1980 Plan of Development, thereafter from time to time before the expiration of any existing plan, the unit operator shall submit for the approval of the supervisor

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and the Commissioner a plan for additional specified periods for the development and operation of the unitized land.

Our conclusion as to a jurisdictional argument is the Commission's approval of the Willow Lake Unit Agreement is without jurisdiction or force and by the same stretch of argument, this Commission has no authority to approve or disapprove of the Plan of Development which they've submitted for 1980, nor did the Commission have the power to approve or disapprove of any of the Plans of Development submitted for previous years.

MR. NUTTER: Mr. Caraway, it appears to me you're making a collateral attack on Order No. R-4954, which is dated January 28, 1975.

Be that as it may, do you have anything to say, Mr. Coffield?

MR. COFFIELD: If we can have just a minute, please.

MR. CARAWAY: I should also like to further point out that we feel that the law of the State is such that if an order entered by an administrative agency or any court is void as being without jurisdiction, that order of course, may be attacked at any time in the future, collaterally or otherwise.

MR. COFFIELD: Yes, Mr. Examiner, I've got a few observations here.

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Mr. Caraway is attacking this, obviously, on a couple of different fronts: one being the statutory authority and the other being the terms of the unit agreement itself.

First of all, with respect to the statutory authority, it may be true that the statutes do not specifically speak about the approval of unit agreements, exploratory unit agreements, by the Oil Conservation Division. But pursuant to the provisions of 70-2-11 the Division is in the strongest sort of language, not only empowered, but required to take such actions as are necessary for the prevention of waste and the protection of correlative rights. And I don't think there could be anything which would more in line with that precise duty than the orderly and proper development of a single geological feature which would fall within a unit agreement, such as is the case with respect to the Willow Lake Unit.

I think that there is ample authority here, whether it's specifically set out in the statutes subsequently or not.

With regard to Mr. Caraway's observation that the Statutory Unitization statute is in point, I think it is not in point at all. We're talking there about the compulsory or forcing of unwilling individuals to agreeing to the secondary recovery plan which would be outlined in such a

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statutory unitization procedure.

In this case we're talking strictly about voluntary matters where a significant percentage of individuals and companies joined together in a voluntary effort to develop a single geological feature in order to have an orderly drilling of the wells so that there will not be a mass withdrawal of hydrocarbons to the detriment of the reservoir, to the waste that would result.

I certainly agree that the citations from the statutory unitization matters simple doesn't apply; that applies only to secondary recovery units.

Mr. Caraway makes much of the fact that all of the royalty interest owners, or to-wit, those in the position that Mr. Courtney finds himself, have not ratified or have not joined in this voluntary plan, which the Willow Lake certainly is. It is my understanding, and I may be wrong in this respect, but I've been advised that Mr. Courtney has ratified not only the unit agreement but also the unit operating agreement, doing in a very voluntary fashion what he thinks everybody else ought to do, and it seems extraordinary that he would complain about such a situation at this point.

With regard to the observation further by Mr. Caraway that paragraph 10 of the unit agreement has no -- doesn't specify a power to approve the plan of development in connection with this particular unit agreement, there are other

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provisions than paragraph 10 that certainly do contain implicitly, anyway, the requirement, or certainly the permission, if nothing else, that the parties, the operator, can submit a plan of development and should submit a plan of development to the Division for its approval.

This has been followed historically in connection with this unit. It is routine in connection with other units of this type and I submit by virtue of the custom and usage, if you will, in connection with this matter, by virtue of a procedure and a plan, which is entirely within the statutory authority, that the submission to the Commission by way of this custom and usage, is entirely proper and necessary.

MR. CARAWAY: I have nothing to add as far as jurisdictional argument.

MR. NUTTER: Okay. We'll take a fifteen minute recess.

(Thereupon a recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Caraway, under the broad powers granted to the Commission and the Division by Section 70-2-11 of the statutes, 1978 Comp, we feel that we do have jurisdict

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to consider unit agreements and the pertinent parts thereto, including plans of development and the approval of participating areas.

So we will proceed on that basis.

MR. CARAWAY: Okay. Mr. Nutter, or Mr. Examiner, there's one more thing that's come to my attention during the recess, and if I may, I would like to see the original of the order of the Commission approving the Willow Lake Unit Agreement.

MR. NUTTER: This is a carbon copy of the original. The original is in a bound book in our vault. If you want to see that, you can, but this is a direct carbon copy of it.

MR. CARAWAY: All right. Mr. Coffield, would you look at that a moment and would you be willing to stipulate that the reproduction of the original, accurate reproduction?

MR. COFFIELD: I will so stipulate.

MR. CARAWAY: All right, then I would like the record to reflect that before me I have what purports to be an order of the Commission in Case Number 5401, Order No. R-4954. I can have a copy of this made and label that as Exhibit Number One, I suppose, objecting party's Exhibit Number One, or Mr. Courtney's Exhibit Number One, however it should be labeled.

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MR. NUTTER: Yes, sir, we can get a copy of that made.

MR. CARAWAY: Okay, and it can be done after the hearing.

I'd like the record to reflect that this exhibit does not contain an original signature of any representative of the New Mexico Oil Conservation Commission, the signature portion being blank where the signature of I. R. Trujillo was supposed to have been ~~registered~~, apparently, following the hearing of this in 1975.

MR. NUTTER: Oh, you mean it doesn't contain the signature of one of the members of the Commission, --

MR. CARAWAY: Well --

MR. NUTTER: -- but it does contain the signatures of two of the members of the Commission. Mr. Trujillo at that time was chairman, Mr. Lucero was member, and Porter was member and secretary, so it does contain the signatures of two of the three commissioners.

MR. CARAWAY: All right, well, we then will -- we'd go ahead and have the record show that this for some reason or other does not contain the signature of the Chairman of the Commission, Mr. Trujillo.

MR. NUTTER: Now those signatures will not be on the -- we could make a -- we could make a copy of this one, and that would reflect those signatures. The printed

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copies we have don't have signatures on them, but we will make a copy of this one and it will be your Exhibit Number One, then.

MR. CARAWAY: Okay.

MR. CARAWAY: I have nothing further, Mr. Coffield.

MR. COFFIELD: Shall we proceed with our portion of the case now?

MR. NUTTER: Yes, sir, if you will proceed with your case to show cause why the Plan of Development should not be disapproved.

MR. COFFIELD: I have one witness, who should be sworn, and then perhaps Mr. Caraway has witnesses.

MR. CARAWAY: Indeed we do, Your Honor, we will call Mr. Courtney. Please stand as your name is called. And Mr. Thagard as an adverse witness.

MR. PADILLA: I'll swear all three of you at the same time.

(Witnesses sworn.)

MR. NUTTER: Mr. Coffield.

MR. COFFIELD: Yes, sir.

MR. NUTTER: This is kind of an unusual case, but do you know what you're defensing against?

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MR. COFFIELD: Not really.

MR. NUTTER: Do you think it would be better if Mr. Courtney, who is the --

MR. COFFIELD: It might be helpful. Let me just say this, Mr. Examiner, what we would propose to do is if you wish to hear our portion of the case first, is to show you what we have in the way of the plan of development and the underlying geological data which is being developed, and explain it to pointing out the pertinent matters, and so on and so forth, which we believe justify the plan of development which we have submitted for 1980.

We can do that. If Mr. Caraway and Mr. Courtney have some testimony to offer or an attack to be made on that kind of a case, I suppose it's appropriate for us to go forward. If their attack is in some other vein, then it might get quite confusing to me if we did this thing backwards.

MR. CARAWAY: Well, according to the way I read the order, or the letter signed by Mr. Padilla, Aminoil was required to appear before this Division and show cause why their 1980 Plan of Development should not be disapproved. That's the way the command reads. We feel it's their burden to go forward first and present whatever evidence they may have to show cause why that should not be disapproved, and Mr. Courtney and I, and our witnesses, then have a right, if this Examiner -- well, let me retract.

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Mr. Courtney and I have then the right to go forth to present further evidence as to why we feel this 1980 Plan of Development should not be approved by the Commission.

It strikes me that they're going to go forth taking the position it should be approved; we're contra to that.

MR. NUTTER: Okay, is it agreeable, then, your witness will go first, Mr. Coffield?

MR. COFFIELD: It would appear then with that, with that kind of procedure, set out, Mr. Examiner, that we will then take the burden of proof to show, indeed, why we believe the Plan of Development for 1980 should be approved. We believe we can show quite clearly why it should be approved. The burden of proof is then shifted to Mr. Courtney to show why it should not be.

MR. CARAWAY: Agreed.

G. E. DeLONG

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

DIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. DeLong, would you please state for

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the record your name, address, occupation, and employer?

A. My name is Gene DeLong. I live at 1204 Stanline in Midland, Texas. I am a Senior Development Geologist for Aminoil USA, Incorporated.

Q. Mr. DeLong, have you previously testified before the Division as a geologist?

A. I have.

Q. Were your qualifications made a matter of record and accepted by the Division?

A. They were.

Q. Are you familiar with the facts involved in this case, which was called by the OCD on its own motion?

A. Yes, sir.

Q. And are you familiar with the Willow Lake Unit Area and the geological features and data pertinent to the unit area and other oil and gas development in the vicinity?

A. I am.

MR. COFFIELD: Mr. Examiner, do you have any other questions on the qualification of Mr. DeLong?

MR. NUTTER: Mr. DeLong is qualified.

Q. All right, Mr. DeLong, would you please refer to what we've marked as Exhibit One and explain this to the Examiner?

A. Exhibit One is an area plat encompassing Townships 24 South and Range 28 East, and the south 12 sections

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of Township 23 South, Range 28 East, all of which are located in Eddy County, New Mexico.

The area highlighted in green outlines the original boundary of the Willow Lake Unit and the small red area identifies Mr. Courtney's acreage. This area may also be described as being located 17 miles southeast of the City of Carlsbad, New Mexico, on US Highway 285, immediately south of the Town of Malaga.

Q Will you now go to what we've marked as Exhibit Two and describe that to the Examiner, please?

A Exhibit Two is a multiple part exhibit, consisting of all the correspondence that Aminoil has that relates to the plan of operation and development for the calendar year of 1980, Willow Lake Unit, Federal Unit, Eddy County, New Mexico, No. 14-08-0001-14-260.

Part One is a copy of the plan of operation and development that was submitted March 21st, 1980. The plan that you have in hand is a copy of the approval Aminoil received from the USGS, Albuquerque office, and it is signed by Jack Willock, June the 5th, 1980. The approval is contingent upon like approval from the State of New Mexico.

The plan summarizes the 1979 operation and theproposed plan of development for 1980.

Exhibjt Two, Part Two is a cover letter from the USGS affirming this approval.

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Exhibit Two-3 is a letter to the USGS, dated November the 30th, 1979, attention Mr. James Sutherland. The USGS office in Albuquerque had not received an application for the initial participating area for the Willow Lake No. 3, which was sent February the 7th, 1979, to the Roswell office. This was discovered on a visit we made to their office November the 27th, 1979.

Exhibit Two, Part 4, is a five page package letter to the Oil Conservation Commission, State of New Mexico, the Oil and Gas Supervisor, United States Geological Survey, and Commissioner of Public Lands, State of New Mexico, and in particular to Mr. Ray Graham, Commissioner of Public Lands, State of New Mexico, with the letter dated April the 21st, 1980. This is on the same subject of participating area for the Willow Lake Unit No. 3, which was the south half of Section 15, and other information relating to the plan of operation the development for the Willow Lake Unit, 1980.

Also attached to this letter to Mr. Ray Graham were copies of the original application of the initial participating area for the south half of Section 15, with an area plat. The green outline identifies the Willow Lake Unit. The red, in this case, highlights the participating area. A Morrow structure with a superimposed Morrow Sand Isopach also covers a small area in and around Section 15.

This is an apologetic letter to the -- to

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Mr. Graham and the State of New Mexico from me for my neglect. I was informed that the only letter that I had to write was to the Roswell USGS, because this was a Federal Unit.

Finding this out later I also sent copies to the Albuquerque office.

Mr. Graham also requested information on why the Willow Lake Unit No. 4 was not drilled in 1979, and may I read for the record my answer to Mr. Graham, which is the second paragraph of my letter on April the 21st, 1980.

Mr. Graham also noted that the plan of operation and development for the Willow Lake Unit year 1980 omitted the reason why the Willow Lake Unit No. 4 was not drilled.

It was our desire during the last quarter of 1979 to form a unit consisting of the west half of Section 14, Township 24 South, Range 28 East, and drill the Willow Lake Unit No. 4 1980 from the south line and 660 feet from the west line. This would involve the southwest quarter being contributed by the Willow Lake Unit and the northwest quarter by Adams Exploration.

A location along the west line was most desired at the time due to that client's interpretation of where the Atoka Sand would be developed. A special trip was made in November, 1979, to the United States Geological Survey office in Albuquerque and the Commissioner of Public

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Lands and the Oil Conservation Commission in Santa Fe, to ascertain if any of these agencies had any objection to forming a 320-acre unit half in and half out of an established unit.

None were found, and we proceeded ahead with what we assumed was a valid effort. Adams Exploration have yet to return an answer to our request, so we are currently clearing title to form a drilling unit consisting of the south half of Section 14, Township 24 South, Range 28 East, which will be totally within the Willow Lake Unit boundary.

Lofton Brothers rig, Number 331, which will be driling a nearby location, will be used to drill the Willow Lake Unit No. 4 to a total depth of 12,900 feet to test the potential of the Strawn, Atoka, and Morrow Sands. Drilling will commence no later than September 1st, 1980, and the well should be completed prior to December 15th, 1980.

In summary, we waited too long to form a unit. We were dependent upon outside interest owners over whom we had no control. We had good intentions and hope to make up for it by completing the Willow Lake No. 4 on schedule. Respectfully submitted, Gene DeLong.

Q Mr. DeLong,you may have mentioned it, although I don't recall hearing you discuss the situation in connection with the State Land Office. You indicated that the USGS has approved this particular plan of development and

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operation. Do you have any information in connection with the State Land Office for the State of New Mexico?

A I had a meeting this morning with Mr. Graham, mentioned that the plan of operations, 1980, had been approved but had not been signed.

Q So then so far as you know now, both the State of New Mexico Land Commissioner, as well as the USGS, have approved the unit, the USGS formally, and the State Land Commissioner will do so in due course, as far as you know?

A Yes, sir.

Q Let's go on to Exhibit Three and discuss that for the Examiner, please.

A Exhibit Three is also a multiple part exhibit, consisting of seven reduced copies of electric logs. The CNL-FDC porosity log is used in most cases. Each example covers the Atoka Sand section and in some cases the Strawn and Morrow Sand is also shown.

The exhibit presents potential of the area and the gambles to be taken. Each well location is displayed on Exhibit Five, the Atoka structural plat, which is the last exhibit with the acrylic overlay. I believe that each well that I will discuss is highlighted by an arrow with either a name or a location on it.

Part one is a CNL-FDC log on the Burnah No. 1 Willow Lake Unit. It shows a 14-foot thick Atoka Sand

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developed. This sand is the primary objective for all the wells drilled in this area. Only one well has been commercial which produces from the Strawn and Morrow Sands only and this location is 4-1/2 miles north of the unit.

The No. 1 Willow Lake Unit was completed January, 1976, and just paid out January the 3rd, 1980.

Part two is a CNL-FDC and dual induction logs from the Willow Lake Unit No. 2, a dry hole drilled in August, 1976. The CNL-FDC tool stuck while logging the Atoka Sand interval, as you can see the skip just right about 11,700 to 720; however, the dual induction log confirms the absence of the Atoka Sand at this interval. The No. 2 Willow Lake Unit was plugged and abandoned September, '76.

Part Three is a CNL-FDC log from the Willow Lake No. 3, which shows a 2-foot tight sand at a depth of 11,626 to 28 feet. It has 5 percent porosity and this zone has not been tested to date. The sand zone indicates no gas effect and is probably tight, as 5 percent is very close to the effective porosity cutoff.

The Morrow Sands in the Willow Lake No. 3 were perforated and have produced 621,794,000 cubic feet of gas to 1-1-80.

An attempt was made in June this year to rework the Morrow; the rework failed. We are currently evaluating the treatment to decide what to do next.

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Parts Four, Five, Six, and Seven are logs on nearby wells, showing the development and/or lack of development of the Atoka Sands. These are offset to and on trend with the Willow Lake Unit wells.

Part Four is a CNL-FDC log from the No. 1 CNB. It is located in Section 11, approximately 3/4 of a mile north of the eastern side of the unit.

This shows a 4-foot Atoka Sand developed. This well was completed December, 1978 in the Morrow and was recently completed in the Atoka and has paid out April the 4th, 1980.

Part Five is a CNL-FDC log from the HNG 9-1 Woods Com, which is located about 3/4ths of a mile north of the west side of the unit. It's located in the south half of Section 9.

HNG has recently perforated the Atoka Sand from 11,557 to 62. It flowed 140,000 cubic feet of gas a day initially, but the flow was dead in thirty days. They are currently testing the Strawn from 11,279 to 84 and 11,370 to 80.

Part Six is a composite CNL-FDC sonic log from the Maddox No. 1 Malaga, which is 2-1/2 miles north of the unit in Section 3. The log shows a 12-foot development of Atoka Sand. This zone has produced 2.3 billion cubic feet of gas in six months and is the most exciting well in the

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area due to the exceptional short payout.

Part Seven shows a computer process log from the Adams No. 1 Ann Com, an immediate direct offset to the unit, located in the north half of Section 15, slightly northeast of the Willow Lake No. 3. It has zero Atoka Sand developed.

The Aminoil No. 1 Guitar, located a mile and a half north of the unit in the north half of Section 10 also was zero Atoka Sand developed. These wells were drilled in what was to be the most optimum locations in which to encounter a favorable development of Atoka Sand, but both have none. Both wells are completely surrounded by production and it is very doubtful if either of these wells will be a producer. It has been more of a gamble than a success to search for the Atoka Sands in the Malaga area.

Q Now, Mr. DeLong, let's go on to Exhibit Four and describe that exhibit, please.

A Exhibit Four is a two-part exhibit. Part one is the cumulative gas production plat as of January 1st, 1980. The green outline again identifies the Willow Lake Unit and the red square Mr. Courtney's acreage.

The production highlighted in yellow is Atoka gas production. The Morrow gas production is underlined in red. All figures were taken from the New Mexico Oil and Gas Engineering Committee annual report, Volume I, 1979, ex-

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cept for the No. 1 CNB and the No. 1 Willow Lake Unit. These figures were taken from Aminoil's production records.

I'd like to, off the record, I would like to show Xeroxed copies of the 1977 annual report. We seem to have transposed the production from the CNB to the Willow Lake Unit No. 1 and from the Willow Lake Unit No. 1 to the CNB. It shows that the CNB produced 169-million cubic feet of gas in one month. The true figure is 21,337.

Likewise, the 21,337 shows up on the July, '77, for the Willow Lake No. 1. It's actual production figure was 169,000,061.

Q. Which reports are these that you're making reference to, Mr. DeLong?

A. These are the Xeroxed copies from the New Mexico annual 1977. We have testified here a little over a month ago about an error that Aminoil has made in their production records. In -- while researching this I found that the Willow Lake also didn't tally up; that every month that we have on record was exactly the same thing you have in your records except for these two, and I'd like to make this correction now.

MR. CARAWAY: Are we for the record or are we off the record? You stated you wanted to go off the record for this.

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MR. NUTTER: I don't know whether we're off the record or not.

MR. CARAWAY: I'd like to remain on the record.

THE REPORTER: I stayed on the record.

MR. CARAWAY: Okay. May I voir dire the witness for a moment as to these exhibits?

MR. NUTTER: Yes, you may.

VOIR DIRE EXAMINATION

BY MR. CARAWAY:

Q What do you mean CNB, Mr. DeLong?

A The Aminoil No. 1 CNB is a well drilled in the west side of Section 11. It's operated by Aminoil. It's outside the unit. As I was discussing parts Four, Five, Six, and Seven, I noted that these were offset to the Unit or in trend with the Willow Lake wells.

MR. NUTTER: I believe that's the well on your Exhibit Four that shows the 909,000 production from the Atoka.

A That is correct.

MR. NUTTER: You placed it in the Aminoil CNB State, and that's --

A Yes, sir.

MR. NUTTER: -- Atoka discovery, it says.

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A That's true.

MR. NUTTER: Did you find it, Mr. Caraway?

MR. CARAWAY: Yes, sir, I do see it.

If I may continue for a moment on voir dire.

Q Mr. DeLong, what relevance do these exhibits have insofar as whether or not your plan of development for 1980 should or should not be approved?

A The error was found in the Willow Lake No. 1. It did not correspond with the data that the New Mexico annual had, so I researched further into it to find out why.

Q Okay, and what was the error again, sir?

A The error is that the CNB should read 166,072 instead of 311,398,000, as so stated in the page 552 of the 1979 New Mexico Annual.

Q But that well is not within the enclosure of the unit area, is that correct?

A No, sir. The CNB is not.

MR. CARAWAY: Okay. I have no objection to whatever you want to do.

A I'd like to leave them with the New Mexico --

MR. NUTTER: We'll take those and we'll make a correction in the annual next year.

MR. COFFIELD: Would you like these submitted at this time?

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MR. NUTTER: Yes, that will be fine.

A. In looking at the cumulative production on the cumulative gas production plat that I've submitted as Exhibit Number Four, the correct production figures for the CNB are so stated as 166,072 from the Morrow for the CNB, And 1,999,520 cubic feet of gas to 1-1-80. At today's cost of $2.3-million per well, and at $2.37 an M, which is the price Aminoil is receiving for the Willow Lake Unit gas at present, it takes over a billion cubic feet of gas to pay out a well. Only the Atoka producers are doing this.

DIRECT EXAMINATION CONT'D

BY MR. COFFIELD:

A. Exhibit Four, part Two, is the expense versus income sheet for the Willow Lake Unit. It lists each well in the Willow Lake Unit, when completed, expense incurred and income generated.

I believe that the sheet speaks for itself. I would like to point out that note one indicates that the figures used in the income column was at January the 3rd, 1980, where we just recovered our cost of $2,656,519, and the No. 1 item, this cost includes the recent unsuccessful workover of $155,000, just recently done.

This sheet points out that we have yet to recover from expenses in the Willow Lake Unit over $2-million.

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It's just the excitement of the newly discovered Atoka Sand play in the area that is prompting the additional development now. All the operators are hopeful to find another Maddox Malaga, like the one in Section 3, which has produced 2.3-million in six months.

The area was quite dead after a period of time. I don't have the dates at hand but up until the Delta Culibre Bluff well blew out, which I believe was in Section 23 in the township north, was there any activity in this area at all, and since it did blow out and cause such a roar, and it's made over 10-billion cubic feet of gas, it stirred up additional interest.

Then the Maddox Malaga Well came on stream, flowing about 16 to 18-million a day, and created additional excitement in the Malaga area, and that is what we're trying to pursue now, the Atoka Sand play, or like I stated, the Morrow and the Strawn don't help -- just help the well pay out only.

Q. Mr. DeLong, go to what we've marked as Exhibit Five and please discuss that for the Examiner.

A. Exhibit Five is a structural plat contoured on top of the Atoka formation. The contour interval is 50 feet. The green outline identifies the Willow Lake Unit and the red, Mr. Courtney's acreage.

The orange dots locate Atoka production.

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The blue dots, those wells dry in the Atoka. The blue dot in the legend serves a dual purpose. It also locates the Amoco No. 1 Pecos Comm in Section 35, which is also dry in the Atoka, and the legend covers up this location.

There is a total of twenty wells on this plat.

MR. NUTTER: Excuse me, Mr. DeLong. You mean the Atoka Well -- the Amoco Well is right there underneath the blue dot in the legend?

A. Yes, sir, in Section 35.

MR. NUTTER: I see.

A. It just happened to be hid and that is another well in the area that shows you what the Atoka can do or can't do.

And I'd like to use it as a dual purpose, if I may.

MR. NUTTER: It shows what a geologist can do with a map, too, putting a legend where a well is.

A. Or didn't have the foresight to look ahead.

There is a total of twenty wells on this plat, seven producers and thirteen dry holes, which indicates only a 35 percent chance of finding a favorable development of Atoka Sand. At times there is no rhyme or reason to why the Atoka Sand is developed or not developed.

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For example, Aminoil has recently drilled the No. 1 Guitar, located in the north half of Section 10. This well was drilled in the most opportunistic location between two producers, the fabulous Maddox No. 1 Malaga, offset to the north, and the Aminoil No. 1 CNB in Section 11 to the southeast, and also with a 6 foot sand development in the No. Woods -- excuse me, the No. 1 Woods Comm, one mile west, this location was completely surrounded by Atoka Sand, but none was found.

Phillips Petroleum Company also did not find the Atoka Sand in their No. 2 Malaga, which was drilled 660 feet from the north and west lines of Section 2. Here again, a most opportunistic location. This attempt was drilled between the Maddox No. 1, which is southeast, and the HNG Wells in the south half of Section 35. It is difficult to imagine that there was no sand developed there also.

The acrylic overlay is an Isopach of the Atoka pay sand and shows the latest interpretation of the location of the sand channel. It shows that the Willow Lake No. 4 and the Maddox No. 1 Guitar, which is scheduled to be drilled in the north half of Section 23, are both located outside the limit of sand development. They are also located structurally to most of the production in the area. It is the anticipation of finding gas reserves such as found by the Maddox Well in Section 3 that furthers the search.

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Q. Mr. DeLong, is it your opinion that your proposed plan of development which you've just outlined and which you have supported by way of geological interpretation and the like, is a logical and well reasoned plan that takes into consideration the proper development of geolcgical features embraced within the unit area, as well as the new exploratory activity on acreage in areas in the general vicinity of the unit?

A. Yes, sir.

Q. And is the proposed plan of development one which would be followed by a reasonably prudent operator, in your opinion?

A. Yes, sir.

Q. And finally, is the proposed plan of development one which is in the interest of conservation, protection of correlative rights, and the prevention of waste?

A. It is.

Q. Were Exhibits One through Five prepared by you or under your supervision?

A. Yes, sir.

MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits One through Five, and I have no further questions of Mr. -- excuse me.

MR. NUTTER: Aminoil Exhibits One through Five will be admitted in evidence.

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Q And do you have anything to submit in summary?

A Yes. I'd like to summarize my dissertation.

Aminoil USA, Incorporated, operator of the Willow Lake Unit, requests your early approval of the 1980 Plan of Operations and Development that was submitted March 21st, and amended April 21, this year.

We have been prudent operators attempting to develop all of our property in a workmanshiplike manner. We've tried to fulfill the development plan last year, but having no control over outside operators, were unable to do so. We have over $2--million of revenue yet to recover from the Willow Lake Unit. This just to break even, and we are still attempting to continue development of the unit. We have delayed forming a drilling unit for the Willow Lake Unit No. 4 due to Mr. Courtney's attempt to withdraw his acreage from the unit. I have attempted to show that the search for commercial oil and gas reserves in the Malaga area is an extremely risky proposition, and just because there are 18 to 20 wells in the Malaga area making some gas from various reservoirs, it does not make each venture a successful one.

In conclusion, I would like to offer this alternative to Mr. Courtney and to the State of New Mexico. Aminoil will amend the 1980 Plan of Operation and Development

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and participate with Mr. Maddox in drilling a well in the north half of Section 23, which includes Mr. Courtney's acreage, in lieu of drilling the Willow Lake No. 4 this year.

I am attempting -- I am anticipating argument to the 1980 plan, as submitted, by Mr. Courtney and his lawyer, who are present in this room.

I did want to present this suggestion for consideration while I was still a witness. Thank you.

MR. COFFIELD: I have no further questions of Mr. DeLong on direct examination, Mr. Examiner.

MR. NUTTER: Are there any questions?

MR. CARAWAY: If the Examiner please, I have some cross.

MR. NUTTER: Before you get into that.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. DeLong, what would that unit consist of, the north half of Section 23?

A. Yes, sir.

Q. And that location would be the location as shown on your exhibit, Exhibit Number Five, as being Maddox Energy No. 1?

A. That is true. The location would be close to 1980 --

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Q The southwest of the northeast of Section 20.

A The southwest of the northeast is correct. Yes, sir.

Q And would that be projected as an Atoka well or as a Morrow well?

A A Morrow test. We'll go all the way. I think Mr. Maddos has even projected that a depth of 13,100, where I suggestd a depth of 12,900 on the Willow Lake 14 when it was on the west line of Section 14.

MR. NUTTER: I see, okay.

A So we'll be adequately covering the Morrow section, too.

MR. NUTTER: Go ahead, Mr. Caraway.

MR. CARAWAY: Please.

CROSS EXAMINATION

BY MR. CARAWAY:

Q Now what you're proposing to the Commission is to not drill the Willow Lake Unit No. 4 Well this year?

A. In lieu of participating with Mr. Maddox in Section 23, to involve Mr. Courtney's acreage in a well, we would do that, yes, sir.

Q So you're suggesting to the Commission

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that you -- they approve a plan of development which would include dropping your drilling plans for the No. 4 Well.

A. I am offering an alternative to both Mr. Courtney and the State of New Mexico, if they so desire, yes, sir.

Q. Now, insofar as the State of New Mexico, you mentioned that you were just certain that they had approved this plan of development. Now have you seen them sign a document approving of the plan of development up -- at -- up to this time?

A. No, sir, I stated that fact, that it had been approved and not signed. It was my understanding that it was approved and not signed.

Q. When did you obtain this information that it was approved but not signed?

A. This morning.

Q. And who did you obtain that from?

A. Mr. Graham.

Q. All right, now, Mr. DeLong, this unit agreement was commenced effective February 15th, 1975, is that right?

A. I don't know. I was not employed with Aminoil at that time.

Q. All right. And again, to your knowledge, you're testifying before the Commission there has been three

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wells drilled since the commencement of the unit agreement --

A. Yes.

Q. -- up to this point in time.

A. Yes, sir, three wells.

Q. The first well was commenced on what date?

A. I have a scout ticket here. I could dig it up. Did you say the No. 1?

Q. Yes, sir.

A. I believe it was drilled commencing 6-75 and completed 1-76.

Q. All right, it was completed on -- in January of '76, and when was the participating area approved for that well?

A. I don't know.

Q. Was it -- you don't know one way or the other?

A. I think we have some records here in the courtroom from the operating plan of development that might state that.

Q. Well --

A. But I don't have any knowledge of it at the present time. Can we look it up?

Q. Mr. -- maybe your counsel would be willing to make a stipulation.

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MR. COFFIELD: We're -- Mr. Examiner, we're addressing a subject here of the 19 -- the approval or the disapproval of the 1980 plan of development. I fail to see what this line of questioning has -- goes to.

MR. CARAWAY: Your Honor, pardon me -- Mr. Examiner, it will be relevant to show, number one, the dilatory nature of the development of this unit area by Amin-oil, the development part of it, not only being dilatory in that respect but dilatory in getting their participating area approved promptly following completion of a well.

MR. NUTTER: I think it's pertinent, Mr. Coffield, to find out what the development progress has been in the unit.

MR. COFFIELD: We can -- we can locate the information.

MR. CARAWAY: I have it. I have a date here, I believe, and I was asking --

A. I have a completion date for the three Willow Lake Unit wells.

MR. COFFIELD: We can check it.

MR. CARAWAY: I have the date of the 1st of April of 1977.

A. For what?

MR. COFFIELD: Participating area formation?

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MR. CARAWAY: I've got it here in one of these earlier plans of development.

MR. NUTTER: Mr. Caraway, in the interest of speeding things up --

MR. CARAWAY: All right.

MR. NUTTER: In the case file for the -- or in the unit file I find the 1977 plan of development where Aminoil has summarized development.

They state summary of 1975 operations, Willow Lake Unit No. 1 was drilled.

Summary of 1975 development, none.

MR. CARAWAY: All right. Well, my question was directed -- my direct question was directed as to when the participating area was finally approved on the No. 1 Well. I will go on. I think if the Examiner will review its entire file on this, there will be documents that are already before this Commission, earlier documents, before this Commission, which will state the date on which the participating area for the No. 1 Well was approved.

A We have a stamp here from the State of New Mexico saying that they received that plan March the 24th at 8:59 a. m., 1977.

MR. NUTTER: Well, the initial participating area is in the unit file, too, Mr. Caraway.

MR. CARAWAY: Okay.

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MR. NUTTER: And the initial participating area, which was for a unit -- for Willow Lake Unit No. 1, was approved by the USGS on March the 10th, 1977, effective January 13, 1976,

MR. CARAWAY: All right.

MR. NUTTER: It was approved by Phil Lucero, Commissioner of Public Lands --

MR. CARAWAY: All right.

MR. NUTTER: -- on March 18th, 1977.

It was approved by Joe D. Ramey, Director of the Oil Conservation Commission on April 12th, 1977.

Q Mr. DeLong, can you -- if I understood your testimony correctly, the No. 1 Well was completed in January of 1976. Can you offer any explanation to the Commission as to why the participating area for that well was not approved until some thirteen months later?

A No, sir, I can't.

Q All right. Now, the No. 2 Well was drilled in 1976, is that right?

A I have it completed 9-76, yes, sir.

Q It was completed in September of '76, and it wasn't completed; it was reported to be a dry hole on that date, is that right?

A Completed as a dry hole, yes, sir.

MR. NUTTER: Plugged and abandoned, as

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a well.

Q. Okay, and the Unit No. 3 Well was commenced on what date?

A. The No. 3 was spudded 12-28-77. Completed 4-11-78.

Q. Okay. Now, since this No. 3 Well was commenced in December of 1977, have there been any other wells commenced in the unit area by Aminoil since that date?

A. No, sir.

Q. And from the date of commencement of that well, that No. 3 Well, down to present date, that totals approximately 2-1/2 years, is that right?

A. Okay.

Q. More or less?

A. Yes, sir, more or less.

Q. So there have been no new wells drilled for that length of time in the unit area.

A. We just attempted to drill the Willow Lake 4 last year, and didn't.

Q. Well now, let me ask you for a moment about that Willow Lake Unit No. 4 Well. This was a well that was to be located in the southwest quarter of 14, is that right?

A. Specifically 1980 from the south line and 660 from the west.

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Q Okay.

A This is to be a stand-up 320.

Q And your -- your plan, your summary of 1978 operations and your proposed development for 1979, submitted by your company, stated that you all planned to drill a well in the southwest quarter of 14 during the year 1979.

A Yes.

Q Is that right?

A Yes, sir.

Q And did you -- are you familiar with that plan of development --

A Yes, sir.

Q -- that was submitted for 1979?

A Yes, sir.

Q And did you say anything in that plan of development about -- about making arrangements with Adams Exploration Company to join you in that well and donating the northwest quarter of 14 to the spacing unit?

A No, sir, we didn't.

Q Did you say --

A That was a new development, as it -- as the year progressed. Mr. Jim Brown, manager for Adams Exploration in Midland, and his geologist were in my office and essentially verbally agreed that we could attempt to try this. We did not know whether the State regulatory agencies, nor

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the USGS would agree. We made a special trip on November, last year, to these. We spoke to Mr Ray Graham, Mr. Joe Ramey, and to a staff at the USGS office in Albuquerque, and finding no argument on that, they said, yes, you could divide it up, put half in the unit and half out. We attempted to go ahead and form this unit, but Mr. Adams, to date, as of this August the 6th, has not replied to us, our request.

Q At the time you submitted this proposed plan of development for 1979, did you have in mind which way that 320 spacing was going to go?

A. Not at that time, no, sir. A location in the southwest quarter, to my knowledge, was the best location we could possibly drill.

Q But I m -- as far as the wellsite. I'm talking about the 320-acre spacing unit.

A. No, it wasn't.

Q At the time you filed this plan, did you have in mind which way you were going to go with your spacing unit?

A. No, it's only the discovery and the development of the Atoka Sand that wanted us to shove it closer to the west side of that line. We thought that would be the most -- the best place to drill.

If you take a look at our No. 1 Guitar and that Phillips well, I'd drill wells there again, like the

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Aggie on the replay.

Q Right.

A I'm sorry, but that's -- I'd have to drill it. It's completely surrounded.

Q So when did you first have this discussion with Adams Exploration insofar as their committing the northwest quarter of this well?

A Would you -- don't hold my feet to the fire.

Q More or less.

A I believe it was September, thereabouts; August or September of 1979.

Q So you waited until September of 1979 prior to discussing this matter with Adams Exploration.

A Rig availability, for one thing, had postponed it. We had our mind set up to drill that in the fourth quarter and we just didn't hurry through the first part of the year.

Q Now, in fact no well was drilled in 1979, is that right?

A Correct; absolutely correct.

Q Did you file any modified plan of development with this Commission stating your current intentions to join in with Adams on a well which -- the unit of which would include the west half of that section?

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A. Only made mention of that for the proposed plan of development in 1980.

Q. All right. Are you aware, sir, that you are under obligation under the unit agreement to submit a modified plan of development in the event of the circumstances meriting it?

A. No, not until just this moment.

Q. Okay. Now, in your plan of development submitted for 1980, the original one dated March 21st, 1980, and your summary of 1979 operations, you didn't elaborate to any degree of the difficulty you had with Adams that year, as you have testified before this Commission. Is that right?

A. I believe that is correct.

Q. You made a statement, a flat-footed statement, that no new wells were drilled during the year, and that's all you said pertaining to development for 1979.

A. That is a fact, yes, sir.

Q. Okay, and your proposed -- on the original plan of development submitted in March, your proposed development for 1980 said the same thing about drilling a well in 14 as you said in 1979.

A. Exactly.

Q. Is that right?

A. That's right.

Q. And let me ask this again, so I'm perfect-

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clear, but this part of 1980 no new wells have been spudded.

A. To date, no.

Q. Yes, sir.

A. Wait a minute, to date none have been spudded.

Q. In the unit area. In the unit area?

A. Right.

We had plans to spud two.

Q. You have plans to spud two. Now which two are those?

A. The Maddox No. 1 Guitar, north half of Section 23, if/and; also the Willow Lake No. 4 in the south half of Section 14.

Q. Well now, are you stating to the Commission that you're going to spud both of those wells --

A. No, sir.

Q. -- in 1980?

A. No, sir, I'm not. I said we had plans, and it was interrupted by Mr. Courtney's action.

Q. Well now, what did Mr. Courtney's lawsuit pertaining to his lands in the north half of 23 have to do with drilling a well in the southwest quarter of 14?

A. I'm offering this as an alternate amended plan to you, Mr. Courtney, and the State of New Mexico, that we'll be more than glad to drill a Maddox well in the north

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half of Section 23, which would include Mr. Courtney's acreage.

Q So you're offering to drill one well at this time?

A One at a time, yes, sir.

Q Well, I guess that I'm just thick, or something. Maybe I don't understand a lot of things.

Are you planning to drill one well in 1980 or two wells?

A One right now.

Q So then that would be one well in 3-1/2 years since the No. 3 Well was drilled.

A I believe you said 2-1/2.

Q But we're adding up until December 31st of this year. If -- if I understand you correctly, your plan is to drill one well for 1980 in the north half of Section 23.

A Yes we'd prefer that.

Q That would be one wellthen, assuming we go to December 31st of 1980, that would be one well since the drilling of your No. 3 Well, which was commenced in December of '77.

A That's true.

Q Now do you feel, and you're representing to this Commission, that you feel that's reasonable and prudent development?

A I do.

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Q Of the unit area?

A Yes, sir.

Q And you're aware there was approximately 4800 acres of land committed to this area originally.

A I don't know how many acres.

Q So you don't know. Are you aware that there is, starting with the original figure of 4800 acres, are you aware that there is a substantial percentage, the figure I don't have for purposes of this question, but are you aware that there's a substantial percentage of that 4800 acres which continues -- the leases of which continue to be held in this unit area?

A Yes, under the agreement, yes.

Q And you're holding this vast amount of leased acreage by the two wells, the two producing wells, which you've drilled in the unit.

A To date, yes, sir.

Q Now, did I understand on this -- I'm lost for a moment.

Did I understand on this exhibit from which you were testifying before the Commission a few minutes ago, that -- that you've numbered your -- you're no longer obtaining production from your No. 3 Well?

A Momentarily. We tried -- attempted a workover in June, I believe it was in June. We spent $155,00[illegible]

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trying to increase the production in the Morrow Sands and we're trying to evaluate that treatment. The treatment itself failed; it didn't produce the needed results. We don't know whether we're sanded out, scaled out, or what.

Q So that well is not producing at this time.

A At this very moment, no.

Q Well, you have expectations, though, after the reworking to re-establish it as a producing well.

A That is correct.

Q Is that right?

A Either there or in another uphole zone.

Q Now, did I understand -- pardon me. Did I understand your testimony to the Commission a few minutes ago, that -- that you felt the Atoka Sand was for all practical purposes the only fertile geologic area for the production of oil or gas in this unit?

A What is your definition of fertile?

Q Well, let me ask this. Do you have greater expectations as a geologist right now for the unit area as a whole concerning the Atoka Sand formation or the Morrow Sand?

A Atoka Sand is the primary sand.

Q Now, the Unit No. 3 Well was completed in the Morrow Sand, is that right?

A That's true.

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Q And that's the zone from which it produced until you reworked it back in June of this year.

A That's correct. There's no Atoka Sand development in that well; a 2-foot sliver of silty sand with 5 percent of porosity or less, and I don't anticipate production from the Atoka Sand in that well.

Q And the Atoka is in depth above the Morrow formation in that area, is that right?

A Yes, that is correct.

Q Was your No. 2 Well a dry hole in an Atoka test?

A It was a Morrow test.

Q And that was drilled -- or your No. 2 Well, the dry hole was drilled in the south half of 16.

A That is correct.

Q Now, you are aware, are you not, Mr. DeLong, that when -- under the terms of the unit area agreement, when a plan of development has been approved by the requisite agencies, that constitutes the exclusive drilling obligations of Aminoil for that year? Are you aware of that?

A Under this modification. It is understood that portions of this plan of operations and development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work, as well as other contingencies. And for these reasons, this plan of

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operation and development may be modified from time to time with like approval to meet changing conditions.

Q But there was no modification in 1979, even though a well wasn't drilled, is that right?

A The modification that came about is that we couldn't get a well drilled because of lack of influence over an outside operator.

Q But this Commission was not made aware of that in 1979, were they?

A Only in 1980. We still had hopes. We were up here in late November seeing if we can't get that unit approved, and finding no objections to standing it up, we went ahead with our work trying to get it done. We know that we can get a well spudded on that acreage if we have a quiet title over the drill site, with formation of the unit to follow.

And so even as late as November we were attempting to -- to complete our plan of operations and development.

Q Well now, could you make this -- what is the status of your deal with Maddox, so to speak, on drilling this well in the north half of 23? How far has that materialized?

A Mr. Maddox, I believe, has a rig available almost immediately, and he wants to move in there because

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he has leases expiring in that section, prior to end of the year, and he's in a hurry.

And Mr. Courtney's 40 acres constitute about 1/8th of the acreage under that 320 acres.

Q. This decision of Aminoil agreeing to participate with Maddox in the drilling of this north half of 23 well was made after the filing of this lawsuit, wasn't it?

A. Yes. I think Maddox approached us even after this.

Q. Started having serious discussions with Maddox insofar as the drilling of this well after Mr. Courtney took this legal action.

A. What's the timing on that, Greg? Was it before or after?

To the best of my knowledge, the deal that Mr. Maddox submitted was after Mr. Courtney's lawsuit.

Q. And you're telling the Commission that what you want to do is abandon your plans to drill No. 4 now, forget about that well, and drill a well in the north half of 23.

A. I don't like the word abandon. The word I'd like to use is in lieu of for this year. Now let me tell you why.

Mr. Maddox, if we drill a well in Section 23, has a very good chance, if successful, to prove up a loca-

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tion in Section 14, the south half of 23, and the south half of 22. We can do more good --

Q Say that again, Mr. DeLong, please.

A We can do more good by participating with Mr. Maddox if he well is successful, to have an offset to the south in the south half of 23, the acreage in 14, as well as maybe a development well over here in the south half of Section 22.

Q Okay.

A It offers that possibility.

Q All right. What -- since you didn't drill any well in '79, what's wrong with drilling two wells in 1980?

A Expense; risk.

Q Now there's a lot of acreage held here, isn't there?

A Sure is.

Q In fact it's been now, what, over in excess of five years since this unit area was put together? I'll strike -- I'll withdraw that question. You said you didn't know when it was put together.

MR. CARAWAY: If the Examiner please, I think you have it there in front of you in your file when this agreement was dated.

I have the date. Mr Coffield may be

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willing to stiuplate. I have the date of February 15th, 1975.

MR. COFFIELD: Relative to the formation?

MR. CARAWAY: Yes.

MR. COFFIELD: I imagine that's about right, the formation of the unit.

MR. CARAWAY: Of the unit area agreement.

MR. COFFIELD: It's within -- I think it's within that time frame, Mr. Caraway, yes, February 15, 1975.

MR. CARAWAY: Yes.

MR. COFFIELD: Yes, we'll stipulate to that.

MR. CARAWAY: Okay.

Q Now, Mr. Delong, what did you mean by your testimony when you said earlier that quote this is a Federal unit?

A To my knowledge it is a Federal unit.

Q Have you -- do you know what the percentage of Federal lands committed to that unit is?

A No, sir, is it important? No.

MR. CARAWAY: A copy of -- maybe you'd be willing to stipulate again. This is an exhibit to the unit area. I've got 35 percent of the unit area being 7 Federal tracts.

A That's what we have.

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MR. CARAWAY: I've got -- and is it true, then, 35 percent is Federal tracts; 24.1660 percent is State tracts, or State acreage; and 40.833 percent is fee lands.

MR. COFFIELD: We'll stipulate to all that.

MR. CARAWAY: Okay.

Q And going back there's more fee acreage than either Federal or State, is that right?

A That's true.

Q Now, have you at this time got your participating area for the No. 3 Well approved by all State agencies?

A We do have by the -- let me be sure. By the USGS Survey is the only data I have in hand; the rest is pending signature.

Q All right. Now, isn't it true that what haopened on that is you all just omitted approaching the State on approving a participating area for the No. 3?

A I neglected the Albuquerque office of the USGS, as well as the State. I filed it with the Roswell office only.

Q Okay, you didn't file anything with the State of New Mexico.

A That was my negligence. That's in my testimony, also.

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Q All right. And you have only within the last couple of months filed something with the State of New Mexico requesting approval of that -- requesting approval of the participating area surrounding the No. 3 Well.

A When Mr. Graham called me about that, as stated in my letter of April the 21st, it has been brought to my attention by Mr. Ray Graham, Commissioner of Public Land of the State of New Mexico that an application for the approval of initial particpating area for the Willow Lake Unit No. 3, south half of Section 15, Township 24 South, Range 28 East, was never approved.

This was so stated in paragraph one under my summary of operations.

Mr. Graham is correct because the approval request was sent only to the regional Oil and Gas Advisory Unit, USGS Survey, in Roswell, New Mexico, and see the attached approval request dated February 7th, 1979.

I was informed that the USGS was the only regulatory agency whose approval was needed, and since I had received no correspondence to the contrary, I believed the application was approved. Please accept my apology for I was in complete ignorance as to who was to receive and approve the application.

Q All right.

A To rectify this error, a representative

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of Aminoil USA, a Mr. Coffield, will hand deliver this letter and three copies of the application for approval of initial participating area for the Willow Lake Unit Well No. 3 to the Commissioner of Public Lands, and two copies to the Oil Conservation Commission on Wednesday, April 23rd, 1980.

Q. April 23rd of 1980.

A. Yes, sir.

Q. Now, the participating area -- isn't it true that the participating area surrounding the No. 1 Well was the north half of 22, consisting of 320 acres? Will you also stipulate to that?

A. I believe you're correct.

Q. Okay, and that the participating area surrounding the No. 3 Well is the south half of 15.

A. Yes, sir.

Q. Is that right, 320 acres?

A. Right.

Q. So you've got 600 -- altogether you've got landowners included in a total of 640 acres that are sharing in the production from those two wells.

A. That is correct.

Q. Total. None of the other owners in this unit area agreement are sharing in production from those two wells, is that right?

A. I don't know how to answer that question.

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I really don't know what you're asking.

Q. You don't -- you don't know the answer to that question.

A. Well, wait a minute, I might know, but I don't understand what you're -- what you're asking.

Q. Are any --

A. What are you saying, well what are you saying, is that our participant down here in Section 26 will not participate in the well in 22?

Q. That's one, that's an example of the question I'm asking.

A. Is that correct?

AN OBSERVER: That's true.

A. Okay, that's correct.

Q. So the ownership of acreage, the owners of acreage only within each of those 320 spacing units share in the production from each of those two wells.

A. That's what I understand.

Q. Are you familiar with the ordinary rules of this Commission regarding spacing of deep wildcat gas wells?

A. 320 acres, to my knowledge.

Q. And that's -- and that would be the size spacing unit that would be imposed here, for example, should there be no unit agreement in force for this area, is that right?

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A That's what I understand, yes, sir.

Q Your amendment to your plan of development that you spoke of, the amendment to your original plan of development for 1980, do you have that in writing today? Do you have that in writing, what you're proposing to do insofar as drilling the well in the north half of 23?

A Not in writing, no, sir. I just brought that suggestion to this hearing today for you and Mr. Courtney to hear, as well as the State of New Mexico --

Q Right.

A -- and the USGS.

Q So you're verbally submitting that to the Commission at this time.

A In lieu of drilling the Willow Lake No. 4 A suggestion to --

MR. NUTTER: While you're on that subject, Mr. DeLong, I'll just ask this question.

Have you discussed that with the USGS?

A Discussed it, no.

MR. NUTTER: So in effect if they approve that, they'd have to withdraw their approval of the previous plan of development, I presume, and approve a new plan of development, wouldn't they?

A Yeah. I'm offering it as amendment to pacify Mr. Courtney.

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MR. NUTTER: Yeah, and then you --

A. If this would help.

MR. NUTTER: -- stated that you had ascertained just today that the plan of development had been approved in the State Land Office but hadn't been signed yet, so that would be the original plan of development. You haven't discussed this new alternative plan with them either, then?

A. No, sir.

MR. NUTTER: Okay.

A. I think it will benefit the Willow Lake Unit, as well as Mr. Courtney, if we could do it. And that's why we're offering that for an alternate.

Q. But that's in lieu of drilling the No. 4 Well.

A. Yeah, we'd like to drill there, and what if it's dry. It's going to cost us over $2.3-million to find out, and if it's a good success, if it's a barnburner, in respect, then we might develop three additional wells.

MR. NUTTER: Would it be a unit well or would it be an independent well of the unit, Mr. DeLong?

MR. CARAWAY: That would be my next question.

A. It's within the unit and I'd have to ask for counsel on that because I don't know. I assume that it would be a --

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MR. NUTTER: Would Aminoil drill the well or would Maddox drill the well?

A The Willow Lake Unit will own a little over 40.6 percent. Mr. Maddox will own 37.5, and I believe Sun Oil, or Sun Production, whatever it is, Sun Gas, would own the remainder. We would own a little larger interest but Mr. Maddox would be drilling the well. He has a rig available right now to do it, and we would be more than willing to let him do it.

I don't know what has come up with some conversation with agencies in regard to this. Would that count as a Willow Lake Unit development?

I assume that it would.

Q Maddox is not a party that -- a working interest party that has joined in the Willow Lake Unit agreement, are they?

A No, not to date.

Q And -- but you're fairly certain that they could be authorized to drill a well on this acreage?

A Would he?

Q By -- would Maddox be authorized to drill a well in this unit acreage?

A Yes. Most of us are trying to -- let me -- hold it. Let me ask --

MR. CARAWAY: That's more of a legal

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question in Mr. Coffield's province and --

MR. COFFIELD: Let me speak to that to the extent that I know what the answer is.

We are checking that question and the preliminary answer that we have come up, although we're not completely finished checking, is that it could, providing the appropriate administrative agencies approve that as part of the plan. It could, indeed, be substituted as -- as Mr. DeLong has suggested.

Again, I'll have to say I do not know for sure what the answer is.

MR. CARAWAY: If this Commission approves your verbal offer to do that, you'd be willing to submit a plan in writing, wouldn't you, as soon as possible?

A. Yes, sir.

Q. Would you be willing to submit a plan in writing to this Commission for their review prior to their decision, amending your original plan?

A. What do you mean?

Q. Mr. Coffield will probably advise you on that. My question was would you be willing to submit an amended plan in writing --

A. Yes sir.

Q. -- to the Commission for their review prior to their making a decision on this matter?

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A. Most certainly.

Q. Mr. DeLong, do you have any knowledge as to what percentage of the fee lands in this unit area have ratified or agreed to be bound by the agreement?

A. No, sir.

Q. You do not know?

A. No.

Q. Okay.

MR. CARAWAY: Mr. Examiner, I'm offering the 19 -- and I feel it's highly relevant -- the 1979 Plan of Operation and Development, too, as an exhibit, and I can make a copy here off mine, or if you just want to note it in the record that that was offered as an exhibit and refer to your copy?

MR. NUTTER: Does that have approval dates on the back side, on the second page?

MR. CARAWAY: Does that have what, sir?

MR. NUTTER: Approval dates.

MR. CARAWAY: Yes. Well, my copy just shows approval by the USGS on it.

MR. NUTTER: What is that, the '79 Plan of Development?

MR. CARAWAY: Yes, sir. I'm sorry, I've got the wrong one.

MR. COFFIELD: Mr. Examiner, we happen to

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know that the '79 Plan of Development was approved by the Commissioner of Public Lands on February 1, 1979, so to that extent we have dates.

MR. CARAWAY: That will be fine. I am offering the Plan of Development for 1979 and the approval thereto as an exhibit to this question, Exhibit Two.

MR. NUTTER: Okay, we can make a copy of that. Would you give those dates again, please, Mr. Coffield, that the Department of Interior approved that?

MR. COFFIELD: It shows February 12, 1979, for the Department of Interior, and --

MR. NUTTER: And the Commissioner of Public Lands?

MR. COFFIELD: Commissioner of Public Lands, February 1, 1979, and I do not have the information on the Oil Conservation Division.

MR. NUTTER: That was approved here at 2-2-79.

MR. CARAWAY: February 2nd?

MR. NUTTER: Yes.

Q One other question, Mr. DeLong, why -- why was this plan of development for 1980 not filed until April of 1980 -- or March of 1980? Do you know?

A No, I don't, unless it was just brought to my mind at that time.

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Q And are you aware, again, that language of the unit agreement imposes upon the operator the duty to file a proposed plan of development prior to the expiration of the previous plan? Of development?

A When was that? When was your expiration date on that previously?

MR. CARAWAY: Are you willing to stipulate, Mr. Coffield, that the 1979 Plan of Development expired on December 31st, 1979? I've got that here.

A I'm not aware of that, no, sir.

MR. COFFIELD: That's correct, it does expire --

MR. CARAWAY: You will so stipulate?

MR. COFFIELD: Yeah, you are -- it expired December 31st.

Q You don't know why it took your company four months to file a plan of development for this year?

A Why it took me.

Q Why it took you four months?

A That's right, yeah. No, sir, I can't remember, that's to the best of my knowledge.

Q You weren't aware you were under an obligation to file it for approval prior to the expiration of the previous plan for development?

A The only thoughts that come to my mind

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is that I assumed it to be in the first quarter of the -- of the following year.

I don't have a good answer to that.

MR. CARAWAY: We'll pass the witness at this time. If the Examiner has any questions.

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

MR. COFFIELD: I have a couple of points I think maybe we'd like to have clarified here.

REDIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. DeLong, in your involvement with this unit or units of this type generally, are you aware of the procedures that must be followed in order to obtain the designation of participating area?

A I'm learning more about them all the time.

Q But are you aware of all the details? Specifically what I've got in mind is do you know who, say, besides the operator of the unit is involved in the determination of participating area?

A No, other than the USGS and the two State Agencies, of New Mexico.

Q So that you know there are other parties. It is not simply not an action alone by Aminoil, is that

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correct?

A That's right, I know now, yes, sir.

Q In connection with the observation or the questioning by you by Mr. Caraway relative to this 1980 Plan of Development if it's approved, you could conceivably have one well within 3-1/2 years, likewise, is it true that if you drill, let's say, the well in Section 23, you might also by virtue of change in conditions, very well drill the No. 4 Well within the same period of time?

A Yes, sir, we have a chance to do that.

Q So you could then in fact have two wells instead of the one which Mr. Caraway has mentioned?

A That's -- that would have to be contingent on the success of the Maddox well.

Q Yes, that's what I'm saying. It's a possibility.

A Yes, sir, sure is.

Q Generally speaking, would you say it's prudent for an operator to drill wells, a well or wells, if there is no reason to believe that the reserves are there to justify the well?

A No.

Q Were the wells which were drilled during the period of time in question by Mr. Caraway, were they drilled and justified by way of geological, best geological

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information that was available at the time?

A. At that time, yes, sir.

Q. It was noted, I think, in Mr. Caraway's examination of you, that every time that you referred to these prior wells were Morrow tests. Why were they not Atoka tests?

A. The Atoka is a zone developed above the Morrow, and you can penetrate the three productive sands out there, the Strawn, Atoka, and the Morrow, to fully evaluate the acreage.

Q. Does Aminoil generally prescribe to the orderly development of the unit area?

A. Yes, sir.

Q. Therefor, would it be safe to say that even though there may be a large amount of acreage that's held, that that factor alone, the fact that there's a large amount of acreage unproductive or not drilled upon, justify some sort of a rapid drilling program?

A. Would you state that again, Connie?

Q. Yes, would the fact that you have a large amount of acreage in a unit to which production is not attributable, would that factor alone justify in the sense of a prudent operator --

A. No, it wouldn't.

Q. -- a rapid development program.

A. Not the amount of acreage.

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Q In fact, might such a fast development program actually cause waste and do damage to the reservoir?

A If we drill one dry hole up there in the Willow Lake 4, we wouldn't want to participate in any more.

Q My point is, though, if you were to go ahead and punch down a number of holes all over, say, the 4800 acres, or however many we have, could that not conceivably cause waste and actually do damage?

A Waste, yes.

Q Okay. Mr. Caraway has noted that there are all kinds of acres in this unit which various interest owners are not participating in the share in production from the two producing wells within the unit area. Is it within Aminoil's power to have the interest owners in the outlying areas of the unit actually participate in the royalty allocations from the two producing wells?

A None that I know of.

Q Okay.

MR. COFFIELD: I don't have any questions.

MR. CARAWAY: I have a few on redirect, Mr. Examiner.

MR. NUTTER: All right, try to make it short, if you would.

MR. CARAWAY: Yes, sir. Yes, sir, Mr. Nutter.

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RECROSS EXAMINATION

BY MR. CARAWAY:

Q Now, did I understand your testimony to be if you drilled a dry hole in 14 you would drill no further wells in this unit area?

A We'd have to completely re-evaluate our geologist's interpretation.

Q Does that mean you --

A Of the same channel, of the production data, of cost per well. That's what justifies a location, if we can make any money, not just to hold 4800 acres.

Q Well, if you, Mr. DeLong, --

A We're honestly trying to develop that Willow Lake Unit economically.

Q If that decision were made by the company then you would -- your company would be willing to release this leased acreage, too, is that right, not sharing in this -- or if the primary terms of said leases which have expired?

A Run that by again.

Q If your company made that decision to drill no further wells in this unit area, then any leases which were held solely by the language of the unit area agreement would be released, is that right?

A. If we decide not to, that is correct.

Q. If you decide not to drill any further wells.

A. Sure, we'd give up the unit.

Q. Now --

A. But that's a big if.

Q. But they would be released if your company did make that decision.

A. That's correct.

MR. CARAWAY: Mr. Nutter, I need information from your file. Would you please advise for the record what the date was when the plan of development for 1980 was received by agency from Aminoil?

MR. NUTTER: The plan of development for 1980?

MR. CARAWAY: Yes, sir.

A. I've got that in my letter.

Q. Okay.

A. Mr. Coffield hand delivered that on Wednesday, April the 23rd, 1980.

Q. So it was April 23rd, 1980, when --

A. Yeah, I believe it is, let me see. The Plan of Operations and Development was received April the 4th, 1980, by the US Geological Survey; also you may note, this is on Exhibit Two-1, we also addressed to the Commissioner

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of Public Lands, State of New Mexico, and Oil Conservation Commission. So there on about April the 4th is when they received it.

Q. April 4th of 1980. Okay.

MR. CARAWAY: I don't have any further questions, Mr. Nutter.

MR. NUTTER: Did you have any further redirect, Mr. Coffield?

MR. COFFIELD: No, sir.

MR. NUTTER: Are there any further questions of the witness? He may be excused.

MR. NUTTER: We'll have a short recess.

(Thereupon a short recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Caraway, do you have anything to say?

MR. CARAWAY: Yes. I was conferring with counsel for Aminoil, Your Honor, and we will not call Mr. Thagard as a witness. In lieu of his testimony we do have a stipulation to announce to the Commission, but there is within the original boundaries of the unit area 1960 acres of fee lands, only 440 acres of which were ratified or com-

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mitted to the unit area. I don't know what that computes in terms of percentage, or not. We don't have a calculator and we can't make any stipulation to that at this time. You can compute it, I'm sure.

MR. NUTTER: 440 out of 1960?

MR. COFFIELD: About 22 percent.

MR. NUTTER: 22.44898 percent.

MR. CARAWAY: That figure, then will be the percentage of fee lands committed to the unit area out of the total number of fee acres.

And we also are willing to stipulate that Mr. Courtney is one of the parties who executed an instrument of ratification, the legality of which, or the legality of which is being seriously questioned, or questioned right now in a Federal court lawsuit.

MR. COFFIELD: And Mr. Courtney is one of the 440 acres of fee lands that did, as you said a few minutes ago, that did ratify.

MR. CARAWAY: Did execute an instrument of ratification.

MR. NUTTER: And you're stipulating to those figures and those facts in that stipulation then.

MR. COFFIELD: We will so stipulate.

MR. NUTTER: Okay. We call Mr. Felton Courtney to the chair.

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MR. NUTTER: I believe Mr. Courtney is already under oath.

FELTON W. COURTNEY

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

DIRECT EXAMINATION

BY MR. CARAWAY:

Q. Would you state your name and address, please?

A. My name is Felton W. Courtney, Carlsbad, New Mexico.

Q. All right, and Mr. Courtney, are you the party that is objecting to this 1980 Plan of Development that has been submitted by Aminoil?

A. Yes I am objecting to it.

Q. And I am referring in this question to the original plan of development that they've submitted, dated March 21st, 1980.

A. Yes.

Q. All right, and to your knowledge was that the only plan of development that they had submitted prior to their verbal representation today at the hearing?

A. To my knowledge that is the only plan

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of development that they have submitted to anyone.

Q All right, and Mr. Courtney, do you have one or more objections to the plan of development that's been submitted by Aminoil about which there's been substantial testimony today?

A I think I have several objections.

Q All right, and would you go ahead and state in your own words the substance of your objections to the plan of development that's been submitted by Aminoil?

A I'd like to start at the beginning here on this entire hearing.

This hearing was scheduled to cover the Willow Lake Unit. Heretofore we have objected -- injected many other areas and things which does not even belong into this hearing, is my belief. So --

Q What specifically is that you're talking about, Mr. Courtney?

A Wells which were drilled out of this area that have nothing to do with the Willow Lake Unit agreement, or plan of development approval. It has no part of this hearing, is what I'm contending. Okay.

Q Go ahead, sir.

A So that portion's out of the way.

Now, on all of the plans of operations and developments in this Willow Unit, starting from the be-

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ginning and up to and including the 1980 one, Aminoil does inject into here what they refer to as modifications, which is such a broad thing, they can do anything or delete anything for any reason whatsoever, and they have not went to the trouble to follow the rules and regulations to get the Commission's approval for these changes or omissions, and I take the attitude that they have done nothing.

So this statement applies to their general operation, that they can, by their own testimony here today, they can have good intentions; they can have errors, omissions, and outside items which they have no control over, and that gives them an excuse to just go ahead and not do anything or to not get the approval of this Commission.

Now --

Q. Mr. Courtney --

A. Yeah.

Q. -- are you speaking of specifically anything? For example, in 1979, anything that didn't happen or did happen in 1979?

A. Well, they specifically have stated that they were going to drill a well, which they didn't, but they today offer some kind of excuses for this thing.

Now, when they come into this hearing with some verbal promises on to an amended plan of development and some other -- insinuating some verbal promise to me to

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attempt to pacify me in connection with this 40-acre tract, which if I had not been dealing with them on their verbal promise, I would not have ratified the agreement to begin with; therefor, I wouldn't even be here or be involved in this because I would at this date have no dealings or be involved with Aminoil in any manner whatsoever.

Q What -- just briefly, Mr Courtney, what promise was this you're talking about? By which you originally got involved?

A Aminoil specifically, verbally told me that when the No. 1 Well was completed they would move directly onto my land and drill a well. That is the basis on which they induced me to sign this ratification of this unit agreement to begin with.

Q Now going on, Mr. Courtney, would you continue to elaborate as to your reasons, if any, why you're -- why you feel that this plan of development they've submitted is not appropriate?

A Are you talking about the present 1980 plan, which that I have here?

Q Yes, sir.

A This 1980 plan that I'm looking at here that they have submitted here, does not state specifically, state that they're going to do anything. It does say that they have plans but they still say that they're trying to work

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out clearing of a title, so if they don't get the title cleared, then that's the only excuse they need to do nothing.

Q. In your opinion have they been dilatory in any way in developing this area as a reasonably prudent operator?

A. It is my opinion that they have not developed it as they implied that they would in the unit agreement.

Q. Do you feel that by their -- by their -- by what development that they have done in this area, have they -- do you feel that they have protected the correlative rights of the landowners in the area?

A. It is my feeling that they have completely ignored anybody's rights, the landowners, the Commission, and everybody else, by their own submissions here that they've made themselves.

Now, they do further imply here today, verbally, that they are going to concede to me of the abandoning of one of their plans, and they've going to join Maddox in drilling here in this north half. But it is my opinion that they are not conceding anything whatsoever to me, but they are being forced to do this because of this pending lawsuit that I've brought and because Maddox is the one that wants to drill this well.

Q. Go ahead.

A. All right. What would we like to know

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next here?

Q. Now, do you feel like they have -- have you reviewed the unit area agreement prior to this hearing?

A. No, I haven't.

Q. All right, so you're not in a position to say one way or the other whether or not you feel like they've complied with the provisions of this unit agreement? Insofar as -- as they drilling obligations are concerned?

A. It is my feeling that they have not fulfilled their obligation in this drilling agreement and have proceeded with the development as they implied that they would in the beginning.

Q. Did I understand you to say you don't feel that they have proceeded with the development as --

A. That's right, I do not feel that they have. It is my feelings that even today they would not be actually doing anything if they were not either forced to do it by Maddox or by this Commission or some other force. It is my feeling that they would set right there and continue to watch the No. 1 Well and watch their No. 3 Well, and that's all they're going to do is watch it as long as they can hold all of this acreage and do nothing except watch.

Q. Okay.

A. That's my feelings.

Q. Are you one of the private landowners --

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A. Yes, I am.

Q. -- in this Willow Lake Unit?

And you own 40 acres of land in the northeast of the northwest quarter of Section 23?

A. North -- give me that description again.

Q Northeast quarter of the northwest quarter

A. I would say yes here, based on all maps and everything else --

Q You do own some lands inside the unit area?

A. Yes. I'm not running this thing out.

Q What -- what -- do you have an opinion as to what, if anything, that this Commission should do insofar as this submitted plan of development?

A. Yes, I do have. I would respectfully like to ask this Commission to not approve a 1980 plan of development for Aminoil and I would further ask this Commission to withdraw any previous approval that they have made of the Willow Lake Unit.

Q Well now, Mr. Courtney, you do, of course, want a well drilled on a location which includes your acreage, do you not?

A. True; that's -- that's true.

Q Well, do you feel like they ought to drill a well in the north half of 23 sometime this year?

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A. Well, now they have -- they have verbally here indicated that they would drill this well, but then they still said they are not going to drill a well, that Maddox is going to drill the well.

Q. All right, do you think that they should also drill a well in the southwest quarter of 14 this year?

A. They -- they would be obligated to drill that well based on commitments that they have previously made. Now some of these escape clauses that they have in their plans of development and operation let's them out of that because this would be, if they go into this north half of 23, I can see where it would be reasonable that nobody could reasonably ask them to drill a well here and immediately drill one here and here, I mean, all at the same time if they haven't got the rigs and facilities and all the things it takes in order to drill this well.

However, I do think in connection with that statement they are far behind with the drilling development of this unit.

Q. So you feel they ought to drill more than one well in 1980.

A. I sure do.

Q. Now, Mr. Courtney, have you instituted legal action against Aminoil which is now pending in the Federal court of New Mexico?

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A. Yes, I have. Now, Aminoil has chose to ignore me up until, and taking all of the time they could possibly take dragging their feet, they eventually had to answer my suit complaint, which they took the full time. Now, in the meantime, they would not answer a letter. They would not say one word, and I would say, it is my opinion, that even today they are still going to drag their feet on this thing and they're not going to move any faster than they have to, and this development that has recently occurred here with Maddox may be the only one thing that's going to make them move.

Q. Mr. Courtney, as one of your counts to your complaint, did you through your attorney make allegation that they had not developed the area as a prudent operator?

A. Yes.

Q. And did you also state that they had not fulfilled their drilling and operating obligations under the Willow Lake Unit Agreement?

A. Yes.

Q. Do you have anything else that you want to add to your testimony?

A. I feel like that possibly before this Commission, that I may have said here all that is appropriate to say here. Any further things I believe would be more appropriate to be stated in the Federal court than to be stated

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here.

I'm talking about items which maybe this Commission has no control over.

Q. Do you feel that certain items that are relevant to your lawsuit --

A. Yeah, right.

Q. -- that are not relevant before this Commission?

A. I think so.

Q. Okay.

MR. CARAWAY: I'll pass the witness. Do you have any questions?

CROSS EXAMINATION

BY MR. COFFIELD:

Q. Mr. Courtney, do you -- do you have any scientific background relative to oil and gas operations and development?

A. Oh --

Q. In other words, are you a geologist or a petroleum engineer?

A. No, sir, I am not.

Q. Or have you been an oil or gas operator?

A. No, I have not.

Q. So you do not have any practical experience

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as far as yourself is concerned, relative to the operations of oil and gas properties?

A. That is correct. I have not, sir. Now, I -- I'm not drilling, and I'm not taking any position as a geologist in this whole matter. I am a landowner. I'm just talking about 40 acres of land.

Q. Okay. Mr. Courtney, have you ever previously objected to any of the prior plans of development up until the one for 1980?

A. I have never seen or had in my possession any plan of development until a few days ago. So I had nothing to object to because I hadn't seen anything.

Q. So the answer is no?

A. That's right.

MR. COFFIELD: I have no other questions of Mr. Courtney.

A. Yes, sir.

REDIRECT EXAMINATION

BY MR. CARAWAY:

Q. Mr. Courtney, did you previously execute an oil and gas lease concerning your 40 acres of land down there?

A. With Burma Oil, I did execute a 5-year lease with Burma Oil and Gas and that --

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Q Has the primary term of that lease expired?

A Yes, that lease was primary for a 5-year term, which it did expire on I'm going to say February the 25th of this year.

Q Okay, and had there been any drilling operations on your lands or lands with which they've been pooled?

A And it is -- it is my contention that Aminoil no longer has a valid lease on my land.

Q All right. That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Courtney, it's not material to this case, I don't think, and won't be given any weight in consideration of the case, but what is the nature of your suit against Aminoil in Federal court?

A My original complaint with Aminoil was to furnish me with a release which I could record which would put all people, the public, on notice that this lease had expired. They completely ignored me. I couldn't even get an answer out of them on that, and I -- and after I wrote them, they still refused to answer, and the first thing that they ever answered was an answer to the lawsuit complaint, which they had thirty days in which to answer that, and they

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took it, I'll loosely say they took it all. I'm not talking about dates. They might have been 28 or 29 days involved on that thing.

MR. CARAWAY: Mr. Nutter, I tender Exhibit Four for the record, which I've conferred with counsel for Aminoil and he has no objections. That is a copy of the suit instituted against Aminoil by Mr. Courtney, a certified copy, by the way, and it was originally instituted in the District Court of Eddy County, and since been removed to Federal court. The exhibits are not attached to it, the copy, because we didn't feel it was necessary. Well, the first Exhibit A is the oil and gas lease. We didn't feel that was pertinent to the Commission's hearing.

Exhibit B is the unit agreement. They're referred to in the body of the Complaint and that exhibit the Commission already has.

So that's the Complaint itself less exhibits.

MR. NUTTER: So in effect the court action is to cancel the lease.

A No, the court action -- no, the court -- the court action is not cancel, and I don't contemplate that it will be cancelled unless that some agreement might be reached.

MR. CARAWAY: All right.

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A That would be my line of thinking on that.

MR. CARAWAY: I think it's clear, Mr. Nutter, that -- that there's just a whole lot about this whole proceedings, as well as the general nature of this thing, that Mr. Courtney doesn't quite understand. There's some things that I don't understand about this exhibit that Aminoil introduced today. I have no geologic training myself, nor engineering, but the suit does speak for itself and it contains five counts to it, and the basic relief asked for is a rescinding and cancellation of the lease and ratification of the unit agreement, and for damages.

MR. NUTTER: Now, this is your Exhibit Number Four, is it?

MR. CARAWAY: Yes, sir.

MR. NUTTER: All right, then do we already have your copies of Exhibits One, Two, and Three?

MR. CARAWAY: You made Xeroxed copies, did you not?

MR. CARAWAY: Yes, sir, I did. Okay, here we go; here's One, Two, and Three. Next time I'll bring copies of my exhibits beforehand.

MR. NUTTER: Okay.

MR. CARAWAY: Here's One, Two, Three, and Four.

MR. NUTTER: Order No. R-4954 is Courtney

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Exhibit Number One, Case Number 6982.

MR. CARAWAY: Mr. Courtney, that's all the questions of you. You can sit down --

MR. NUTTER: Are there any questions of Mr. Courtney? He may be excused.

MR. CARAWAY: Is there anything else you want to add?

A I can't add; I could only repeat.

MR. CARAWAY: Okay.

A So I won't add anything. I would only repeat.

MR. NUTTER: Mr. Courtney may be excused.

MR. CARAWAY: Mr. Nutter, I have only a very few brief remarks in conclusion.

MR. NUTTER: Go ahead, please.

MR. CARAWAY: Mr. Nutter, we do not feel that this unit area has been developed by Amoco with reasonable diligence and at a reasonable -- and in accordance with the standards of a reasonable prudent operator. They have drilled three wells in this entire unit area since the date of inception. The last well -- the last well, the commencement of which was in December of 1977. It's been an excessively long time since any of these wells were drilled and proposing before this Commission that they're just going to drill one more well in 1980, we don't feel is sufficient development.

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They've evidently got an amended plan of development that they've verbally expressed to the Commission, and it's our understanding that -- that they're going to submit in writing to confirm this, and based on the 4800 acres committed to this unit, there's 4480 acres out of that entire area that is not sharing in the two producing wells. There's 640 acres out of that entire area that's sharing in the two, and only two wells. 4480 acres is not getting anything and this area has been in force since February 15th of 1975. It's been in existance for in excess now of five years, and we've got two wells and 7-1/2 sections of land.

Now the geological argument and so forth is appealing, but insofar as that goes, they still, if they're going to perate and hold all these lands in an official area concept, they're going to have to drill more wells than they've done, as a reasonably prudent operator.

They have not protected the correlative rights of the landowners in that area by their failure to adequately and reasonably develop.

And, of course, the correlative rights of the landowners must be enforced also. That's provided for in that the Examiner hung his hat on so far in overruling my jurisdictional motion. Correlative rights have not been protected and they -- these participating areas are the same size participating areas that would be for deep wildcat gas

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if there hadn't been any unit area.

So it is a very harsh proposition on landowners, and this unit area agreement, if you will take leave to review it again before you make your decision on this matter, is a very unfair agreement, very adhesive type agreement, if I may use that word, and it's long, contradictory -- I've read that thing now no less than half a dozen times and I still don't know what it says in many areas.

As to the agreement itself, has breached the terms, express terms of that agreement, and the breach, we feel, is sufficient to authorize this Commission to withdraw its entire approval of this unit agreement.

You'll note in your order of the Commission, dated 1975, it states specifically the Commission retains jurisdiction in this matter for further proceedings, and you can withdraw your approval of this unit agreement, and we ask your leave to do so.

If they're going to say in this agreement, and this is a reason for their plans of development, they submit a plan of development, if it's approved, they're supposed to live by that strictly, because that constitutes their exclusive drilling obligations in this area. If they don't live by that, then they have breached the agreement in the most fundamental and -- and harmful way insofar as correlative rights of the landowners.

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We come along here, they didn't do anything in '79. They said, well, we were running around trying to put things together with somebody that wasn't even a working interest owner in this unit area. We were running around trying to put things together with Adams Exploration, and lo and behold, when the end of the year came about, November, December, we found out that they just weren't willing to do what they said they were going to do originally. They weren't willing to commit themselves to agreeing to a proration unit to cover the west half of Section 14.

They didn't notify this Commission or any other agency of that. They didn't file a modified plan of development, as they're required to under that paragraph 10. We didn't know anything about what they had done or not done in 1979 until they come along in April of this year and file a plan of development for 1980. The last month of the first quarter they file a plan of development for this year. And again, they're obligated under paragraph 10 to. Take a look at it again in reaching your decision. They're obligated in that paragraph to submit the plans of development prior to expiration of the previous plan of development.

So, theoretically, everybody, including the private landowners, will know what their development perspective is for that year and according to the unit agreement everybody will know what is supposed to be their drilling

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obligations for that year. And they haven't done it and one well -- of course, Mr. Courtney and I both, wouldn't hesitate for a minute in saying that we want a well drilled on acreage which includes his 40 acres. We'd be fools to contend otherwise.

But speaking as well for other landowners in this unit, one well as they're offering to drill, even if it's in the north half and includes Courtney's acreage, one well in 3-1/2 years, that is not reasonable and prudent development.

If the geology is such, if it's oppressive and even shows them that they can't -- you know, it's uneconomical to drill this well here and uneconomical to drill here, that all looks dark and bleak on the horizon, then they ought to dissolve this unit and let these landowners go. Otherwise if they fail to do that, this Commission needs to impose a higher burden on them than they're offering to do and that they have offered to do here today.

Thank you very much.

MR. NUTTER: Thank you. Mr. Coffield?

MR. COFFIELD: If it please the Examiner, first of all, the sole question before the Division, of course, is the approval or not of the 1980 plan of development.

Mr. Courtney's problem is -- I imagine it can best be characterized as a glorious case of 20/20

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hindsight relative to his joinder of the unit a number of years ago. His distress in this regard certainly does not endow his feelings that Aminoil is not diligent with respect to their unit operations and so forth with any validity whatsoever.

With regard to our 1980 plan of development -- well, first of all, our development throughout the history of the unit, we feel has been entirely prudent and our operations out there were precisely what a prudent operator would engage in, considering the geology as it was known at the time, as all of that was brought out by our witness.

Now, relative to the 1980 plan of development, Aminoil has obtained the approval of the USGS. They've obtained the approval of the State Land Office for the State of New Mexico. Aminoil has further justified geologically its 1980 plan of development as a reasonably prudent operater here this afternoon.

Mr. Courtney has not submitted any expert witnesses whatsoever or scientific testimony in rebuttal with respect to those points.

Accordingly, we feel that we have overwhelmingly sustained the burden of proof that Aminoil's 1980 plan of development is a proper plan. It should therefor be approved by the OCD, as it has been by the USGS and by the State Land Office for the State of New Mexico.

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MR. NUTTER: Mr. Coffield, I'd like to ask you, will, in accordance with the testimony of Mr. DeLong, will an amended plan of development be submitted including the well in Section 23, in writing?

MR. DeLONG: Yes, I can give that in writing. We'd like to have a little something from Mr. Courtney agreeing that that would be -- suffice for his argument against us.

We would go ahead and amend the agreement that we have presently with the -- operating plan of development, excuse me, and stating that we will participate with Mr. Maddox in lieu of drilling Willow Lake 4.

MR. NUTTER: Now what do you want from Mr. Courtney?

MR. DeLONG: Well, I don't like to see us get involved with acreage that he's threatened to take away from us, and if he would agree to the amendment, why, we can get about our rat-killing and go ahead and get that well drilled, and we should have it drilled within four months.

MR. NUTTER: Are you suggesting that in order to -- for you to submit this as an amended plan of development that he'd have to withdraw his court suit?

MR. DeLONG: I don't believe that's -- no, that's not what I meant, I offered that as a suggestion that Mr. Courtney --

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MR. COFFIELD: Mr. Nutter, I believe under the circumstances, it would only be appropriate to stand on the plan of development as it is now submitted, interjecting this suggestion by Mr. DeLong, that could be amended. It was just that. I believe there was a suggestion of a possibility of going this way, and I believe the way matters now stand, it hopelessly confuses things if we try to submit here an amendment at this hearing; we're talking about the 1980 plan of development as it stands now. That's the one that we're supporting. We're not trying to support an amendment to the plan of development, although it's obvious through our testimony, it also supports that.

MR. NUTTER: Well, it appears to me just by looking at the 1980 plan of development which contains the modification paragraph, as have the others, and looking at the possibility of seeing Maddox drill a well because he's got a bunch of short-fused leases that are about to expire, that could well be a more positive answer than the 1980 plan, because the 1980 plan states that it's understood that this is all subsequent to lots of things that might happen, and as Mr. Courtney testified, things that might happen might end up with no well again in 1980, as there was no well drilled in 1979.

So I would kind of like to see a plan of development include the more positive -- more positive of these

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two prospects that we've got.

MR. COFFIELD: Okay.

MR. NUTTER: From what I've heard so far, it sounds like the well in 23 is more positive than the well in 14.

MR. COFFIELD: Well, we can and will submit an amendment to the plan of development for 1980.

MR. NUTTER: You could put it in terms like this: that if one well is not drilled, the other one would be drilled.

MR. DeLONG: Yes, it's not economically feasible to participate in both wells at the same time.

MR. NUTTER: No, but if one well isn't drilled, then the other would be.

MR. COFFIELD: I think we could submit a plan of development with that kind of an alternative.

MR. NUTTER: For calendar year 1980.

MR. COFFIELD: 1980 plan, yes, sir.

MR. DeLONG: The Willow Lake Four would be contingent this year upon the success of the Maddox Well in Section 23.

MR. NUTTER: Or upon the failure, that well would be drilled.

MR. DeLONG: Right.

MR. CARAWAY: But that again imposes upon

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them only the obligation of drilling one well in 1980, and --

MR. NUTTER: Well, I think when you're talking about -- when you're talking about wells that cost 2-1/4 million dollars, I don't think you're going to see very many units that have more than one well drilled per year, because it takes a long time to get a payout.

You've had -- you mentioned awhile ago you had two wells drilled here. You had one dry hole drilled that cost 2-1/4 million dollars, too.

MR. CARAWAY: Right, correct; right.

MR. NUTTER: And one well that paid out and the other one hasn't paid out, so you've only had recovery of the drilling costs on one out of three wells.

MR. CARAWAY; Yes, I'm aware of that.

MR. NUTTER: It's expensive drilling.

Does anyone have anything further to offer in Case Number 6982?

We'll take the case under advisement and the hearing is recessed until 9:00 o'clock tomorrow morning, same place.

(Hearing concluded.)

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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.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6982 heard by me on 8/6 1980.

, Examiner
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/ Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6982

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
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For the Applicant: Conrad E. Coffield, Esq.
HINKLE LAW FIRM
P. O. Box 3580
Midland, Texas 79701

For the Protestant: John Caraway, Esq.
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Carlsbad, New Mexico 88220

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MR. NUTTER: We'll call next Case Number 6982.

MR. PADILLA: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

MR. COFFIELD: Conrad Coffield with the Hinkle Law Firm of Midland, Texas, appearing on behalf of Aminoil USA.

I have one witness.

MR. CARAWAY: Mr. Nutter, John Caraway of the law firm of McCormick & Forbes in Carlsbad, appearing on behalf of Mr. Courtney, who has filed an objection to the Plan of Development, and I would point out to the Examiner that we do have an argument to present concerning jurisdiction of the Division in this case to approve or disapprove of this Plan of Development.

We would submit that this jurisdictional argument be, as a matter of order in the hearing, be taken first, and then if the Examiner desires to hear testimony on the merits from the -- from Aminoil USA, we could proceed on the merits at that time.

MR. NUTTER: If there's a question of jurisdiction, we'd better hear that argument first and then

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we might not have to hear the rest of it.

MR. CARAWAY: If I have not introduced him yet, Mr. Courtney is the gentleman sitting there in the tan suit.

May I proceed?

MR. NUTTER: Please do.

MR. CARAWAY: Mr. Examiner, we, Mr. Courtney contends that the Oil Conservation Division had no original authority to approve the Willow Lake Unit Area agreement, as was done by Order No. I believe it's 5601 -- as was done by Order No. 5401, dated January 22nd, 1975, and we also contend that the Division has no jurisdiction to approve or disapprove of this Plan of Development for 1980, nor did the Commission have jurisdiction to approve or disapprove any of the plans of development for previous years.

We first direct the attention of the Examiner to the Willow Lake Unit agreement itself. I believe the Examiner has two -- do we have the entire file in here, Mr. Padilla?

MR. PADILLA: I believe so.

MR. CARAWAY: Okay, Mr. Nutter may desire to follow along with me on some of these, as to the portions of the agreement referred to.

Now I call your attention to the first page of this agreement. Well, following the table of contents,

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the first page of the body of the agreement.

I direct your attention to line 28 of the first page, which states that whereas the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature, cited as Article III, Chapter 65, Volume 9, Part II, 1953 Statutes, to approve this agreement and the conservation provisions hereof.

The operator in this agreement has cited the entire act. That is not a specific provision of the act. That is the entire act, I believe it's cited Oil and Gas Act, if I may have just a moment.

Yes, that is the Oil -- that's the entire Oil and Gas Act.

Now, we contend there's nothing specific in that act that authorizes the Commission to approve an agreement providing for the operation of a unitized area. The citation, by the way, for the record, of that act is 70-2-1 et sequence of the 1978 compilation.

At the time this agreement was formulated it was 65-3-1 of NMSA 1953.

As the Examiner is well aware, there are a number of specific powers conferred in this act upon the Oil Conservation Commission, or Division, I should say now. That is cited as 70-2-12, New Mexico Statutes, 1978. There is a number of enumerated powers there, none of which includes

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authority to approve or disapprove of a unit area agreement.

There are approximately eighteen itemized paragraphs setting forth the specific authorities of the Commission under enumeration of powers.

Now, the Statutory Unitization Act was passed by the Legislature in 1975 and it did not contain any emergency clause, so it actually commenced its validity for all purposes on or about July 1st, 1975, which would have been ninety days following the adjournment of the Legislature. This Statutory Unitization Act, we contend, gave implicit recognition to the fact that the Division had no powers to approve or disapprove unitized management prior to the date of the 1975 Act. This Act, according to section, the first section, 70-7-1, 1978, applies only to secondary or tertiary recovery operations. It does not apply to exploratory units.

For the information of the Division, we quote 70-7-1: "The Legislature finds and determines that it is desireable and necessary under the circumstances and for the purposes hereinafter set out, to authorize and provide for the unitized management, operation, and further development of the oil and gas properties to which the Statutory Unitization Act is applicable, to the end that the greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the Legislature that

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the Statutory Unitization Act apply to any type of operation that would substantially increase the recovery of oil above the amount that would be recovered by primary recovery alone and not to what the industry understands as exploratory units.

I think it's already been established before the Commission at the original hearing on the unit area agreement itself that this was indeed an exploratory unit. The Willow Lake Unit was an exploratory unit and as there was no established field or pool in the acreage consumed by the unit area.

Of course, the next section of the Act specifically listed jurisdiction in the Division to enforce the provisions of the Statutory Unitization Act.

Now some may argue that the Statutory section authorizing the Division to quote unquote do what is necessary to prevent waste and protect correlative rights may give this Commission the broad powers to approve or disapprove these unit plans, but we submit that the passage of this Unitization Act is direct testimony contrary to that interpretation. Additionally, that is a very general section and as the Examiner is well aware, immediately following that section are the specific enumeration of powers sections, none of which again contain power to approve of these exploratory unit agreements.

Now, we contend that -- well, let me back

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up a moment. We don't contend for a moment there is not proper authorization in the Federal statutes for the government to commit their lands, or in the State statutes for the State to commit their lands, but we do, and we are advocating that there are serious problems here insofar, jurisdictional and authority problems, insofar as the Division approving an agreement for an exploratory unit.

Now we contend that the only way that the fee lands could have been properly unitized in this area would be a voluntary commitment of 100 percent of the fee title owners in the area. That would have been the only way for the entire fee lands to be unitized.

By analogy, not by application but by analogy, we would point out the pooling statute. Now this, of course, as the Examiner is aware, provides for both voluntary pooling and forced pooling. We've seen a number of forced pooling applications in here today. This is the -- again, this is pooling for production of oil or gas in what is commonly known as a proration unit, but by analogy, Section 70-2-17 NMSA 1978, provides that the -- as far as pooling goes, if there's going to be a proration unit voluntarily pooled, it's got to be all of the interest owners in that unit that voluntarily pool their lands for drilling or production purposes.

Now I cite that by analogy because that is pooling and here we're exactly or more specifically speaking

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of unitization, but I feel the analogy is persuasive and we feel that all of the fee title owners in the Willow Lake Unit Agreement would have had to voluntarily consent for the lands for the fee lands to be properly unitized.

Now there is a regulation which the Commission has providing for unitization and you're well aware of it, but for the record it's Rule 507, Rule 507, Unitized Areas is the caption. After petition and notice of hearing, -- after petition and notice and hearing, excuse me, the Division may grant approval for the combining of contiguous developed proration units into a unitized area.

Now we urge that that's talking about a field approval and it is not directed at exploratory units. We feel that the -- if the Commission had such a regulation providing for exploratory units of wildcat acreage, then that would definitely be an argument against us, because at least it would be an interpretation by the Commission that that's the applicable statute authorizing them to pass a regulation or adopt a regulation pertaining to exploratory units.

It will be established here today that no greater than 25 percent of the fee lands in this unit area -- let me restate that.

It will be established that the owners of no more than 25 percent of the fee lands in the Willow Lake Unit area voluntarily ratified or agreed to be committed to

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the unit. That, I don't have the document before me, but I believe that your records contain some correspondence from Aminoil wherein which they stated that a far greater percentage of fee lands, of fee land owners, would ratify or agree to be bound by the unit than actually occurred.

Now finally, as to the jurisdictional argument, paragraph 10 of the Unit Agreement itself, page 9, paragraph 10, recognizes, we contend, that the Oil Conservation Division has no power to approve a plan of development. I quote the language: "Within six months after completion of a well capable of producing unitized substances in paying quantities," this is within six months from the developmental well, the unit operator shall submit for the approval of the supervisor and the Commissioner, that's oil and gas supervisor of the Geological Survey for Federal lands, and Commissioner for State lands, the supervisor and Commissioner an acceptable plan of development and operation for the unitized lands, which when approved by the supervisor and Commissioner shall constitute the further drilling and operating obligations of the unit operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, will also be a point we desire to make today concerning this 1980 Plan of Development, thereafter from time to time before the expiration of any existing plan, the unit operator shall submit for the approval of the supervisor

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and the Commissioner a plan for additional specified periods for the development and operation of the unitized land.

Our conclusion as to a jurisdictional argument is the Commission's approval of the Willow Lake Unit Agreement is without jurisdiction or force and by the same stretch of argument, this Commission has no authority to approve or disapprove of the Plan of Development which they've submitted for 1980, nor did the Commission have the power to approve or disapprove of any of the Plans of Development submitted for previous years.

MR. NUTTER: Mr. Caraway, it appears to me you're making a collateral attack on Order No. R-4954, which is dated January 28, 1975.

Be that as it may, do you have anything to say, Mr. Coffield?

MR. COFFIELD: If we can have just a minute, please.

MR. CARAWAY: I should also like to further point out that we feel that the law of the State is such that if an order entered by an administrative agency or any court is void as being without jurisdiction, that order of course, may be attacked at any time in the future, collaterally or otherwise.

MR. COFFIELD: Yes, Mr. Examiner, I've got a few observations here.

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Mr. Caraway is attacking this, obviously, on a couple of different fronts; one being the statutory authority and the other being the terms of the unit agreement itself.

First of all, with respect to the statutory authority, it may be true that the statutes do not specifically speak about the approval of unit agreements, exploratory unit agreements, by the Oil Conservation Division. But pursuant to the provisions of 70-2-11 the Division is in the strongest sort of language, not only empowered, but required to take such actions as are necessary for the prevention of waste and the protection of correlative rights. And I don't think there could be anything which would more in line with that precise duty than the orderly and proper development of a single geological feature which would fall within a unit agreement, such as is the case with respect to the Willow Lake Unit.

I think that there is ample authority here, whether it's specifically set out in the statutes subsequently or not.

With regard to Mr. Caraway's observation that the Statutory Unitization statute is in point, I think it is not in point at all. We're talking there about the compulsory or forcing of unwilling individuals to agreeing to the secondary recovery plan which would be outlined in such a

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statutory unitization procedure.

In this case we're talking strictly about voluntary matters where a significant percentage of individuals and companies joined together in a voluntary effort to develop a single geological feature in order to have an orderly drilling of the wells so that there will not be a mass withdrawal of hydrocarbons to the detriment of the reservoir, to the waste that would result.

I certainly agree that the citations from the statutory unitization matters simple doesn't apply; that applies only to secondary recovery units.

Mr. Caraway makes much of the fact that all of the royalty interest owners, or to-wit, those in the position that Mr. Courtney finds himself, have not ratified or have not joined in this voluntary plan, which the Willow Lake certainly is. It is my understanding, and I may be wrong in this respect, but I've been advised that Mr. Courtney has ratified not only the unit agreement but also the unit operating agreement, doing in a very voluntary fashion what he thinks everybody else ought to do, and it seems extraordinary that he would complain about such a situation at this point.

With regard to the observation further by Mr. Caraway that paragraph 10 of the unit agreement has no -- doesn't specify a power to approve the plan of development in connection with this particular unit agreement, there are othe

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provisions than paragraph 10 that certainly do contain implicitly, anyway, the requirement, or certainly the permission, if nothing else, that the parties, the operator, can submit a plan of development and should submit a plan of development to the Division for its approval.

This has been followed historically in connection with this unit. It is routine in connection with other units of this type and I submit by virtue of the custom and usage, if you will, in connection with this matter, by virtue of a procedure and a plan, which is entirely within the statutory authority, that the submission to the Commission by way of this custom and usage, is entirely proper and necessary.

MR. CARAWAY: I have nothing to add as far as jurisdictional argument.

MR. NUTTER: Okay. We'll take a fifteen minute recess.

(Thereupon a recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Caraway, under the broad powers granted to the Commission and the Division by Section 70-2-11 of the statutes, 1978 Comp, we feel that we do have jurisdicti

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to consider unit agreements and the pertinent parts thereto, including plans of development and the approval of participating areas.

So we will proceed on that basis.

MR. CARAWAY: Okay. Mr. Nutter, or Mr. Examiner, there's one more thing that's come to my attention during the recess, and if I may, I would like to see the original of the order of the Commission approving the Willow Lake Unit Agreement.

MR. NUTTER: This is a carbon copy of the original. The original is in a bound book in our vault. If you want to see that, you can, but this is a direct carbon copy of it.

MR. CARAWAY: All right. Mr. Coffield, would you look at that a moment and would you be willing to stipulate that the reproduction of the original, accurate reproduction?

MR. COFFIELD: I will so stipulate.

MR. CARAWAY: All right, then I would like the record to reflect that before me I have what purports to be an order of the Commission in Case Number 5401, Order No. R-4954. I can have a copy of this made and label that as Exhibit Number One, I suppose, objecting party's Exhibit Number One, or Mr. Courtney's Exhibit Number One, however it should be labeled.

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MR. NUTTER: Yes, sir, we can get a copy of that made.

MR. CARAWAY: Okay, and it can be done after the hearing.

I'd like the record to reflect that this exhibit does not contain an original signature of any representative of the New Mexico Oil Conservation Commission, the signature portion being blank where the signature of I. R. Trujillo was supposed to have been registered, apparently, following the hearing of this in 1975.

MR. NUTTER: Oh, you mean it doesn't contain the signature of one of the members of the Commission, --

MR. CARAWAY: Well --

MR. NUTTER: -- but it does contain the signatures of two of the members of the Commission. Mr. Trujillo at that time was chairman, Mr. Lucero was member, and Porter was member and secretary, so it does contain the signatures of two of the three commissioners.

MR. CARAWAY: All right, well, we then will -- we'd go ahead and have the record show that this for some reason or other does not contain the signature of the Chairman of the Commission, Mr. Trujillo.

MR. NUTTER: Now those signatures will not be on the -- we could make a -- we could make a copy of this one, and that would reflect those signatures. The printed

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copies we have don't have signatures on them, but we will make a copy of this one and it will be your Exhibit Number One, then.

MR. CARAWAY: Okay.

MR. CARAWAY: I have nothing further, Mr. Coffield.

MR. COFFIELD: Shall we proceed with our portion of the case now?

MR. NUTTER: Yes, sir, if you will proceed with your case to show cause why the Plan of Development should not be disapproved.

MR. COFFIELD: I have one witness, who should be sworn, and then perhaps Mr. Caraway has witnesses.

MR. CARAWAY: Indeed we do, Your Honor, we will call Mr. Courtney. Please stand as your name is called. And Mr. Thagard as an adverse witness,

MR. PADILLA: I'll swear all three of you at the same time.

(Witnesses sworn.)

MR. NUTTER: Mr. Coffield.

MR. COFFIELD: Yes, sir.

MR. NUTTER: This is kind of an unusual case, but do you know what you're defensing against?

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MR. COFFIELD: Not really.

MR. NUTTER: Do you think it would be better if Mr. Courtney, who is the --

MR. COFFIELD: It might be helpful. Let me just say this, Mr. Examiner, what we would propose to do is if you wish to hear our portion of the case first, is to show you what we have in the way of the plan of development and the underlying geological data which is being developed, and explain it to pointing out the pertinent matters, and so on and so forth, which we believe justify the plan of development which we have submitted for 1980.

We can do that. If Mr. Caraway and Mr. Courtney have some testimony to offer or an attack to be made on that kind of a case, I suppose it's appropriate for us to go forward. If their attack is in some other vein, then it might get quite confusing to me if we did this thing backwards.

MR. CARAWAY: Well, according to the way I read the order, or the letter signed by Mr. Padilla, Aminoil was required to appear before this Division and show cause why their 1980 Plan of Development should not be disapproved. That's the way the command reads. We feel it's their burden to go forward first and present whatever evidence they may have to show cause why that should not be disapproved, and Mr. Courtney and I, and our witnesses, then have a right, if this Examiner -- well, let me retract.

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Mr. Courtney and I have then the right to go forth to present further evidence as to why we feel this 1980 Plan of Development should not be approved by the Commission.

It strikes me that they're going to go forth taking the position it should be approved; we're contra to that.

MR. NUTTER: Okay, is it agreeable, then, your witness will go first, Mr. Coffield?

MR. COFFIELD: It would appear then with that, with that kind of procedure, set out, Mr. Examiner, that we will then take the burden of proof to show, indeed, why we believe the Plan of Development for 1980 should be approved. We believe we can show quite clearly why it should be approved. The burden of proof is then shifted to Mr. Courtney to show why it should not be.

MR. CARAWAY: Agreed.

G. E. DeLONG

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

DIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. DeLong, would you please state for

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the record your name, address, occupation, and employer?

A. My name is Gene DeLong. I live at 1204 Stanline in Midland, Texas. I am a Senior Development Geologist for Aminoil USA, Incorporated.

Q. Mr. DeLong, have you previously testified before the Division as a geologist?

A. I have.

Q. Were your qualifications made a matter of record and accepted by the Division?

A. They were.

Q. Are you familiar with the facts involved in this case, which was called by the OCD on its own motion?

A. Yes, sir.

Q. And are you familiar with the Willow Lake Unit Area and the geological features and data pertinent to the unit area and other oil and gas development in the vicinity?

A. I am.

MR. COFFIELD: Mr. Examiner, do you have any other questions on the qualification of Mr. DeLong?

MR. NUTTER: Mr. DeLong is qualified.

Q. All right, Mr. DeLong, would you please refer to what we've marked as Exhibit One and explain this to the Examiner?

A. Exhibit One is an area plat encompassing Townships 24 South and Range 28 East, and the south 12 sections

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of Township 23 South, Range 28 East, all of which are located in Eddy County, New Mexico.

The area highlighted in green outlines the original boundary of the Willow Lake Unit and the small red area identifies Mr. Courtney's acreage. This area may also be described as being located 17 miles southeast of the City of Carlsbad, New Mexico, on US Highway 285, immediately south of the Town of Malaga.

Q. Will you now go to what we've marked as Exhibit Two and describe that to the Examiner, please?

A. Exhibit Two is a multiple part exhibit, consisting of all the correspondence that Aminoil has that relates to the plan of operation and development for the calendar year of 1980, Willow Lake Unit, Federal Unit, Eddy County, New Mexico, No. 14-08-0001-14-260.

Part One is a copy of the plan of operation and development that was submitted March 21st, 1980. The plan that you have in hand is a copy of the approval Aminoil received from the USGS, Albuquerque office, and it is signed by Jack Willock, June the 5th, 1980. The approval is contingent upon like approval from the State of New Mexico.

The plan summarizes the 1979 operation and theproposed plan of development for 1980.

Exhibjt Two, Part Two is a cover letter from the USGS affirming this approval.

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Exhibit Two-3 is a letter to the USGS, dated November the 30th, 1979, attention Mr. James Sutherland. The USGS office in Albuquerque had not received an application for the initial participating area for the Willow Lake No. 3, which was sent February the 7th, 1979, to the Roswell office. This was discovered on a visit we made to their office November the 27th, 1979.

Exhibit Two, Part 4, is a five page package letter to the Oil Conservation Commission, State of New Mexico, the Oil and Gas Supervisor, United States Geological Survey, and Commissioner of Public Lands, State of New Mexico, and in particular to Mr. Ray Graham, Commissioner of Public Lands, State of New Mexico, with the letter dated April the 21st, 1980. This is on the same subject of participating area for the Willow Lake Unit No. 3, which was the south half of Section 15, and other information relating to the plan of operation the development for the Willow Lake Unit, 1980.

Also attached to this letter to Mr. Ray Graham were copies of the original application of the initial participating area for the south half of Section 15, with an area plat. The green outline identifies the Willow Lake Unit. The red, in this case, highlights the participating area. A Morrow structure with a superimposed Morrow Sand Isopach also covers a small area in and around Section 15.

This is an apologetic letter to the -- to

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Mr. Graham and the State of New Mexico from me for my neglect. I was informed that the only letter that I had to write was to the Roswell USGS, because this was a Federal Unit.

Finding this out later I also sent copies to the Albuquerque office.

Mr. Graham also requested information on why the Willow Lake Unit No. 4 was not drilled in 1979, and may I read for the record my answer to Mr. Graham, which is the second paragraph of my letter on April the 21st, 1980.

Mr. Graham also noted that the plan of operation and development for the Willow Lake Unit year 1980 omitted the reason why the Willow Lake Unit No. 4 was not drilled.

It was our desire during the last quarter of 1979 to form a unit consisting of the west half of Section 14, Township 24 South, Range 28 East, and drill the Willow Lake Unit No. 4 1980 from the south line and 660 feet from the west line. This would involve the southwest quarter being contributed by the Willow Lake Unit and the northwest quarter by Adams Exploration.

A location along the west line was most desired at the time due to that client's interpretation of where the Atoka Sand would be developed. A special trip was made in November, 1979, to the United States Geological Survey office in Albuquerque and the Commissioner of Public

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Lands and the Oil Conservation Commission in Santa Fe, to ascertain if any of these agencies had any objection to forming a 320-acre unit half in and half out of an established unit.

None were found, and we proceeded ahead with what we assumed was a valid effort. Adams Exploration have yet to return an answer to our request, so we are currently clearing title to form a drilling unit consisting of the south half of Section 14, Township 24 South, Range 28 East, which will be totally within the Willow Lake Unit boundary.

Lofton Brothers rig, Number 331, which will be driling a nearby location, will be used to drill the Willow Lake Unit No. 4 to a total depth of 12,900 feet to test the potential of the Strawn, Atoka, and Morrow Sands. Drilling will commence no later than September 1st, 1980, and the well should be completed prior to December 15th, 1980.

In summary, we waited too long to form a unit. We were dependent upon outside interest owners over whom we had no control. We had good intentions and hope to make up for it by completing the Willow Lake No. 4 on schedule. Respectfully submitted, Gene DeLong.

Q Mr. DeLong, you may have mentioned it, although I don't recall hearing you discuss the situation in connection with the State Land Office. You indicated that the USGS has approved this particular plan of development and

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operation. Do you have any information in connection with the State Land Office for the State of New Mexico?

A. I had a meeting this morning with Mr. Graham, mentioned that the plan of operations, 1980, had been approved but had not been signed.

Q. So then so far as you know now, both the State of New Mexico Land Commissioner, as well as the USGS, have approved the unit, the USGS formally, and the State Land Commissioner will do so in due course, as far as you know?

A. Yes, sir.

Q. Let's go on to Exhibit Three and discuss that for the Examiner, please.

A. Exhibit Three is also a multiple part exhibit, consisting of seven reduced copies of electric logs. The CNL-FDC porosity log is used in most cases. Each example covers the Atoka Sand section and in some cases the Strawn and Morrow Sand is also shown.

The exhibit presents potential of the area and the gambles to be taken. Each well location is displayed on Exhibit Five, the Atoka structural plat, which is the last exhibit with the acrylic overlay. I believe that each well that I will discuss is highlighted by an arrow with either a name or a location on it.

Part one is a CNL-FDC log on the Burmah No. 1 Willow Lake Unit. It shows a 14-foot thick Atoka Sand

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developed. This sand is the primary objective for all the wells drilled in this area. Only one well has been commercial which produces from the Strawn and Morrow Sands only and this location is 4-1/2 miles north of the unit.

The No. 1 Willow Lake Unit was completed January, 1976, and just paid out January the 3rd, 1980.

Part two is a CNL-FDC and dual induction logs from the Willow Lake Unit No. 2, a dry hole drilled in August, 1976. The CNL-FDC tool stuck while logging the Atoka Sand interval, as you can see the skip just right about 11,700 to 720; however, the dual induction log confirms the absence of the Atoka Sand at this interval. The No. 2 Willow Lake Unit was plugged and abandoned September, '76.

Part Three is a CNL-FDC log from the Willow Lake No. 3, which shows a 2-foot tight sand at a depth of 11,626 to 28 feet. It has 5 percent porosity and this zone has not been tested to date. The sand zone indicates no gas effect and is probably tight, as 5 percent is very close to the effective porosity cutoff.

The Morrow Sands in the Willow Lake No. 3 were perforated and have produced 621,794,000 cubic feet of gas to 1-1-80.

An attempt was made in June this year to rework the Morrow; the rework failed. We are currently evaluating the treatment to decide what to do next.

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Parts Four, Five, Six, and Seven are logs on nearby wells, showing the development and/or lack of development of the Atoka Sands. These are offset to and on trend with the Willow Lake Unit wells.

Part Four is a CNL-FDC log from the No. 1 CNB. It is located in Section 11, approximately 3/4 of a mile north of the eastern side of the unit.

This shows a 4-foot Atoka Sand developed. This well was completed December, 1978 in the Morrow and was recently completed in the Atoka and has paid out April the 4th, 1980.

Part Five is a CNL-FDC log from the HNG 9-1 Woods Com, which is located about 3/4ths of a mile north of the west side of the unit. It's located in the south half of Section 9.

HNG has recently perforated the Atoka Sand from 11,557 to 62. It flowed 140,000 cubic feet of gas a day initially, but the flow was dead in thirty days. They are currently testing the Strawn from 11,279 to 84 and 11,370 to 80.

Part Six is a composite CNL-FDC sonic log from the Maddox No. 1 Malaga, which is 2-1/2 miles north of the unit in Section 3. The log shows a 12-foot development of Atoka Sand. This zone has produced 2.3 billion cubic feet of gas in six months and is the most exciting well in the

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area due to the exceptional short payout.

Part Seven shows a computer process log from the Adams No. 1 Ann Com, an immediate direct offset to the unit, located in the north half of Section 15, slightly northeast of the Willow Lake No. 3. It has zero Atoka Sand developed.

The Aminoil No. 1 Guitar, located a mile and a half north of the unit in the north half of Section 10 also was zero Atoka Sand developed. These wells were drilled in what was to be the most optimum locations in which to encounter a favorable development of Atoka Sand, but both have none. Both wells are completely surrounded by production and it is very doubtful if either of these wells will be a producer. It has been more of a gamble than a success to search for the Atoka Sands in the Malaga area.

Q. Now, Mr. DeLong, let's go on to Exhibit Four and describe that exhibit, please.

A. Exhibit Four is a two-part exhibit. Part one is the cumulative gas production plat as of January 1st, 1980. The green outline again identifies the Willow Lake Uni and the red square Mr. Courtney's acreage.

The production highlighted in yellow is Atoka gas production. The Morrow gas production is underlined in red. All figures were taken from the New Mexico Oil and Gas Engineering Committee annual report, Volume I, 1979, ex-

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cept for the No. 1 CNB and the No. 1 Willow Lake Unit. These figures were taken from Aminoil's production records.

I'd like to, off the record, I would like to show Xeroxed copies of the 1977 annual report. We seem to have transposed the production from the CNB to the Willow Lake Unit No. 1 and from the Willow Lake Unit No. 1 to the CNB. It shows that the CNB produced 169-million cubic feet of gas in one month. The true figure is 21,337.

Likewise, the 21,337 shows up on the July '77, for the Willow Lake No. 1. It's actual production figure was 169,000,061.

Q. Which reports are these that you're making reference to, Mr. DeLong?

A. These are the Xeroxed copies from the New Mexico annual 1977. We have testified here a little over a month ago about an error that Aminoil has made in their production records. In -- while researching this I found that the Willow Lake also didn't tally up; that every month that we have on record was exactly the same thing you have in your records except for these two, and I'd like to make this correction now.

MR. CARAWAY: Are we for the record or are we off the record? You stated you wanted to go off the record for this.

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MR. NUTTER: I don't know whether we're off the record or not.

MR. CARAWAY: I'd like to remain on the record.

THE REPORTER: I stayed on the record.

MR. CARAWAY: Okay. May I voir dire the witness for a moment as to these exhibits?

MR. NUTTER: Yes, you may.

VOIR DIRE EXAMINATION

BY MR. CARAWAY:

Q. What do you mean CNB, Mr. DeLong?

A. The Aminoil No. 1 CNB is a well drilled in the west side of Section 11. It's operated by Aminoil. It's outside the unit. As I was discussing parts Four, Five, Six, and Seven, I noted that these were offset to the Unit or in trend with the Willow Lake wells.

MR. NUTTER: I believe that's the well on your Exhibit Four that shows the 909,000 production from the Atoka.

A. That is correct.

MR. NUTTER: You placed it in the Aminoil CNB State, and that's --

A. Yes, sir.

MR. NUTTER: -- Atoka discovery, it says.

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A. That's true.

MR. NUTTER: Did you find it, Mr. Caraway?

MR. CARAWAY: Yes, sir, I do see it.

If I may continue for a moment on voir dire.

Q. Mr. DeLong, what relevance do these exhibits have insofar as whether or not your plan of development for 1980 should or should not be approved?

A. The error was found in the Willow Lake No. 1. It did not correspond with the data that the New Mexico annual had, so I researched further into it to find out why.

Q. Okay, and what was the error again, sir?

A. The error is that the CNB should read 166,072 instead of 311,398,000, as so stated in the page 552 of the 1979 New Mexico Annual.

Q. But that well is not within the enclosure of the unit area, is that correct?

A. No, sir. The CNB is not.

MR. CARAWAY: Okay. I have no objection to whatever you want to do.

A. I'd like to leave them with the New Mexico --

MR. NUTTER: We'll take those and we'll make a correction in the annual next year.

MR. COFFIELD: Would you like these submitted at this time?

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MR. NUTTER: Yes, that will be fine.

A. In looking at the cumulative production on the cumulative gas production plat that I've submitted as Exhibit Number Four, the correct production figures for the CNB are so stated as 166,072 from the Morrow for the CNB, And 1,999,520 cubic feet of gas to 1-1-80. At today's cost of $2.3-million per well, and at $2.37 an M, which is the price Aminoil is receiving for the Willow Lake Unit gas at present, it takes over a billion cubic feet of gas to pay out a well. Only the Atoka producers are doing this.

DIRECT EXAMINATION CONT'D

BY MR. COFFIELD:

A. Exhibit Four, part Two, is the expense versus income sheet for the Willow Lake Unit. It lists each well in the Willow Lake Unit, when completed, expense incurred and income generated.

I believe that the sheet speaks for itself. I would like to point out that note one indicates that the figures used in the income column was at January the 3rd, 1980, where we just recovered our cost of $2,656,519, and the No. 1 item, this cost includes the recent unsuccessful workover of $155,000, just recently done.

This sheet points out that we have yet to recover from expenses in the Willow Lake Unit over $2-million,

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It's just the excitement of the newly discovered Atoka Sand play in the area that is prompting the additional development now. All the operators are hopeful to find another Maddox Malaga, like the one in Section 3, which has produced 2.3-million in six months.

The area was quite dead after a period of time. I don't have the dates at hand but up until the Delta Culibre Bluff well blew out, which I believe was in Section 23 in the township north, was there any activity in this area at all, and since it did blow out and cause such a roar, and it's made over 10-billion cubic feet of gas, it stirred up additional interest.

Then the Maddox Malaga Well came on stream, flowing about 16 to 18-million a day, and created additional excitement in the Malaga area, and that is what we're trying to pursue now, the Atoka Sand play, or like I stated, the Morrow and the Strawn don't help -- just help the well pay out only.

Q. Mr. DeLong, go to what we've marked as Exhibit Five and please discuss that for the Examiner.

A. Exhibit Five is a structural plat contoured on top of the Atoka formation. The contour interval is 50 feet. The green outline identifies the Willow Lake Unit and the red, Mr. Courtney's acreage.

The orange dots locate Atoka production.

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The blue dots, those wells dry in the Atoka. The blue dot in the legend serves a dual purpose. It also locates the Amoco No. 1 Pecos Comm in Section 35, which is also dry in the Atoka, and the legend covers up this location.

There is a total of twenty wells on this plat.

MR. NUTTER: Excuse me, Mr. DeLong. You mean the Atoka Well -- the Amoco Well is right there underneath the blue dot in the legend?

A. Yes, sir, in Section 35.

MR. NUTTER: I see.

A. It just happened to be hid and that is another well in the area that shows you what the Atoka can do or can't do.

And I'd like to use it as a dual purpose, if I may.

MR. NUTTER: It shows what a geologist can do with a map, too, putting a legend where a well is.

A. Or didn't have the foresight to look ahead.

There is a total of twenty wells on this plat, seven producers and thirteen dry holes, which indicates only a 35 percent chance of finding a favorable development of Atoka Sand. At times there is no rhyme or reason to why the Atoka Sand is developed or not developed.

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For example, Aminoil has recently drilled the No. 1 Guitar, located in the north half of Section 10. This well was drilled in the most opportunistic location between two producers, the fabulous Maddox No. 1 Malaga, offset to the north, and the Aminoil No. 1 CNB in Section 11 to the southeast, and also with a 6-foot sand development in the No. Woods -- excuse me, the No. 1 Woods Comm, one mile west, this location was completely surrounded by Atoka Sand, but none was found.

Phillips Petroleum Company also did not find the Atoka Sand in their No. 2 Malaga, which was drilled 660 feet from the north and west lines of Section 2. Here again, a most opportunistic location. This attempt was drilled between the Maddox No. 1, which is southeast, and the HNG Wells in the south half of Section 35. It is difficult to imagine that there was no sand developed there also.

The acrylic overlay is an Isopach of the Atoka pay sand and shows the latest interpretation of the location of the sand channel. It shows that the Willow Lake No. 4 and the Maddox No. 1 Guitar, which is scheduled to be drilled in the north half of Section 23, are both located outside the limit of sand development. They are also located structurally to most of the production in the area. It is the anticipation of finding gas reserves such as found by the Maddox Well in Section 3 that furthers the search.

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Q. Mr. DeLong, is it your opinion that your proposed plan of development which you've just outlined and which you have supported by way of geological interpretation and the like, is a logical and well reasoned plan that takes into consideration the proper development of geological features embraced within the unit area, as well as the new exploratory activity on acreage in areas in the general vicinity of the unit?

A. Yes, sir.

Q. And is the proposed plan of development one which would be followed by a reasonably prudent operator, in your opinion?

A. Yes, sir.

Q. And finally, is the proposed plan of development one which is in the interest of conservation, protection of correlative rights, and the prevention of waste?

A. It is.

Q. Were Exhibits One through Five prepared by you or under your supervision?

A. Yes, sir.

MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits One through Five, and I have no further questions of Mr. -- excuse me.

MR. NUTTER: Aminoil Exhibits One through Five will be admitted in evidence.

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Q. And do you have anything to submit in summary?

A. Yes. I'd like to summarize my dissertation.

Aminoil USA, Incorporated, operator of the Willow Lake Unit, requests your early approval of the 1980 Plan of Operations and Development that was submitted March 21st, and amended April 21, this year.

We have been prudent operators attempting to develop all of our property in a workmanshiplike manner. We've tried to fulfill the development plan last year, but having no control over outside operators, were unable to do so. We have over $2-million of revenue yet to recover from the Willow Lake Unit. This just to break even, and we are still attempting to continue development of the unit. We have delayed forming a drilling unit for the Willow Lake Unit No. 4 due to Mr. Courtney's attempt to withdraw his acreage from the unit. I have attempted to show that the search for commercial oil and gas reserves in the Malaga area is an extremely risky proposition, and just because there are 18 to 20 wells in the Malaga area making some gas from various reservoirs, it does not make each venture a successful one.

In conclusion, I would like to offer this alternative to Mr. Courtney and to the State of New Mexico. Aminoil will amend the 1980 Plan of Operation and Development

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and participate with Mr. Maddox in drilling a well in the north half of Section 23, which includes Mr. Courtney's acreage, in lieu of drilling the Willow Lake No. 4 this year.

I am attempting -- I am anticipating argument to the 1980 plan, as submitted, by Mr. Courtney and his lawyer, who are present in this room.

I did want to present this suggestion for consideration while I was still a witness. Thank you.

MR. COFFIELD: I have no further questions of Mr. DeLong on direct examination, Mr. Examiner.

MR. NUTTER: Are there any questions?

MR. CARAWAY: If the Examiner please, I have some cross.

MR. NUTTER: Before you get into that,

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. DeLong, what would that unit consist of, the north half of Section 23?

A. Yes, sir.

Q. And that location would be the location as shown on your exhibit, Exhibit Number Five, as being Maddox Energy No. 1?

A. That is true. The location would be close to 1980 --

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Q. The southwest of the northeast of Section 20.

A. The southwest of the northeast is correct. Yes, sir.

Q. And would that be projected as an Atoka well or as a Morrow well?

A. A Morrow test. We'll go all the way. I think Mr. Maddos has even projected that a depth of 13,100, where I suggestd a depth of 12,900 on the Willow Lake 14 when it was on the west line of Section 14.

MR. NUTTER: I see, okay.

A. So we'll be adequately covering the Morrow section, too.

MR. NUTTER: Go ahead, Mr. Caraway.

MR. CARAWAY: Please.

CROSS EXAMINATION

BY MR. CARAWAY:

Q. Now what you're proposing to the Commission is to not drill the Willow Lake Unit No. 4 Well this year?

A. In lieu of participating with Mr. Maddox in Section 23, to involve Mr. Courtney's acreage in a well, we would do that, yes, sir.

Q. So you're suggesting to the Commission

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that you -- they approve a plan of development which would include dropping your drilling plans for the No. 4 Well.

A. I am offering an alternative to both Mr. Courtney and the State of New Mexico, if they so desire, yes, sir.

Q. Now, insofar as the State of New Mexico, you mentioned that you were just certain that they had approved this plan of development. Now have you seen them sign a document approving of the plan of development up -- at -- up to this time?

A. No, sir, I stated that fact, that it had been approved and not signed. It was my understanding that it was approved and not signed.

Q. When did you obtain this information that it was approved but not signed?

A. This morning.

Q. And who did you obtain that from?

A. Mr. Graham.

Q. All right, now, Mr. DeLong, this unit agreement was commenced effective February 15th, 1975, is that right?

A. I don't know. I was not employed with Aminoil at that time.

Q. All right. And again, to your knowledge, you're testifying before the Commission there has been three

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wells drilled since the commencement of the unit agreement --

A. Yes.

Q. -- up to this point in time.

A. Yes, sir, three wells.

Q. The first well was commenced on what date?

A. I have a scout ticket here. I could dig it up. Did you say the No. 1?

Q. Yes, sir.

A. I believe it was drilled commencing 6-75 and completed 1-76.

Q. All right, it was completed on -- in January of '76, and when was the participating area approved for that well?

A. I don't know.

Q. Was it -- you don't know one way or the other?

A. I think we have some records here in the courtroom from the operating plan of development that might state that.

Q. Well --

A. But I don't have any knowledge of it at the present time. Can we look it up?

Q. Mr. -- maybe your counsel would be willing to make a stipulation.

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MR. COFFIELD: We're -- Mr. Examiner, we're addressing a subject here of the 19 -- the approval or the disapproval of the 1980 plan of development. I fail to see what this line of questioning has -- goes to.

MR. CARAWAY: Your Honor, pardon me -- Mr. Examiner, it will be relevant to show, number one, the dilatory nature of the development of this unit area by Amin-oil, the development part of it, not only being dilatory in that respect but dilatory in getting their participating area approved promptly following completion of a well.

MR. NUTTER: I think it's pertinent, Mr. Coffield, to find out what the development progress has been in the unit.

MR. COFFIELD: We can -- we can locate the information.

MR. CARAWAY: I have it. I have a date here, I believe, and I was asking --

A. I have a completion date for the three Willow Lake Unit wells.

MR. COFFIELD: We can check it.

MR. CARAWAY: I have the date of the 1st of April of 1977.

A. For what?

MR. COFFIELD: Participating area formation?

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MR. CARAWAY: I've got it here in one of these earlier plans of development.

MR. NUTTER: Mr. Caraway, in the interest of speeding things up --

MR. CARAWAY: All right.

MR. NUTTER: In the case file for the -- or in the unit file I find the 1977 plan of development where Aminoil has summarized development.

They state summary of 1975 operations, Willow Lake Unit No. 1 was drilled.

Summary of 1975 development, none.

MR. CARAWAY: All right. Well, my question was directed -- my direct question was directed as to when the participating area was finally approved on the No. 1 Well. I will go on. I think if the Examiner will review its entire file on this, there will be documents that are already before this Commission, earlier documents, before this Commission, which will state the date on which the participating area for the No. 1 Well was approved.

A. We have a stamp here from the State of New Mexico saying that they received that plan March the 24th at 8:59 a. m., 1977.

MR. NUTTER: Well, the initial participating area is in the unit file, too, Mr. Caraway.

MR. CARAWAY: Okay.

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MR. NUTTER: And the initial participating area, which was for a unit -- for Willow Lake Unit No. 1, was approved by the USGS on March the 10th, 1977, effective January 13, 1976.

MR. CARAWAY: All right.

MR. NUTTER: It was approved by Phil Lucero, Commissioner of Public Lands --

MR. CARAWAY: All right.

MR. NUTTER: -- on March 18th, 1977.

It was approved by Joe D. Ramey, Director of the Oil Conservation Commission on April 12th, 1977.

Q. Mr. DeLong, can you -- if I understood your testimony correctly, the No. 1 Well was completed in January of 1976. Can you offer any explanation to the Commission as to why the participating area for that well was not approved until some thirteen months later?

A. No, sir, I can't.

Q. All right. Now, the No. 2 Well was drilled in 1976, is that right?

A. I have it completed 9-76, yes, sir.

Q. It was completed in September of '76, and it wasn't completed; it was reported to be a dry hole on that date, is that right?

A. Completed as a dry hole, yes, sir.

MR. NUTTER: Plugged and abandoned, as

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a well.

Q. Okay, and the Unit No. 3 Well was commenced on what date?

A. The No. 3 was spudded 12-28-77. Completed 4-11-78.

Q. Okay. Now, since this No. 3 Well was commenced in December of 1977, have there been any other wells commenced in the unit area by Aminoil since that date?

A. No, sir.

Q. And from the date of commencement of that well, that No. 3 Well, down to present date, that totals approximately 2-1/2 years, is that right?

A. Okay.

Q. More or less?

A. Yes, sir, more or less.

Q. So there have been no new wells drilled for that length of time in the unit area.

A. We just attempted to drill the Willow Lake 4 last year, and didn't.

Q. Well now, let me ask you for a moment about that Willow Lake Unit No. 4 Well. This was a well that was to be located in the southwest quarter of 14, is that right?

A. Specifically 1980 from the south line and 660 from the west.

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Q. Okay.

A. This is to be a stand-up 320.

Q. And your -- your plan, your summary of 1978 operations and your proposed development for 1979, submitted by your company, stated that you all planned to drill a well in the southwest quarter of 14 during the year 1979.

A. Yes.

Q. Is that right?

A. Yes, sir.

Q. And did you -- are you familiar with that plan of development --

A. Yes, sir.

Q. -- that was submitted for 1979?

A. Yes, sir.

Q. And did you say anything in that plan of development about -- about making arrangements with Adams Exploration Company to join you in that well and donating the northwest quarter of 14 to the spacing unit?

A. No, sir, we didn't.

Q. Did you say --

A. That was a new development, as it -- as the year progressed. Mr. Jim Brown, manager for Adams Exploration in Midland, and his geologist were in my office and essentially verbally agreed that we could attempt to try this. We did not know whether the State regulatory agencies, nor

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the USGS would agree. We made a special trip on November, last year, to these. We spoke to Mr. Ray Graham, Mr. Joe Ramey, and to a staff at the USGS office in Albuquerque, and finding no argument on that, they said, yes, you could divide it up, put half in the unit and half out. We attempted to go ahead and form this unit, but Mr. Adams, to date, as of this August the 6th, has not replied to us, our request.

Q. At the time you submitted this proposed plan of development for 1979, did you have in mind which way that 320 spacing was going to go?

A. Not at that time, no, sir. A location in the southwest quarter, to my knowledge, was the best location we could possibly drill.

Q. But I'm -- as far as the wellsite, I'm talking about the 320-acre spacing unit.

A. No, it wasn't.

Q. At the time you filed this plan, did you have in mind which way you were going to go with your spacing unit?

A. No, it's only the discovery and the development of the Atoka Sand that wanted us to shove it closer to the west side of that line. We thought that would be the most -- the best place to drill.

If you take a look at our No. 1 Guitar and that Phillips well, I'd drill wells there again, like the

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Aggie on the replay.

Q. Right.

A. I'm sorry, but that's -- I'd have to drill it. It's completely surrounded.

Q. So when did you first have this discussion with Adams Exploration insofar as their committing the northwest quarter of this well?

A. Would you -- don't hold my feet to the fire.

Q. More or less.

A. I believe it was September, thereabouts; August or September of 1979.

Q. So you waited until September of 1979 prior to discussing this matter with Adams Exploration.

A. Rig availability, for one thing, had postponed it. We had our mind set up to drill that in the fourth quarter and we just didn't hurry through the first part of the year.

Q. Now, in fact no well was drilled in 1979, is that right?

A. Correct; absolutely correct.

Q. Did you file any modified plan of development with this Commission stating your current intentions to join in with Adams on a well which -- the unit of which would include the west half of that section?

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A. Only made mention of that for the proposed plan of development in 1980.

Q. All right. Are you aware, sir, that you are under obligation under the unit agreement to submit a modified plan of development in the event of the circumstances meriting it?

A. No, not until just this moment.

Q. Okay. Now, in your plan of development submitted for 1980, the original one dated March 21st, 1980, and your summary of 1979 operations, you didn't elaborate to any degree of the difficulty you had with Adams that year, as you have testified before this Commission. Is that right?

A. I believe that is correct.

Q. You made a statement, a flat-footed statement, that no new wells were drilled during the year, and that's all you said pertaining to development for 1979.

A. That is a fact, yes, sir.

Q. Okay, and your proposed -- on the original plan of development submitted in March, your proposed development for 1980 said the same thing about drilling a well in 14 as you said in 1979.

A. Exactly.

Q. Is that right?

A. That's right.

Q. And let me ask this again, so I'm perfectly

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clear, but this part of 1980 no new wells have been spudded.

A. To date, no.

Q. Yes, sir.

A. Wait a minute, to date none have been spudded.

Q. In the unit area. In the unit area?

A. Right.

We had plans to spud two.

Q. You have plans to spud two. Now which two are those?

A. The Maddox No. 1 Guitar, north half of Section 23, if/and; also the Willow Lake No. 4 in the south half of Section 14.

Q. Well now, are you stating to the Commission that you're going to spud both of those wells --

A. No, sir.

Q. -- in 1980?

A. No, sir, I'm not. I said we had plans, and it was interrupted by Mr. Courtney's action.

Q. Well now, what did Mr. Courtney's lawsuit pertaining to his lands in the north half of 23 have to do with drilling a well in the southwest quarter of 14?

A. I'm offering this as an alternate amended plan to you, Mr. Courtney, and the State of New Mexico, that we'll be more than glad to drill a Maddox well in the north

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half of Section 23, which would include Mr. Courtney's acreage.

Q. So you're offering to drill one well at this time?

A. One at a time, yes, sir.

Q. Well, I guess that I'm just thick, or something. Maybe I don't understand a lot of things.

Are you planning to drill one well in 1980 or two wells?

A. One right now.

Q. So then that would be one well in 3-1/2 years since the No. 3 Well was drilled.

A. I believe you said 2-1/2.

Q. But we're adding up until December 31st of this year. If -- if I understand you correctly, your plan is to drill one well for 1980 in the north half of Section 23.

A. Yes, we'd prefer that.

Q. That would be one wellthen, assuming we go to December 31st of 1980, that would be one well since the drilling of your No. 3 Well, which was commenced in December of '77.

A. That's true.

Q. Now do you feel, and you're representing to this Commission, that you feel that's reasonable and prudent development?

A. I do.

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Q. Of the unit area?

A. Yes, sir.

Q. And you're aware there was approximately 4800 acres of land committed to this area originally.

A. I don't know how many acres.

Q. So you don't know. Are you aware that there is, starting with the original figure of 4800 acres, are you aware that there is a substantial percentage, the figure I don't have for purposes of this question, but are you aware that there's a substantial percentage of that 4800 acres which continues -- the leases of which continue to be held in this unit area?

A. Yes, under the agreement, yes.

Q. And you're holding this vast amount of leased acreage by the two wells, the two producing wells, which you've drilled in the unit.

A. To date, yes, sir.

Q. Now, did I understand on this -- I'm lost for a moment.

Did I understand on this exhibit from which you were testifying before the Commission a few minutes ago, that -- that you've numbered your -- you're no longer obtaining production from your No. 3 Well?

A. Momentarily. We tried -- attempted a workover in June, I believe it was in June. We spent $155,00

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trying to increase the production in the Morrow Sands and we're trying to evaluate that treatment. The treatment itself failed; it didn't produce the needed results. We don't know whether we're sanded out, scaled out, or what.

Q. So that well is not producing at this time.

A. At this very moment, no.

Q. Well, you have expectations, though, after the reworking to re-establish it as a producing well.

A. That is correct.

Q. Is that right?

A. Either there or in another uphole zone.

Q. Now, did I understand -- pardon me. Did I understand your testimony to the Commission a few minutes ago, that -- that you felt the Atoka Sand was for all practical purposes the only fertile geologic area for the production of oil or gas in this unit?

A. What is your definition of fertile?

Q. Well, let me ask this. Do you have greater expectations as a geologist right now for the unit area as a whole concerning the Atoka Sand formation or the Morrow Sand?

A. Atoka Sand is the primary sand.

Q. Now, the Unit No. 3 Well was completed in the Morrow Sand, is that right?

A. That's true.

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Q. And that's the zone from which it produced until you reworked it back in June of this year.

A. That's correct. There's no Atoka Sand development in that well; a 2-foot sliver of silty sand with 5 percent of porosity or less, and I don't anticipate production from the Atoka Sand in that well.

Q. And the Atoka is in depth above the Morrow formation in that area, is that right?

A. Yes, that is correct.

Q. Was your No. 2 Well a dry hole in an Atoka test?

A. It was a Morrow test.

Q. And that was drilled -- or your No. 2 Well, the dry hole was drilled in the south half of 16.

A. That is correct.

Q. Now, you are aware, are you not, Mr. DeLong, that when -- under the terms of the unit area agreement, when a plan of development has been approved by the requisite agencies, that constitutes the exclusive drilling obligations of Aminoil for that year? Are you aware of that?

A. Under this modification. It is understood that portions of this plan of operations and development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work, as well as other contingencies. And for these reasons, this plan of

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operation and development may be modified from time to time with like approval to meet changing conditions.

Q. But there was no modification in 1979, even though a well wasn't drilled, is that right?

A. The modification that came about is that we couldn't get a well drilled because of lack of influence over an outside operator.

Q. But this Commission was not made aware of that in 1979, were they?

A. Only in 1980. We still had hopes. We were up here in late November seeing if we can't get that unit approved, and finding no objections to standing it up, we went ahead with our work trying to get it done. We know that we can get a well spudded on that acreage if we have a quiet title over the drill site, with formation of the unit to follow.

And so even as late as November we were attempting to -- to complete our plan of operations and development.

Q. Well now, could you make this -- what is the status of your deal with Maddox, so to speak, on drilling this well in the north half of 23? How far has that materialized?

A. Mr. Maddox, I believe, has a rig available almost immediately, and he wants to move in there because

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he has leases expiring in that section, prior to end of the year, and he's in a hurry.

And Mr. Courtney's 40 acres constitute about 1/8th of the acreage under that 320 acres.

Q. This decision of Aminoil agreeing to participate with Maddox in the drilling of this north half of 23 well was made after the filing of this lawsuit, wasn't it?

A. Yes. I think Maddox approached us even after this.

Q. Started having serious discussions with Maddox insofar as the drilling of this well after Mr. Courtney took this legal action.

A. What's the timing on that, Greg? Was it before or after?

To the best of my knowledge, the deal that Mr. Maddox submitted was after Mr. Courtney's lawsuit.

Q. And you're telling the Commission that what you want to do is abandon your plans to drill No. 4 now, forget about that well, and drill a well in the north half of 23.

A. I don't like the word abandon. The word I'd like to use is in lieu of for this year. Now let me tell you why.

Mr. Maddox, if we drill a well in Section 23, has a very good chance, if successful, to prove up a loca-

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tion in Section 14, the south half of 23, and the south half of 22. We can do more good --

Q. Say that again, Mr. DeLong, please.

A. We can do more good by participating with Mr. Maddox if he well is successful, to have an offset to the south in the south half of 23, the acreage in 14, as well as maybe a development well over here in the south half of Section 22.

Q. Okay.

A. It offers that possibility.

Q. All right. What -- since you didn't drill any well in '79, what's wrong with drilling two wells in 1980?

A. Expense; risk.

Q. Now there's a lot of acreage held here, isn't there?

A. Sure is.

Q. In fact it's been now, what, over in excess of five years since this unit area was put together? I'll strike -- I'll withdraw that question. You said you didn't know when it was put together.

MR. CARAWAY: If the Examiner please, I think you have it there in front of you in your file when this agreement was dated.

I have the date. Mr. Coffield may be

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willing to stiuplate. I have the date of February 15th, 1975.

MR. COFFIELD: Relative to the formation?

MR. CARAWAY: Yes.

MR. COFFIELD: I imagine that's about right, the formation of the unit.

MR. CARAWAY: Of the unit area agreement.

MR. COFFIELD: It's within -- I think it's within that time frame, Mr. Caraway, yes, February 15, 1975.

MR. CARAWAY: Yes.

MR. COFFIELD: Yes, we'll stipulate to that.

MR. CARAWAY: Okay.

Q. Now, Mr. Delong, what did you mean by your testimony when you said earlier that quote this is a Federal unit?

A. To my knowledge it is a Federal unit.

Q. Have you -- do you know what the percentage of Federal lands committed to that unit is?

A. No, sir, is it important? No.

MR. CARAWAY: A copy of -- maybe you'd be willing to stipulate again. This is an exhibit to the unit area. I've got 35 percent of the unit area being 7 Federal tracts.

A. That's what we have.

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MR. CARAWAY: I've got -- and is it true, then, 35 percent is Federal tracts; 24.1660 percent is State tracts, or State acreage; and 40.833 percent is fee lands.

MR. COFFIELD: We'll stipulate to all that.

MR. CARAWAY: Okay.

Q. And going back there's more fee acreage than either Federal or State, is that right?

A. That's true.

Q. Now, have you at this time got your participating area for the No. 3 Well approved by all State agencies?

A. We do have by the -- let me be sure. By the USGS Survey is the only data I have in hand; the rest is pending signature.

Q. All right. Now, isn't it true that what haopened on that is you all just omitted approaching the State on approving a participating area for the No. 3?

A. I neglected the Albuquerque office of the USGS, as well as the State. I filed it with the Roswell office only.

Q. Okay, you didn't file anything with the State of New Mexico.

A. That was my negligence. That's in my testimony, also.

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Q. All right. And you have only within the last couple of months filed something with the State of New Mexico requesting approval of that -- requesting approval of the participating area surrounding the No. 3 Well.

A. When Mr. Graham called me about that, as stated in my letter of April the 21st, it has been brought to my attention by Mr. Ray Graham, Commissioner of Public Land of the State of New Mexico that an application for the approval of initial particpating area for the Willow Lake Unit No. 3, south half of Section 15, Township 24 South, Range 28 East, was never approved.

This was so stated in paragraph one under my summary of operations.

Mr. Graham is correct because the approval request was sent only to the regional Oil and Gas Advisory Unit, USGS Survey, in Roswell, New Mexico, and see the attached approval request dated February 7th, 1979.

I was informed that the USGS was the only regulatory agency whose approval was needed, and since I had received no correspondence to the contrary, I believed the application was approved. Please accept my apology for I was in complete ignorance as to who was to receive and approve the application.

Q. All right.

A. To rectify this error, a representative

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of Aminoil USA, a Mr. Coffield, will hand deliver this letter and three copies of the application for approval of initial participating area for the Willow Lake Unit Well No. 3 to the Commissioner of Public Lands, and two copies to the Oil Conservation Commission on Wednesday, April 23rd, 1980.

Q. April 23rd of 1980.

A. Yes, sir.

Q. Now, the participating area -- isn't it true that the participating area surrounding the No. 1 Well was the north half of 22, consisting of 320 acres? Will you also stipulate to that?

A. I believe you're correct.

Q. Okay, and that the participating area surrounding the No. 3 Well is the south half of 15.

A. Yes, sir.

Q. Is that right, 320 acres?

A. Right.

Q. So you've got 600 -- altogether you've got landowners included in a total of 640 acres that are sharing in the production from those two wells.

A. That is correct.

Q. Total. None of the other owners in this unit area agreement are sharing in production from those two wells, is that right?

A. I don't know how to answer that question.

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I really don't know what you're asking.

Q. You don't -- you don't know the answer to that question.

A. Well, wait a minute, I might know, but I don't understand what you're -- what you're asking.

Q. Are any --

A. What are you saying, well what are you saying, is that our participant down here in Section 26 will not participate in the well in 22?

Q. That's one, that's an example of the question I'm asking.

A. Is that correct?

AN OBSERVER: That's true.

A. Okay, that's correct.

Q. So the ownership of acreage, the owners of acreage only within each of those 320 spacing units share in the production from each of those two wells.

A. That's what I understand.

Q. Are you familiar with the ordinary rules of this Commission regarding spacing of deep wildcat gas wells?

A. 320 acres, to my knowledge.

Q. And that's -- and that would be the size spacing unit that would be imposed here, for example, should there be no unit agreement in force for this area, is that right?

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A. That's what I understand, yes, sir.

Q. Your amendment to your plan of development that you spoke of, the amendment to your original plan of development for 1980, do you have that in writing today? Do you have that in writing, what you're proposing to do insofar as drilling the well in the north half of 23?

A. Not in writing, no, sir. I just brought that suggestion to this hearing today for you and Mr. Courtney to hear, as well as the State of New Mexico --

Q. Right.

A. -- and the USGS.

Q. So you're verbally submitting that to the Commission at this time.

A. In lieu of drilling the Willow Lake No. 4. A suggestion to --

MR. NUTTER: While you're on that subject, Mr. DeLong, I'll just ask this question.

Have you discussed that with the USGS?

A. Discussed it, no.

MR. NUTTER: So in effect if they approve that, they'd have to withdraw their approval of the previous plan of development, I presume, and approve a new plan of development, wouldn't they?

A. Yeah. I'm offering it as amendment to pacify Mr. Courtney.

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MR. NUTTER: Yeah, and then you --

A. If this would help.

MR. NUTTER: -- stated that you had ascertained just today that the plan of development had been approved in the State Land Office but hadn't been signed yet, so that would be the original plan of development. You haven't discussed this new alternative plan with them either, then?

A. No, sir.

MR. NUTTER: Okay.

A. I think it will benefit the Willow Lake Unit, as well as Mr. Courtney, if we could do it. And that's why we're offering that for an alternate.

Q. But that's in lieu of drilling the No. 4 Well.

A. Yeah, we'd like to drill there, and what if it's dry. It's going to cost us over $2.3-million to find out, and if it's a good success, if it's a barnburner, in respect, then we might develop three additional wells.

MR. NUTTER: Would it be a unit well or would it be an independent well of the unit, Mr. DeLong?

MR. CARAWAY: That would be my next question.

A. It's within the unit and I'd have to ask for counsel on that because I don't know. I assume that it would be a --

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MR. NUTTER: Would Aminoil drill the well or would Maddox drill the well?

A. The Willow Lake Unit will own a little over 40.6 percent. Mr. Maddox will own 37.5, and I believe Sun Oil, or Sun Production, whatever it is, Sun Gas, would own the remainder. We would own a little larger interest but Mr. Maddox would be drilling the well. He has a rig available right now to do it, and we would be more than willing to let him do it.

I don't know what has come up with some conversation with agencies in regard to this. Would that count as a Willow Lake Unit development?

I assume that it would.

Q. Maddox is not a party that -- a working interest party that has joined in the Willow Lake Unit agreement, are they?

A. No, not to date.

Q. And -- but you're fairly certain that they could be authorized to drill a well on this acreage?

A. Would he?

Q. By -- would Maddox be authorized to drill a well in this unit acreage?

A. Yes. Most of us are trying to -- let me -- hold it. Let me ask --

MR. CARAWAY: That's more of a legal

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question in Mr. Coffield's province and --

MR. COFFIELD: Let me speak to that to the extent that I know what the answer is.

We are checking that question and the preliminary answer that we have come up, although we're not completely finished checking, is that it could, providing the appropriate administrative agencies approve that as part of the plan. It could, indeed, be substituted as -- as Mr. DeLong has suggested.

Again, I'll have to say I do not know for sure what the answer is.

MR. CARAWAY: If this Commission approves your verbal offer to do that, you'd be willing to submit a plan in writing, wouldn't you, as soon as possible?

A. Yes, sir.

Q. Would you be willing to submit a plan in writing to this Commission for their review prior to their decision, amending your original plan?

A. What do you mean?

Q. Mr. Coffield will probably advise you on that. My question was would you be willing to submit an amended plan in writing --

A. Yes, sir.

Q. -- to the Commission for their review prior to their making a decision on this matter?

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A. Most certainly.

Q. Mr. DeLong, do you have any knowledge as to what percentage of the fee lands in this unit area have ratified or agreed to be bound by the agreement?

A. No, sir.

Q. You do not know?

A. No.

Q. Okay.

MR. CARAWAY: Mr. Examiner, I'm offering the 19 -- and I feel it's highly relevant -- the 1979 Plan of Operation and Development, too, as an exhibit, and I can make a copy here off mine, or if you just want to note it in the record that that was offered as an exhibit and refer to your copy?

MR. NUTTER: Does that have approval dates on the back side, on the second page?

MR. CARAWAY: Does that have what, sir?

MR. NUTTER: Approval dates.

MR. CARAWAY: Yes. Well, my copy just shows approval by the USGS on it.

MR. NUTTER: What is that, the '79 Plan of Development?

MR. CARAWAY: Yes, sir. I'm sorry, I've got the wrong one.

MR. COFFIELD: Mr. Examiner, we happen to

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know that the '79 Plan of Development was approved by the Commissioner of Public Lands on February 1, 1979, so to that extent we have dates.

MR. CARAWAY: That will be fine. I am offering the Plan of Development for 1979 and the approval thereto as an exhibit to this question, Exhibit Two.

MR. NUTTER: Okay, we can make a copy of that. Would you give those dates again, please, Mr. Coffield, that the Department of Interior approved that?

MR. COFFIELD: It shows February 12, 1979, for the Department of Interior, and --

MR. NUTTER: And the Commissioner of Public Lands?

MR. COFFIELD: Commissioner of Public Lands, February 1, 1979, and I do not have the information on the Oil Conservation Division.

MR. NUTTER: That was approved here at 2-2-79.

MR. CARAWAY: February 2nd?

MR. NUTTER: Yes.

Q. One other question, Mr. DeLong, why -- why was this plan of development for 1980 not filed until April of 1980 -- or March of 1980? Do you know?

A. No, I don't, unless it was just brought to my mind at that time.

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Q. And are you aware, again, that language of the unit agreement imposes upon the operator the duty to file a proposed plan of development prior to the expiration of the previous plan? Of development?

A. When was that? When was your expiration date on that previously?

MR. CARAWAY: Are you willing to stipulate, Mr. Coffield, that the 1979 Plan of Development expired on December 31st, 1979? I've got that here.

A. I'm not aware of that, no, sir.

MR. COFFIELD: That's correct, it does expire --

MR. CARAWAY: You will so stipulate?

MR. COFFIELD: Yeah, you are -- it expired December 31st.

Q. You don't know why it took your company four months to file a plan of development for this year?

A. Why it took me.

Q. Why it took you four months?

A. That's right, yeah. No, sir, I can't remember, that's to the best of my knowledge.

Q. You weren't aware you were under an obligation to file it for approval prior to the expiration of the previous plan for development?

A. The only thoughts that come to my mind

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is that I assumed it to be in the first quarter of the -- of the following year.

I don't have a good answer to that.

MR. CARAWAY: We'll pass the witness at this time. If the Examiner has any questions.

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

MR. COFFIELD: I have a couple of points I think maybe we'd like to have clarified here.

REDIRECT EXAMINATION

BY MR. COFFIELD:

Q. Mr. DeLong, in your involvement with this unit or units of this type generally, are you aware of the procedures that must be followed in order to obtain the designation of participating area?

A. I'm learning more about them all the time.

Q. But are you aware of all the details? Specifically what I've got in mind is do you know who, say, besides the operator of the unit is involved in the determination of participating area?

A. No, other than the USGS and the two State Agencies, of New Mexico.

Q. So that you know there are other parties. It is not simply not an action alone by Aminoil, is that

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correct?

A. That's right, I know now, yes, sir.

Q. In connection with the observation or the questioning by you by Mr. Caraway relative to this 1980 Plan of Development if it's approved, you could conceivably have one well within 3-1/2 years, likewise, is it true that if you drill, let's say, the well in Section 23, you might also by virtue of change in conditions, very well drill the No. 4 Well within the same period of time?

A. Yes, sir, we have a chance to do that.

Q. So you could then in fact have two wells instead of the one which Mr. Caraway has mentioned?

A. That's -- that would have to be contingent on the success of the Maddox well.

Q. Yes, that's what I'm saying. It's a possibility.

A. Yes, sir, sure is.

Q. Generally speaking, would you say it's prudent for an operator to drill wells, a well or wells, if there is no reason to believe that the reserves are there to justify the well?

A. No.

Q. Were the wells which were drilled during the period of time in question by Mr. Caraway, were they drilled and justified by way of geological, best geological

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information that was available at the time?

A. At that time, yes, sir.

Q. It was noted, I think, in Mr. Caraway's examination of you, that every time that you referred to these prior wells were Morrow tests. Why were they not Atoka tests?

A. The Atoka is a zone developed above the Morrow, and you can penetrate the three productive sands out there, the Strawn, Atoka, and the Morrow, to fully evaluate the acreage.

Q. Does Aminoil generally prescribe to the orderly development of the unit area?

A. Yes, sir.

Q. Therefor, would it be safe to say that even though there may be a large amount of acreage that's held, that that factor alone, the fact that there's a large amount of acreage unproductive or not drilled upon, justify some sort of a rapid drilling program?

A. Would you state that again, Connie?

Q. Yes, would the fact that you have a large amount of acreage in a unit to which production is not attributable, would that factor alone justify in the sense of a prudent operator --

A. No, it wouldn't.

Q. -- a rapid development program.

A. Not the amount of acreage.

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Q. In fact, might such a fast development program actually cause waste and do damage to the reservoir?

A. If we drill one dry hole up there in the Willow Lake 4, we wouldn't want to participate in any more.

Q. My point is, though, if you were to go ahead and punch down a number of holes all over, say, the 4800 acres, or however many we have, could that not conceivably cause waste and actually do damage?

A. Waste, yes.

Q. Okay. Mr. Caraway has noted that there are all kinds of acres in this unit which various interest owners are not participating in the share in production from the two producing wells within the unit area. Is it within Aminoil's power to have the interest owners in the outlying areas of the unit actually participate in the royalty allocations from the two producing wells?

A. None that I know of.

Q. Okay.

MR. COFFIELD: I don't have any questions.

MR. CARAWAY: I have a few on redirect, Mr. Examiner.

MR. NUTTER: All right, try to make it short, if you would.

MR. CARAWAY: Yes, sir. Yes, sir, Mr. Nutter.

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RECROSS EXAMINATION

BY MR. CARAWAY:

Q. Now, did I understand your testimony to be if you drilled a dry hole in 14 you would drill no further wells in this unit area?

A. We'd have to completely re-evaluate our geologist's interpretation.

Q. Does that mean you --

A. Of the same channel, of the production data, of cost per well. That's what justifies a location, if we can make any money, not just to hold 4800 acres.

Q. Well, if you, Mr. DeLong, --

A. We're honestly trying to develop that Willow Lake Unit economically.

Q. If that decision were made by the company then you would -- your company would be willing to release this leased acreage, too, is that right, not sharing in this -- or if the primary terms of said leases which have expired?

A. Run that by again.

Q. If your company made that decision to drill no further wells in this unit area, then any leases which were held solely by the language of the unit area agreement would be released, is that right?

A. If we decide not to, that is correct.

Q. If you decide not to drill any further wells.

A. Sure, we'd give up the unit.

Q. Now --

A. But that's a big if.

Q. But they would be released if your company did make that decision.

A. That's correct.

MR. CARAWAY: Mr. Nutter, I need information from your file. Would you please advise for the record what the date was when the plan of development for 1980 was received by agency from Aminoil?

MR. NUTTER: The plan of development for 1980?

MR. CARAWAY: Yes, sir.

A. I've got that in my letter.

Q. Okay.

A. Mr. Coffield hand delivered that on Wednesday, April the 23rd, 1980.

Q. So it was April 23rd, 1980, when --

A. Yeah, I believe it is, let me see. The Plan of Operations and Development was received April the 4th, 1980, by the US Geological Survey; also you may note, this is on Exhibit Two-1, we also addressed to the Commissione

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of Public Lands, State of New Mexico, and Oil Conservation Commission. So there on about April the 4th is when they received it.

Q. April 4th of 1980. Okay.

MR. CARAWAY: I don't have any further questions, Mr. Nutter.

MR. NUTTER: Did you have any further redirect, Mr. Coffield?

MR. COFFIELD: No, sir.

MR. NUTTER: Are there any further questions of the witness? He may be excused.

MR. NUTTER: We'll have a short recess.

(Thereupon a short recess was taken.)

MR. NUTTER: The hearing will come to order, please.

Mr. Caraway, do you have anything to say?

MR. CARAWAY: Yes. I was conferring with counsel for Aminoil, Your Honor, and we will not call Mr. Thagard as a witness. In lieu of his testimony we do have a stipulation to announce to the Commission, but there is within the original boundaries of the unit area 1960 acres of fee lands, only 440 acres of which were ratified or com-

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mitted to the unit area. I don't know what that computes in terms of percentage, or not. We don't have a calculator and we can't make any stipulation to that at this time. You can compute it, I'm sure.

MR. NUTTER: 440 out of 1960?

MR. COFFIELD: About 22 percent.

MR. NUTTER: 22.44898 percent.

MR. CARAWAY: That figure, then will be the percentage of fee lands committed to the unit area out of the total number of fee acres.

And we also are willing to stipulate that Mr. Courtney is one of the parties who executed an instrument of ratification, the legality of which, or the legality of which is being seriously questioned, or questioned right now in a Federal court lawsuit.

MR. COFFIELD: And Mr. Courtney is one of the 440 acres of fee lands that did, as you said a few minutes ago, that did ratify.

MR. CARAWAY: Did execute an instrument of ratification.

MR. NUTTER: And you're stipulating to those figures and those facts in that stipulation then.

MR. COFFIELD: We will so stipulate.

MR. NUTTER: Okay. We call Mr. Felton Courtney to the chair.

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MR. NUTTER: I believe Mr. Courtney is already under oath.

FELTON W. COURTNEY

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

DIRECT EXAMINATION

BY MR. CARAWAY:

Q. Would you state your name and address, please?

A. My name is Felton W. Courtney, Carlsbad, New Mexico.

Q. All right, and Mr. Courtney, are you the party that is objecting to this 1980 Plan of Development that has been submitted by Aminoil?

A. Yes, I am objecting to it.

Q. And I am referring in this question to the original plan of development that they've submitted, dated March 21st, 1980.

A. Yes.

Q. All right, and to your knowledge was that the only plan of development that they had submitted prior to their verbal representation today at the hearing?

A. To my knowledge that is the only plan

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of development that they have submitted to anyone.

Q. All right, and Mr. Courtney, do you have one or more objections to the plan of development that's been submitted by Aminoil about which there's been substantial testimony today?

A. I think I have several objections.

Q. All right, and would you go ahead and state in your own words the substance of your objections to the plan of development that's been submitted by Aminoil?

A. I'd like to start at the beginning here on this entire hearing.

This hearing was scheduled to cover the Willow Lake Unit. Heretofore we have objected -- injected many other areas and things which does not even belong into this hearing, is my belief. So --

Q. What specifically is that you're talking about, Mr. Courtney?

A. Wells which were drilled out of this area that have nothing to do with the Willow Lake Unit agreement, or plan of development approval. It has no part of this hearing, is what I'm contending. Okay.

Q. Go ahead, sir.

A. So that portion's out of the way.

Now, on all of the plans of operations and developments in this Willow Unit, starting from the be-

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ginning and up to and including the 1980 one, Aminoil does inject into here what they refer to as modifications, which is such a broad thing, they can do anything or delete anything for any reason whatsoever, and they have not went to the trouble to follow the rules and regulations to get the Commission's approval for these changes or omissions, and I take the attitude that they have done nothing.

So this statement applies to their general operation, that they can, by their own testimony here today, they can have good intentions; they can have errors, omissions, and outside items which they have no control over, and that gives them an excuse to just go ahead and not do anything or to not get the approval of this Commission.

Now --

Q. Mr. Courtney --

A. Yeah.

Q. -- are you speaking of specifically anything? For example, in 1979, anything that didn't happen or did happen in 1979?

A. Well, they specifically have stated that they were going to drill a well, which they didn't, but they today offer some kind of excuses for this thing.

Now, when they come into this hearing with some verbal promises on to an amended plan of development and some other -- insinuating some verbal promise to me to

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attempt to pacify me in connection with this 40-acre tract, which if I had not been dealing with them on their verbal promise, I would not have ratified the agreement to begin with; therefor, I wouldn't even be here or be involved in this because I would at this date have no dealings or be involved with Aminoil in any manner whatsoever.

Q. What -- just briefly, Mr. Courtney, what promise was this you're talking about? By which you originally got involved?

A. Aminoil specifically, verbally told me that when the No. 1 Well was completed they would move directly onto my land and drill a well. That is the basis on which they induced me to sign this ratification of this unit agreement to begin with.

Q. Now going on, Mr. Courtney, would you continue to elaborate as to your reasons, if any, why you're why you feel that this plan of development they've submitted is not appropriate?

A. Are you talking about the present 1980 plan, which that I have here?

Q. Yes, sir.

A. This 1980 plan that I'm looking at here that they have submitted here, does not state specifically, state that they're going to do anything. It does say that they have plans but they still say that they're trying to work

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out clearing of a title, so if they don't get the title cleared then that's the only excuse they need to do nothing.

Q. In your opinion have they been dilatory in any way in developing this area as a reasonably prudent operator?

A. It is my opinion that they have not developed it as they implied that they would in the unit agreement.

Q. Do you feel that by their -- by their -- by what development that they have done in this area, have they -- do you feel that they have protected the correlative rights of the landowners in the area?

A. It is my feeling that they have completely ignored anybody's rights, the landowners, the Commission, and everybody else, by their own submissions here that they've made themselves.

Now, they do further imply here today, verbally, that they are going to concede to me of the abandoning of one of their plans, and they've going to join Maddox in drilling here in this north half. But it is my opinion that they are not conceding anything whatsoever to me, but they are being forced to do this because of this pending lawsuit that I've brought and because Maddox is the one that wants to drill this well.

Q. Go ahead.

A. All right. What would we like to know

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next here?

Q. Now, do you feel like they have -- have you reviewed the unit area agreement prior to this hearing?

A. No, I haven't.

Q. All right, so you're not in a position to say one way or the other whether or not you feel like they've complied with the provisions of this unit agreement? Insofar as -- as they drilling obligations are concerned?

A. It is my feeling that they have not fulfilled their obligation in this drilling agreement and have proceeded with the development as they implied that they would in the beginning.

Q. Did I understand you to say you don't feel that they have proceeded with the development as --

A. That's right, I do not feel that they have. It is my feelings that even today they would not be actually doing anything if they were not either forced to do it by Maddox or by this Commission or some other force. It is my feeling that they would set right there and continue to watch the No. 1 Well and watch their No. 3 Well, and that's all they're going to do is watch it as long as they can hold all of this acreage and do nothing except watch.

Q. Okay.

A. That's my feelings.

Q. Are you one of the private landowners --

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A. Yes, I am.

Q. -- in this Willow Lake Unit?

And you own 40 acres of land in the northeast of the northwest quarter of Section 23?

A. North -- give me that description again.

Q. Northeast quarter of the northwest quarter?

A. I would say yes here, based on all maps and everything else --

Q. You do own some lands inside the unit area?

A. Yes. I'm not running this thing out.

Q. What -- what -- do you have an opinion as to what, if anything, that this Commission should do insofar as this submitted plan of development?

A. Yes, I do have. I would respectfully like to ask this Commission to not approve a 1980 plan of development for Aminoil and I would further ask this Commission to withdraw any previous approval that they have made of the Willow Lake Unit.

Q. Well now, Mr. Courtney, you do, of course, want a well drilled on a location which includes your acreage, do you not?

A. True; that's -- that's true.

Q. Well, do you feel like they ought to drill a well in the north half of 23 sometime this year?

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A. Well, now they have -- they have verbally here indicated that they would drill this well, but then they still said they are not going to drill a well, that Maddox is going to drill the well.

Q. All right, do you think that they should also drill a well in the southwest quarter of 14 this year?

A. They -- they would be obligated to drill that well based on commitments that they have previously made. Now some of these escape clauses that they have in their plans of development and operation let's them out of that because this would be, if they go into this north half of 23, I can see where it would be reasonable that nobody could reasonably ask them to drill a well here and immediately drill one here and here, I mean, all at the same time if they haven't got the rigs and facilities and all the things it takes in order to drill this well.

However, I do think in connection with that statement they are far behind with the drilling development of this unit.

Q. So you feel they ought to drill more than one well in 1980.

A. I sure do.

Q. Now, Mr. Courtney, have you instituted legal action against Aminoil which is now pending in the Federal court of New Mexico?

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A. Yes, I have. Now, Aminoil has chose to ignore me up until, and taking all of the time they could possibly take dragging their feet, they eventually had to answer my suit complaint, which they took the full time. Now, in the meantime, they would not answer a letter. They would not say one word, and I would say, it is my opinion, that even today they are still going to drag their feet on this thing and they're not going to move any faster than they have to, and this development that has recently occurred here with Maddox may be the only one thing that's going to make them move.

Q. Mr. Courtney, as one of your counts to your complaint, did you through your attorney make allegation that they had not developed the area as a prudent operator?

A. Yes.

Q. And did you also state that they had not fulfilled their drilling and operating obligations under the Willow Lake Unit Agreement?

A. Yes.

Q. Do you have anything else that you want to add to your testimony?

A. I feel like that possibly before this Commission, that I may have said here all that is appropriate to say here. Any further things I believe would be more appropriate to be stated in the Federal court than to be stated

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here.

I'm talking about items which maybe this Commission has no control over.

Q. Do you feel that certain items that are relevant to your lawsuit --

A. Yeah, right.

Q. -- that are not relevant before this Commission?

A. I think so.

Q. Okay.

MR. CARAWAY: I'll pass the witness. Do you have any questions?

CROSS EXAMINATION

BY MR. COFFIELD:

Q. Mr. Courtney, do you -- do you have any scientific background relative to oil and gas operations and development?

A. Oh --

Q. In other words, are you a geologist or a petroleum engineer?

A. No, sir, I am not.

Q. Or have you been an oil or gas operator?

A. No, I have not.

Q. So you do not have any practical experience

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as far as yourself is concerned, relative to the operations of oil and gas properties?

A. That is correct. I have not, sir. Now, I -- I'm not drilling, and I'm not taking any position as a geologist in this whole matter. I am a landowner. I'm just talking about 40 acres of land.

Q. Okay. Mr. Courtney, have you ever previously objected to any of the prior plans of development up until the one for 1980?

A. I have never seen or had in my possession any plan of development until a few days ago. So I had nothing to object to because I hadn't seen anything.

Q. So the answer is no?

A. That's right.

MR. COFFIELD: I have no other questions of Mr. Courtney.

A. Yes, sir.

REDIRECT EXAMINATION

BY MR. CARAWAY:

Q. Mr. Courtney, did you previously execute an oil and gas lease concerning your 40 acres of land down there?

A. With Burma Oil, I did execute a 5-year lease with Burma Oil and Gas and that --

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Q. Has the primary term of that lease expired?

A. Yes, that lease was primary for a 5-year term, which it did expire on I'm going to say February the 25th of this year.

Q. Okay, and had there been any drilling operations on your lands or lands with which they've been pooled?

A. And it is -- it is my contention that Aminoil no longer has a valid lease on my land.

Q. All right. That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. Courtney, it's not material to this case, I don't think, and won't be given any weight in consideration of the case, but what is the nature of your suit against Aminoil in Federal court?

A. My original complaint with Aminoil was to furnish me with a release which I could record which would put all people, the public, on notice that this lease had expired. They completely ignored me. I couldn't even get an answer out of them on that, and I -- and after I wrote them, they still refused to answer, and the first thing that they ever answered was an answer to the lawsuit complaint, which they had thirty days in which to answer that, and they

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took it, I'll loosely say they took it all. I'm not talking about dates. They might have been 28 or 29 days involved on that thing.

MR. CARAWAY: Mr. Nutter, I tender Exhibit Four for the record, which I've conferred with counsel for Aminoil and he has no objections. That is a copy of the suit instituted against Aminoil by Mr. Courtney, a certified copy, by the way, and it was originally instituted in the District Court of Eddy County, and since been removed to Federal court. The exhibits are not attached to it, the copy, because we didn't feel it was necessary. Well, the first Exhibit A is the oil and gas lease. We didn't feel that was pertinent to the Commission's hearing.

Exhibit B is the unit agreement. They're referred to in the body of the Complaint and that exhibit the Commission already has.

So that's the Complaint itself less exhibits.

MR. NUTTER: So in effect the court actio is to cancel the lease.

A. No, the court action -- no, the court -- the court action is not cancel, and I don't contemplate that it will be cancelled unless that some agreement might be reached.

MR. CARAWAY: All right.

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A. That would be my line of thinking on that.

MR. CARAWAY: I think it's clear, Mr. Nutter, that -- that there's just a whole lot about this whole proceedings, as well as the general nature of this thing, that Mr. Courtney doesn't quite understand. There's some things that I don't understand about this exhibit that Aminoil introduced today. I have no geologic training myself, nor engineering, but the suit does speak for itself and it contains five counts to it, and the basic relief asked for is a rescinding and cancellation of the lease and ratification of the unit agreement, and for damages.

MR. NUTTER: Now, this is your Exhibit Number Four, is it?

MR. CARAWAY: Yes, sir.

MR. NUTTER: All right, then do we already have your copies of Exhibits One, Two, and Three?

MR. CARAWAY: You made Xeroxed copies, did you not?

MR. CARAWAY: Yes, sir, I did. Okay, here we go; here's One, Two, and Three. Next time I'll bring copies of my exhibits beforehand.

MR. NUTTER: Okay.

MR. CARAWAY: Here's One, Two, Three, and Four.

MR. NUTTER: Order No. R-4954 is Courtney

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Exhibit Number One, Case Number 6982.

MR. CARAWAY: Mr. Courtney, that's all the questions of you. You can sit down --

MR. NUTTER: Are there any questions of Mr. Courtney? He may be excused.

MR. CARAWAY: Is there anything else you want to add?

A. I can't add; I could only repeat.

MR. CARAWAY: Okay.

A. So I won't add anything. I would only repeat.

MR. NUTTER: Mr. Courtney may be excused.

MR. CARAWAY: Mr. Nutter, I have only a very few brief remarks in conclusion.

MR. NUTTER: Go ahead, please.

MR. CARAWAY: Mr. Nutter, we do not feel that this unit area has been developed by Aminoil with reasonable diligence and at a reasonable -- and in accordance with the standards of a reasonable prudent operator. They have drilled three wells in this entire unit area since the date of inception. The last well -- the last well, the commencement of which was in December of 1977. It's been an excessively long time since any of these wells were drilled and proposing before this Commission that they're just going to drill one more well in 1980, we don't feel is sufficient development.

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They've evidently got an amended plan of development that they've verbally expressed to the Commission, and it's our understanding that -- that they're going to submit in writing to confirm this, and based on the 4800 acres committed to this unit, there's 4480 acres out of that entire area that is not sharing in the two producing wells. There's 640 acres out of that entire area that's sharing in the two, and only two wells. 4480 acres is not getting anything and this area has been in force since February 15th of 1975. It's been in existance for in excess now of five years, and we've got two wells and 7-1/2 sections of land.

Now the geological argument and so forth is appealing, but insofar as that goes, they still, if they're going to perate and hold all these lands in an official area concept, they're going to have to drill more wells than they've done, as a reasonably prudent operator.

They have not protected the correlative rights of the landowners in that area by their failure to adequately and reasonably develop.

And, of course, the correlative rights of the landowners must be enforced also. That's provided for in that the Examiner hung his hat on so far in overruling my jurisdictional motion. Correlative rights have not been protected and they -- these participating areas are the same size participating areas that would be for deep wildcat gas

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if there hadn't been any unit area.

So it is a very harsh proposition on landowners, and this unit area agreement, if you will take leave to review it again before you make your decision on this matter, is a very unfair agreement, very adhesive type agreement, if I may use that word, and it's long, contradictory -- I've read that thing now no less than half a dozen times and I still don't know what it says in many areas.

As to the agreement itself, has breached the terms, express terms of that agreement, and the breach, we feel, is sufficient to authorize this Commission to withdraw its entire approval of this unit agreement.

You'll note in your order of the Commission, dated 1975, it states specifically the Commission retains jurisdiction in this matter for further proceedings, and you can withdraw your approval of this unit agreement, and we ask your leave to do so.

If they're going to say in this agreement, and this is a reason for their plans of development, they submit a plan of development, if it's approved, they're supposed to live by that strictly, because that constitutes their exclusive drilling obligations in this area. If they don't live by that, then they have breached the agreement in the most fundamental and -- and harmful way insofar as correlative rights of the landowners.

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We come along here, they didn't do anything in '79. They said, well, we were running around trying to put things together with somebody that wasn't even a working interest owner in this unit area. We were running around trying to put things together with Adams Exploration, and lo and behold, when the end of the year came about, November, December, we found out that they just weren't willing to do what they said they were going to do originally. They weren't willing to commit themselves to agreeing to a proration unit to cover the west half of Section 14.

They didn't notify this Commission or any other agency of that. They didn't file a modified plan of development, as they're required to under that paragraph 10. We didn't know anything about what they had done or not done in 1979 until they come along in April of this year and file a plan of development for 1980. The last month of the first quarter they file a plan of development for this year. And again, they're obligated under paragraph 10 to. Take a look at it again in reaching your decision. They're obligated in that paragraph to submit the plans of development prior to expiration of the previous plan of development.

So, theoretically, everybody, including the private landowners, will know what their development perspective is for that year and according to the unit agreement everybody will know what is supposed to be their drilling

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obligations for that year. And they haven't done it and one well -- of course, Mr. Courtney and I both, wouldn't hesitate for a minute in saying that we want a well drilled on acreage which includes his 40 acres. We'd be fools to contend otherwise.

But speaking as well for other landowners in this unit, one well as they're offering to drill, even if it's in the north half and includes Courtney's acreage, one well in 3-1/2 years, that is not reasonable and prudent development.

If the geology is such, if it's oppressive and even shows them that they can't -- you know, it's uneconomical to drill this well here and uneconomical to drill here, that all looks dark and bleak on the horizon, then they ought to dissolve this unit and let these landowners go. Otherwise if they fail to do that, this Commission needs to impose a higher burden on them than they're offering to do and that they have offered to do here today.

Thank you very much.

MR. NUTTER: Thank you. Mr. Coffield?

MR. COFFIELD: If it please the Examiner, first of all, the sole question before the Division, of course, is the approval or not of the 1980 plan of development.

Mr. Courtney's problem is -- I imagine it can best be characterized as a glorious case of 20/20

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hindsight relative to his joinder of the unit a number of years ago. His distress in this regard certainly does not endow his feelings that Aminoil is not diligent with respect to their unit operations and so forth with any validity whatsoever.

With regard to our 1980 plan of development -- well, first of all, our development throughout the history of the unit, we feel has been entirely prudent and our operations out there were precisely what a prudent operator would engage in, considering the geology as it was known at the time, as all of that was brought out by our witness.

Now, relative to the 1980 plan of development, Aminoil has obtained the approval of the USGS. They've obtained the approval of the State Land Office for the State of New Mexico. Aminoil has further justified geologically its 1980 plan of development as a reasonably prudent operator here this afternoon.

Mr. Courtney has not submitted any expert witnesses whatsoever or scientific testimony in rebuttal with respect to those points.

Accordingly, we feel that we have overwhelmingly sustained the burden of proof that Aminoil's 1980 plan of development is a proper plan. It should therefor be approved by the OCD, as it has been by the USGS and by the State Land Office for the State of New Mexico.

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MR. NUTTER: Mr. Coffield, I'd like to ask you, will, in accordance with the testimony of Mr. DeLong, will an amended plan of development be submitted including the well in Section 23, in writing?

MR. DeLONG: Yes, I can give that in writing. We'd like to have a little something from Mr. Courtney agreeing that that would be -- suffice for his argument against us.

We would go ahead and amend the agreement that we have presently with the -- operating plan of development, excuse me, and stating that we will participate with Mr. Maddox in lieu of drilling Willow Lake 4.

MR. NUTTER: Now what do you want from Mr. Courtney?

MR. DeLONG: Well, I don't like to see us get involved with acreage that he's threatened to take away from us, and if he would agree to the amendment, why, we can get about our rat-killing and go ahead and get that well drilled, and we should have it drilled within four months.

MR. NUTTER: Are you suggesting that in order to -- for you to submit this as an amended plan of development that he'd have to withdraw his court suit?

MR. DeLONG: I don't believe that's -- no, that's not what I meant. I offered that as a suggestion that Mr. Courtney --

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Phone (505) 455-7409

MR. COFFIELD: Mr. Nutter, I believe under the circumstances, it would only be appropriate to stand on the plan of development as it is now submitted, interjecting this suggestion by Mr. DeLong, that could be amended. It was just that. I believe there was a suggestion of a possibility of going this way, and I believe the way matters now stand, it hopelessly confuses things if we try to submit here an amendment at this hearing; we're talking about the 1980 plan of development as it stands now. That's the one that we're supporting. We're not trying to support an amendment to the plan of development, although it's obvious through our testimony, it also supports that.

MR. NUTTER: Well, it appears to me just by looking at the 1980 plan of development which contains the modification paragraph, as have the others, and looking at the possibility of seeing Maddox drill a well because he's got a bunch of short-fused leases that are about to expire, that could well be a more positive answer than the 1980 plan, because the 1980 plan states that it's understood that this is all subsequent to lots of things that might happen, and as Mr. Courtney testified, things that might happen might end up with no well again in 1980, as there was no well drilled in 1979.

So I would kind of like to see a plan of development include the more positive -- more positive of the

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two prospects that we've got.

MR. COFFIELD: Okay.

MR. NUTTER: From what I've heard so far, it sounds like the well in 23 is more positive than the well in 14.

MR. COFFIELD: Well, we can and will submit an amendment to the plan of development for 1980.

MR. NUTTER: You could put it in terms like this: that if one well is not drilled, the other one would be drilled.

MR. DeLONG: Yes, it's not economically feasible to participate in both wells at the same time.

MR. NUTTER: No, but if one well isn't drilled, then the other would be.

MR. COFFIELD: I think we could submit a plan of development with that kind of an alternative.

MR. NUTTER: For calendar year 1980.

MR. COFFIELD: 1980 plan, yes, sir.

MR. DeLONG: The Willow Lake Four would be contingent this year upon the success of the Maddox Well in Section 23.

MR. NUTTER: Or upon the failure, that well would be drilled.

MR. DeLONG: Right.

MR. CARAWAY: But that again imposes upon

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them only the obligation of drilling one well in 1980, and --

MR. NUTTER: Well, I think when you're talking about -- when you're talking about wells that cost 2-1/4 million dollars, I don't think you're going to see very many units that have more than one well drilled per year, because it takes a long time to get a payout.

You've had -- you mentioned awhile ago you had two wells drilled here. You had one dry hole drilled that cost 2-1/4 million dollars, too.

MR. CARAWAY: Right, correct; right.

MR. NUTTER: And one well that paid out and the other one hasn't paid out, so you've only had recovery of the drilling costs on one out of three wells.

MR. CARAWAY; Yes, I'm aware of that.

MR. NUTTER: It's expensive drilling.

Does anyone have anything further to offer in Case Number 6982?

We'll take the case under advisement and the hearing is recessed until 9:00 o'clock tomorrow morning, same place.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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 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 C.S.R.

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. 6933 heard by me on 8/6 1980.

, Examiner
Oil Conservation Division

R 28 E

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amerada EXHIBIT NO. 1
CASE NO. 6983

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701
(915) 682-8231

The Oil and Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87051

AMINOIL USA

March 21, 1980

RECEIVED
APR 4 1980
U.S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

Re: Plan of Operations/Development for Calendar Year 1980 - Willow Lake Federal Unit
(No. 14-08-0001-14-260)
Eddy County, New Mexico

Gentlemen:

In compliance with Section 10 of the Willow Lake Unit Agreement dated February 15, 1975, Aminoil USA, Inc., as unit operator, hereby submits for your approval a Summary of Operations and Development for the year 1979, and a Plan of Operation/Development for 1980.

Summary of 1979 Operations:

An application for approval of the initial participating area for the Willow Lake Unit Well No. 3 was filed and approved mid February, 1979.

No new wells were drilled during the year.

The Willow Lake Unit No. 1 (Atoka) produced 245,581 mcfg plus 58 bc during 1979 and has accumulated 1,999,520 mcfg plus 968 bc to 1-1-80.

The Willow Lake Unit No. 3 (Morrow) produced 243,823 mcfg during 1979 and has accumulated 622,346 mcfg, no condensate to 1-1-80.

Proposed Development During 1980:

We currently have plans to drill an additional development well, the Willow Lake Unit Well No. 4, to be located in the southwest quarter of Section 14, T24S, R28E. We are now clearing title in preparation to submit the proposal to the working interest owners.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-1
CASE NO. 6982

Present plans are to continue watching production and pressures from the Amoco No. 1 Pecos Comm. which is a south offset to the Willow Lake Unit's Section 26. If proved commercial, one other development location will be recommended during the last quarter of 1980.

Modification

It is understood that portions of this Plan of Operations/Development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work as well as other contingencies, and for these reasons, this Plan of Operations/Development may be modified from time to time with like approval to meet changing conditions.

AMINOIL USA, INC.

UNIT OPERATOR

BY: _____
Gene DeLong
Sr. Development Geologist

APPROVED for Jack Willock DATE JUN 05 1980
Department of the Interior

APPROVED _____ DATE _____
Commissioner of Public Lands

APPROVED _____ DATE _____
New Mexico Oil Conservation Commission

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 2-1
CASE NO. 6982

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUN 05 1980

Aminoil USA, Inc.
Attention: G. E. DeLong
600 Western United Life Building
Midland, Texas 79701

Gentlemen:

Three approved copies of your 1980 plan of development for the Willow Lake unit area, as amended, Eddy County, New Mexico, are enclosed. Such plan, proposing to drill a development well (Willow Lake Unit Well #4) in the SW¼ section 14, T. 24 S., R. 28 E., and monitoring the Amoco #1 Pecos Comm well, was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

Sincerely yours,

Jack Willock

for Jack Willock
Acting Deputy Conservation Manager,
Oil and Gas

Enclosures

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-2
CASE NO. 6982

[illegible]
[illegible]
Midland, Texas 79701
(915) 682-[illegible]

AMINOIL USA

November 30, 1979

United State Geological Survey
P. O. Box 26124
Albuquerque, New Mexico 87125

Attention: Mr. James W. Sutherland

Gentlemen:

Enclosed are three copies of an application for approval of the initial participation area for the Willow Lake Unit Well No. 3, a Morrow Sand gas producer. This data was supposed to have been sent to your office in February of this year, however, during our recent meeting in your office on Tuesday of this week we were informed that you did not have it in hand as yet. I sincerely hope that this evidence is not too little too late to assist you in your decision on this matter. Also, please advise us if any additional data is needed or if the data should be presented in a different format.

We are currently pursuing an attempt to have the Willow Lake Unit Well No. 4 drilled by mid year 1980. The Willow No. 4 will be located in Section 14, T24S, R28E which is in the northeast corner of the unit and will be drilled to an approximate depth of 13,000' to test the Atoka Morrow Sands.

Note: My copy of the original letter did not have Mr. Steve Wright's signature. Steve is no longer employed by Aminoil so Mr. Kennerly over signed his signature to complete the application.

Gene DeLong
Sr. Development Geologist

GD/jd
Encl.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-3
CASE NO. 6982

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701
(915) 682-8231

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87051

The Oil and Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

AMINOIL USA

April 21, 1980

RE: Amendment of Plan of Operations/Development for Calendar Year 1980 Submitted for Approval March 21, 1980

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-4
CASE NO. 6982

Gentlemen:

It has been brought to my attention by Mr. Ray Graham, Commissioner of Public Lands of the State of New Mexico, that an Application for Approval of the Initial Participating Area for the Willow Lake Unit Well No. 3 (S/2 Section 15, T24S, R28E) was never approved. This was so stated in Paragraph One under Summary of Operations. Mr. Graham is correct because the approval request was sent only to the Regional Oil and Gas Supervisor, United States Geological Survey in Roswell, New Mexico. (See attached approval request dated February 7, 1979.) I was informed that the USGS was the only regulatory agency whose approval was needed and since I had received no correspondence to the contrary, I believed the application was approved. Please accept my apology for I was in complete ignorance as to who was to receive and approve the application. To rectify this error a representative for Aminoil USA, Inc., a Mr. Coffield, will hand deliver this letter and three copies of the Application for Approval of the Initial Participating Area for the Willow Lake Unit Well No. 3 to the Commissioner of Public Lands and two copies to the Oil Conservation Commission on Wednesday, April 23, 1980.

Mr. Graham also noted that the Plan of Operations/Development for the Willow Lake Unit, year 1980, omitted the reason why the Willow Lake Unit Well No. 4 was not drilled. It was our desire, during the last quarter of 1979, to form a unit consisting of the west half of Section 14, T24S, R28E and drill the Willow Lake Unit Well No. 4, 1980' FSL and 660' FWL. This would involve the southwest quarter being contributed by the Willow Lake Unit and the northwest quarter by Adams Exploration. A location along the west line was most desired at the time due to the interpretation of where the Atoka Sand would be developed. A special trip was made in November 1979 to the United States Geological Survey office in Albuquerque, Commissioner of Public Lands and the Oil Conservation Commission in Santa Fe to ascertain if any of these agencies had any objection to forming a 320 acre unit half in and half out of an

established unit. None were found and we proceeded ahead with what we assumed was a valid effort. Adams Exploration has yet to return an answer to our request, so we are currently clearing title to form a drilling unit consisting of the south half of Section 14, T24S, R28E which will be totally within the Willow Lake Unit boundary. Loffland Brothers Rig #331, which will be drilling a nearby location, will be used to drill the Willow Lake Unit Well No. 4 to a total depth of 12,900' to test the potential of the Strawn, Atoka and Morrow Sands. Drilling will commence no later than September 1, 1980, and the well should be completed prior to December 15, 1980. In summary, we waited too long to form the unit. We were dependent upon outside interest owners over whom we had no control. We had good intentions and hope to make up for it by completing the Willow Lake Unit Well No. 4 on schedule.

Respectfully submitted,

AMINOIL USA, INC.

G. E. DeLong
Sr. Development Geologist

GED/hf

Enclosures

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-4
CASE NO. 6982

AMINOIL

February 7, 1979

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-4
CASE NO. 6982

United State Department of the Interior
Regional Oil & Gas Supervisor
United State Geological Survey

Re: Application for Approval of the Initial Participating Area for the Morrow Sand Formation, South Half of Section 15, T24S, R28E, Under the Willow Lake Agreement, Eddy County, New Mexico

Geological and Engineering Data

The following geological and engineering data are submitted in support for the subject initial participating area application. The attached Exhibit "A" is an area plat outlining the Willow Lake Unit and the proposed participating area. Exhibit "B" is a Morrow Sand zone structure and Isopach map.

The Morrow Sands in the Willow Lake Unit area are deltaic and distributary channel fill sands and are intermittently developed. Porosity and permeability are affected by compaction, lithologic change to shaley sands or shale and the lack of swelling clays within the developed sands. This is evident in the three wells that surround the Aminoil No. 3 Willow Lake Unit, S/2 of Section 15, T24S, R28E. Thicker sands were developed in the Aminoil No. 2 Willow Lake Unit, a dry hole which is the west offset, and the Aminoil No. 1 CNB, a noncommercial Morrow Sand test one mile NE of the proposed participating area. The total sand thickness in both of these wells exceed 40', however, the No. 2 Willow Lake yielded only gas to surface too small to measure when drill stem tested and the No. 1 CNB produced less than 200 MMCFG before plugging back and testing the Atoka formation. The Burmah Oil No. 1 Willow Lake (south offset) perforated and tested two thinly developed sand stringers which flowed only 725 MCFGPD and is currently plugged back to the Atoka formation.

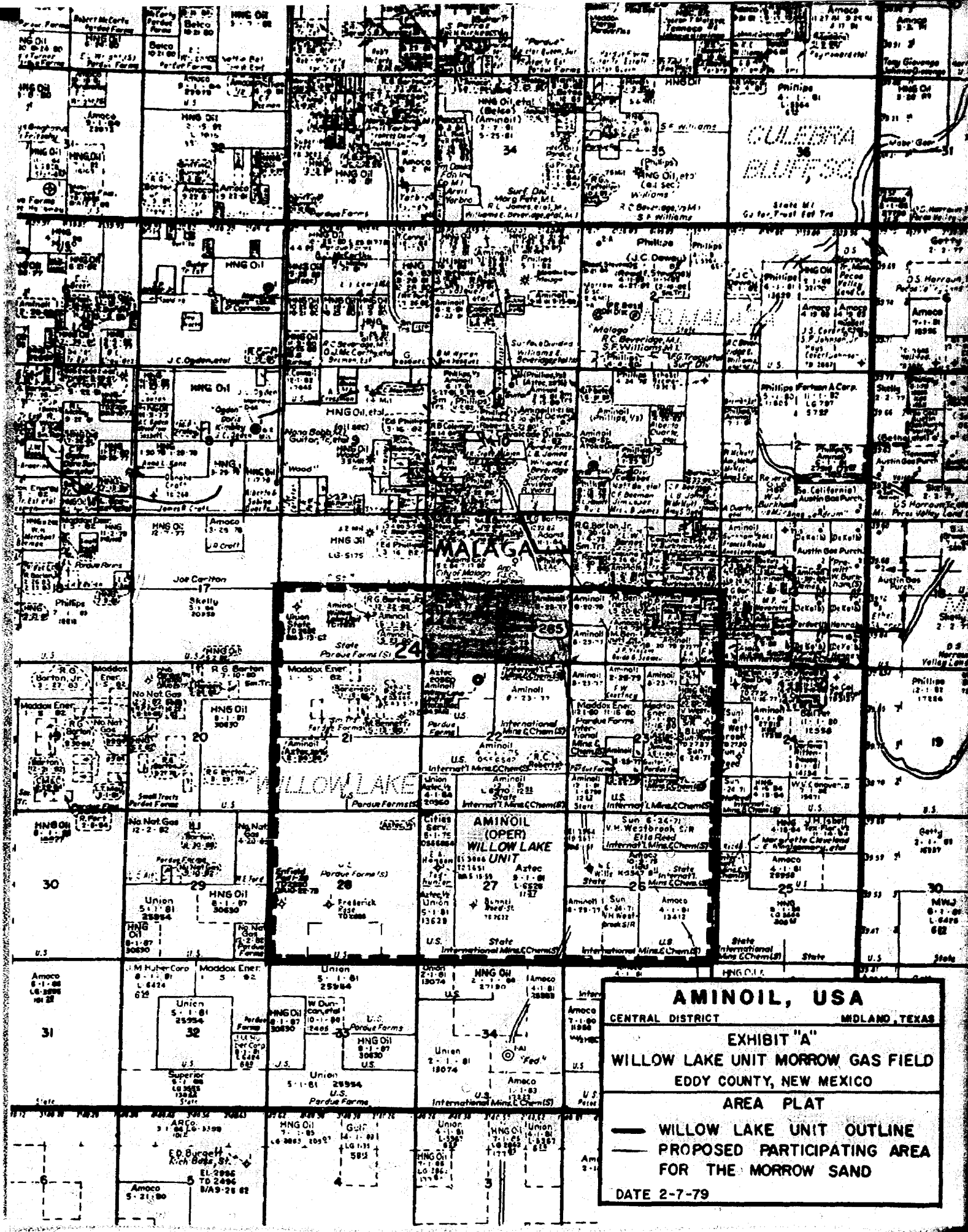
The poor structural position, as shown by the structural plat, tight and shaley sand development and poor offset production tests limits the proposed participating area to the south half of Section 15, T24S, R28E.

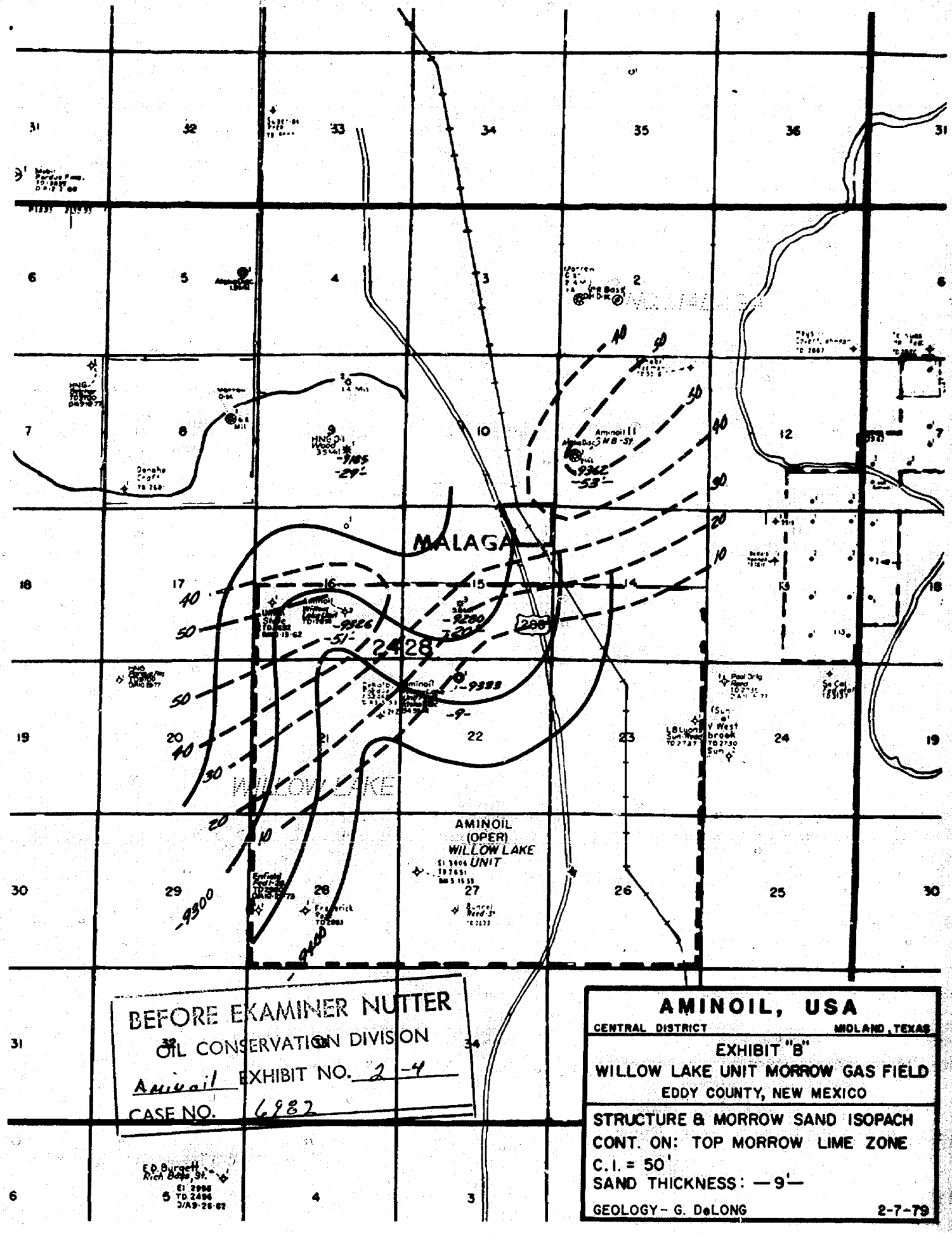
Please consider the above information justification for the proposed initial Morrow Sand formation participating area, the south 320 acres of Section 15, T24S, R28E, Eddy County, Willow Lake Unit.

Respectfully Submitted for Your Approval,

Gene DeLong
Sr. Development Geologist

Steve Wright
Steve Wright
Sr. Reservoir Engineer


MALAGA
WILLOW LAKE
AMINOIL (OPER)
WILLOW LAKE UNIT
AMINOIL, USA
CENTRAL DISTRICT
MIDLAND, TEXAS
EXHIBIT "A"
WILLOW LAKE UNIT MORROW GAS FIELD
EDDY COUNTY, NEW MEXICO
AREA PLAT
WILLOW LAKE UNIT OUTLINE
PROPOSED PARTICIPATING AREA FOR THE MORROW SAND
DATE 2-7-79



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoil EXHIBIT NO. 2-4
CASE NO. 6982

AMINOIL, USA
CENTRAL DISTRICT — MIDLAND, TEXAS

EXHIBIT "B"
WILLOW LAKE UNIT MORROW GAS FIELD
EDDY COUNTY, NEW MEXICO

STRUCTURE & MORROW SAND ISOPACH
CONT. ON: TOP MORROW LIME ZONE
C.I. = 50'
SAND THICKNESS: —9'—

GEOLOGY - G. DeLONG — 2-7-79

Schlumberger

COMPENSATED NEUTRON FORMATION DENSITY

COMPANY BURNAM OIL AND GAS COMPANY

WELL WILLOW LAKE UNIT #1

FIELD WILDCAT

COUNTY EDDY STATE NEW MEXICO

660' FNL, & 1980' FWL

Other Services: BHC, DLL, CNL

Sec 22 Twp 24-S Rge 28-E

Permanent Datum G.L. Elev. 3015

Log Measured From R.B. 18 Ft. Above Perm. Datum

Drilling Measured From R.B.

Elev.: K.B. 3033 D.F. 3032 G.L. 3015

Date	4-19-75	5-16-75	6-20-75
Run No.	ONE	TWO	THREE
Depth-Driller	9825	11719	13205
Depth-Logger	9830	11725	13205
Bot. Log Interval	9829	11723	13203
Top Log Interval	610	9828	11618
Casing-Driller	13 3/8 @ 631	5 1/2 @ 9826	7 5/8 @ 11725
Casing-Logger	635	9828	11727
Bit Size	12 1/4	8 1/2	6 1/2
Type Fluid in Hole	PAK-PERMAL	DRISPAC	DRISPAC-PERMALOID
Dens. / Visc.	10.2 / 40	15.6 / 45	10.8 / 38
pH / Fluid Loss	8 / 13.2 cc	12 / 12 cc	10.5 / 19.6 cc
Source of Sample	CIRC.	PIT	CIRC.
Rm @ Meas. Temp.	.050 @ 70 °F	.046 @ 76 °F	.053 @ 86 °F
Rmf @ Meas. Temp.	.040 @ 70 °F	.065 @ 76 °F	.040 @ 83 °F
Rmc @ Meas. Temp.	.075 @ 70 °F	- @ - °F	.080 @ 86 °F
Source Rmf / Rmc	M	M	M
Rm @ BHT	.026 @ 136 °F	.039 @ 172 °F	.027 @ 209 °F
Time Circulation Stopped	0400	2400; 5-15	1800; 6-19
Time Logger on Bottom	1000	0300; 5-16	0130; 6-20
Max. Rec. Temp.	136 °F	172 °F	209 °F
Equip. Location	7627 HOBBS	7627 HOBBS	7627 HOBBS
Recorded By	WILSON	REED	REED
Witnessed By	JOHNSON	JOHNSON	JOHNSON

DETAIL LOG

5" = 100'

CALIPER — HOLE DIAM. IN INCHES — 6 to 14

GAMMA RAY — API UNITS — 0 to 100, 100 to 200

DISTNS — RUN 3

DENSITY POROSITY INDEX % — LIME MATRIX — 30 20 10 0 -10

NEUTRON POROSITY INDEX % — LIME MATRIX — 30 20 10 0 -10

Casing

Above Sand Zone

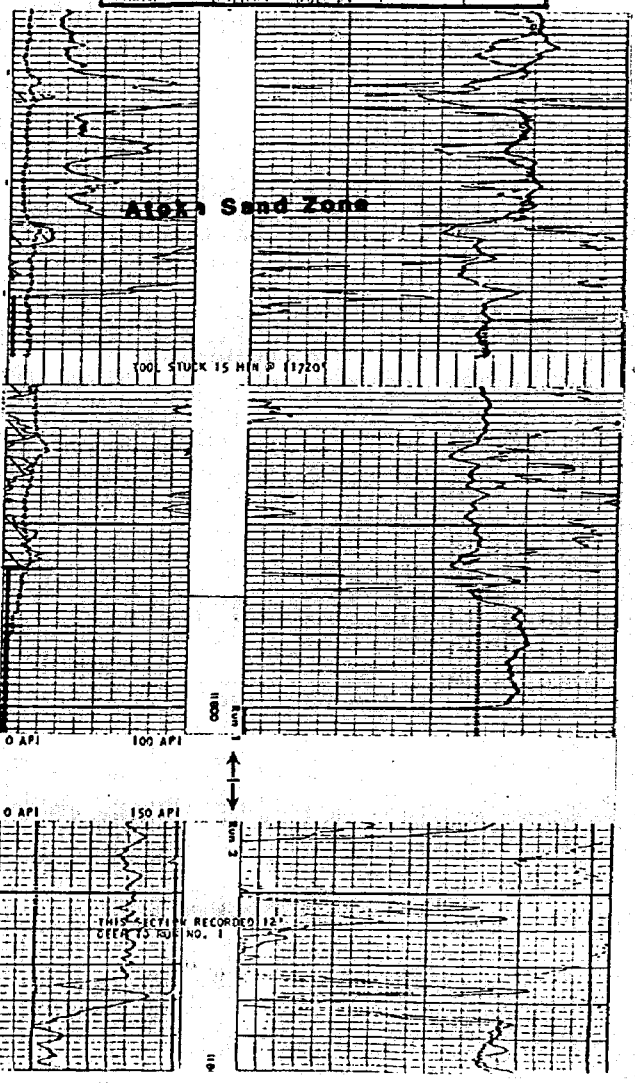
BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Burnam EXHIBIT NO. 3
CASE NO. 6622

DresserAtlas — COMPENSATED Densilog / COMPENSATED Neutron

COMPANY	AMINOIL USA, INC.
WELL	WILLOW LAKE UNIT NO. 2
FIELD	WILLOW LAKE (ATOKA)
COUNTY	EDDY — STATE NEW MEXICO
LOCATION	1650'FSL & 1980'FEL
Other Services	DIFL
SEC 16 — TWP 24-S — RGE 28-E	

Permanent Datum	GROUND LEVEL	Elev. 3023
Log Measured from	K. B.	16 Ft. Above Permanent Datum
Drilling Measured from	K. B.	

Date	8-1-76		8-22-76					
Run No.	ONE		TWO					
Depth - Driller	11900		12833					
Depth - Logger	11780		12849					
Bottom Logged Interval	11778		12822					
Top Logged Interval	9270		11750					
Casing - Driller	7 5/8 @ 9800		7 5/8 @ 9800		@		@	
Casing - Logger	9270		9270					
Bit Size	6 1/2"		6 1/2"					
Type Fluid in Hole	MUD GEL		DISPERSED GEL					
Density and Viscosity	14 42		11.15 69					
pH and Fluid Loss	11 cc		9.5 9.6 cc		cc		cc	
Source of Sample	CIRCULATED		CIRCULATED					
Rm @ Meas. Temp.	.83 @ 62 °F		.88 @ 71 °F		@ °F		@ °F	
Rmf @ Meas. Temp.	@ °F		.83 @ 71 °F		@ °F		@ °F	
Rmc @ Meas. Temp.	@ °F		@ °F		@ °F		@ °F	
Source of Rmf and Rmc	-		MEAS.					
Rm @ BHT	.33 @ 170 °F		.26 @ 190 °F		@ °F		@ °F	
Time Since Circ.	5 HOURS		5 HOURS					
Max. Rec. Temp. Deg. F	170 °F		190 °F		°F		°F	
Equip. No. and Location	6123 HOBBS		6136 HOBBS					
Recorded By	HOWARD		HOWARD					
Witnessed By	KUYKENDALL		DILLMAN					



DresserAtlas — Dual Induction Focused Log

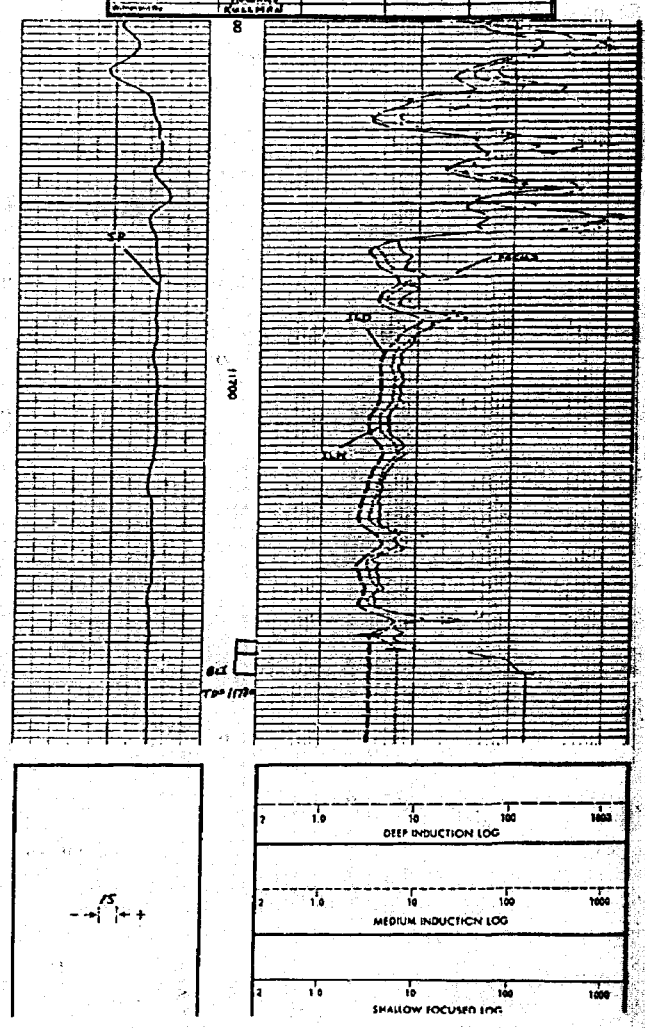
COMPANY	Amoco U.S.A. Inc.
WELL	Willow Lake Unit #2
FIELD	Willow Lake (Atoka)
COUNTY	Eddy — STATE New Mexico
LOCATION	1650' FSL & 1980' FEL
Other Services	CNL/FDC/GR
SEC 16 — TWP 24S — RGE 28E	

Permanent Datum	G.L.	Elev. 3003
Log Measured from	K.B.	16 Ft. Above Permanent Datum
Drilling Measured from	K.B.	

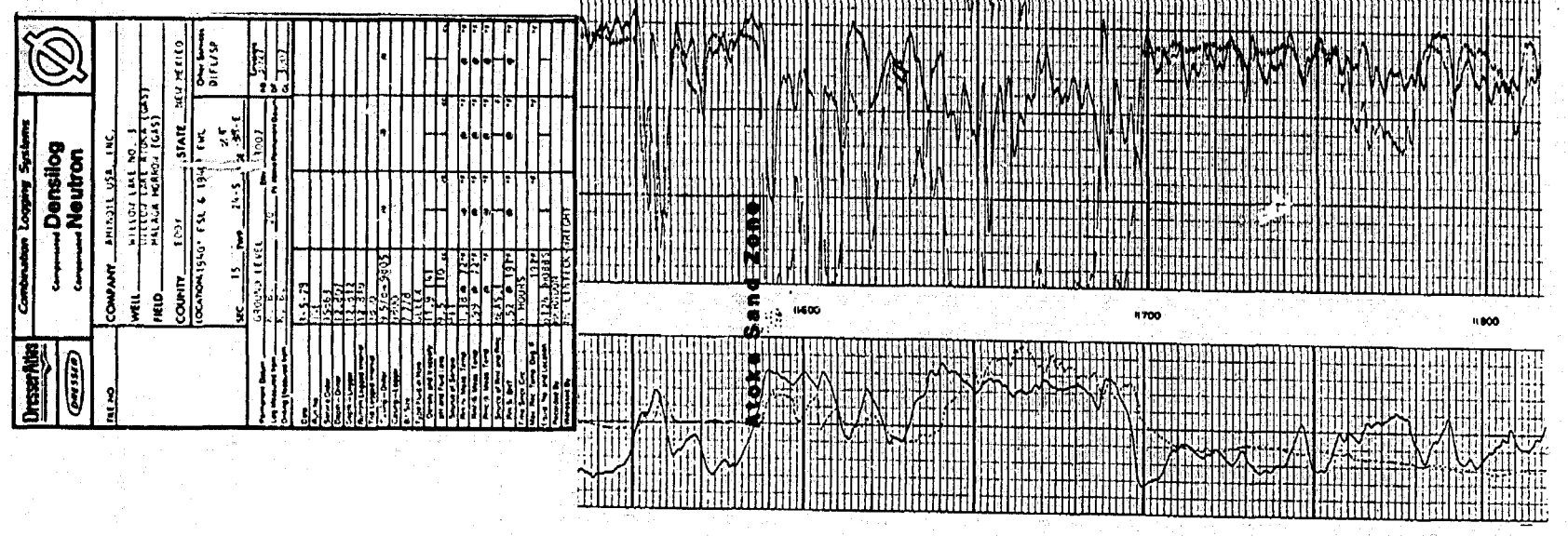
Date	7-9-76							
Run No.	Two							
Depth - Driller	11750							
Depth - Logger	11750							
Bottom Logged Interval	11772							
Top Logged Interval	9270							
Casing - Driller	5½ @ 9800				@		@	
Casing - Logger	9270							
Bit Size	6¾							
Type Fluid in Hole	Brine Gel							
Density and Viscosity	10.0 42							
pH and Fluid Loss	10 — cc				cc		cc	
Source of Sample	Circulated							
Rm @ Meas. Temp.	.33 @ 67 °F		@ °F		@ °F		@ °F	
Rmf @ Meas. Temp.	— @ °F		@ °F		@ °F		@ °F	
Rmc @ Meas. Temp.	— @ °F		@ °F		@ °F		@ °F	
Source of Rmf and Rmc	— —							
Rm @ BHT	.17 @ 170 °F		@ °F		@ °F		@ °F	
Time Since Circ.	9 hrs							
Max. Rec. Temp. Deg. F.	170 °F				°F		°F	
Equip. No. and Location	6188 Hobbs							
Recorded By	Howard							
Witnessed By	Kuykendall							

FIELD PRINT

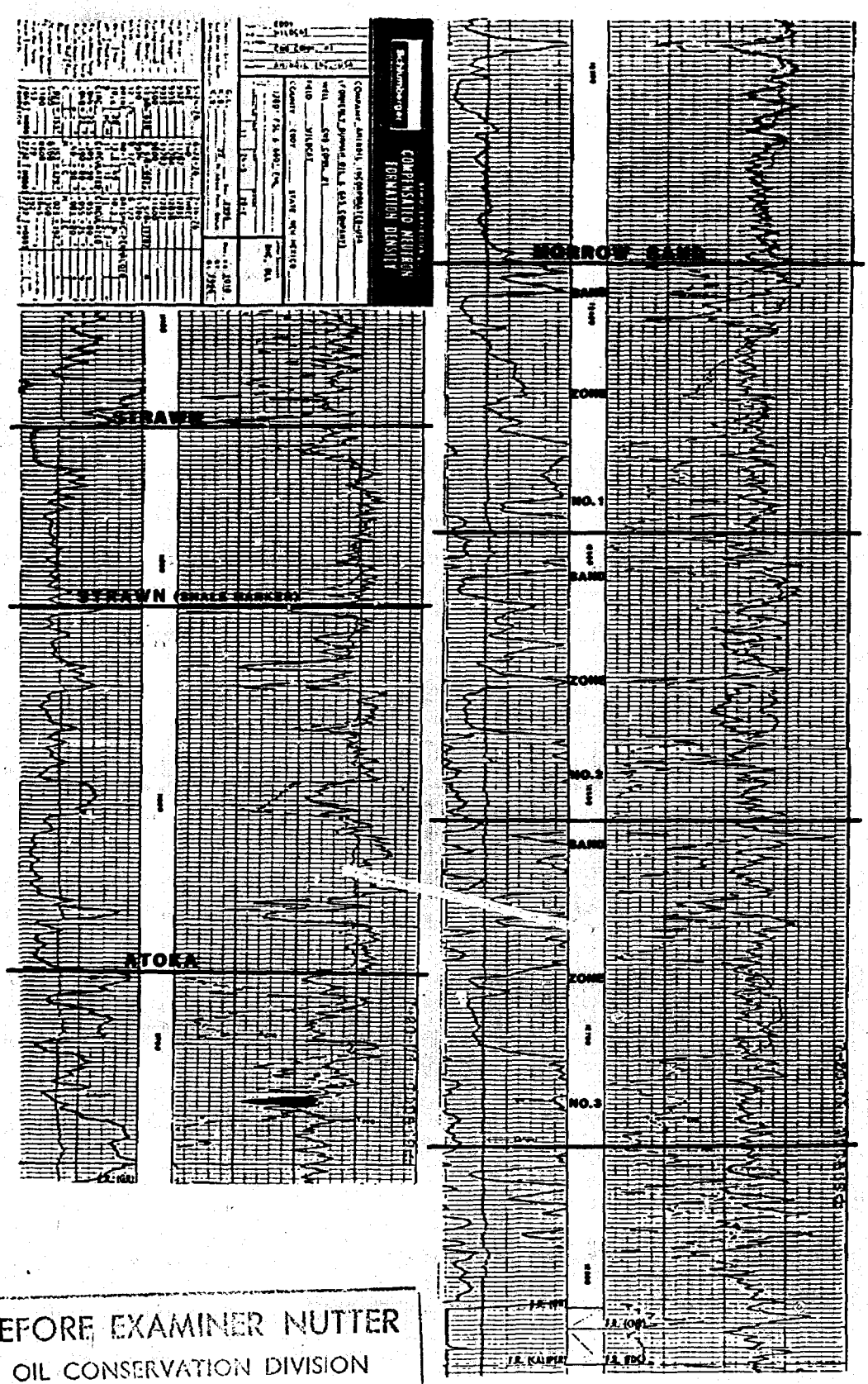
8



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 3-2
CASE NO. 6982



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amerada EXHIBIT NO. 3-3
CASE NO. 6681



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-4
CASE NO. 6982

DresserAtlas

DRESSER

Compensated Densilog
Compensated Neutron

FILE NO.

COMPANY MOBIL OIL COMPANY

WELL HODGES COMM. NO. 3-9

FIELD MALAGA (MORROW)

COUNTY EDDY STATE NEW MEXICO

LOCATION
1980'FSL & 2000'FEL

Other Services
DLL/GR

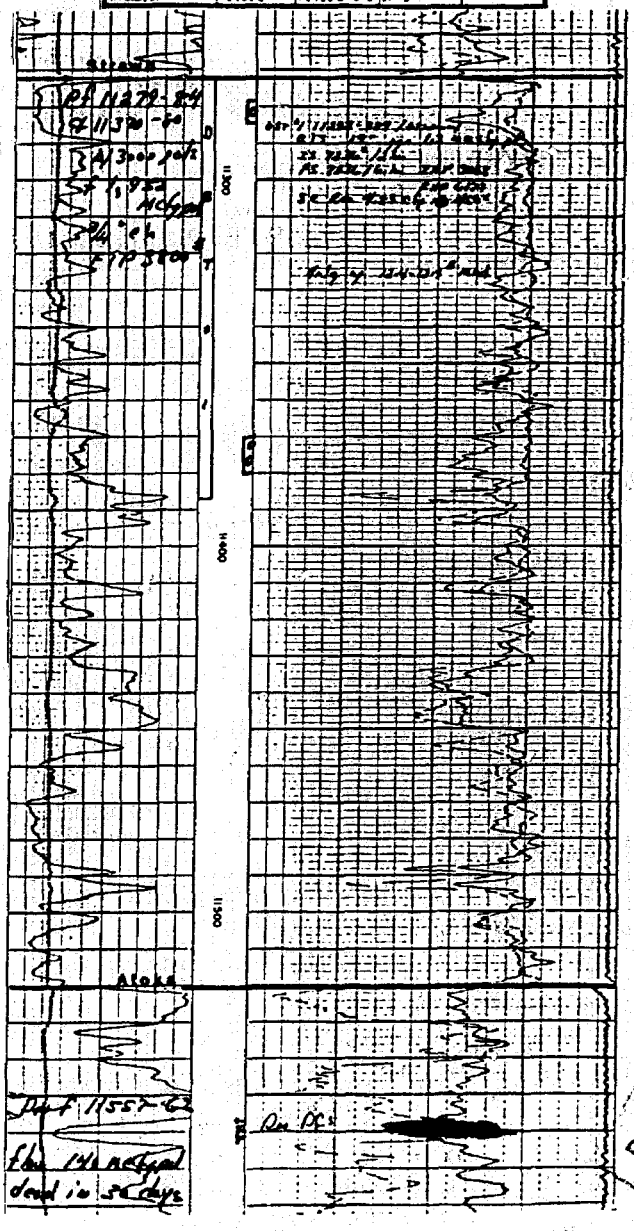
SEC 9 TWP 24-S RGE 28-E

Permanent Datum GROUND LEVEL Elev. 3074

Log Measured from K.B. 12 Ft. Above Perm. Datum

Drilling Measured from K.B.

Date	12-18-77	4-6-78			
Run No.	ONE	TWO			
Depth-Driller	9814'	11555'			
Depth-Logger	9825'	11562'			
Bottom Logged Interval	9814'	11562'			
Top Logged Interval	SURFACE	11448'			
Casing-Driller	9 5/8" @ 2451'	7" @ 10257'	@		@
Casing-Logger	2450'	10248'			
Bit Size	8 1/2"	6 1/8"			
Type Fluid in Hole	SALT GEL	BRINE MUD			
Density and Viscosity	9.1 28	10.1 50			
pH and Fluid Loss	10 6 ml	12 6.8 ml	ml		ml
Source of Sample	PIT	PIT			
Rm @ Meas. Temp.	.07 @ 70 °F	.035 @ 70 °F	@	°F	@ °F
Rmf @ Meas. Temp.	.07 @ 70 °F	.067 @ 70 °F	@	°F	@ °F
Rmc @ Meas. Temp.	@ °F	@ °F	@	°F	@ °F
Source of Rmf and Rmc	MEAS	MEAS			
Rm @ BHT	.033 @ 150°F	.016 @ 185°F	@	°F	@ °F
Time Since Circ.	6.5 HOURS	15 HOURS			
Max. Rec. Temp. Deg. F	150°	185°		°F	°F
Equip. No. and Location	6725 HOBBS	6725 HOBBS			
Recorded By	MC ATEE	HERNDON			
Witnessed By	METSEL	METSEL & STEARNS			



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 5-5
CASE NO. 6982

Schlumberger

COMPOSITE OF BHC/HNGS COMPENSATED SONIC LOG AND COMPENSATED NEUTRON LOG-FORMATION DENSITY LOG.

COMPANY HARKEN ENERGY CORPORATION

WELL MALAGA #1

FIELD WILDCAT

COUNTY EDDY STATE NEW MEXICO

1980' FNL & 1980' FEL

Sec	Twp	Rge
3	24-S	28-E

Other Services: DLL CYBERLOOK ML

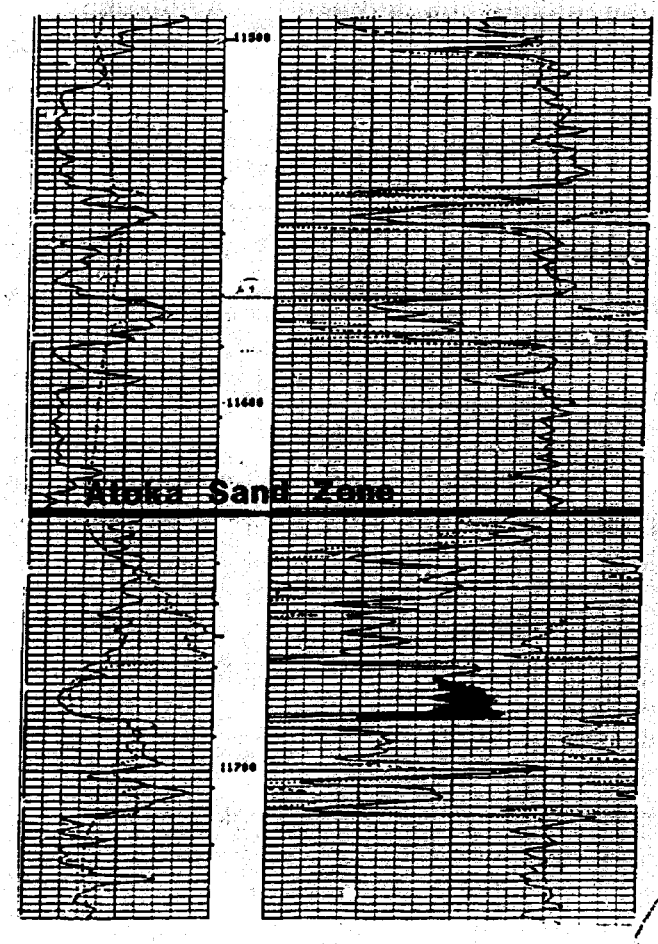
Permanent Datum G.L. Elev. 3016

Log Measured From K.B. 25 ft. Above Perm. Datum

Drilling Measured From K.B.

Elev.: K.B. 3041 D.F. G.L. 3016

Date	4-1-79	4-21-79	5-19-79	6-1-79
Run No.	1 (BHC)	2 (CNL-FDC)	3 (CNL-FDC)	4 (CNL-FDC)
Depth-Driller	11900	10600	12078	11100
Depth-Logger (Bot.)	11898	10600	12065	11108
Btm. Log Interval	11898	10399	12047	11107
Top Log Interval	SURF	9727	10396	11963
Casing-Driller	20 @ 400	13 3/8 @ 3005	9 5/8 @ 10600	7" @ 12078
Casing-Logger	398	3005	10396	12069
Bit Size	17 1/2	12 1/4	8 1/2	6 7/8
Type Fluid in Hole	BRINE/STARCH	BRINE	FRESH	BRINE
Dens. / Visc.	10.5 38	9.7 28	12.6 46	9.7 40
pH / Fluid Loss	9.5 15 cc	10.5	10 8.5 cc	10.5 cc
Source of Sample	FLOW LINE	PIT	FLOW LINE	PIT
Rm @ Meas. Temp	.048 @ 70 °F	.051 @ 78 °F	.51 @ 65 °F	.048 @ 75 °F
Rmf @ Meas. Temp	.040 @ 70 °F	@ °F	.41 @ 65 °F	.044 @ 75 °F
Rmc @ Meas. Temp	.072 @ 70 °F	@ °F	.59 @ 65 °F	@ °F
Source Rmf / Rmc	M C	C	C M	M
Rm @ BHT	.032 @ 91 °F	.03 @ 157 °F	@ °F	.033 @ 188 °F
Time Circulation Stopped	2100	3-31 0500		0600
Time Logger on Bottom	2300	4-1 1030	1730	1130
Max. Rec. Temp.	91 °F	157 °F	176 °F	188 °F
Equip. / Location	8062 HOBBS	8062 HOBBS	8062 HOBBS	8062 HOBBS
Recorded By	KELLEY	CAMPAIGN	WILSON	WILSON
Witnessed By	BAKER	BAKER	BAKER	BAKER



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Applicant EXHIBIT NO. 5
CASE NO. 6821

Schlumberger

COMPUTER PROCESSED LOG

COMPANY Amoco Production Co.
WELL Bar Comm. #1
FIELD Malaga (Morrow)
COUNTY Eddy STATE N.M. Mexico
LOCATION 1655' FNL & 1980' FEL Sec. 10, T-24S, R-28E
ELEVATION DF 3228' GL KB

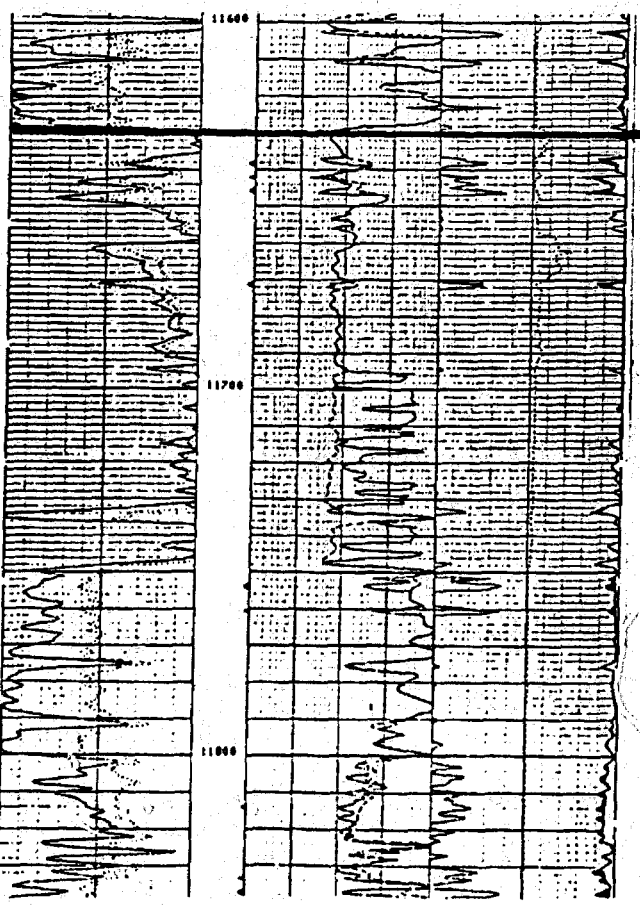
Schlumberger Cyberlook
Wellsite Computation Service
A CSU Service

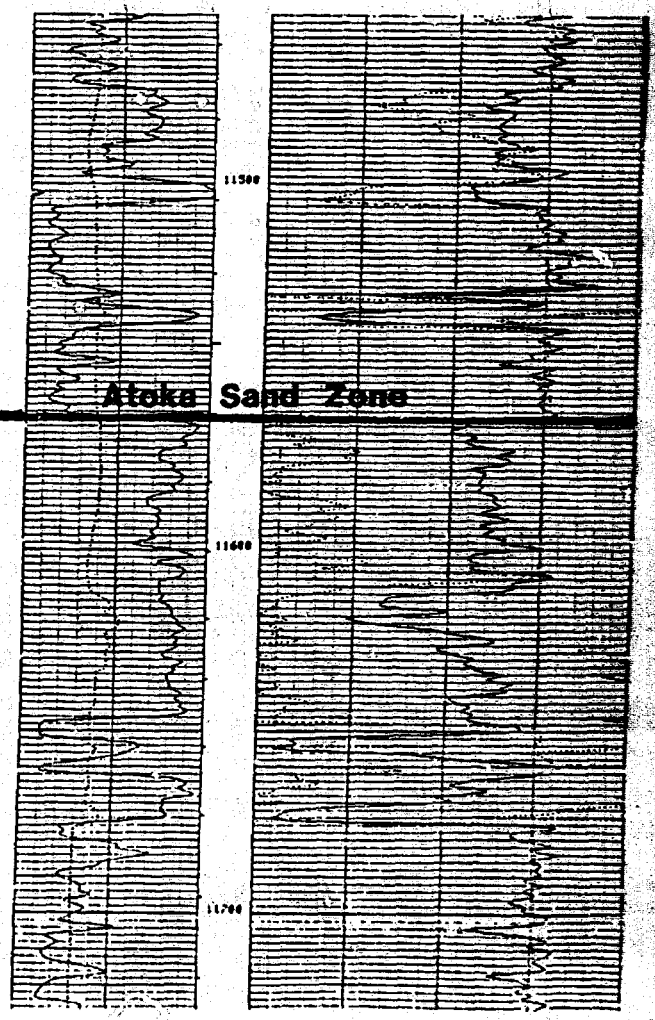
Schlumberger

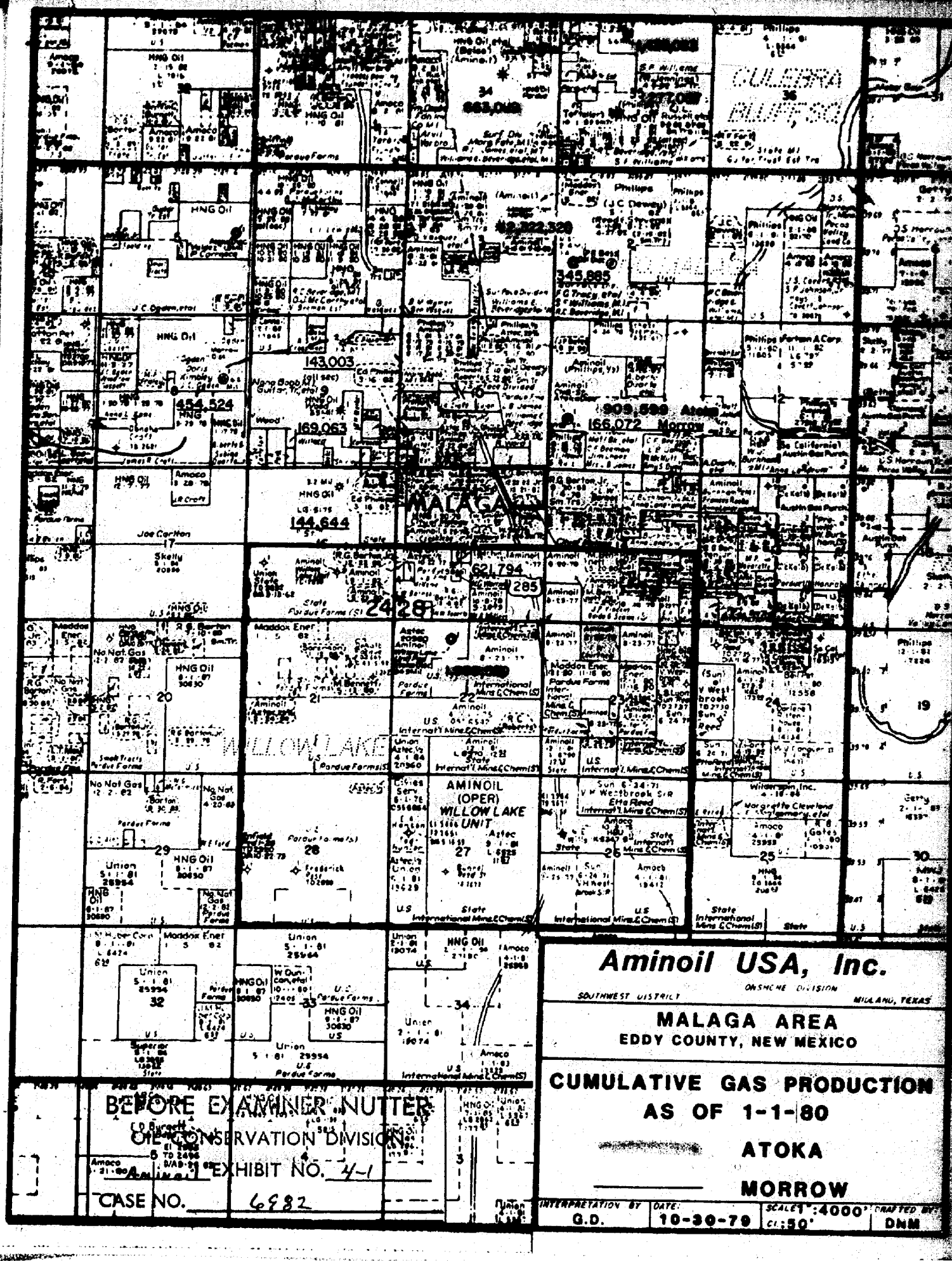
COMPENSATED NEUTRON FORMATION DENSITY

COMPANY AMOCO PROD. INC.
WELL GUITAR #1
FIELD MALAGA
COUNTY EDDY STATE NEW MEXICO
2310' FEL & 660' FNL
Sec. 10 Twp. 24-S Rge. 28-E
Permanent Datum G.L. Elev. 3221
Log Measured From KDB 20 Ft. Above Perm. Datum
Drilling Measured From KDB
Elev. KDB 3241 GL 3221

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-7
CASE NO. 6982






MALAGA
WILLOW LAKE
AMINOIL (OPER)
WILLOW LAKE UNIT
Aminoil USA, Inc.
SOUTHWEST DISTRICT
ONSHORE DIVISION
MIDLAND, TEXAS
MALAGA AREA
EDDY COUNTY, NEW MEXICO
CUMULATIVE GAS PRODUCTION
AS OF 1-1-80
ATOKA
MORROW
INTERPRETATION BY G.D.
DATE: 10-30-79
SCALE 1":4000'
CI:50'
DRAFTED BY DNM
BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 4-1
CASE NO. 6982

WILLOW LAKE UNIT

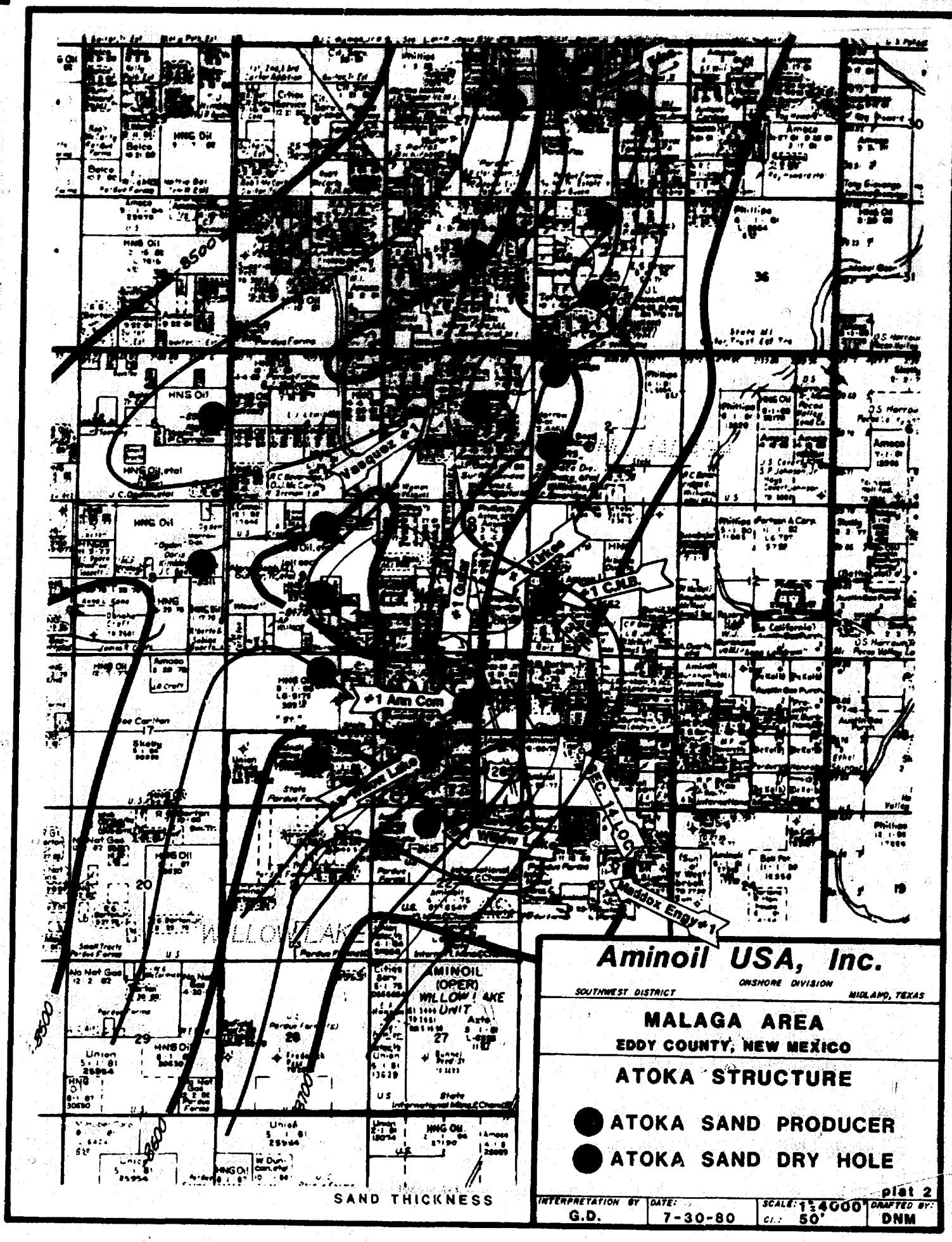
EXPENSE VERSUS INCOME

	Completion	Expense	Income
Willow Lake Unit No. 1	1-76	$2,656,519	*1 $2,656,519 as of 1-3-80
Willow Lake Unit No. 2	9-76	$1,225,000 + 155,000 for W/O	-0- as of 6-80
Willow Lake Unit No. 3	4-78	*2 $1,487,177	685,212
		$5,368,696	$3,341,731
		3,341,731	
		($2,026,965)	

*1 Paid out January 3, 1980

*2 Costs include recent unsuccessful workover of $155,000

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco 1 EXHIBIT NO. 4-2
CASE NO. 6982



Aminoil USA, Inc.

ONSHORE DIVISION

SOUTHWEST DISTRICT — MIDLAND, TEXAS

MALAGA AREA

EDDY COUNTY, NEW MEXICO

ATOKA STRUCTURE

● ATOKA SAND PRODUCER

● ATOKA SAND DRY HOLE

plat 2

INTERPRETATION BY	DATE:	SCALE: 1" = 4000'	DRAFTED BY:
G.D.	7-30-80	C.I.: 50'	DNM

R 28 E

Atoka

Atoka

1 Atoka

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amine 9 EXHIBIT NO. 1
CASE NO. 6982

/// = #5 pay area
/// = #1 pay area

Aminoil USA, Inc.
900 Western United Life Building
Midland, Texas 79701
(915) 682-8231

The Oil and Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87051

AMINOIL USA

March 21, 1980

RECEIVED
APR 4 1980
U.S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

Re: Plan of Operations/Development for Calendar Year 1980 - Willow Lake Federal Unit
(No. 14-08-0001-14-260)
Eddy County, New Mexico

Gentlemen:

In compliance with Section 10 of the Willow Lake Unit Agreement dated February 15, 1975, Aminoil USA, Inc., as unit operator, hereby submits for your approval a Summary of Operations and Development for the year 1979, and a Plan of Operation/Development for 1980.

Summary of 1979 Operations:

An application for approval of the initial participating area for the Willow Lake Unit Well No. 3 was filed and approved mid February, 1979.

No new wells were drilled during the year.

The Willow Lake Unit No. 1 (Atoka) produced 245,581 mcfg plus 58 bc during 1979 and has accumulated 1,999,520 mcfg plus 968 bc to 1-1-80.

The Willow Lake Unit No. 3 (Morrow) produced 243,823 mcfg during 1979 and has accumulated 622,346 mcfg, no condensate to 1-1-80.

Proposed Development During 1980:

We currently have plans to drill an additional development well, the Willow Lake Unit Well No. 4, to be located in the southwest quarter of Section 14, T24S, R28E. We are now clearing title in preparation to submit the proposal to the working interest owners.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-1
CASE NO. 6982

Present plans are to continue watching production and pressures from the Amoco No. 1 Pecos Comm. which is a south offset to the Willow Lake Unit's Section 26. If proved commercial, one other development location will be recommended during the last quarter of 1980.

Modification

It is understood that portions of this Plan of Operations/Development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work as well as other contingencies, and for these reasons, this Plan of Operations/Development may be modified from time to time with like approval to meet changing conditions.

AMINOIL USA, INC.

UNIT OPERATOR

BY: _____
Gene DeLong
Sr. Development Geologist

APPROVED for Jack Wilcock DATE JUN 05 1980
Department of the Interior

APPROVED _____ DATE _____
Commissioner of Public Lands

APPROVED _____ DATE _____
New Mexico Oil Conservation Commission

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-1
CASE NO. 6982

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUN 05 1980

Aminoil USA, Inc.
Attention: G. E. DeLong
600 Western United Life Building
Midland, Texas 79701

Gentlemen:

Three approved copies of your 1980 plan of development for the Willow Lake unit area, as amended, Eddy County, New Mexico, are enclosed. Such plan, proposing to drill a development well (Willow Lake Unit Well #4) in the SW¼ section 14, T. 24 S., R. 28 E., and monitoring the Amoco #1 Pecos Comm well, was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

Sincerely yours,

Jack Willock

for Jack Willock
Acting Deputy Conservation Manager,
Oil and Gas

Enclosures

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-2
CASE NO. 6982

Midland, Texas 79701
(915) 682-1626

AMINOIL USA

November 30, 1979

United State Geological Survey
P. O. Box 26124
Albuquerque, New Mexico 87125

Attention: Mr. James W. Sutherland

Gentlemen:

Enclosed are three copies of an application for approval of the initial participation area for the Willow Lake Unit Well No. 3, a Morrow Sand gas producer. This data was supposed to have been sent to your office in February of this year, however, during our recent meeting in your office on Tuesday of this week we were informed that you did not have it in hand as yet. I sincerely hope that this evidence is not too little too late to assist you in your decision on this matter. Also, please advise us if any additional data is needed or if the data should be presented in a different format.

We are currently pursuing an attempt to have the Willow Lake Unit Well No. 4 drilled by mid year 1980. The Willow No. 4 will be located in Section 14, T24S, R28E which is in the northeast corner of the unit and will be drilled to an approximate depth of 13,000' to test the Atoka Morrow Sands.

Note: My copy of the original letter did not have Mr. Steve Wright's signature. Steve is no longer employed by Aminoil so Mr. Kennerly over signed his signature to complete the application.

Gene DeLong
Sr. Development Geologist

GD/jd
Encl.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-3
CASE NO. 6982

Aminoil USA, Inc.
600 Western United Life Building
Midland, Texas 79701
(915) 682-8231

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87051

The Oil and Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

AMINOIL USA

April 21, 1980

RE: Amendment of Plan of Operations/Development for Calendar Year 1980 Submitted for Approval March 21, 1980

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-4
CASE NO. 6982

Gentlemen:

It has been brought to my attention by Mr. Ray Graham, Commissioner of Public Lands of the State of New Mexico, that an Application for Approval of the Initial Participating Area for the Willow Lake Unit Well No. 3 (S/2 Section 15, T24S, R28E) was never approved. This was so stated in Paragraph One under Summary of Operations. Mr. Graham is correct because the approval request was sent only to the Regional Oil and Gas Supervisor, United States Geological Survey in Roswell, New Mexico. (See attached approval request dated February 7, 1979.) I was informed that the USGS was the only regulatory agency whose approval was needed and since I had received no correspondence to the contrary, I believed the application was approved. Please accept my apology for I was in complete ignorance as to who was to receive and approve the application. To rectify this error a representative for Aminoil USA, Inc., a Mr. Coffield, will hand deliver this letter and three copies of the Application for Approval of the Initial Participating Area for the Willow Lake Unit Well No. 3 to the Commissioner of Public Lands and two copies to the Oil Conservation Commission on Wednesday, April 23, 1980.

Mr. Graham also noted that the Plan of Operations/Development for the Willow Lake Unit, year 1980, omitted the reason why the Willow Lake Unit Well No. 4 was not drilled. It was our desire, during the last quarter of 1979, to form a unit consisting of the west half of Section 14, T24S, R28E and drill the Willow Lake Unit Well No. 4, 1980' FSL and 660' FWL. This would involve the southwest quarter being contributed by the Willow Lake Unit and the northwest quarter by Adams Exploration. A location along the west line was most desired at the time due to the interpretation of where the Atoka Sand would be developed. A special trip was made in November 1979 to the United States Geological Survey office in Albuquerque, Commissioner of Public Lands and the Oil Conservation Commission in Santa Fe to ascertain if any of these agencies had any objection to forming a 320 acre unit half in and half out of an

established unit. None were found and we proceeded ahead with what we assumed was a valid effort. Adams Exploration has yet to return an answer to our request, so we are currently clearing title to form a drilling unit consisting of the south half of Section 14, T24S, R28E which will be totally within the Willow Lake Unit boundary. Loffland Brothers Rig #331, which will be drilling a nearby location, will be used to drill the Willow Lake Unit Well No. 4 to a total depth of 12,900' to test the potential of the Strawn, Atoka and Morrow Sands. Drilling will commence no later than September 1, 1980, and the well should be completed prior to December 15, 1980. In summary, we waited too long to form the unit. We were dependent upon outside interest owners over whom we had no control. We had good intentions and hope to make up for it by completing the Willow Lake Unit Well No. 4 on schedule.

Respectfully submitted,

AMINOIL USA, INC.

G. E. DeLong
Sr. Development Geologist

GED/hf

Enclosures

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 2-4
CASE NO. 6982

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 24
CASE NO. 6982

AMINOIL

February 7, 1979

United State Department of the Interior
Regional Oil & Gas Supervisor
United State Geological Survey

Re: Application for Approval of the Initial Participating Area for the Morrow Sand Formation, South Half of Section 15, T24S, R28E, Under the Willow Lake Agreement, Eddy County, New Mexico

Geological and Engineering Data

The following geological and engineering data are submitted in support for the subject initial participating area application. The attached Exhibit "A" is an area plat outlining the Willow Lake Unit and the proposed participating area. Exhibit "B" is a Morrow Sand zone structure and Isopach map.

The Morrow Sands in the Willow Lake Unit area are deltaic and distributary channel fill sands and are intermittently developed. Porosity and permeability are affected by compaction, lithologic change to shaley sands or shale and the lack of swelling clays within the developed sands. This is evident in the three wells that surround the Aminoil No. 3 Willow Lake Unit, S/2 of Section 15, T24S, R28E. Thicker sands were developed in the Aminoil No. 2 Willow Lake Unit, a dry hole which is the west offset, and the Aminoil No. 1 CNB, a noncommercial Morrow Sand test one mile NE of the proposed participating area. The total sand thickness in both of these wells exceed 40', however, the No. 2 Willow Lake yielded only gas to surface too small to measure when drill stem tested and the No. 1 CNB produced less than 200 MMCFG before plugging back and testing the Atoka formation. The Burmah Oil No. 1 Willow Lake (south offset) perforated and tested two thinly developed sand stringers which flowed only 725 MCFGPD and is currently plugged back to the Atoka formation.

The poor structural position, as shown by the structural plat, tight and shaley sand development and poor offset production tests limits the proposed participating area to the south half of Section 15, T24S, R28E.

Please consider the above information justification for the proposed initial Morrow Sand formation participating area, the south 320 acres of Section 15, T24S, R28E, Eddy County, Willow Lake Unit.

Respectfully Submitted for Your Approval,

Gene DeLong
Sr. Development Geologist

Steve Wright
Steve Wright
Sr. Reservoir Engineer

AMINOIL, USA

CENTRAL DISTRICT — MIDLAND, TEXAS

EXHIBIT "A"

WILLOW LAKE UNIT MORROW GAS FIELD

EDDY COUNTY, NEW MEXICO

AREA PLAT

— WILLOW LAKE UNIT OUTLINE

— PROPOSED PARTICIPATING AREA FOR THE MORROW SAND

DATE 2-7-79

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Aminoil EXHIBIT NO. 2-4
CASE NO. 6982

MALAGA

WILLOW LAKE

AMINOIL
(OPER)
WILLOW LAKE UNIT

2428

AMINOIL, USA

CENTRAL DISTRICT — MIDLAND, TEXAS

EXHIBIT "B"

WILLOW LAKE UNIT MORROW GAS FIELD

EDDY COUNTY, NEW MEXICO

STRUCTURE & MORROW SAND ISOPACH

CONT. ON: TOP MORROW LIME ZONE

C.I. = 50'

SAND THICKNESS: —9'—

GEOLOGY- G. DeLONG — 2-7-79

Schlumberger

COMPENSATED NEUTRON FORMATION DENSITY

COMPANY BURNHAM OIL AND GAS COMPANY

WELL WILLOW LAKE UNIT #1

FLD WILDCAT

COUNTY EDDY STATE NEW MEXICO

660' FNL, & 1980' FWL

Sec 22 Twp 24-S Rge 28-E

EDDY — WILDCAT — WILLOW LAKE UNIT #1 — BURNHAM OIL AND GAS

Other Services: BHC, DLL, CNL

Permanent Datum G.L. Elev. 3015
Log Measured From K.B. 18 Ft. Above Perm. Datum
Drilling Measured From K.B.

Elev.: K.B. 3033 D.F. 3032 G.L. 3015

	4-19-75	5-16-75	6-20-75
Run No.	ONE	TWO	THREE
Depth-Driller	9825	11719	13205
Depth-Logger	9830	11725	13205
Bot. Log Interval	9829	11723	13201
Top Log Interval	9510	9829	11618
Casing-Driller	13 3/8 @ 635	9 5/8 @ 9826	7 5/8 @ 11725
Casing-Logger	635	9826	11722
Bit Size	12 1/4	8 1/2	6 1/2
Type Fluid in Hole	PAC-PERMAL	ORISPAC	ORISPAC-PERMALOID
Dens. / Visc.	10.2 / 40	15.6 / 45	10.8 / 38
pH / Fluid Loss	9 / 13.2 cc	12 / 12 cc	10.5 / 5.6 cc
Source of Sample	CIRC.	PIT	CIRC.
Rm @ Meas. Temp.	.050 @ 70 °F	.086 @ 76 °F	.053 @ 86 °F @ °F
Rmf @ Meas. Temp.	.040 @ 70 °F	.063 @ 76 °F	.040 @ 83 °F @ °F
Rmc @ Meas. Temp.	.075 @ 70 °F	- @ - °F	.080 @ 86 °F @ °F
Source Rmf / Rmc	M / M	M / -	M / C
Rm @ BHT	.026 @ 136 °F	.039 @ 172 °F	.027 @ 200 °F @ °F
Circulation Stopped	2400	2400; 5-15	1800; 6-19
Logger on Bottom	0000	0700; 5-16	0130; 6-20
Max. Rec. Temp.	136 °F	172 °F	200 °F °F
Equip. Location	7627 HOBBS	7627 HOBBS	7627 HOBBS
Recorded By	WILSON	RECD.	RECD.
Witnessed By	JOHNSON	JOHNSON	JOHNSON

DETAIL LOG
5" = 100

CALIPER
HOLE DIAM. IN INCHES
4 — 14

DEPTHS
RUN 3

DENSITY POROSITY INDEX %
LIME MATRIX
30 — 20 — 10 — 0 — -10

GAMMA RAY
API UNITS
0 — 100
100 — 200

NEUTRON POROSITY INDEX %
LIME MATRIX
30 — 20 — 10 — 0 — -10

Atoka Sand Zone

9800

Casing

9900

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-1
CASE NO. 6982

Dresser Atlas — COMPENSATED Densilog Neutron

COMPANY	AMINOIL USA, INC.
WELL	WILLOW LAKE UNIT NO. 2
FIELD	WILLOW LAKE (ATOKA)
COUNTY	EDDY STATE NEW MEXICO
LOCATION	1650'FSL & 1980'FEL
Other Services	DIFL
SEC 16 TWP 24-S RGE 28-E	

Permanent Datum	GROUND LEVEL	Elev. 3023
Log Measured from	K. B.	16 Ft. Above Permanent Datum
Drilling Measured from	K. B.	

Date	8-4-76	8-27-76
Run No.	ONE	TWO
Depth - Driller	11800	12831
Depth - Logger	11750	12829
Bottom Logged Interval	11778	12827
Top Logged Interval	9770	11730
Casing - Driller	7 5/8 @ 9800	7 5/8 @ 9800
Casing - Logger	9770	9770
Bit Size	6 1/2"	6 1/2"
Type Fluid in Hole	MUD GEL	DISPERSED GEL
Density and Viscosity	14 42	11 45/49
pH and Fluid Loss	11 cc	9.5 14 cc
Source of Sample	CIRCULATED	CIRCULATED
Rm @ Meas. Temp.	.83 @ 67 °F	.88 @ 71 °F
Rmf @ Meas. Temp.	@ °F	.83 @ 71 °F
Rmc @ Meas. Temp.	@ °F	@ °F
Source of Rmf and Rmc	—	MEAS.
Rm @ BHT	.33 @ 170 °F	.26 @ 190 °F
Time Since Circ.	5 HOURS	5 HOURS
Max. Rec. Temp. Deg F	170 °F	190 °F
Equip. No. and Location	6123 HOBBS	6136 HOBBS
Recorded By	HOWARD	HOWARD
Witnessed By	FULLERTON	FULLERTON

Dresser Atlas — Dual Induction Focused Log

COMPANY	Amoco U.S.A., Inc.
WELL	Willow Lake Unit #2
FIELD	Willow Lake (Atoka)
COUNTY	Eddy STATE New Mexico
LOCATION	1650' FSL & 1980' FEL
Other Services	CNL/FDC
SEC 16 TWP 24S RGE 28E	

Permanent Datum	G.L.	Elev. 3023
Log Measured from	K.B.	16 Ft. Above Permanent Datum
Drilling Measured from	K.B.	

Date	8-4-76	
Run No.	Two	
Depth - Driller	11800	
Depth - Logger	11750	
Bottom Logged Interval	11793	
Top Logged Interval	9770	
Casing - Driller	7⅝ @ 9800	
Casing - Logger	9770	
Bit Size	6¾	
Type Fluid in Hole	Flowtrol	
Density and Viscosity	14.6	56
pH and Fluid Loss	10	cc
Source of Sample	Flowline	
Rm @ Meas. Temp.	.33 @ 67 °F	
Rmf @ Meas. Temp.	— @ °F	
Rmc @ Meas. Temp.	— @ °F	
Source of Rmf and Rmc	—	
Rm @ BHT	.33 @ 170 °F	
Time Since Circ.	22hrs	
Max. Rec. Temp. Deg F	170 °F	
Equip. No. and Location	6138 Hobbs	
Recorded By	Howard	
Witnessed By	Kellahin	

FIELD PRINT

Atoka Sand Zone

TOOL STUCK IS MIN @ 11720'

11700

0 API 100 API

0 API 150 API

THIS SECTION RECORDED 12" DEEPER THAN NO. 1

15

DEEP INDUCTION LOG

MEDIUM INDUCTION LOG

SHALLOW FOCUSED LOG

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-2
CASE NO. 6982

Dresser Atlas

DRESSER

Combination Logging Systems

Compensated **Densilog**

Compensated **Neutron**

FILE NO

COMPANY AMINOIL USA, INC.

WELL WILLOW LAKE ATOKA UNIT #55

FIELD MALAGA MORROW (GAS)

COUNTY EDDY STATE NEW MEXICO

LOCATION: 1540' FSL & 1910' FWL

SEC 15 TWP 24-S RGE 28-E

Other Services: DIFL/SP

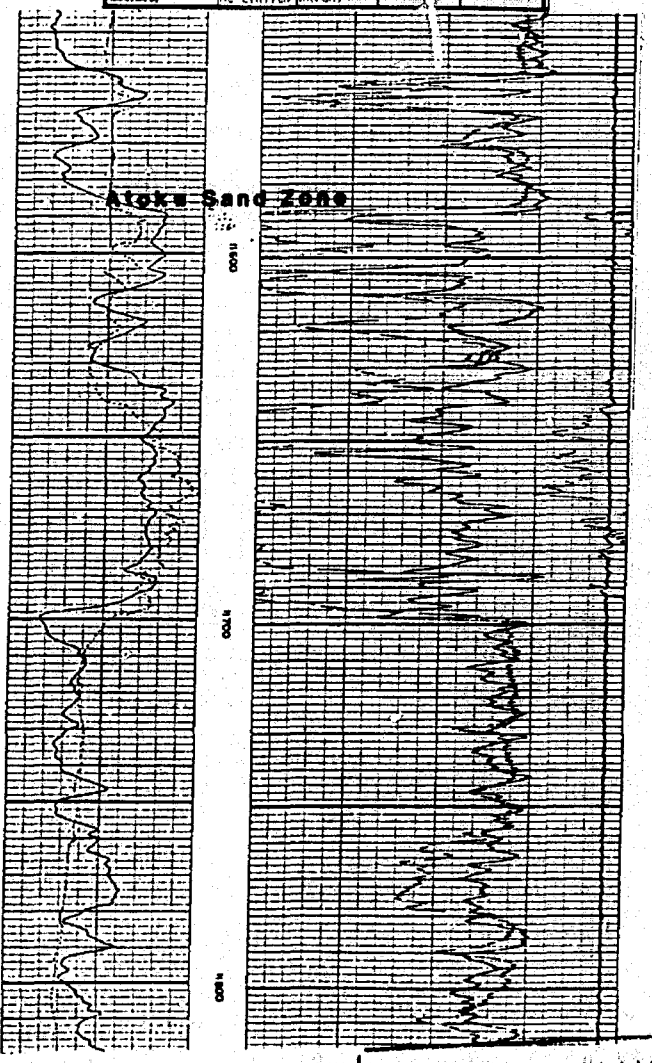
Permanent Datum: GROUND LEVEL Elev. 3007

Log Measured from: K.B. 20 Ft. Above Permanent Datum

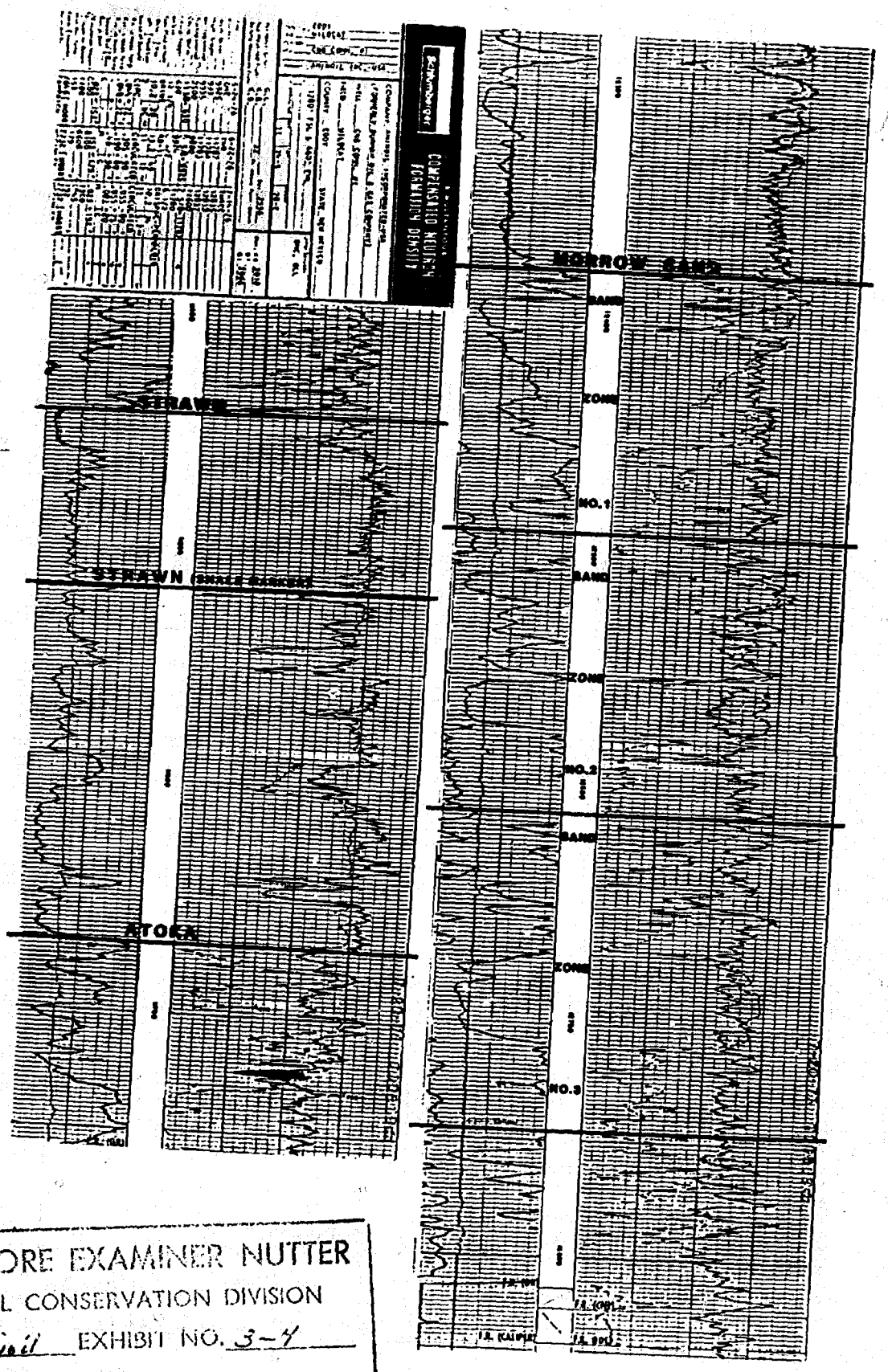
Drilling Measured from: K.B.

Elevations: KB 3027, DF, GL 3007

Date	1-5-79				
Run No.	one				
Service Order	15263				
Depth - Driller	12,807				
Depth - Logger	12,813				
Bottom Logged Interval	12,810				
Top Logged Interval	12150				
Casing - Driller	13 3/8 @ 4605	@	@	@	
Casing - Logger	13503				
Bit Size	12 1/4				
Type Fluid in Hole	GEL-CLA				
Density and Viscosity	11.9	43			
pH and Fluid Loss	9.5	10 cc	cc	cc	cc
Source of Sample	PIT				
Rm @ Meas. Temp.	1.18 @ 72°F	@ °F	@ °F	@ °F	@ °F
Rmf @ Meas. Temp.	.93 @ 72°F	@ °F	@ °F	@ °F	@ °F
Rmc @ Meas. Temp.	@ °F	@ °F	@ °F	@ °F	@ °F
Source of Rmf and Rmc	MEAS.				
Rm @ BHT	.52 @ 198°F	@ °F	@ °F	@ °F	@ °F
Time Since Circ.	2 HOURS				
Max. Rec. Temp. Deg. F	198°F	°F	°F	°F	°F
Equip. No. and Location	6124 HOBBS				
Recorded By	RICHTOUN				
Witnessed By	MR. LINTICUM-WRIGHT				



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-3
CASE NO. 6982



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amerada EXHIBIT NO. 3-A
CASE NO. 6982

1

DresserAtlas

Combination Logging Systems

Compensated **Densilog**
Compensated **Neutron**

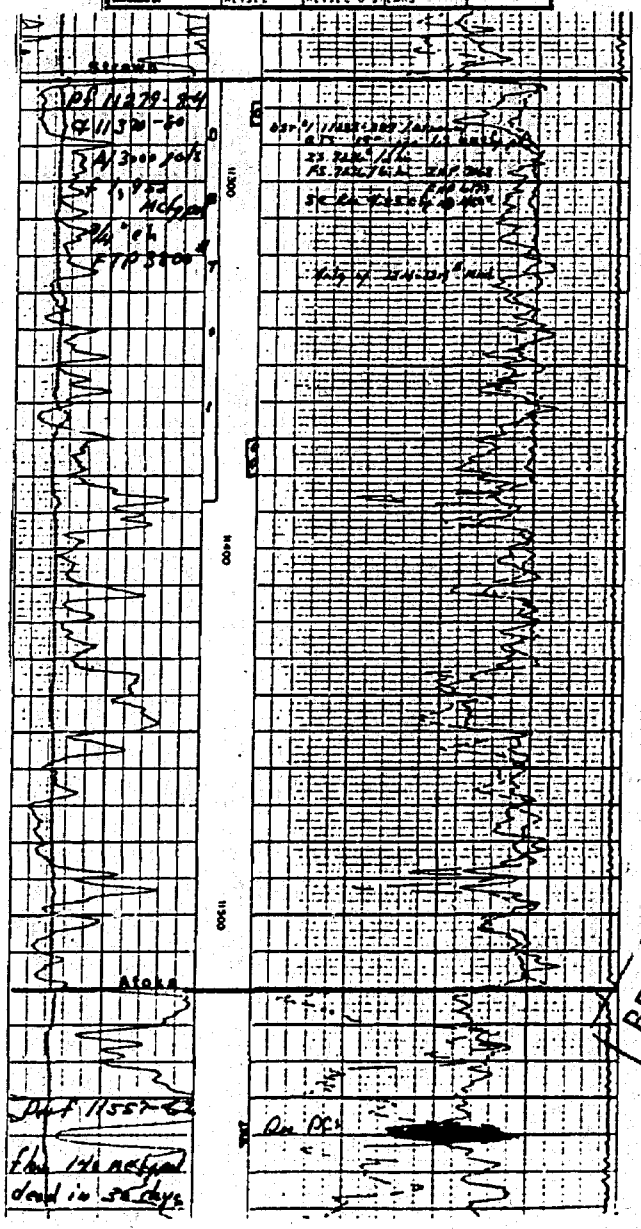
FILE NO.	COMPANY MOBIL OIL COMPANY
	WELL NAVAJO COMM. NCT. 9-1
	FIELD WILDCAT (MORROW)
	COUNTY EDDY STATE NEW MEXICO
	LOCATION 1980'FSL & 2060'FEL
	Other Services DLL/GR
	SEC. 9 TWP. 24-S RGE. 28-E

Permanent Datum GROUND LEVEL Elev. 3026 Elevations: KB 3041, DF, GL 3026

Log Measured from K.B. 15' Ft. Above Permanent Datum

Drilling Measured from K.B.

Date	12-19-77	1-6-78		
Run No.	ONE	TWO		
Service Order	55162	55162		
Depth—Driller	11450	11450		
Depth—Logger	11450	11454		
Bottom Logged Interval	11448	11452		
Top Logged Interval	SURFACE	SURFACE		
Casing—Driller	9 5/8@ 4453	9 5/8@ 4453		
Casing—Logger	4450	4454		
Bit Size	8 1/2"	8 1/2"		
Type Fluid in Hole	SALT GEL	CHEMICAL MUD		
Density and Viscosity	9.1 43	10.1 41		
pH and Fluid Loss	10 15 cc	10 16.8cc		
Source of Sample	PIT	PIT		
Rm @ Meas. Temp.	.07 @ 70 °F	.055@70 °F	@ °F	@ °F
Rmf @ Meas. Temp.	.07 @ 70 °F	.062@70 °F	@ °F	@ °F
Rmc @ Meas. Temp.	- @ °F	@ °F	@ °F	@ °F
Source of Rmf and Rmc	MEAS.	MEAS.		
Rm @ BHT	.033@150°F	.036@165°F	@ °F	@ °F
Time Since Circ.	61 HOURS	25 HOURS		
Max. Rec. Temp. Circ. °F	150°F	165°F	°F	°F
Equip. No. and Location	6123 HOBBS	6123 HOBBS		
Recorded By	MC ATEE	HERNDON		
Witnessed By	NEYSEL	NEYSEL & SHEARS		



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-5
CASE NO. 6982

Schlumberger

COMPOSITE OF DUAL-GLE COMPENSATED SONIC LOG AND COMPENSATED NEUTRON LOG-FORMATION DENSITY LOG

COMPANY HARDIN ENERGY CORPORATION

WELL MALAGA #1

FIELD WILDCAT

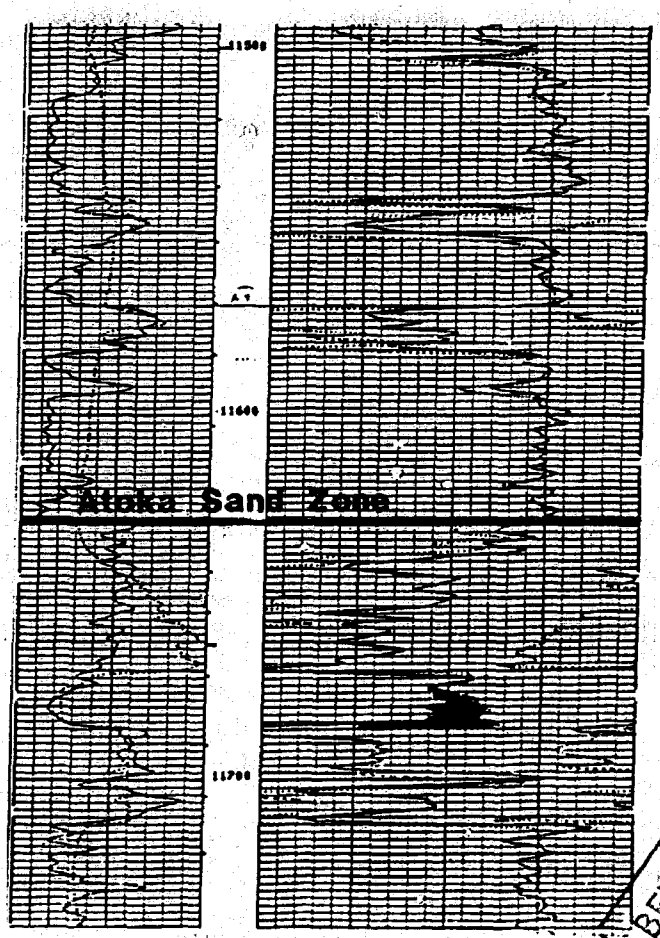
COUNTY EDDY STATE NEW MEXICO

1980' FNL & 1980' FEL

	3	24-S	29-E

DLL CYBERLOOK ML

Date	4-1-79	4-21-79	5-13-79	6-3-79
Run No.	1 (BHC)	1 (CNL-FDC)	1 (CNL-FDC)	1 (CNL-FDC)
Depth-Driller	11993	11600	12068	12068
Depth-Logger (Max.)	11988	11600	12068	11996
Btm. Log Interval	11988	10399	12047	11107
Top Log Interval	SURF	3007	10396	11963
Casing-Driller	20 @ 400	13 3/8 @ 3007	7 5/8 @ 10407	4½ @ 12067
Casing-Logger	398	3007	10396	12069
Bit Size	12 1/4	12 7/8	8 7/8	6 7/8
Type Fluid in Hole	BRINE/GEL/CAUSTIC	BRINE	FRESH	BRINE
Dens. | Visc.	9.4 | 48	10.0 | 28	10.0 | 46	9.7 | 40
pH | Fluid Loss	9.5 | 11.5 cc	10 | 5.5 cc	10 | 5.5 cc	10 | 5 cc
Source of Sample	FLOW LINE	FLOW LINE	FLOW LINE	FLOW LINE
Rm @ Meas. Temp	.048 @ 70 °F	.043 @ 67° °F	.43 @ 65 °F	.058 @ 75 °F
Rmf @ Meas. Temp	.040 @ 70 °F	@ °F	.31 @ 65 °F	.046 @ 75 °F
Rmc @ Meas. Temp	.077 @ 70 °F	@ °F	.69 @ 65 °F	@ °F
Source Rmf | Rmc	|	|	|	|
Rm @ BHT	.017 @ 91 °F	.03 @ 157 °F	@ °F	.023 @ 188°
Time Circulation Stopped	2100	0500		0500
Time Logger on Bottom	2300	1030	0710	1130
Max. Rec. Temp.	91 °F	157 °F	175 °F	188 °F
Equip. | Location	8042 HOBBS	8042 HOBBS	8042 HOBBS	8042 HOBBS
Recorded By	MCKINLEY	CAMPAIGN	WILSON	WILSON
Witnessed By	BAKER	BAKER	BAKER	BAKER



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amerada EXHIBIT NO. 3-C
CASE NO. 6982

Schlumberger

COMPUTER PROCESSED LOG

COMPANY Amoco Production Co.

WELL Big Cedar #1

FIELD Malaga (Morrow)

COUNTY Eddy STATE New Mexico

LOCATION 660' FNL & 660' FEL Sec. 1 T-24S R-28E

ELEVATION KB 3004 DF GL 2988 Other Services

Schlumberger Cyberlook
WELLSITE COMPUTATION SERVICE
A CSU Service

Date	2-27-80				
Run No.	One				
Depth-Driller	12,010				
Depth-Logger	12,010				
Btm. Log Interval	12,010				
Top Log Interval	10,200				
Casing-Driller	7" @ 10,200	@	@	@	@
Casing-Logger		@	@	@	@
Bit Size	6"				
Type Fluid in Hole	Cut Brine				
Dens. / Visc.	8.7 / 32				
pH / Fluid Loss	8.0 / 8 cc		cc		cc
Source of Sample	Tank				
Rm @ Meas. Temp.	.248 @ 84°F	@ °F	@ °F	@ °F	@ °F
Rmf @ Meas. Temp.	.214 @ 84°F	@ °F	@ °F	@ °F	@ °F
Rmc @ Meas. Temp.	.09 @ 84°F	@ °F	@ °F	@ °F	@ °F
Source Rmf / Rmc	Mix / Mix				
Rm @ BHT	.021 @ 190°F	@ °F	@ °F	@ °F	@ °F
Circulation Stopped	0500 2/28				
Logger on Bottom	0900 2/28				
Max. Rec. Temp.	190 °F		°F		°F
Equip. Location	5074 / Hobbs				
Recorded By	Wilson				
Witnessed By	Thomas				

Schlumberger

COMPENSATED NEUTRON-FORMATION DENSITY

COMPANY AMERADA HESS CORP

WELL GUITAR #1

FIELD MALAGA

COUNTY EDDY STATE NEW MEXICO

EDDY NEW MEXICO GUITAR #1 Amerada Hess Corp.

2310' FEL & 660' FNL

Sec. 10 Twp. 24-S Rge. 28-E

Other Services: G.L.L. BHC NGT

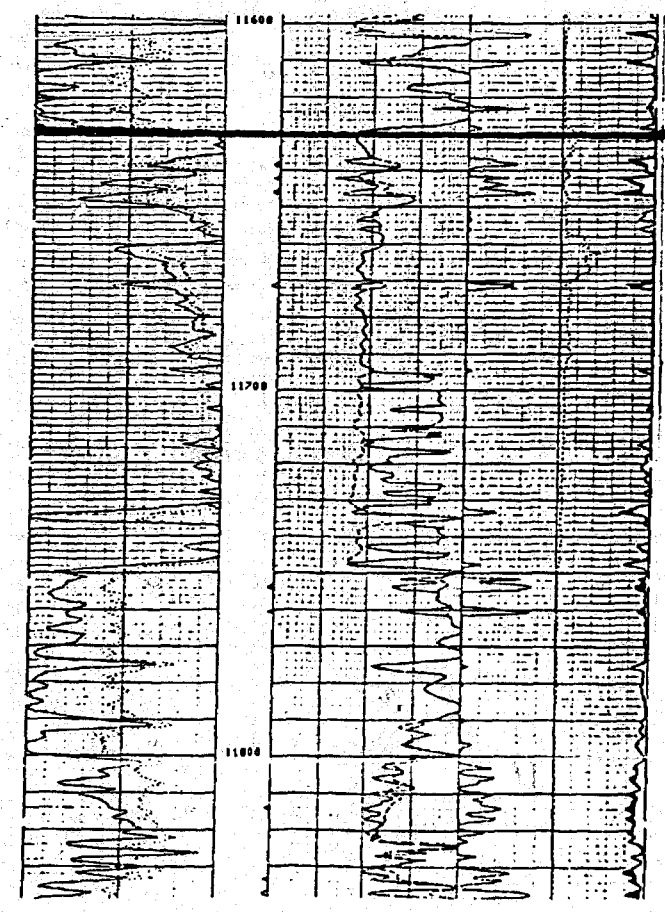
Permanent Datum G.L. Elev. 2991

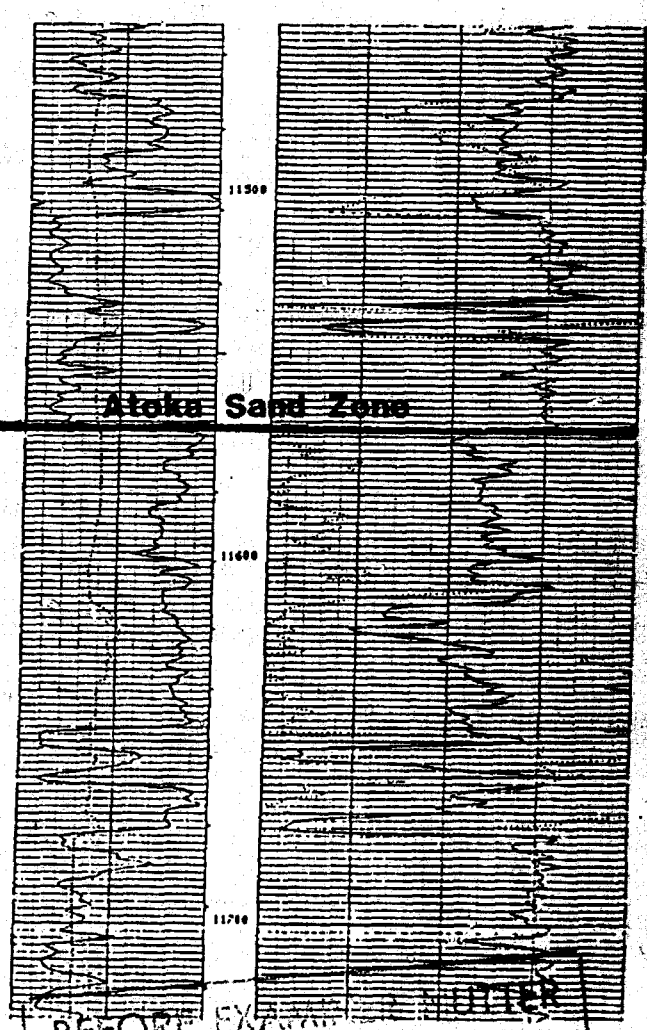
Log Measured From KDB 20 Ft. Above Perm. Datum

Drilling Measured From KDB

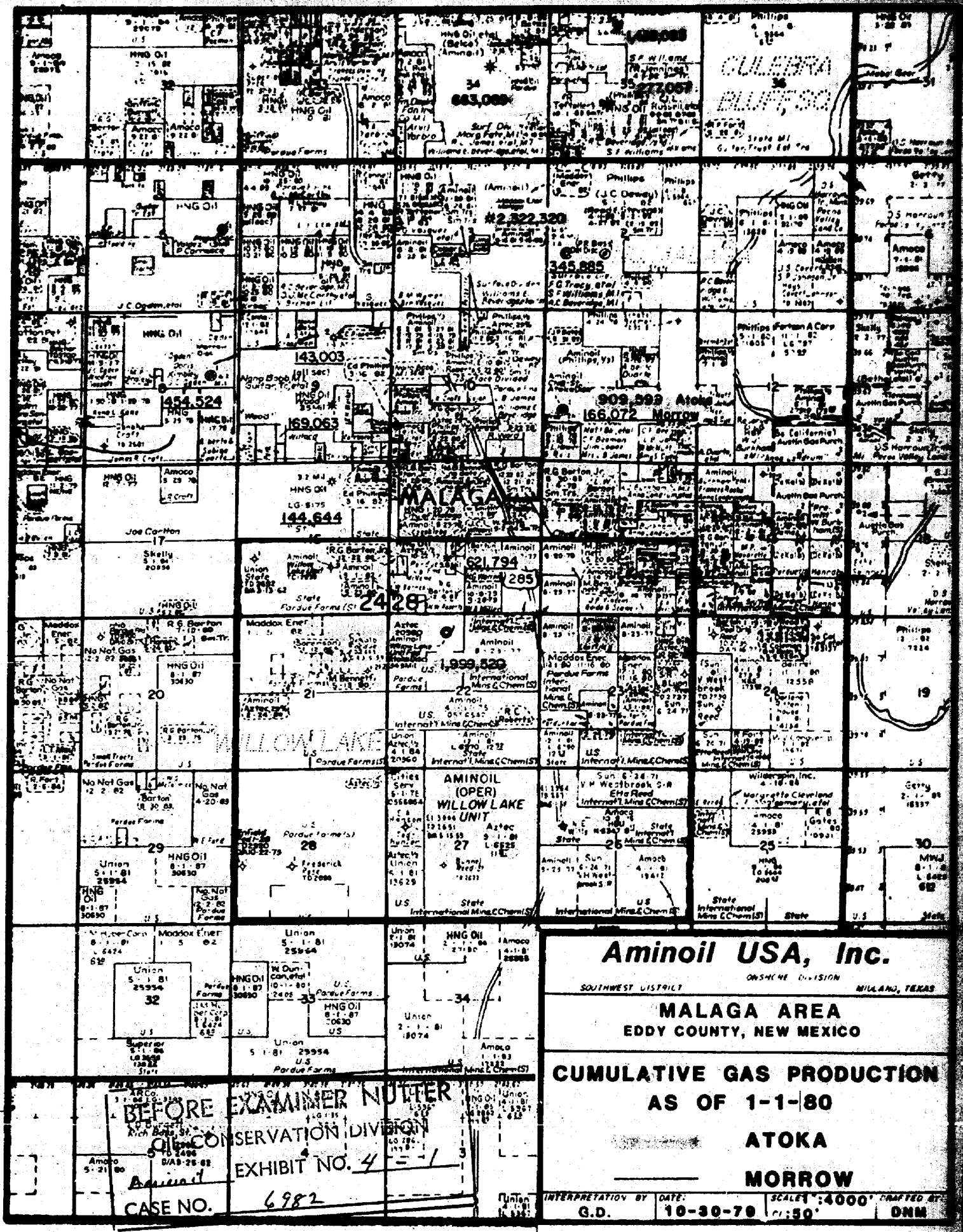
Elev.: K.B. KDB 3011 D.F. G.L. 2991

Date	1-6-80	1-31-80	4-15-80
Run No.	ONE	TWO	THREE
Depth-Driller	9850	11810	11715
Depth-Logger	9846	11809	11707
Btm. Log Interval	9845	11808	11706
Top Log Interval	3000	9800	11000
Casing-Driller	9 5/8" @ 3000	9 5/8" @ 9805	9 5/8" @ 12100 @
Casing-Logger	3000	9805	12099
Bit Size	8 1/2	8 1/2	8 1/2
Type Fluid in Hole	GEL	Salt	POLY MUDEX
Dens. / Visc.	9.2 / 31	10.2 / 37	8.3 / 37
pH / Fluid Loss	10 / 12 cc	10.5 / 11 cc	11 / 8 cc
Source of Sample	PIT	CIRC	PIT
Rm @ Meas. Temp.	.08 @ 70 °F	.15 @ 60 °F	.080 @ 75 °F @ °F
Rmf @ Meas. Temp.	.06 @ 70 °F	.12 @ 60 °F	.074 @ 75 °F @ °F
Rmc @ Meas. Temp.	@ °F	@ °F	.116 @ 75 °F @ °F
Source Rmf / Rmc	M /	M /	/
Rm @ BHT	.05 @ 135 °F	.06 @ 152 °F	.038 @ 186 °F @ °F
Circulation Stopped	1210	0110	0600
Logger on Bottom	1810	0930	1010
Max. Rec. Temp.	135 °F	152 °F	186 °F
Equip. Location	5074 / HOBBS	5067 / HOBBS	5067 / HOBBS
Recorded By	HAWKINS	WILSON	SPRINGER
Witnessed By	THOMAS	WOODWARD	WOODWARD





BEFORE EXAMINER UTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 3-7
CASE NO. 6982



Aminoil USA, Inc.

ONSHORE DIVISION

SOUTHWEST DISTRICT — MIDLAND, TEXAS

MALAGA AREA

EDDY COUNTY, NEW MEXICO

CUMULATIVE GAS PRODUCTION AS OF 1-1-80

ATOKA

MORROW

INTERPRETATION BY	DATE:	SCALE	DRAFTED BY:
G.D.	10-30-79	1" = 4000' 1" = 50'	DNM

WILLOW LAKE UNIT

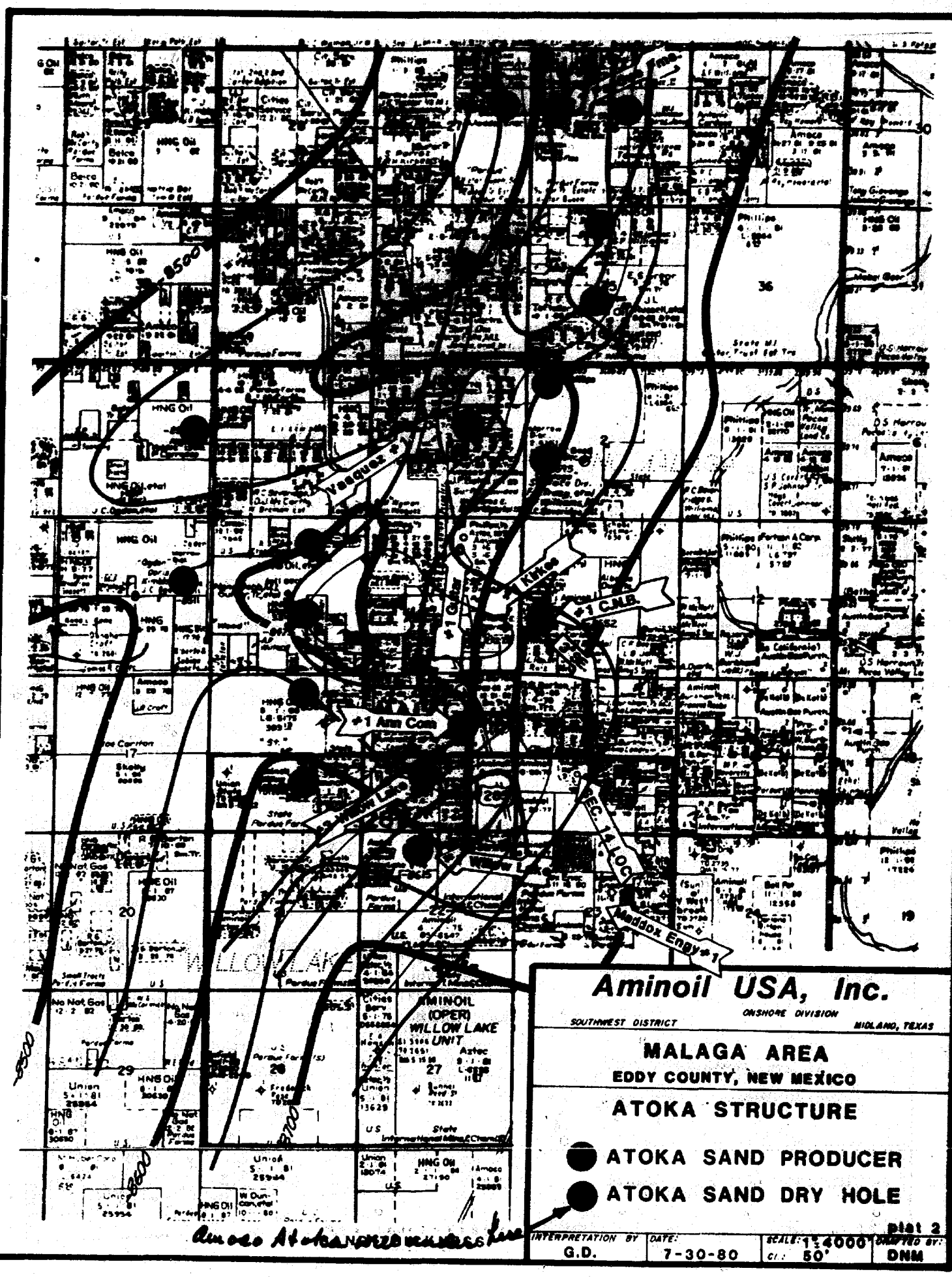
EXPENSE VERSUS INCOME

	Completion	Expense	Income
Willow Lake Unit No. 1	1-76	$2,656,519	*1 $2,656,519 as of 1-3-80
Willow Lake Unit No. 2	9-76	$1,225,000	-0-
Willow Lake Unit No. 3	4-78	*2 $1,487,177	as of 6-80 685,212
		$5,368,696	$3,341,731
		3,341,731	
		($2,026,965)	

*1 Paid out January 3, 1980

*2 Costs include recent unsuccessful workover of $155,000

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Amoco EXHIBIT NO. 4-2
CASE NO. 6982


HNG Oil
Amoco
Phillips
Union
Aztec
HNS Oil
Vasquez
Kirby
#1 C.M.B.
#1 Ann Com
#1 Locke
#1 Maddox Engy
WILLOW LAKE
AMINOIL (OPER)
WILLOW LAKE UNIT
8500
8600
8700
8800
36
27
29
20
17
Aminoil USA, Inc.
SOUTHWEST DISTRICT
ONSHORE DIVISION
MIDLAND, TEXAS
MALAGA AREA
EDDY COUNTY, NEW MEXICO
ATOKA STRUCTURE
ATOKA SAND PRODUCER
ATOKA SAND DRY HOLE
Amoco Mahanorth Unit Line
plat 2
INTERPRETATION BY
G.D.
DATE:
7-30-80
SCALE: 1" = 4000'
C.I.: 50'
DRAFTED BY:
DNM

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5401
Order No. R-4954

APPLICATION OF BURMAH OIL AND GAS
COMPANY FOR APPROVAL OF THE WILLOW
LAKE UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 22, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th day of January, 1975, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Burmah Oil and Gas Company, seeks approval of the Willow Lake Unit Agreement covering 4800 acres, more or less, of State, Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 14: S/2
Section 15: S/2
Section 16: S/2
Sections 21 through 23: All
Sections 26 through 28: All

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Willow Lake Unit Agreement is hereby approved.

F. Courtney Ex #1

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Courtney EXHIBIT NO. 1
CASE NO. 6982

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

Phil R. Lucero

PHIL R. LUCERO, Member

A. L. Porter, Jr.

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

PLAN OF OPERATION/DEVELOPMENT
FOR CALENDAR YEAR 1979
WILLOW LAKE FEDERAL UNIT (No. 14-08-0001-14,260)
EDDY COUNTY, NEW MEXICO

RECEIVED
JAN 30 1979
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

1979

THE OIL AND GAS SUPERVISOR (6)
UNITED STATES GEOLOGICAL SURVEY
P. O. BOX 1857
ROSWELL, NEW MEXICO 88201

COMMISSIONER OF PUBLIC LANDS (3)
STATE OF NEW MEXICO
P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION COMMISSION (2)
STATE OF NEW MEXICO
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

GENTLEMEN:

In compliance with Section 10 of the Willow Lake Unit Agreement, dated February 15, 1975, Aminoil USA, Inc., (formerly Burmah Oil and Gas Company), as Unit Operator, hereby submits for your approval a Summary of Operations and Development for the year 1978 and a Plan of Operation/Development for 1979.

SUMMARY OF 1978 OPERATIONS:

Plans were made in mid-1977 to drill the Willow Lake Unit No. 3 well and on December 28, 1977, a 12,800' Morrow test was commenced at a location 1940' FWL and 1940' FSL of Section 15, T-24-S, R-28-E, N.M.P.M. On March 10, 1978, said well reached a total depth of 12,807', plugged back to 12,740' and was completed in the Morrow Sand. The Calculated Absolute Open Flow for the Willow Lake No. 3 well was 9808 MCFD. Cumulative production for the No. 3 well through November 30, 1978, totaled 318 MMCF, producing 657 bbls of condensate. A Designation of Pooled or Unitized Acreage was executed by all working interest owners and filed of record in Eddy County, New Mexico, covering the entire South half of Section 15, T-24-S, R-28-E, N.M.P.M. This pooled area coincides with the initial participating area established in May 1978, covering acreage around the Willow Lake No. 3 well.

Production from the Willow Lake No. 1 well through November 30, 1978, has been approximately 1.73 BCF of gas and 910 bbls of condensate from the Atoka formation, bringing the total cumulative production from these two wells to a total of 2.048 BCF and 1,567 bbls of condensate.

Aminoil negotiated and signed a gas sales contract with El Paso Natural Gas Company for sale of Aminoil's share of the gas from the No. 1 and No. 3 wells. Gas is still being produced and sold by other participating working interest owners under the terms of a gas balancing agreement dated February 15, 1975.

PROPOSED DEVELOPMENT DURING 1979:

Present plans are to continue watching production and pressures from the Nos. and 3 wells. It is our present plan to drill one (1) additional development well at a legal location in the Southwest Quarter of Section 14, T-24-S, R-28-E, which is mutually acceptable to the working interest owners of the Willow Lake Unit.

In the event the Nos. 1 and 3 wells do not hold up or either is plugged and abandoned, Aminoil as Operator, shall file a new Plan of Development. The No. 4 well which is proposed and/or any subsequent development wells will be drilled to a depth sufficient to test the Morrow, Strawn and Atoka formations and to protect these formations from drainage by any non-unit well that might be drilled.

F. Courtney Ex # 2

FO # 2

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Courtney EXHIBIT NO. 2
CASE NO. 698

PLAN OF OPERATION/DEVELOPMENT
WILLOW LAKE FEDERAL UNIT (No. 14-08-0001-14,260)
EDDY COUNTY, NEW MEXICO

MODIFICATION:

It is understood that portions of this Plan of Operation/Development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work as well as other contingencies, and for these reasons, this Plan of Operation/Development may be modified from time to time with like approval to meet changing conditions.

EFFECTIVE DATE:

This Plan of Operation/Development shall be effective upon approval by the Supervisor, Commissioner and Commission.

DATE: December 31, 1978

TERM:

This Plan of Operation/Development is submitted for the period ending December 31, 1979. Prior to that date, another Plan of Operation/Development will be submitted for approval.

AMINOIL USA, INC.
UNIT OPERATOR

BY: James A. Helin DPS

DATE: _____

APPROVED: James W. Luthi DATE: FEB 12 1979
Department of the Interior AREA OIL AND GAS SUPERVISOR, SRMA

APPROVED: _____ DATE: _____
Commissioner of Public Lands

APPROVED: _____ DATE: _____
New Mexico Oil Conservation Commission

Aminoil USA, Inc.
600 Vaughn Building
Midland, Texas 79701
(915) 682-8231

RECEIVED
APR 7 10 01 AM '80
STATE OF NEW MEXICO
SANTA FE, N.M.

AMINOIL USA

March 21, 1980

RECEIVED
APR 21 1980
McCORMICK, & FORBES

The Oil and Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87051

Re: Plan of Operations/Development for Calendar Year 1980 - Willow Lake Federal Unit
(No. 14-08-0001-14-260)
Eddy County, New Mexico

Gentlemen:

In compliance with Section 10 of the Willow Lake Unit Agreement dated February 15, 1975, Aminoil USA, Inc., as unit operator, hereby submits for your approval a Summary of Operations and Development for the year 1979, and a Plan of Operation/Development for 1980.

Summary of 1979 Operations:

An application for approval of the initial participating area for the Willow Lake Unit Well No. 3 was filed and approved mid February, 1979.

No new wells were drilled during the year.

The Willow Lake Unit No. 1 (Atoka) produced 245,581 mcfg plus 58 bc during 1979 and has accumulated 1,999,520 mcfg plus 968 bc to 1-1-80.

The Willow Lake Unit No. 3 (Morrow) produced 243,823 mcfg during 1979 and has accumulated 622,346 mcfg, no condensate to 1-1-80.

Proposed Development During 1980:

We currently have plans to drill an additional development well, the Willow Lake Unit Well No. 4, to be located in the southwest quarter of Section 14, T24S, R28E. We are now clearing title in preparation to submit the proposal to the working interest owners.

#3 Felton Courtney Ex. #3

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Courtney EXHIBIT NO. 3
CASE NO. 6982

Present plans are to continue watching production and pressures from the Amoco No. 1 Pecos Comm. which is a south offset to the Willow Lake Unit's Section 26. If proved commercial, one other development location will be recommended during the last quarter of 1980.

Modification

It is understood that portions of this Plan of Operations/Development outlined above are dependent upon certain information to be obtained prior and subsequent to the proposed work as well as other contingencies, and for these reasons, this Plan of Operations/Development may be modified from time to time with like approval to meet changing conditions.

AMINOIL USA, INC.

UNIT OPERATOR

BY: _____
Gene DeLong
Sr. Development Geologist

APPROVED _____ DATE _____
Department of the Interior

APPROVED _____ DATE _____
Commissioner of Public Lands

APPROVED _____ DATE _____
New Mexico Oil Conservation Commission

17363-5
17364-Joint

FIFTH JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF EDDY

FILED APR 10 1980 IN MY OFFICE
4:25 P.M.
FRANCES M. WILCOX
Clerk of the District Court

IN THE DISTRICT COURT OF EDDY COUNTY

STATE OF NEW MEXICO

FELTON W. COURTNEY, a single man,

Plaintiff,

vs.

AMINOIL, U.S.A., INC., a Corporation,

Defendant.

No. CV-80-121

COMPLAINT TO CANCEL CONTRACT AND FOR DAMAGES

Plaintiff, for his claim for relief, states:

COUNT 1

1. On 25 February 1975, Plaintiff executed and delivered an Oil and Gas Lease to Burmah Oil and Gas Company (now AMINOIL, U.S.A., INC.), which covered the following described land in Eddy County, New Mexico:

Township 24 South, Range 28 East, N.M.P.M.
Section 23 : $NE\frac{1}{4}NW\frac{1}{4}$
Section 6 : $E\frac{1}{2}SE\frac{1}{4}NE\frac{1}{4}SW\frac{1}{4}$
Section 14 : Lot 7, Block 39, City of Malaga

A total of 45.3719 acres

This Lease called for a primary term of five (5) years, and was recorded in Book 125, Page 156, Miscellaneous Records of Eddy County. A copy of said Lease is attached hereto as Exhibit "A" and incorporated by reference.

2. By fraud, misrepresentation and deceit of Defendant, made through its employee, agent and representative, Mr. Phil Whitsitt, Plaintiff was induced to ratify the Willow Lake Unit Agreement by instrument dated 8 July 1975. The fraud, misrepresentation and deceit of Defendant, made through Phil Whitsitt, consisted of the following:

A. Stating or implying that upon completion of the Unit No. 1 Well as a producer, Defendant would immediately commence drilling operations for the next well on Plaintiff's lands or lands in which Plaintiff's lands would be included within a "participating area".

B. Stating or implying that Plaintiff would greatly

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Courtney EXHIBIT NO. 4
CASE NO. 6982

Ex #4

benefit from and be advantaged by his ratification of the Unit Agreement.

C. Stating or implying that the progress of Defendant in getting the Unit Agreement fully approved by governmental authorities and/or in developing and operating the unit area would be frustrated by Plaintiff's non-ratification of the Unit Agreement.

The fraud, misrepresentation and deceit of Defendant made through its employee, agent and representative were of material facts upon which Plaintiff relied to his detriment, and which entitles Plaintiff to rescission and cancellation of the Unit Agreement. Further, Plaintiff is entitled to a Release of his Oil and Gas Lease mentioned above, which was held by Defendant.

Copies of the Unit Agreement and Ratification are attached hereto as Exhibits "B" and "C", respectively, and incorporated by reference.

3. The fraudulent acts of Defendant's agent, representative and employee were wanton, malicious and intentional, and said acts were participated in, authorized, or ratified by Defendant, and Defendant should be required to pay Plaintiff punitive damages.

4. Plaintiff has suffered compensatory damages in the sum of one dollar ($1.00).

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement for the Willow Lake Unit area, Eddy County, New Mexico, and that said Unit Agreement be declared null and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas Lease held by Defendant;

3. For one dollar ($1.00) compensatory damages, and ten thousand dollars ($10,000.00) punitive damages.

COUNT 2

In the alternative, Plaintiff states:

1. Plaintiff incorporates by reference Paragraphs 1 and 2 of Count 1.

2. That the misrepresentations of Defendant, by and through its agent, employee and representative, were made honestly, with no intent to deceive Plaintiff; nevertheless, Plaintiff is entitled to rescission and cancellation of his Ratification of the Willow Lake Unit Agreement.

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement for the Willow Lake Unit area, Eddy County, New Mexico, and that said Unit Agreement be declared nuil and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas Lease held by Defendant;

COUNT 3

In the alternative, Plaintiff states:

1. Plaintiff incorporates Paragraph 1, Count 1. Plaintiff ratified the Willow Lake Unit Area Agreement. Under the Agreement, Defendant is the Unit Operator of the Willow Lake Unit area.

2. Defendant has not developed the unit area as a prudent operator, nor has Defendant satisfied its drilling and operating obligations as required by the Unit Agreement. Said acts or omissions by Defendant are a material breach of the Unit Agreement.

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement, and that said Unit Agreement be declared null and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas Lease held by Defendant.

COUNT 4

1. Plaintiff incorporates Paragraph 1 of Count 3.

2. The Unit Agreement (Exhibit "B") is unconscionable, unfair and unjust, and the enforcement of same would result in a manifest injustice and inequity to the Plaintiff.

3. Plaintiff further states the parties were not at arm's length,

not in equal bargaining positions, and Defendant "overreached" Plaintiff in the bargaining and consummation of the Agreement.

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement and that said Unit Agreement be declared null and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas Lease held by Defendant mentioned above.

COUNT 5

Plaintiff, in the alternative, states:

1. Plaintiff incorporates by reference Paragraph 1 of Count 3.

2. The Ratification of the Unit Area Agreement by Plaintiff should be rescinded and cancelled on the grounds of want of consideration, either given or received, in exchange for Plaintiff's execution of said instrument.

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement and that said Unit Agreement be declared null and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas Lease held by Defendant mentioned above.

COUNT 6

Plaintiff, in the alternative, states:

1. Plaintiff incorporates by reference Paragraph 1 of Count 3.

2. As a result of certain representations of Defendant, as referenced in Paragraph 2 of Count 1, Plaintiff was under duress to execute said Ratification. The Agreement is, therefore, void and the Court should enter a judgment cancelling and rescinding said Agreement.

WHEREFORE, Plaintiff prays:

1. For rescission and cancellation of his Ratification of the Unit Agreement, and that said Unit Agreement be declared null and void as to Plaintiff;

2. Defendant be ordered to execute a Release of the Oil and Gas

Lease held by Defendant mentioned above.

McCORMICK and FORBES

By Don G. McCormick
Don G. McCormick

and

By John M. Caraway
John M. Caraway
P.O. Box 1718
Carlsbad, New Mexico 88220
Attorneys for Plaintiff

JURY DEMAND

Plaintiff demands a trial by jury of six persons.

McCORMICK and FORBES

By John M. Caraway
John M. Caraway
P.O. Box 1718
Carlsbad, New Mexico 88220
Attorneys for Plaintiff

CERTIFIED A TRUE COPY
ENTERED ON April 10, 1980
FRANCES M. WILCOX
Clerk of the District Court
BY Louise Ditrich
Deputy

1977 Annual Report
New Mexico O.I & Gas Engg. Committee.

WELL S T R		JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YR-PROD PP	ACCUM.
LUSK MORROW, NORTH (GAS) PN 12M TO 13M															
MEWBOURNE OIL CO															
FEDERAL E CCM															
1A2716S32E	GAS				11525	30950	29400	28127	30960	30818	31550	29782	32685	294397	294397
	OIL				550	1190	1104	981	1158	1019	1147	1121	1207	9560	9560
PETROLEUM DEVELOPMENT CORP.															
GULF MCKAY FED															
1N3416S32E	GAS						110257	118992	96893	85902	81181	67526	50934	603783	603783
	OIL						4435	6272	3735	2795	1857	1742	730	22476	22476
MCKAY - SHELL FEDERAL															
1L 3195S32E	GAS	40784	38982	45114	41960	43969	40239	39854	41215	41165	43810	47036	41958	501087	872474
	OIL	1870	1787	2056	1811	1991	1760	1744	1745	1744	1929	1849	1844	22141	34068
MCKAY-WEST FEDERAL															
1K3418S32E	GAS	4998	3525	1970	1308	937	740	619		4987	1110	1200	1005	25188	93708
	OIL	70	11					25	50					146	4400
COMPANY TOTAL	OIL	1940	1798	2056	1811	1991	8193	8091	5550	5037	3786	3915	2296	44773	85192
	GAS	45782	42507	47084	43268	44906	151296	149465	136108	131067	126109	104758	93477	1144219	1571067
LUSK MORROW, NORTHWEST (GAS) PN 12M TO 13M															
C AND K PETROLEUM INC															
GRIFFANCOD FEDERAL C															
1M 6195S32E	GAS									1586	2061	1675	1546	6868	6868
	OIL									17	11			17	17
	WAT									33	38	29	10	110	
LUSK MORROW, WEST (GAS) PN 12M TO 13M															
ADOBE OIL COMPANY															
BARNETT STATE CCM															
1P1619S31E	GAS	1297	2147	1623	839	2922	1465	1960	2174	1064	2910	1645	971	20406	101296
	OIL		6			21		14			9			40	441
LYNCH PENN. (GAS) (ABANDONED) PN															
JAKE L. HAMON															
NORTHEAST LYNCH UNIT															
1M1723S33E	GAS	*PLUGGING APPROVED 1964													287423
	OIL														27025
MALAGA MORROW (GAS) PN 12M TO 13M															
AMERICAN NUCLEAR CORP.															
C W B CCM															
1L1124S28E	GAS			10892	36737	30580	25651	169044	19109	18419	133			310582	310582
	OIL			271	3117		1175	1067	570	610	75			5861	104
PHILLIPS PETROLEUM COMPANY															
MALAGA B															
1L 2245S28E	GAS	2197	181	277	1294	1391	596	998	657	3720	3504	4259	3649	22063	313644
	OIL								21			15	16	53	279
	WAT	490								430	210	217	128	1665	
MALAGA MORROW, WEST (GAS) PN 12M TO 13M															
MNG OIL COMPANY															
MOREN B CCM															
1M 9245S28E	GAS						2360	8917		112				107895	10789
MALJAMAR QUEEN (GAS) ON QM TO SM															
CONTINENTAL OIL COMPANY															
FAISS A															
1F2217S32E	GAS	RECOMPLETED TO MALJAMAR GRAYBURG SA REP(ABOLISHED)													7778
FAISS B															
2G2217S32E	GAS	456	530	473	397	358	281	277	231	172	99	163	106	3343	1491498
STATE O															
2G1617S32E	GAS	4818	5310	5694	5430	5587	5501	5616	7795	7541	7385	6891	6386	73960	1757276
STATE O															
1F1617S32E	GAS											3915	7735	11650	1411812
COMPANY TOTAL	GAS	5074	5840	6167	5827	5945	5782	5893	8026	7719	7484	10968	14227	88952	4658474
MAROON CLIFFS MORROW (GAS) PN 12M TO 13M															
PERRY R. BASS															
BIG EDDY UNIT															
7G1920S31E	GAS	8233	6281	6357	7611	5568	5883	5011	6983	7449	7044	7468	8230	82200	1177225
	OIL	87	75	87	81	87	81	68	38	43	53	65	75	842	15662
MAROON CLIFFS MORROW, SOUTH (GAS) PN 13M TO 14M															
PERRY R. BASS															
BIG EDDY UNIT															
44M1621S32E	GAS	34649	21395	12434	41	17649	19107	17006	11609	4659	8530	11635	11359	170073	417041
	OIL	54	18	4		4	30	22	22	1	18	16	11	216	414
	WAT	11	10	3		33	21	16	15	1	13	10	11	152	
MCKITTRICK CANYON UPPER PENN.(GAS) UP 9M TO 10M															
COQUINA OIL CORPORATION															
FAR FEDERAL															
1T2325S25E	GAS	3814	16713	14731	15730	11307	9788	12110	11005	9426	8575	7259	7359	127811	127811
	OIL	64	251	209	150	118	65	86	66	59	53	61	31	1213	1213
MCKITTRICK HILLS ATOKA (GAS) PA 9M TO 10M															
SUPPON ENERGY CORP															
SHELBY FEDERAL															
1M1522S24E	GAS	1050	739	273	40		36							2138	62012
MCKITTRICK HILLS UPPER PENN.(GAS) UP 7M TO 8M															
SUPPON ENERGY CORP															
SHELBY FEDERAL															
2K1222S24E	GAS	66026	62251	52975	62063	42983	36810	34888	37882	39520	28342	42934	40021	547525	1994858
	OIL		169	170	180			167		168			194	1053	5070
MCKITTRICK HILLS STRAWN (GAS) PS 9M TO 10M															
SUPPON ENERGY CORP															
SHELBY FEDERAL															
1M1322S24E	GAS	231	233	2	13		207							686	16095
MCMILLAN MORROW (GAS) PN 10M TO 11M															
HARBOR ENERGY CORP															
STATE CC CCM															
1G2420S26E	GAS	7891	5573	6867	6573	6161	5954	4988	5569	5561	5898	4536	5763	71284	1997404
	OIL	21	20	12	15	14			17	18	14	13	14	166	8042
SONTO PETROLEUM COMPANY															
STATE 19 COM															
1F1920S27E	GAS	7068	7128	6567	7129	7521	7487	7614	7483	6668	6401	6249	6884	85330	1907122
	OIL	19	36	33	29	18	25	23	3	17	14	20	17	255	7462
	WAT				10					1		1	1	13	
YATES DRILLING COMPANY															
PECOS RIVER FED UNIT GAS COM															
3M1320S26E	GAS			458	735	585	747	1175	267	341	515	393	649	599	6465	879042
	OIL														4512
HARVEY E. YATES															
MCNDO SINGER A															
1P 720S27E	GAS	PLUGGING APPROVED 1973													33958
	OIL														43

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CONTINUED WHITE CITY PENN. (GAS) PAGE 533

WELL S T R		JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YR-PROD	MP	ACCUM.
GULF OIL CORPORATION																
ESTILL AD FED																
1J1024526F	GAS								37476	119175	126211	111914	134469	529425		529425
	WAT												71	71		
WHITE CITY PENN GAS COM 1																
1A2 245 26E	GAS	144123	154676	172789	149343	182896	184126	183873	186529	181957	156535	173881	188070	2063797		13310074
	OIL	2	10	11	8	9	3	9	3	6	7	5	1	74		21057
	WAT	140	140	150	150	125	150	140	140	140	140	140	140	1695		
WHITE CITY PENN GAS COM 2																
2G20245 26E	GAS	37928	36575	41595	47256	52930	70034	58706	51322	52330	54188	51022	52390	606276		7744856
	OIL															5933
	WAT	30	30	30	30	30	30	30		30	30	30	30	330		
WHITE CITY PENN GAS COM UNIT 3																
1F20245 26E	GAS			12277	356494	120790	84213	133974	50119	37837	33648	18132	4481	851965		851965
COMPANY TOTAL	OIL	2	10	11	8	9	3	9	3	6	7	5	1	74		26985
	GAS	182051	191251	226661	553093	356616	338373	376553	325446	391499	370582	359949	379390	4051463		22436320
	WAT	170	170	150	180	155	180	170	140	170	170	170	241	3096		
MESA PETROLEUM COMPANY																
MORRE FED CCM																
1K35245 26E	GAS		26721	39744	30562	27827	25847	26453	25333	24201	21752	23320	14120	287880		287880
	OIL		5	75			10		20			120	23	253		253
	WAT								62	58	62	60	30	272		
NORTH COM																
1F 325 26E	GAS		18154	59684	67635	66662	61425	60715	57642	54268	57283	53641	59065	616174		616174
	OIL		24	6					10			45	11	96		96
	WAT											30	10	40		
PINGER																
1F 325 26E	GAS		10028	15035	14325	14458	12766	12410	10524	9130	8381	8184	6313	121554		121554
	WAT								930	30	62	60	750	1832		
STRONG FED CCM																
1J34245 26E	GAS												41385	41385		41385
COMPANY TOTAL	OIL		29	81			10		30			165	34	349		349
	GAS		54903	114483	112522	108947	100038	99578	93499	87599	87416	85145	122883	1066993		1066993
	WAT								992	88	124	150	810	2164		
PENNZOIL COMPANY																
ALLIED 21 FEDERAL																
1J21245 26F	GAS	31224	27605	29335	27803	27839	24694	28662	27805	25128	24917	23406	23899	322317		3898558
	WAT	21	19	20	19	19	17	19	19	17	17	16	16	219		
TEXACO INCORPORATED (MONUMENT DISTRICT)																
J M GATES FEDERAL NCT 1															S	162
1G30245 26E	GAS	LAST PROD. DATE 09/73														1
	OIL															
NEW MEXICO DD STATE COM																
1G32245 26F	GAS	LAST PROD. DATE 01/74													S	54588
WHITE CITY PENN GAS COM 1																
1F3245 26F	GAS				2334	43912	41906	42754	44815	46669	46300	43546	48424	360659		360659
	OIL				1	15	22	26	31				6	103		103
COMPANY TOTAL	OIL					15	22	26	31				6	103		104
	GAS				2334	43912	41906	42754	44815	46668	46300	43546	48424	360659		415402

WHITE RANCH (MISSISSIPPIAN) (GAS) NE 8M TO 9M

TOM L. INGRAM																
WHITE RANCH																
2L34115 25E	GAS	LAST PROD. PRIOR TO 6/73													S	6758
	OIL															198674

WILLOW LAKE STOKA (GAS) PA 11M TO 12M

AMOCO USA INC.																
WILLOW LAKE GU																
1C22245 26E	GAS	18276	76677	107293	125676	101050	141920	21337	120214	117709	107337	89390	79416	1106295		1132592
	OIL			241	127	101	92		61	53	37	22	21	755		755
	WAT			79	55		42	890	26	47	88	42	42	1791		

WILSON PENN. (GAS) PN 12M TO 13M

DORCHESTER EXPLORATION INC.																
WILSON STATE																
1I13215 34E	GAS	14997	12105	10396	8773	13574	8779	6079	1625	1982	1771	1742	4996	86819		1585773
	OIL	85	98	51	72	50	43	47	12					456		15914
	WAT					20								20		
UNION OIL COMPANY OF CALIFORNIA																
WILSON DEEP UNIT																
1F13215 34F	GAS	12704	10331	10809	3825	11342	6204	4747	2793	9056	7525	7456	7349	93341		4072793
	OIL	16	3			55	6	8		11				99		49652

WILSON PENN., SO. (GAS) (ABANDONED) PN

SINCLAIR OIL CORPORATION																
SOUTH WILSON DEEP UNIT																
1L23215 34F	GAS	CONVERTED TO WATER														118120
	OIL															2477

WILSON WOLFCAMP (GAS) (ABANDONED) NC

PHILLIPS PETROLEUM COMPANY																
WILSON																
1C 32135 25E	GAS	PLUGGING APPROVED 1971														19157
	OIL															3315

WINCHESTER MORROW (GAS) PN 10M TO 11M

DORCHESTER EXPLORATION INC.																
ARCO FEDERAL																
1E34195 28E	GAS	32558	29857	31959	30641	31550	29203	30184	29601	26527	28269	26942	27319	354610		1935092
	OIL	366	348	330	340	358	304	478	77	338	374	269	247	3729		77879
	WAT					12	11							23		
PNU FEDERAL																
1J34195 28E	GAS	2400	1690	2099	2207	2131	2059	2177	2556	2069	1562	2458	1920	25328		237165
	OIL	48	33	26	34	21	37	10	42	17	18	20	22	328		3986
	WAT					22	18					28	78	146		
COMPANY TOTAL	OIL	436	381	356	374	359	341	488	119	355	297	289	269	4057		26885
	GAS	34958	31547	34058	32848	33681	31262	32361	32157	28596	29831	29400	29239	379928		2172227
	WAT					34	29					28	78	169		
ESPERIT PRODUCING CORP.																
SHELL FEDERAL																
1E 1205 28E	GAS	4526	3869	3382	4016	4243	3820	9026	4015	3820	3577	3336	3737	45365		104682
	OIL	29	29	24	27	28	18	31	11	9	35	12	13	276		690
	WAT	13	17	14	13	13	15	31	13	2	2	23	20	169		
HILLIN PRODUCTION COMPANY																
JCM STATE COM															U	1665537
1C 2205 28E	GAS	LAST PROD. DATE 11/74														19330
	OIL															
2K 2205 28E	GAS	PLUGGING APPROVED 1975														
COMPANY TOTAL	OIL															19330
	GAS															1665537
PENNZOIL CORPORATION																
ANGELL RANCH COM																
1B31195 28E	GAS	9436	34274	32690	31862	35372	34664	36365	36961	33164	32629	35732	34269	399638		399638
	OIL	337	416	369	335	356	169	145	351	312	121	357	151	4036		4036
	WAT	268	84	93	90	93	90	93	93	87	93	40	41	1267		
DERO FEDERAL																
1P31145 28E	GAS	20454	14900	14764	13799	17119	14592	13786	15469	16402	16038	15171	13666	195863		1137899
	OIL	152	139	152	128	124	135	120	134	120	124	101	140	1613		8472
	WAT	168	168	186	168	124	135	120	134	120	124	170	174	1694		
JCM STATE COM																
1J 2205 28F	GAS	6931	5972	6575	6216	6395	6097	6291	6132	5927	5792	5953	5303	72977		111272
	OIL	25	18	16	12	12	11	21	18	11	15	15	20	244		548
	WAT	125	148	186	180	114	151	155	146	152	217	210	180	1949		
COMPANY TOTAL	OIL	331	584	544	488	497	482	468	488	426	435	473	531	5677		12866
	GAS	36821	55186	54013	51356	58986	55453	56442	58227	55483	54259	56256	52218	648704		1638809
	WAT	554	400	465	450	343	461	368	466	359	434	429	491	4900		

WELL S T P		JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YR-PROD WP	ACCUM.
GULF OIL CORPORATION															
ESTILL FD FED															
1J3024S26E	GAS									37676	119375	176211	111914	134449	529625
	WAT													71	71
WHITE CITY PENN GAS COM 1															
1A2924S26E	GAS	144122	154676	172789	149343	182896	184126	183873	186529	181957	156535	177881	188070	2065797	13310076
	OIL	2	10	11	8	9	9	9	3	6	7	5	1	74	21057
	WAT	160	140	150	150	125	150	140	140	140	140	140	140	1695	
WHITE CITY PENN GAS COM 2															
2G2024S26E	GAS	37928	36575	41595	47256	52930	70034	58706	51372	52330	54188	51022	52940	606276	7744856
	OIL														4093
	WAT	30	30	30	30	30	30	30		30	30	30	30	330	
WHITE CITY PENN GAS COM UNIT 3															
1F2824S26E	GAS			12277	356494	120790	84213	133974	50119	37837	33648	18172	4481	851965	851965
COMPANY TOTAL	OIL	2	10	11	8	9	9	9	3	6	7	5	1	74	74995
	GAS	182050	191251	226661	553093	356616	338373	376551	325446	391499	370582	359046	379330	4051443	22416120
	WAT	190	170	190	180	155	180	170	140	170	174	170	241	2046	
MESA PETROLEUM COMPANY															
MAPLE FED CCM															
1K3524S26E	GAS		26721	39744	30562	27827	25857	26453	25333	24201	21752	23320	14120	287880	287880
	OIL		5	75			10		20			120	33	263	263
	WAT								62	58	62	60	30	272	
OGDEN COM															
1F 3255S26E	GAS		18154	59484	67635	66662	61423	60715	57642	54268	57283	53641	59065	616174	616174
	OIL		24	6					10			43	11	94	94
	WAT											30	40	40	
RINGER															
1F 3255S26E	GAS		10028	15035	14325	14458	12766	12410	10574	9130	8181	8184	6313	121554	121554
	WAT								430	90	62	60	190	1477	
STRONG FED CCM															
1J3424S26E	GAS												41385	41385	41385
COMPANY TOTAL	OIL		29	81			10		30			165	34	349	349
	GAS		54903	114463	112522	108947	100038	99578	93609	87599	87416	85146	127889	1066910	1066910
	WAT								992	88	124	140	810	2164	
PENNZOIL COMPANY															
ALLRED 21 FEDERAL															
1J2124S26F	GAS	31224	27605	29335	27803	27839	24694	28642	27805	25128	24917	23406	23899	322317	3098558
	WAT	21	19	20	19	19	17	19	19	17	17	16	14	219	
TEXACO INCORPORATED (PERMANENT DISTRICT)															
J M GATES FEDERAL NCT 1															
1G3024S26E	GAS	LAST PROD. DATE 09/73												S	162
	OIL														1
NEW MEXICO DC STATE COM															
1G3224S26E	GAS	LAST PROD. DATE 01/74												S	54588
WHITE CITY PENN GAS COM 1															
1F3324S26E	GAS				2334	43912	41906	42754	44815	46668	46300	43546	48424	360659	360659
	OIL					3	15	22	26	31			6	103	103
COMPANY TOTAL	OIL					3	15	22	26	31			6	103	104
	GAS				2334	43912	41906	42754	44815	46668	46300	43546	48424	360659	414404
WHITE RANCH PISSISSIPPIAN (GAS) MI 8M TO 9M															
TOM L. INGRAM															
WHITE RANCH															
2L3411S25E	GAS	LAST PROD. PRIOR TO 6/73												S	6758
	OIL														19867A
WILLOW LAKE STOKA (GAS) PA 11M TO 12M															
AMERADA HESS CORPORATION															
WILLOW LAKE GU															
1C2224S25E	GAS	18276	76677	107293	125676	101050	141920	21937	120214	117709	107337	89320	79416	1106295	1132982
	OIL			241	127	101	92		61	53	37	22	21	715	755
	WAT			79	35		42	650	20	47	84	45	49	1701	
WILSON PENN. (GAS) PN 12M TO 13M															
DORCHESTER EXPLORATION INC.															
WILSON STATE															
1I3321S34E	GAS	14997	12105	10396	8773	13574	8779	6079	1625	1982	1771	1742	4496	86819	1585773
	OIL	83	98	51	72	50	43	47	12					456	15916
	WAT					20								20	
UNION OIL COMPANY OF CALIFORNIA															
WILSON DEEP UNIT															
1F1321S34E	GAS	12704	10331	10009	3825	11342	6204	4747	2793	9056	7525	7456	7349	93361	4072201
	OIL	16	3			55	6	8		11				99	49652
WILSON PENN.,SO.(GAS) (ABANDONED) PN															
SINCLAIR OIL CORPORATION															
SOUTH WILSON DEEP UNIT															
1L2321S34F	GAS	CONVERTED TO WATER													118139
	OIL														1477
WILSON WOLFCAMP (GAS) (ABANDONED) WC															
PHILLIPS PETROLEUM COMPANY															
WILSON J															
1G 521S35E	GAS	PLUGGING APPROVED 1971													19137
	OIL														3345
WINCHESTER MORROW (GAS) PN 10M TO 11M															
DORCHESTER EXPLORATION INC.															
ARCO FEDERAL															
1E3419S28E	GAS	32558	29857	31959	30641	31550	29203	30184	29601	26527	28269	26942	27319	356610	1915092
	OIL	386	348	330	340	338	304	478	77	338	374	269	247	3729	22874
	WAT					12	11							23	
ONU FEDERAL															
1J3419S28E	GAS	2400	1690	2099	2207	2131	2059	2177	2556	2069	1562	2458	1920	25328	297165
	OIL	48	33	26	34	21	37	10	42	17	18	20	27	326	3466
	WAT					22	18					28	28	146	
COMPANY TOTAL	OIL	434	361	336	374	359	341	488	119	355	297	289	249	4037	28845
	GAS	34958	31547	34058	32848	33681	31262	32361	32157	28596	29831	29400	29239	379938	2172227
	WAT					34	29					28	78	149	
ESTORIL PRODUCING CORP.															
SHELL FEDERAL															
1E 1205S28E	GAS	4524	3869	3382	4016	4245	3820	3024	4015	3820	3577	3376	3737	45365	104442
	OIL	28	29	34	22	27	28	18	21	9	35	12	13	276	440
	WAT	13	17	19	12	13	15	21	12	2	2	23	20	164	
HILLIN PRODUCTION COMPANY															
JCM STATE COM															
1C 2205S28E	GAS	LAST PROD. DATE 11/74												U	1448337
	OIL														14330
2K 2205S28E	GAS	PLUGGING APPROVED 1975													
COMPANY TOTAL	OIL														14330
	GAS														1448337
PENROC OIL CORPORATION															
ANCELL RANCH COM															
1B3319S28E	GAS	9436	34274	32690	31842	35372	34966	36365	36941	33144	32429	35132	34249	399638	399638
	OIL	137	416	369	338	356	340	345	353	312	323	332	341	4006	4006
	WAT	268	84	93	90	93	90	93	93	87	91	90	91	1267	
DERO FEDERAL															
1P3519S28E	GAS	20454	14900	14748	13299	17119	14592	13786	15449	14402	14039	15171	13666	185625	1197899
	OIL	142	143	152	128	129	126	102	120	95	97	101	80	1415	8477
	WAT	168	168	186	180	124	120	134	120	124	124	120	124	1619	
JCM STATE COM															
1J 2205S28E	GAS	6931	5972	6575	6214	6395	6097	6291	6132	5927	5792	5569	5303	72977	81272
	OIL	52	55	53	52	52	47	51	45	51	56	58	50	648	648
	WAT	123	148	186	180	118	151	135	149	132	217	210	186	1945	
COMPANY TOTAL	OIL	331	384	544	488	497	492	488	488	426	435	473	431	5677	129856
	GAS	36821	55166	54013	51355	58876	55455	56442	58522	53465	54254	56216	55218	649038	1618406
	WAT	559	400	485	450	395	361	368	366	339	434	420	401	4909	

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July 16, 1980

Mr. Ernest L. Padilla
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

RECEIVED
JUL 21 1980
OIL CONSERVATION DIVISION
SANTA FE

Re: Case No. 6982 - Aminoil USA, Inc.
Willow Lake Unit Area

Dear Ernie:

This will confirm our telephone conversation today in connection with the above referenced case. We respectfully request that the case be continued until the next Examiner hearing which I understand to be set for August 6. I have checked this matter with Mr. John M. Caraway of McCormick & Forbes Law Firm, and he concurs in the continuance, with the schedule to be changed to August 6.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

Conrad E. Coffield

CEC:rh

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McCormick & Forbes
Post Office Box 1718
Carlsbad, New Mexico 88220
xc: Mr. Bill Johnson
Aminoil USA, Inc.
600 Western United Life Bldg.
Midland, Texas 79701
xc: Mr. Harold L. Hensley
Mr. Doug Foster
Hinkle, Cox, Eaton, Coffield & Hensley
Post Office Box 10
Roswell, New Mexico 88201

CASE 6982: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its 1980 Plan of Operation/Development for its Willow Lake Unit Area, Eddy County, New Mexico, should not be disapproved.

CASE 6901: (Continued from June 25, 1980, Examiner Hearing)

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 6954: (Continued from July 9, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for amendment of Order No. R-6303, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6303 which authorized the directional drilling of a well, the surface location of which is 660 feet from the North line and 1980 feet from the West line of Section 32, Township 13 South, Range 36 East. Applicant seeks approval for the bottom hole location of the well at a point 654 feet from the North line and 2158 feet from the West line of said Section 32.

CASE 6921: (Continued from July 9, 1980, Examiner Hearing)

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 line and 990 feet from the East line 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 6983: Application of Harvey E. Yates Company for an NCPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Mississippian formation for its Betenbough Well No. 1 located in Unit C of Section 32, Township 13 South, Range 36 East.

CASE 6984: Application of Harvey E. Yates Company for designation of a tight formation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Mississippian formation underlying Townships 13, 14, and 15 South, Ranges 35 and 36 East, containing 138,240 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

CASE 6929: (Readvertised)

Application of Consolidated Oil & Gas, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin-Dakota production in the wellbore of its NCRA Well No. 1-E located in Unit G of Section 22, Township 26 North, Range 7 West, by using the Dakota gas for gas lift of Mesaverde liquids after metering on the surface.

CASE 6985: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order extending certain pools in McKinley, Rio Arriba, San Juan, and Sandoval Counties, New Mexico:

(a) EXTEND the Aztec-Farmington Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM
Section 18: SE/4

(b) EXTEND the Aztec-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM
Section 34: W/2

(c) EXTEND the Aztec-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM
Section 1: SW/4

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
Section 35: S/2

July 23

Case 6982

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Aminoil USA to appear and show cause why its POO Plan of Operation/Development for its Willow Lake Unit Area should not be disapproved.

copy of docket to

John M. Caraway
McCormick and Forbes
P.O. Box 1718
Carlsbad New Mexico 88220

G.E. DeLong
Aminoil USA
600 Western United Life Bldg.
Midland, Texas 79701

ROUGH

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. 6982

Order No. R-6523

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO PERMIT AMINOIL, USA, TO APPEAR AND SHOW CAUSE WHY ITS 1980 PLAN OF OPERATION/DEVELOPMENT FOR ITS WILLOW LAKE UNIT AREA, EDDY COUNTY, NEW MEXICO, SHOULD NOT BE DISAPPROVED.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 6 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of November, 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 Aminoil, USA, is the operator of the Willow Lake Unit Area, comprising some 4800 acres more or less of State, Federal, and fee lands in Township 24 South, Range 28 East, NMPM,

Eddy County, New Mexico.

(3) That as unit operator of said unit area, and in accordance with the provisions of the Willow Lake Unit Agreement, Aminoil, USA, in April, 1980, submitted to the Division for approval its 1980 Plan of Operation/Development.

(4) That said plan called for the drilling of an additional well in the Unit Area during 1980, said well to be designated Willow Lake Unit Well No. 4, to be located in the Southwest quarter of Section 14, Township 24 South, Range 28 East, NMPM, and have dedicated thereto the W/2 of said Section 14.

(5) That the drilling of said well, according to the record, would be contingent upon agreement between the unit operator and the owner of the NW/4 of said Section 14 to form a standard gas spacing and proration unit comprising the W/2 of Section 14.

(6) That the unit operator does not appear to be able to come to such agreement with the owner of the NW/4 of said Section 14, and thus the April, 1980 plan of operation/development apparently will not result in the drilling of any well in the Willow Lake Unit Area during 1980.

(7) That Felton W. Courtney is a lessor of lands situate in the N/2 of Section 23, Township 24 South, Range 28 East, NMPM, leased to Burmah Oil and Gas Company (now Aminoil, USA) which lands are committed to the Willow Lake Unit Agreement.

(8) That said Felton W. Courtney appeared at the hearing and objected to the April 1980 Plan of Operation/Development submitted by Aminoil, USA.

(9) That Aminoil, USA, has withdrawn its April plan and in October, 1980, submitted an alternate Plan of Operation/ Development for 1980 for the Willow Lake Unit Area.

(10) That said new plan includes the drilling of an Atoka-Strawn-Morrow test well in the NE/4 of Section 23, Township 24 South, Range 28 East, NMPM, to which the N/2 of Section 23 would be dedicated.

(11) That said well would be known as the Maddox well and would be on lands not committed to the unit area and would be drilled by a non-participant to the unit agreement, but some 40.625 percent of the lands dedicated to the well would be unitized lands.

(12) That upon consideration by each of the Willow Lake Unit Participants, the Willow Lake Unit has decided to commit its entire interest in said proration unit to the drilling of the Maddox well.

(13) That the lands owned by Felton W. Courtney would be dedicated to the Maddox well.

(14) That the alternate 1980 Plan of Operation/Development submitted by Aminoil, USA, in October, 1980, is acceptable and should be approved.

(15) That a satisfactory plan of operation/development having been submitted, Case No. 6982 should be dismissed.

IT IS THEREFORE ORDERED:

(1) That Case No. 6982 is hereby dismissed.

(2) 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.