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125 LINCOLN AVE., SUITE 303
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SANTA FE, NM 87504-1986
TELEPHONE: (505) 989-9614
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KENNETH R. BRANDT (1946-1981)

June 4, 1990

PLEASE REPLY TO SANTA FE

9984

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
Post Office Box 2008
Santa Fe, New Mexico 87504

RE: Application of Mesa Operating Limited Partnership for
Compulsory Pooling, San Juan County, New Mexico, (FC
Federal Com #9)

Dear Mr. LeMay:

Enclosed is the Application of Mesa Operating Limited
Partnership for Compulsory Pooling for a Fruitland well to be
drilled at a standard location in the N/2 of Section 20 T-30 N, R-
10 W, NMPM, San Juan County, New Mexico.

On behalf of the Applicant, Mesa Operating Limited
Partnership, we ask that this matter be set for examiner hearing
on June 27, 1990.

Very truly yours,

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By: J. Scott Hall

J. Scott Hall

cc: Mark Seale,
Mesa Limited Partnership

BEFORE THE
OIL CONSERVATION DIVISION
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT

IN THE MATTER OF THE APPLICATION OF
MESA OPERATING LIMITED PARTNERSHIP
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

CASE NO. 9984

APPLICATION

MESA OPERATING LIMITED PARTNERSHIP by its undersigned attorneys, Miller, Stratvert, Torgerson & Schlenker, P.A., hereby makes application pursuant to section 70-2-17, N.M.S.A. (1978) for an order pooling all of the mineral interests in the Fruitland formation for development on 320-acre spacing in and under the N/2 of Section 20, Township 30 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Division:

1. Applicant owns approximately 75% of the working interest in and under the N/2 of Section 20, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Mesa FC Federal Com #9 well to be located at a standard location in the N/2 of said Section 20.
3. Applicant has been unable to obtain voluntary agreement for pooling or farmout from all other interest owners in the N/2 of said Section 20.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed examiner of the Oil Conservation Division on June 27, 1990, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By



J. Scott Hall
Suite 303
125 Lincoln Avenue
Santa Fe, New Mexico 87501
Telephone: (505) 989-9614

ATTORNEYS FOR MESA OPERATING
LIMITED PARTNERSHIP

jsh\FC.Com#9

Sec. 20 Township No. 30 North of Range No. 10 West

Mesa Federal Corn Well No. 9

		② 38.93	① 39.00
		③ 39.09	④ 39.16
⑧ 38.57	⑦ 38.57	⑥ 38.87	⑤ 38.87
⑨ 38.53	⑩ 38.53	⑪ 38.64	⑫ 38.64

UNITED STATES
DEPARTMENT OF THE INTERIOR
OIL CONSERVATION DIVISION
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK 89 OCT 23 PM 2 05
DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
MESA OPERATING LIMITED PARTNERSHIP

3. ADDRESS OF OPERATOR
P.O. BOX 2009, AMARILLO, TEXAS 79189

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface: 1835' FNL/1875' FEL
At proposed prod. zone

RECEIVED
OCT 1 0 1989
OIL CO. DIST.

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
4 miles SE from Aztec, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drilg. unit line, if any)
805'

16. NO. OF ACRES IN LEASE
236

17. NO. OF ACRES ASSIGNED TO THIS WELL
N/2 ~~317~~ 316.18

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
100'

19. PROPOSED DEPTH
3060'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
6387' GR

22. APPROX. DATE WORK WILL START*

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	200'	150 sx "B" + 2% CaCl (Surface)
7 7/8"	5 1/2"	17#	3060'	400 ⁵⁰ Poz/300 "B" (Surface)

Propose to spud well with 12 1/4" hole and drill to 200' and set 8 5/8" surface casing. Will cement with 150 sx of Class "B" and raise cement to surface. Will nipple up 2000 psi BOP assembly and drill 7 7/8" hole to TD of + 3060' with fresh water mud system. Will then log well and evaluate for possible commercial production. If successful, will then run 5 1/2" casing to + 3060' and cement with 400 sx Pozmix followed by 300 sx Class "B" cement. Will move off drilling rig and move in completion unit.

xc: BLM-Farmington (0+5), NMOCD-Aztec (1), WF, Reg, Land, Expl., Drilling

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED R. E. Mather TITLE Regulatory Agent DATE 10/6/89

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

OK

*See Instructions On Reverse Side

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-20
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

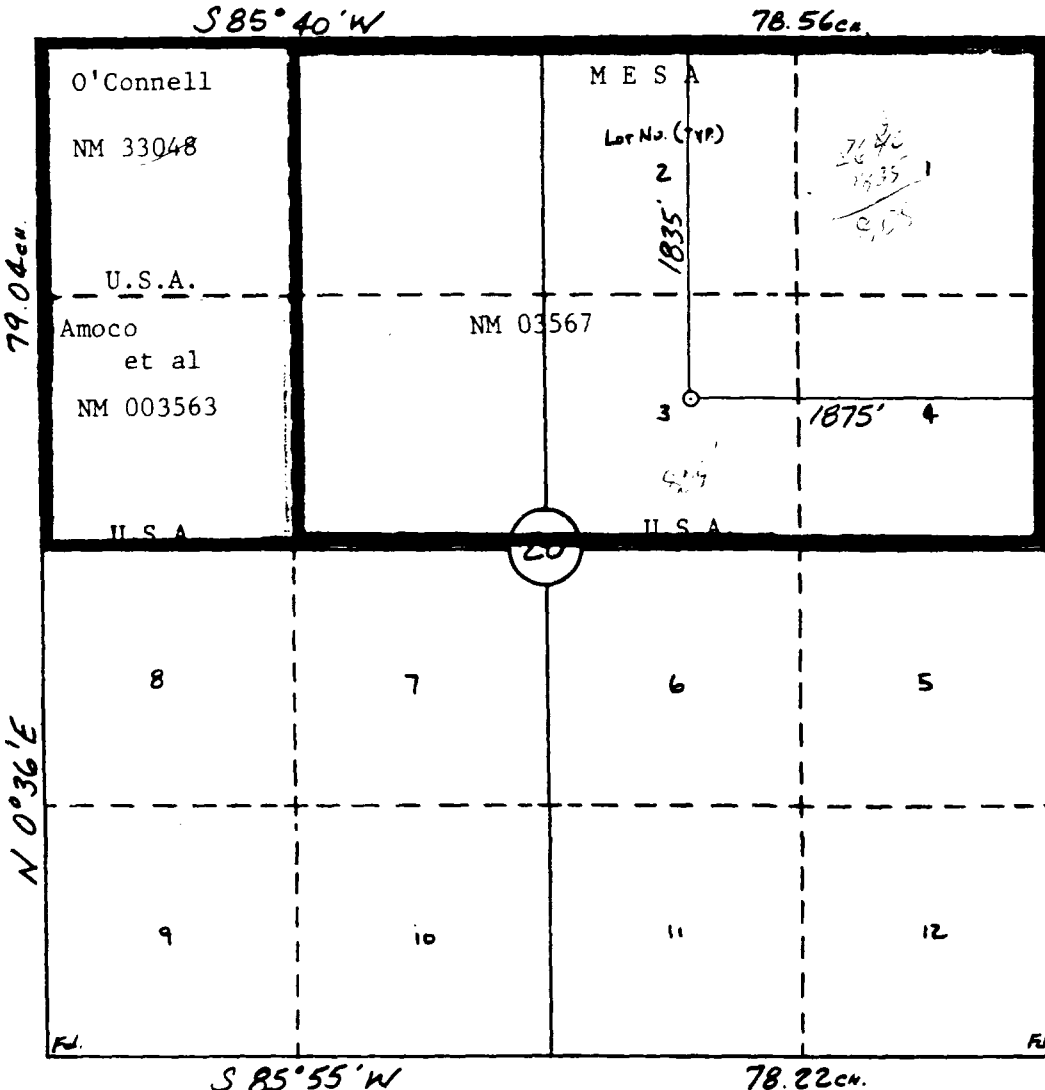
DISTRICT I
 P.O. Box 1900, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Grande Rd., Aztec, NM 87410

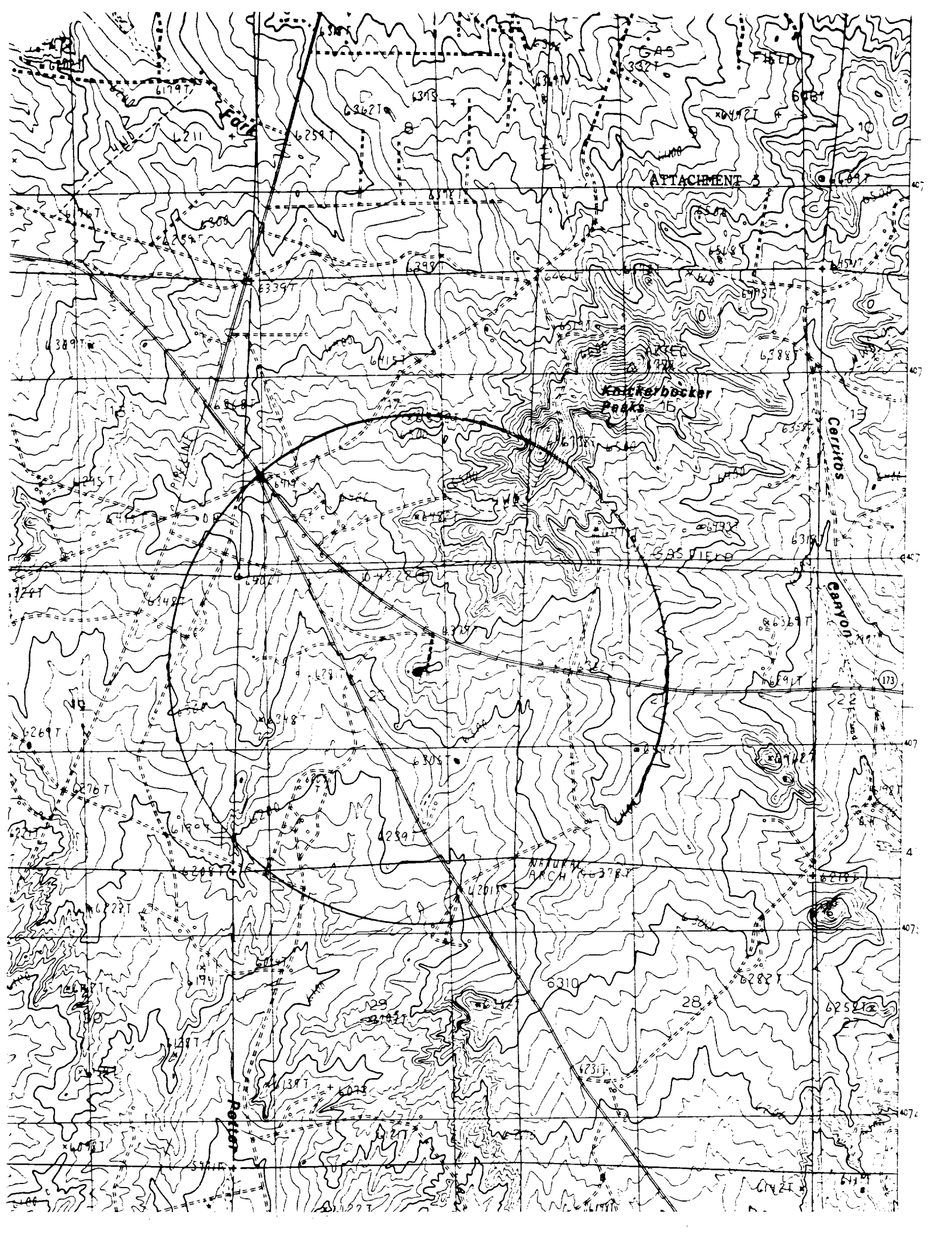
WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

Operator MESA OPERATING LIMITED PARTNERSHIP		Lease FC FEDERAL COM		Well No. #9
Unit Lease G	Section 20	Township 30 N	Range 10 W	County San Juan
Actual Footage Location of Well: 1835 feet from the North line and 1875 feet from the East line				
Ground level Elev. 6387	Producing Formation Fruitland Coal	Pool Undesignated-Basin-Fruitland Coal		Dedicated Acreage: N/2 317 5/16 '88 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation <u>Communitization</u></p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>				



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
 Signature: *R. E. Mathis*
 Printed Name: R. E. Mathis
 Position: Regulatory Agent
 Company: Mesa Operating Ltd Partners
 Date: 8/25/89

SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.
 Date Surveyed: 8-9-89
 Signature: *William E. Mahanke II*
 Professional Seal: **WILLIAM E. MAHANKE II**, REGISTERED PROFESSIONAL LAND SURVEYOR, #8466, NEW MEXICO



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

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

APPLICATION OF MESA OPERATING
LIMITED PARTNERSHIP FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of July, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of the hearing, this case was consolidated with Case No. 9985 for the purpose of testimony.

(3) The applicant, Mesa Operating Limited Partnership, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 1 through 4 and the NW/4 (N/2 equivalent) of Section 20, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 316.18-acre 545 spacing and proration unit for said pool.

(4) Said unit to be dedicated to the existing "F.C." Federal Com Well No. 9 located at a standard coal gas well location _____ feet from the _____ line and _____ feet from the _____ line (Unit) of said Section 20, forming a 316.18-acre, more or less, gas spacing and proration unit for said pool.

The applicant has the right to drill on said unit and proposes to drill its F.C. Federal Com Well No. 9 at a standard coal gas well location in the NE 1/4 of said Section 20.

RS 7/13/90
M.S. 7/12/90
WSP 7/13/90 DRAFT

DLG 7/13
JHM 7-13-90

CASE NO. 9984
ORDER NO. R-9229

OK M.S.
7/17/90

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

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

(7) The applicant should be designated the operator of the subject well and unit.

(8) 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.

(9) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(10) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is excessive in this instance and should therefore be reduced to 156 percent.

(9) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(11) Following 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.

(12) \$ 3631⁰⁰ per month while drilling and \$ 382⁰⁰ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) 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.

(19) Amoco Production Company, a working interest owner in said unit, applicant at the hearing opposing the 200 percent risk penalty in this case that

(14) 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 October 15, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(16) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

standard
(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 1 through 4 and the NW/4 (N/2 equivalent) of Section ~~26~~, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 316.18-acre gas spacing and proration unit to be dedicated to ^{its proposed} the existing "F.C." Federal Com Well No. 9 ~~located~~ *to be drilled at a standard coal gas well location in the NE 1/4 of said Section 20.* ~~feet from the line and feet from the line (Unit) of said Section 26.~~ *20*

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of October, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of October, 1990, Decretory Paragraph 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.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Mesa Operating Limited Partnership is hereby designated the operator of the subject well and unit.

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

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

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

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

(7) 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; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-

consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) \$ 3831.⁴⁰ per month while drilling and \$ 382.⁶⁰ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) 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.

Case No. 9984
Order No. R- _____
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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L