

Docket No. \_\_\_\_\_

Hearing Date \_\_\_\_\_

Compuls Forcing - Directional drlg - unorthodox of loc.

Strawn - statewide

BHL 2060'FN - 2500'FW Sec 33

2640  
2500  
140'

150' radius could be across unit line

Anadarko Petr. Corp

Applicant	Opposition:
Attorney: Karen Ambrey	Attorney:
Witness(es): (1) Tommy Thompson	Witness(es): (1)
(2) Allen Daniels geoph	(2)
(3)	(3)

Halband 1.2%

10-10

Remanent 1.7%

pooled in R. 8690

seeks 100% risk permit,

Daniels

gea: 1969

9 yrs w/ Anadarko

\$5500/daily rate 500/prod rate same as Anadarko for 2010  
op at well

sur on Snyder ranches. wd condemn 5 acres of cropland

multiple surveys to H/C point

NE 1/4 ownership 100% Anadarko - expires May '90

incremental dry hole cost \$65000 per dry hole

Daniels

risk factor justified

nearest Strawn 2 1/2 miles to West

mention N. King Camp New order

location within semi-circle of 125' radius west of  
target location - penalty assessed on 40-acre allowable

$P = \frac{d}{330}$  where d = distance BHL moved  
east of standard 330 location

REMARKS:

ORDER ISSUED:
CONTINUED TO:
DISMISSED:
ORDER FINALIZED:
ORDER NO.:
CASE NO. 9807

Case 9807

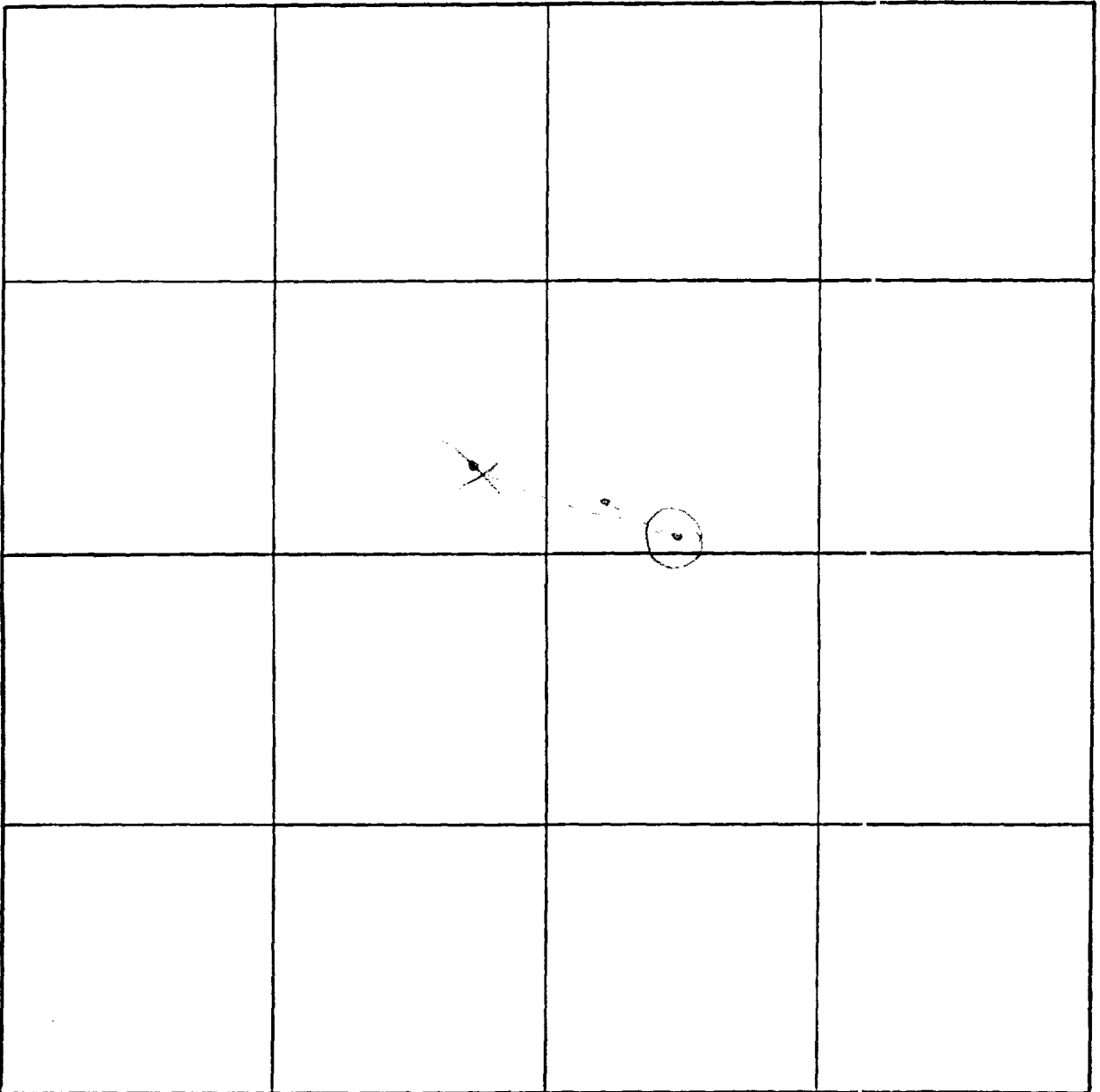
1. Wildcat well targeted to 2 strata
2. location selected from ~~multiple~~ seismic lines showing anomaly at this location
3. Directional drilling needed to avoid surface obstruction ~~from~~ <sup>from</sup> irrigated crops
4. Estimated additional cost is \$6500 to drill directional which is less than mitigating surface damage for a straight well.
5. additional latitude usually given to wildcat wells but this is an extreme case
6. Target should be limited to some circle with radius of 125' west of the target location
7. Penalty on yardstick allowable for 40-acre well should be assessed on the basis of  $\frac{d}{330}$ , where ~~the~~  $d$  is the distance moved toward the nearest line from the standard distance of 330'.
8. Should the well be commercially productive the applicant should file an application for <sup>special</sup> pool rules or other measures deemed appropriate to prevent waste and protect correlative rights.
9. The ~~lease~~ <sup>Fract</sup> being crowded to the east is under lease to Anadarko but will expire May 1, 1990.

ETW avg op ch 5000 dly - 500 prod.

SECTION 33

TOWNSHIP 16 South

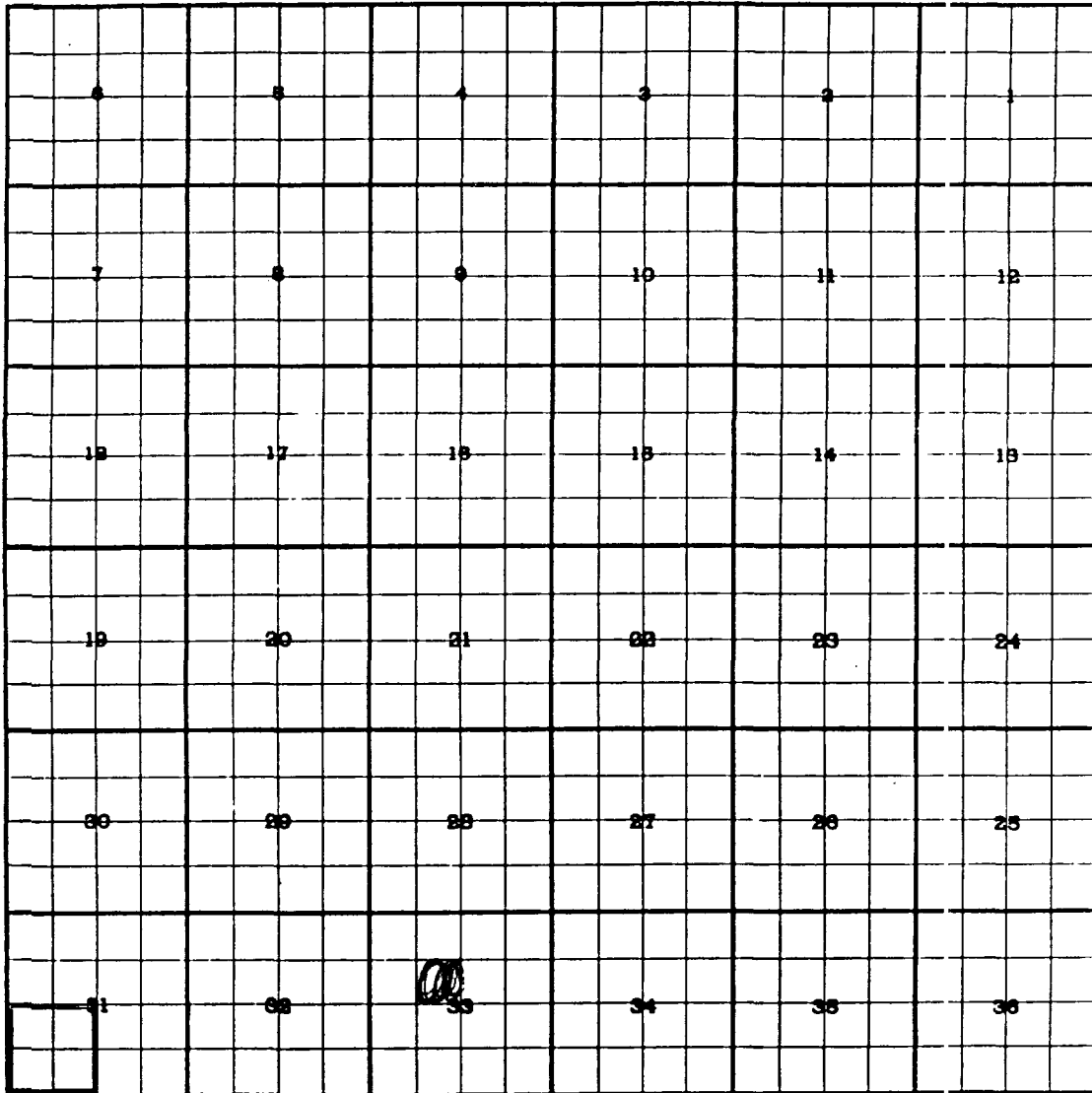
RANGE 38 East





County LEA Pool SHIPP - STRAWN

TOWNSHIP 16 South, RANGE 38 East, NEW MEXICO PRINCIPAL MERIDIAN



EXT: SW/4sec 31 (R-9741, 9-1-89)



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

January 19, 1990

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Ms. Karen Aubrey  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Ms. Aubrey:

Based upon your letter of January 16, 1990, and in accordance with the provisions of Division Order No. R-9046, Anadarko Petroleum Corporation is hereby granted an extension of time in which to begin the well on the unit pooled by said order until May 1, 1990.

Sincerely,

A handwritten signature in dark ink, appearing to read "William J. Lema", written over the typed name.

WILLIAM J. LEMAY  
Director

WJL/fd

cc: Case No. 9807  
Jerry Sexton

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
WILLIAM P. SLATTERY  
PATRICIA A. MATTHEWS

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

April 25, 1990

**RECEIVED**

**HAND-DELIVERED**

APR 25 1990

OIL CONSERVATION DIV.  
SANTA FE

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
State Land Office Building  
Santa Fe, New Mexico 87501

Re: Order No. R-9046

Dear Mr. LeMay:

Order No. R-9046 was entered by the Division on November 20, 1989 granting the application of Anadarko Petroleum Corporation for compulsory pooling, directional drilling and an unorthodox Strawn well location in the SE/4 NW/4 of Section 33, Township 16 South, Range 38 East, Lea County, New Mexico.

At the time of the November 1, 1989 hearing on this application, Anadarko believed it had an agreement with TXO Production Corporation for voluntary development of this acreage. A dispute subsequently developed between these parties and no farmout or other agreement has been reached. This dispute caused a delay in the commencement of the well on the pooled acreage and Anadarko obtained from the Division an extension of Order No. R-9046 through May 1, 1990.

It appears that no agreement for the voluntary development of this acreage will be reached with TXO, and Anadarko has filed a new application with the Division seeking an Order pooling TXO's 8.9% working interest in the SE/4 NW/4 of Section 33. This case is included on the May 2, 1990 Examiner Hearing Docket (Case No. 9932).

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
April 25, 1990  
Page Two

RECEIVED

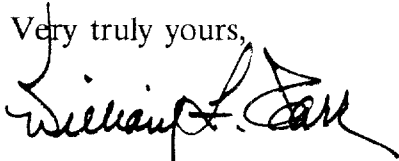
APR 25 1990

OIL CONSERVATION DIV.  
SANTA FE

The purpose of this letter is to request an additional ninety (90) day extension of Order No. R-9046. This extension will avoid an unnecessary hearing to again pool other interest owners in the subject acreage and obtain approval for directional drilling and an unorthodox location. It will also provide sufficient time for Anadarko to obtain an Order pooling TXO's interest, provide the required notice and AFE to TXO to permit it to avoid the risk penalty by paying its share of estimated well costs if it desires to do so and to commence the drilling of the well.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR ANADARKO PETROLEUM CORPORATION  
WFC:mlh

cc: Mr. Wayne M. Wheelis, CPL  
Senior Land Man  
Anadarko Petroleum Corporation  
Post Office Box 2497  
Midland, Texas 79702



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

April 26, 1990

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87504  
(505) 827-5800

Kellahin, Kellahin & Aubrey  
P.O. Box 2265  
Santa Fe, NM 87504-2265

Attention: Karen Aubrey

*RE: Division Order No. R-9046, Anadarko  
Petroleum Corp., Smith Well No. 1*

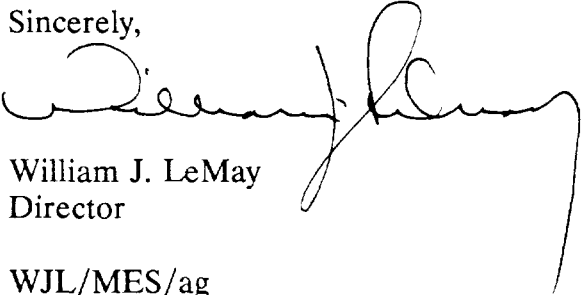
Dear Ms. Aubrey:

Per your letter dated April 17, 1990 concerning the need to move the proposed surface location from the previously authorized surface location, 2440 feet from the North line and 2230 feet from the West line (Unit F) of Section 33, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, so as to avoid a circular irrigation system.

Inasmuch as the surface location change will not effect the provisions of said Division Order No. R-9046, which authorized the compulsory pooling, directional drilling and unorthodox subsurface location for the Strawn formation, such move shall be authorized at this time.

THEREFORE, Anadarko Petroleum Corporation is hereby authorized to drill its Smith Well No. 1 at a surface location being 2522 feet from the North line and 2172 feet from the West line (Unit F) of said Section 16. All other provisions of said Order No. R-9046 and subsequent addenda shall be strictly adhered to and remain in full force and effect.

Sincerely,

  
William J. LeMay  
Director

WJL/MES/ag

cc: File: Case No. 9807 and 9932  
Oil Conservation Division - Hobbs  
Anadarko Petroleum Corporation - Midland, TX



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

April 27, 1990

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

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

Dear Mr. Carr:

Based upon your letter of April 25, 1990, and in accordance with the provisions of Division Order No. R-9046, Anadarko Petroleum Corporation is hereby granted an additional extension of time in which to begin the well on the unit pooled by said order until August 1, 1990.

Sincerely,

A handwritten signature in dark ink, appearing to read "William J. Leman", written over the typed name and title.

WILLIAM J. LEMAN  
Director

WJL/fd

cc: Case No. 9807  
Jerry Sexton

KELLAHIN, KELLAHIN and AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe  
Post Office Box 2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

Santa Fé, New Mexico 87504-2265

FAX 505/982-2047

November 16, 1989

Victor Lyon  
Examiner  
New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87502

NOV 18  
OIL CONSERVATION DIVISION

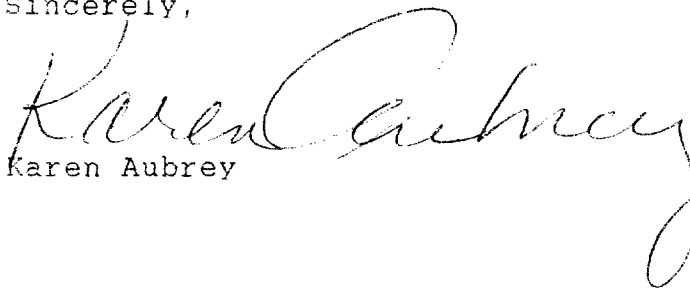
Re: The Application of Anadarko Petroleum Corporation  
for Compulsory Pooling, Directional Drilling,  
and an Unorthodox Surface and Subsurface Location,  
Undesignated Strawn Pool, Lea County, New Mexico,  
Case 9807

Dear Mr. Lyon:

On behalf of Anadarko Petroleum Corporation we enclose  
a proposed Order of the Division in the above captioned mat-  
ter.

Please don't hesitate to call if we can provide you  
with additional information.

Sincerely,

  
Karen Aubrey

KA/tic  
Enclosure

xc: Tommy Thompson  
Anadarko Petroleum Corp.  
P.O. Box 2497  
Midland, Texas 79702

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. 9807  
ORDER NO. R- .....

THE APPLICATION OF ANADARKO  
PETROLEUM CORPORATION FOR COMPULSORY  
POOLING, DIRECTIONAL DRILLING, AND AN  
UNORTHODOX SURFACE AND SUBSURFACE LOCATION,  
UNDESIGNATED STRAWN POOL. LEA COUNTY,  
NEW MEXICO

PROPOSED  
ORDER OF THE DIVISION

BY THE DIVISION:

This cause having come on for hearing at 8:15 o'clock  
A.M., on November 1, 1989, at Santa Fe, New Mexico, before  
Examiner Victor Lyon of the Oil Conservation Division,

NOW, on this       day of November, 1989, the Division  
Director, having considered the testimony, the recrd and  
the recommendations of the hearing examiner, and being fully  
advised in the premises,

FINDS:

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

2. That the Applicant, Anadarko Petroleum Corporation, seeks an order pooling all mineral interests from the surface to the base of the Undesignated Strawn formation, or 11,700 feet, whichever is deeper, underlying the SE/4 NW/4 of Section 33, T16S, R38E, Lea County, New Mexico.

3. That the SE/4 NW/4 of Section 33, T16S, R38E, Lea County, New Mexico, is a standard spacing unit for the Undesignated Strawn formation.

4. That Applicant has the right to drill and develop the SE/4 NW/4 Section 33, T16S, R38E, Lea County, New Mexico.

5. That Applicant, seeks approval of an unorthodox oil well surface location 2440 feet from the North line, and 2230 feet from the West line, and an unorthodox oil well bottomhole location 2060 feet from the North line and 2500 feet from the West line, (unit \_) to test the Undesignated Strawn formation, Lea County, New Mexico.

6. That Applicant seeks approval to directionally drill the J. Smith No. 1 Well, commencing at an unorthodox surface location, 2230 feet from the West line, and 2440 feet from the North line, then to drill vertically to a true vertical depth of approximately 9700 feet, at which point the well will be directionally drilled in a northeasterly

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direction to the Strawn formation to a true vertical depth of approximately 11,700 feet, within a 125 foot radius of the proposed unorthodox bottom hole location of 2550 feet from the West line and 2060 feet from the North line, all in Section 33, T16S, R38E, NMPM, Lea County, New Mexico.

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

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

9. That the Applicant should be designated the operator of the subject well and unit.

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

11. That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well

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costs, plus an additional two hundred percent (200%) thereof as a reasonable charge for the risk involved in the drilling of the well.

12. The substantial evidence supports a two hundred percent (200%) risk factor, including, but not limited to, the fact that the nearest Strawn production is more than two and one-half miles away, with the proposed location being offset by a dry hole in the Strawn formation in the SE/4 SE/4 of Section 28, T26S, R38E.

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

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

15. That \$5500.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$500.00 should be fixed as a

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reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, costs, attributable to each non-consenting working interest.

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

17. That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever.



18. That the geological and geophysical evidence presented at the hearing established that the Strawn formation is a water drive reservoir and that a well location which is structurally high is critical to successful completion of a well.

19. That the geophysical evidence presented at the hearing established that the proposed bottomhole location is the structurally highest point within the proposed proration unit, and is therefore the most likely to be productive of hydrocarbons. The geophysical evidence presented at the hearing further established that the proposed bottomhole location is on the highest known seismic shot point, thereby minimizing the risk of encountering water.

20. That a well drilled at the proposed bottomhole location will better enable the applicant to penetrate the potentially productive structural high in the Strawn formation thereby enabling the applicant to produce its fair share of the reserves underlying the spacing and proration unit.

21. That the evidence presented at the hearing established that the additional cost of directionally drilling the well would be exceeded by the cost of additional surface damages if the proposed unorthodox surface location is not approved.

22. The evidence presented at the hearing established that the proposed unorthodox surface location is necessary because of the existence of an irrigation system and growing crops on the surface.

23. The evidence presented at the hearing established that in all likelihood the proposed well will drain an area of up to 80 acres, and, therefore, a well at the proposed unorthodox bottomhole location will have no greater effect on the correlative rights of offsetting royalty owners than would a well at a standard location, and, therefore, no allowable penalty should be imposed.

24. The evidence presented at the hearing established that Applicant is the lessee of the offsetting mineral interest which would be affected by approval of the proposed bottomhole and surface location.

IT IS THEREFORE ORDERED THAT:

1. All mineral interests, whatever they may be, from the surface to the base of the Undesignated Strawn formation, or 11,700 feet, whichever is deeper, underlying the SE/4 NW/4 of Section 33, T16S, R38E, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40 acre spacing and proration unit dedicated to the J. Smith No. 1 Well.

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PROVIDED, HOWEVER that the operator of said unit shall commence drilling of the said well on or before the expiration of 120 days after the effective date of this Order and shall thereafter continue with due diligence to completion. In the event that said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this Order, Order No. (1) of this Order shall be null and void and of no effect whatsoever unless said operator obtains a time extension from the Division for good cause shown.

2. That Anadarko Petroleum Corporation is hereby designated the operator of the subject well and unit.

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

4. That the operator shall furnish the Division and actual well costs within 90 days following the completion of

the well: that if no objection to the actual well costs is received by the Division within 45 days following the receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if is an objection to actual well costs within said 45 day period, the Division will determine reasonable well costs after public notice and hearing.

5. That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated cost in advance as provided above shall pay to the operator his pro-rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro-rata share of the amount that estimated well costs exceed reasonable well costs.

6. That the operator is hereby authorized to withhold the following costs and charges from production:

(a) The pro-rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

8. That \$5500.00 per month is hereby fixed as reasonable charge for supervision (combined fixed rates) while drilling and that \$500.00 per month is hereby fixed as a reasonable charge for supervision while producing; that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year, compared to the preceding calendar year, as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States

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Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rate currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

11. That all proceeds from production from the subject well which are not disbursed for any reason shall

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immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

12. The proposed unorthodox surface location for the J. Smith No. 1 Well, 2230 feet from the West line and 2440 feet from the North line, Section 33 T16S, R38E, NMPM, Lea County, New Mexico, is hereby approved, and the SE<sup>1</sup>/<sub>4</sub> NW<sup>1</sup>/<sub>4</sub> of Section 33, T16S, R38E is hereby dedicated to said well.

13. The proposed unorthodox bottomhole location for the J. Smith No. 1 Well, 2550 feet from the West line and 2060 feet from the North line, Section 33, T16S, R38E, NMPM, Lea County, New Mexico is hereby approved.

14. The directional drilling of the J. Smith No. 1 Well as supported by the evidence presented at the hearing is hereby approved.

PROVIDED, HOWEVER THAT Applicant shall conduct such accurate wellbore surveys from the surface to total depth as are necessary to determine the degree of deviation and actual position and course of the wellbore.

15. The Applicant shall notify the supervisor of the Artesia district office of the Division of the date and

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time said directional surveys are to be conducted so that they may be witnessed. The Applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

16. That jurisdiction of this cause is retained for the entry of such further orders and 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

William J. LeMay  
Director

SEAL



ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION



November 21, 1989

Ms. Karen Aubrey  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9807  
ORDER NO. R-9046

Applicant:  
Anadarko Petroleum Corporation

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

Florence Davidson

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD	X
Artesia OCD	X
Aztec OCD	

Other \_\_\_\_\_