

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
TXO PRODUCTION CORP. FOR COMPULSORY :
POOLING, AN UNORTHODOX LOCATION AND :
A NON-STANDARD PRORATION UNIT, EDDY :
COUNTY, NEW MEXICO :

8691
CASE NO. 8454

APPLICATION

COMES NOW TXO Production Corp., by its attorneys, and in support hereof, respectfully states:

1. Applicant, as operator, proposes to drill its Delta Fee No. 1 Well, at an unorthodox location 660 feet from the south line and 660 feet from the east line of Section 2, Township 22 South, Range 27 East, N.M.P.M., as authorized by Order No. R-7817 entered February 8, 1985, in Case No. 8454 of the New Mexico Oil Conservation Division to a depth sufficient to test the Morrow formation. Applicant proposes to dedicate the E/2 of said Section 2 to the well if completed as a gas well in zones below the base of the Wolfcamp formation.

2. If Applicant completes its well in the Wolfcamp formation, Applicant proposes to dedicate a non-standard proration unit consisting of SE/4 of said Section 2.

3. The Applicant seeks an exception to the well location requirements of Rule 104 of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox

location to a depth sufficient to adequately test all formations through the base of the Morrow formation.

4. A non-standard 160-acre gas proration unit comprising the SE/4 of said Section 2 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of gas in the Wolfcamp formation, and a standard 320-acre gas proration unit comprising the E/2 of said Section 2 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of gas below the base of the Wolfcamp formation.

5. Certain interest owners in the unit have not agreed to pool their interests, and such owners and their addresses are as follows:

Champlin Petroleum Company
Four Allen Center, Suite 1500
1400 Smith Street
Houston, Texas 77002

Bass Enterprises Production Co.
First City Tower Building
201 Main Street
Fort Worth, Texas 76102

Perry R. Bass
First City Tower Building
201 Main Street
Fort Worth, Texas 76102

Delta US Corporation
P. O. Box 2012
Tyler, Texas 75710

Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702

6. Applicant should be designated the operator of the well and the proration units.

7. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense, its just and fair share of the oil and gas in said unit, all mineral interests, whatever they may be, from the base of the Wolfcamp formation through the base of the Morrow formation underlying E/2 Section 2 should be pooled.

8. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

9. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

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

WHEREFORE, Applicant prays:

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

B. That upon hearing the Division amend Order No. R-7817 granting Applicant permission to drill its Delta Fee No. 1 Well at a point 660 feet from the south line and 660 feet from the east line of said Section 2, and to dedicate the E/2 of said Section 2 to its well.

C. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the base of the Wolfcamp formation through the base of the Morrow formation, underlying the E/2 Section 2, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

D. That Applicant be authorized to complete its well in the Wolfcamp formation and to dedicate a non-standard 160-acre proration unit to such well.

E. And for such other and further relief as may be just in the premises.

TXO PRODUCTION CORP.

By: 
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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION

APPLICATION OF TXO PRODUCTION
CORPORATION FOR AMENDMENT OF
R-7817, EDDY COUNTY, NEW MEXICO

No. 8699

APPLICATION

Applicant states:

Redesignation of Proration Unit

1. That it was the applicant in Case 8454 resulting in the issuance of Division Order R-7817.
2. That the application in Case 8454 requested compulsory pooling of the S/2 of Section 2, T22S, R27E, NMPM, Eddy County, New Mexico, dedicated to a well at an unorthodox location of 660 FSL and 660 FEL of said Section 2.
3. That the compulsory pooling portion of case 8454 was dismissed by the applicant.
4. That the Division approved the unorthodox location in Case 8454 in Order R-7817.
5. That the applicant now desires to redesignate the proration unit dedicated to the well located at the unorthodox location approved by R-7817.
6. That such redesignated proration unit shall consist of the E/2 of said Section 2 as to formations from the base of the Wolfcamp formation down to and including the base of the Morrow formation.

Nonstandard Proration Unit

7. That the Wolfcamp formation underlying the NE/4 of Section 2 has previously been approved by the Division as a nonstandard proration unit.

8. That the Wolfcamp formation underlying the SE/4 of Section 2 should be established as a nonstandard proration unit to protect applicant's correlative rights.

Compulsory Pooling

9. That interest owners of the oil and gas rights in the SE/4 of Section 2 in the Wolfcamp formation and in the E/2 of Section 2 from the base of the Wolfcamp formation to the base of the Morrow formation have not consented to the drilling of a well at said unorthodox location to test all formations from the top of the Wolfcamp formation to the base of the Morrow formation.

10. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs, plus an additional 200% thereof as a reasonable change for the risk involved in the drilling of the well.

11. That applicant should be authorized to withhold from production a reasonable supervision charge, attributable to each non - consenting working interest owner's proportionate share, during the drilling and production stages of the well.

12. That to avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owners of each interest in the proposed proration units the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons in the unit, said lands should be pooled as proposal herein.

Wherefore, Applicant respectfully requests:

(1) That this application be set for hearing before an examiner of the Division at the regularly scheduled Division hearing date of September 11, 1985.

(2) That the Division enter an order:

(a) Redesignating the E/2 of Section 2 to the unorthodox location approved by Order R-7817;

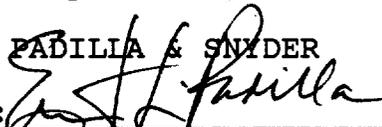
(b) Approving a nonstandard proration unit for the Wolfcamp formation comprised of the SE/4 of Section 2, and dedicated to the well at an unorthodox location as approved by Order R-7817;

(c) Pooling all oil and gas mineral interests from the top of the Wolfcamp formation down to and including the Morrow formation as to the proposed proration units;

(3) For such other relief as the Division may deem appropriate under the circumstances.

Respectfully submitted,

PADILLA & SNYDER

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