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Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 8496
ORDER NO. R-7838

Applicant:

Chaveroo Operating Co., Inc.

Dear Sir:

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

Sincerely,

B. L. Sumner

R. L. STAMETS
Director

RLS / fd

Copy of order also sent to:

Hobbs OCD _____ **x** _____
 Artesia OCD _____ **x** _____
 Aztec OCD _____

Other _____

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March 13, 1985

Mr. Leonard Buckner
1360 South Ocean Blvd.
Pompano Beach, Florida 33060

"Certified Mail"
Return Receipt Requested

Re: Chaveroo Operating Co., Inc.
NMOCD Case 8496
Order R-7838
NE/4NE/4 Sec 25, T7S, R32E
Roosevelt County, New Mexico

Dear Mr. Buckner:

Our firm represents Chaveroo Operating Company, Inc. On February 27, 1985, we presented a case before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, to force pool your interests in the above referenced case.

Pursuant to the terms of Division Order R-7838, a copy of which is enclosed, I am submitting to you an authority for expenditures for the well to be drilled pursuant to this order. This same authority for expenditures was exhibit #2 at the hearing.

Your attention is directed to paragraph (4) on page 3 of the order in which you have 30 days from your receipt of this letter to prepay your share of the costs of the well. I understand your percentage working interest to be 2.25% and your share of the costs to be \$5,667.75.

In order to avoid the 200% risk factor penalty, you must deliver to Mr. Bill Graham, Chaveroo Operating Company, 4800 San Felipe, Suite 620, Houston, Texas 77056, your cashier's check in the stated amount within 30 days of the date the date you receive this letter.

KELLAHIN and KELLAHIN

Mr. Leonard Buckner
March 13, 1985
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You may either call me or you may call the New Mexico Oil Conservation Division at (505) 827-5803 if you desire to have the order explained.

Very truly yours,

Original signed by
W. THOMAS KELLAHIN
W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088,
Santa Fe, New Mexico 87501

Mr. Bill Graham
Chaveroo Operating Company
4800 San Felipe, Suite 620
Houston, Texas 77056

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. 8496
Order No. R-7838

APPLICATION OF CHAVEROO OPERATING
COMPANY FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on February 27, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of March, 1985, 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) The applicant, Chaveroo Operating Company, seeks an order pooling all mineral interests in all formations from the surface to a depth of 4400 feet underlying the NE/4 NE/4 (Unit A) of Section 25, Township 7 South, Range 32 East, NMPM, Roosevelt County, New Mexico.
- (3) The applicant has the right to drill and proposes to drill its Tucker Hall Well No. 9 at a previously approved unorthodox oil well location (Division Order No. R-7774, dated January 9, 1985) 1310 feet from the North and East lines of said Section 25.
- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) 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 oil in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

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

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

(10) 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.

(11) \$4,000.00 per month while drilling and \$300.00 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.

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

(13) 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 June 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in all formations from the surface to a depth of 4400 feet underlying the NE/4 NE/4 (Unit A) of Section 25, Township 7 South, Range 32 East, NMPM, Roosevelt County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to the Tucker Hall Well No. 9 to be drilled at previously approved unorthodox oil well location (Division Order No. R-7774, dated January 9, 1985) 1310 feet from the North and East lines of said Section 25.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the first day of June, 1985, and shall thereafter continue the drilling of said well with due diligence to a depth of 4400 feet;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of June, 1985, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

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

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

(9) \$4,000.00 per month while drilling and \$300.00 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

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Case No. 8496
Order No. R-7838

required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(11) 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 immediately be placed in escrow in Roosevelt 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) 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



R. L. STAMETS,
Director

S E A L

WELL NAME/NO. TUCKER-HALL NO. 9

FIELD CHAUVERON COUNTY/DISTRICT ROOSEVELT STATE LA

DEPTH 4,500' TYPE COMPLETION _____

LOCATION 1310' from North Line and 1310' from East Line, Section 25, T 7 S - R 32 E

INTANGIBLE COSTS		Estimated		
		Dry Hole	Producer	Total
Rig Mobilization, Demobilization		-	-	
Footage _____ Ft. @ \$ _____ /ft. Turnkey		94,000	-	
Daywork <u>1</u> days @ \$ <u>4,000</u> /day		4,000	-	
Completion Daywork <u>5</u> days @ \$ <u>1,200</u> /day		-	6,000	
Location Preparation <u>IN TURNKEY</u>		-	-	
Mud & Chemicals <u>IN TURNKEY</u>		-	-	
Fuel & Water <u>IN TURNKEY</u>		-	800	
Bits & Coreheads <u>IN TURNKEY</u>		-	-	
Tool & Equipment Rental <u>MISC. & ISOLATION PACKER</u>		1,000	2,500	
Drill Pipe Rentals		-	-	
Casing Crews & Equipment		-	-	
Cementing		5,800	3,500	
Wireline Logging, Evaluation & Perforation		9,200	4,500	
Stimulation		-	50,000	
Coring, Core Analysis, Paleo		-	-	
Evaluation Test (Excludes Wireline Work)		-	-	
Transportation		500	1,100	
Barge & Boat Expense		-	-	
Supervision & Geologist <u>10 days @ \$230/day</u>		2,300	1,500	
Directional Cost		-	-	
Insurance: Well Control	}	1,700	-	
Pollution		-	-	
Production Facilities Hookup		-	8,000	
Miscellaneous <u>FORK LIFT & CONTINGENCIES</u>		4,000	2,000	
Sales Tax on Tangibles		-	2,400	
TOTAL INTANGIBLES		122,500	82,300	

TANGIBLE COSTS

EQUIPMENT QUANTITY			TANGIBLE EQUIPMENT DESCRIPTION			
Estimated		Actual				
Dry Hole	Producer					
100'		13 5/8	Csg. CONDUCTOR - TURNKEY	-	-	
800'		8 5/8	Csg. SURFACE - TURNKEY	-	-	
500'		4 1/2	Csg. 10.50#/ft J-S5	-	14,900	
			Csg.	-	-	
400'		2 3/8	Tubing	-	7,700	
			Packers	-	-	
			Csg. Head	-		
			Tubing Hd.	-	2,300	
			Xmas Tree	-		
		*	Prod. Equip. Battery Valves & Flowline	-	13,500	
			Pumping Unit D-120	-	4,200	
			Rods	-	1,500	
			Pump & Accessories	-	3,000	
Use existing Tank Battery			TOTAL TANGIBLES	-	47,100	
			TOTAL ESTIMATED COST	122,500	129,400	251,900

APPROVED:

Company or Owner

Y:

are:

Working Interest:

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Chauveron EXHIBIT NO. 2
CASE NO. 8496
Spud Date
Comp. Date

Estimated
Comp. Date

Prepared By