

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

200 W. Marcy, Suite 212
First Northern Plaza

P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

August 30, 1985

RECEIVED

AUG 30 1985

OIL CONSERVATION DIVISION

Case 8699

Richard L. Stamets, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Dear Mr. Stamets:

Enclosed, in triplicate, is the application of TXO Production Corporation for Amendment of Order R-7817 which, by verbal application, has been set for September 11, 1985.

Let us know if you need additional information.

Very truly yours,


Ernest L. Padilla

cc: Chad Dickerson

Enclosure

ELP/gv

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 : CASE NO. ⁸⁶⁹⁹~~8454~~
A NON-STANDARD PRORATION UNIT, EDDY :
COUNTY, NEW MEXICO :
_____ :

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that on the 29th day of August, 1985, the undersigned did mail in the United States Post Office at Artesia, New Mexico, a true copy of the Application of TXO Production Corp. for Compulsory Pooling, an Unorthodox Location and a Non-Standard Proration Unit, Eddy County, New Mexico, in securely sealed postage prepaid envelopes, addressed to the following parties:

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

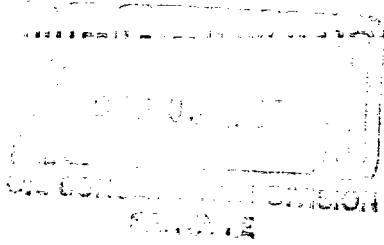
Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702

Patti Menefee
Patti Menefee

SUBSCRIBED AND SWORN TO before me this 29th day of
August, 1985.

My commission expires:
11-3-85

Patricia Ferguson
Notary Public



August 29, 1985

Case 5699

Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8454, Order No. R-7817
Delta Fee No. 1 Well
Township 22 South, Range 27 East, NMPM
Section 2: E/2
Eddy County, New Mexico

Gentlemen:

Enclosed for filing, please find three copies of the Application of TXO Production Corp. for Compulsory Pooling, an Unorthodox Location and a Non-Standard Proration Unit, Eddy County, New Mexico. Also enclosed is an Affidavit of Mailing reflecting the mailing of true copies of the application to Champlin Petroleum Company, et al. This application requests an amendment to Order No. R-7817 in Case No. 8454.

We ask that this matter be set for hearing before an Examiner, and that we be furnished with a docket of said hearing.

Thank you.

Sincerely yours,

DICKERSON, FISK & VANDIVER

Chad Dickerson

CD:pvm
Enclosures

cc w/enclosure: Mr. David Hundley

September 24, 1985

Mr. Gilbert P. Quintana, Examiner
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Oil Conservation Division Case #8699
September 11, 1985, Examiner Hearing
Delta Fee No. 1 Well
Township 22 South, Range 27 East, NMPM
Section 2: E/2
Eddy County, New Mexico

Dear Mr. Quintana:

At the hearing on September 11, 1985, you will recall that Bass Enterprises Production Company and Perry R. Bass ("Bass") appeared through a consulting engineer, Mr. Daniel Nutter. The only issue raised concerned allocation of costs of the proposed well between the Wolfcamp formation, in which Bass owns no interest, and those zones below the base of the Wolfcamp to the base of the Morrow formation. This issue was raised only in Mr. Nutter's "statement" read into the record, and no evidence was submitted on Bass's behalf.

First, it is significant that Bass has not at any time, and did not at the hearing, express any interest in participating in the proposed well as to any other zones. It certainly has the right to do so. Its only concern is getting a "free ride" with 100% of the risk of failure on TXO Production Corp. ("TXO"). However, on the remote chance that the "free ride" pays off, Bass then evidently wants in on the profit. This is not equitable, and is not supported by our law.

In Viking Petroleum, Inc. v. Oil Conservation Commission, et al, 100 N.M. 451, 672 P.2d 280, Viking wished to participate as to the Abo formation, but wanted a "free ride" as to zones below that. The Commission force pooled its interest and imposed the maximum penalty on all costs. The District Court reversed the Commission. On appeal, the Supreme Court reversed the District Court, and held that the Commission was correct.

This is an analogous situation. The testimony in this case was that there are no reasonably prospective zones above the Wolfcamp. The Wolfcamp is the most attractive economic risk in the well, with lower zones less likely to make an economic well.

Whatever might be the Division's treatment of this issue if Bass desired to participate, when it has expressed no desire to do so and made no appearance through counsel for the record, and based on the uncontroverted substantial evidence presented by TXO, its interest should be pooled and the maximum penalty imposed.

To supplement the record, enclosed are two AFE's prepared by TXO. The first reflects costs of a Wolfcamp well alone. The second reflects costs of a Morrow test. It is simplistic to allocate only the difference to the Morrow in this case because it ignores the fact that 10,000 feet of non-productive sediment must be drilled prior to reaching even the first objective zone. All the costs of the well must be recovered, if at all, from the Wolfcamp and lower zones, in an interval of less than 2,000 feet.

To illustrate, if Bass desired to drill its Morrow well, and assuming it has a 10% working interest in NE/4, it would cost 10% of 160/320 of \$810,400 to do so, or \$40,520. If on the other hand, Bass's interest is force pooled and only the difference between the Morrow test cost (\$810,400) and the Wolfcamp cost (\$656,600) of \$153,800, is allocated to the Morrow, the same test costs Bass absolutely nothing. Even the 200% penalty requested amounts to 200% of 10% of 160/320 of \$153,800 or \$15,380. This cannot be the intent of our compulsory pooling process, for this destroys correlative rights, and discourages the exploration for oil and gas, thereby causing waste.

On behalf of TXO, it is submitted that the Bass interest, as in the Viking case, be pooled and the maximum penalty imposed on

Mr. Gilbert P. Quintana, Examiner
-3-

September 24, 1985

total well costs. To do otherwise is to grant the "free ride"
that Bass seeks.

Sincerely yours,

DICKERSON, FISK & VANDIVER


Chad Dickerson

CD:pvm
Enclosure

cc: Mr. David Hundley
Mr. Daniel Nutter

AUTHORITY FOR EXPENDITURE
DRILLING WELL

Date 12-10-84 C. Cd.

District West Texas Well Name Delta Fee Well No. 1

Well Location 660' FS & EL, Sec 2, T-22-S, R-27-E Depth 11,800'

Field Carlsbad East (Wolfcamp/Morrow) County Eddy State NM

Prepared By: Mark Weideman Submitted By: Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING					
01	Casing 450' 13 3/8" 2650' 8 5/8"	Share 1/2	44 000		44 000
02	Casinghead	Share 1/2	12 000		12 000
03	Location, Road & Dirt Work damages & stake	Share 1/2	28 000		28 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 48 days @ \$4400	27 1/2	211 200		211 200
06	Drilling - Rig Support MI & MORT	1/2	18 000		18 000
07	Bits 1-17 1/2", 1-12 1/2", 8-7 7/8"		35 000		35 000
08	Supervision 50 days @ \$250		12 500		12 500
09	Overhead				
10	Mud & Chemicals & water		55 000		55 000
11	Cementing Services & Supplies & csg crew		40 000		40 000
12	Testing & Logging & mud logger		28 000		28 000
13	Rentals reamers, shock subs		16 000		16 000
14	Other IDC fence & line pits, welder		5 000		5 000
15	Other Equipment		10 000		10 000
TOTAL DRILLING			514 700		514 700
COMPLETION					
17	Casing 4 1/2" 11,800'		105 000		105 000
18	Tubing 2 3/8" N-80 11,800'		66 500		66 500
19	Wellhead		5 500		5 500
20	Subsurface Equipment		6 000		6 000
21	Supervision 8 days @ \$250		2 000		2 000
22	Mud & Chemicals & KCL water		3 000		3 000
23	Testing, Logging & Perforating		10 000		10 000
24	Stimulation		12 000		12 000
25	Overhead				
26	Rentals BOP, test tank, drill collars, rev unit		10 000		10 000
27	Service Rig 8 days @ \$1400		11 200		11 200
28	Cementing Services & Supplies & csg crew		18 000		18 000
29	Other IDC clean loc, anchors, welder		6 000		6 000
TOTAL COMPLETION			255 200		255 200
PRODUCTION EQUIPMENT					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines		1 500		1 500
36	Meters		6 000		6 000
37	Installation		1 000		1 000
38	Storage		12 000		12 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			40 500		40 500
TOTALS			810 400		810 400

WI OWNER NAME

BILLING INT
(7 decimals)

DATE
APPROVED

APPROVED: (this space for approval only)

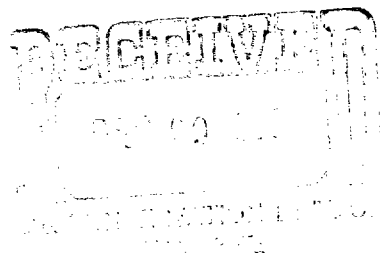
AUTHORITY FOR EXPENDITURE
DRILLING WELL

Date September 19, 1985 A _____ Co. Cd. _____

District West Texas Well Name Delta Fee Well No. 1
Well Location 660' FS & EL, Sec. 2, T-22-S, R-27-E Depth 10,000
Field Carlsbad East (Wolfcamp) County Eddy State New Mexico
Prepared By: Randall Cate Submitted By: _____ Dallas _____ District _____

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING					
01	Casing 450' 11 3/4" 2650' 8 5/8"		38 100		38 100
02	Casinghead		8 000		8 000
03	Location, Road & Dirt Work & Damages		28 000		28 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 36 days @ \$4400/d		158 400		158 400
06	Drilling - Rig Support MI & MORT		18 000		18 000
07	Bits 1-15", 1-11", 7-7 7/8"		35 000		35 000
08	Supervision 38 days @ \$250		9 500		9 500
09	Overhead				
10	Mud & Chemicals & Water		55 000		55 000
11	Cementing Services & Supplies & csg crew		40 000		40 000
12	Testing & Logging & mud logger		26 000		26 000
13	Rentals		16 000		16 000
14	Other IDC		5 000		5 000
15	Other Equipment		10 000		10 000
TOTAL DRILLING			447 000		447 000
COMPLETION					
17	Casing 4 1/2" 10,000'		66 400		66 400
18	Tubing 10,000' 2 3/8" N-80		29 000		29 000
19	Wellhead		5 500		5 000
20	Subsurface Equipment		6 000		6 000
21	Supervision 8 days @ \$250/day		2 000		2 000
22	Mud & Chemicals		3 000		3 000
23	Testing, Logging & Perforating		10 000		10 000
24	Stimulation		12 000		12 000
25	Overhead				
26	Rentals		10 000		10 000
27	Service Rig 8 days @ \$1400/day		11 200		11 200
28	Cementing Services & Supplies & csg crew		18 000		18 000
29	Other IDC				
TOTAL COMPLETION			173 100		173 100
PRODUCTION EQUIPMENT					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines		1 500		1 500
36	Meters		6 000		6 000
37	Installation		2 000		2 000
38	Storage		12 000		12 000
39	Separation & Treating		10 000		10 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			36 500		36 500
TOTALS			656 600		656 600

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992



December 4, 1985

Kerr-McGee Corporation
as Successor in Interest
to Delta U. S. Corporation
One Marienfeld Place, Suite 300
106 N. Marienfeld Street
Midland, TX 79701

Attn: Mr. John Alloway

CERTIFIED MAIL

Re: ~~OCD Case No. 8699~~
Order No. R-7817-B
Delta Fee #1 Well
E/2 Section 2,
T-22-S, R-27-E, NMPM
Eddy County, New Mexico

Gentlemen:

Pursuant to Article 6, Page 5 of the above referenced Order, enclosed please find two (2) Authority for Expenditures (AFE's) detailing the cost estimates for the Delta Fee #1 well. Kerr-McGee Corporation has thirty days upon receipt of this letter and AFE's in which to pay their share of well costs, and thereby become participating working interest owners in the Delta Fee #1 well.

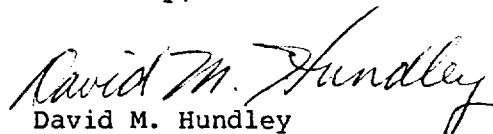
If Kerr-McGee Corporation chooses not to pay their share of well costs, such costs will be paid out of production and this interest will be subject to the risk penalties as stated in the Order.

If Kerr-McGee Corporation chooses to participate, their share of production would be from the Morrow formation only inasmuch as the proration unit for the Wolfcamp formation will be the SE/4 of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. Since our lease in Section 2 will expire

Kerr-McGee Corporation
Delta Fee #1 Well
Page 2

in the near future, we would appreciate your early consideration of this matter.

Sincerely,


David M. Hundley
District Landman

DMH/bv
Enclosures

cc: Chad Dickerson
Dickerson, Fisk, and Vandiver
Mahone Office Court, Suite E
7th and Mahone
Artesia, NM 88210

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501
Attn: Gilbert P. Quintana

Kerr-McGee Corporation hereby elects:

_____ to participate in the Delta Fee #1 well and enclose our share
of the well costs

_____ not to participate

By: _____
Title: _____
Date: _____

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915-682-7992

December 4, 1985

Bass Enterprises Production Co.
Perry R. Bass
First City Tower Bldg.
Fort Worth, TX 76102

Attn: . Mr. Louis Wilpitz

CERTIFIED MAIL

Re: OCD Case No. 8699
Order No. R-7817-B
Delta Fee #1 Well
E/2 Section 2,
T-22-S, R-27-E, NMPM
Eddy County, New Mexico

Gentlemen:

Pursuant to Article 6, Page 5 of the above referenced Order, enclosed please find two (2) Authority for Expenditures (AFE's) detailing the cost estimates for the Delta Fee #1 well. Bass Enterprises Production Co. and Perry R. Bass have thirty days upon receipt of this letter and AFE's in which to pay their share of well costs, and thereby become participating working interest owners in the Delta Fee #1 well.

If Bass Enterprises Production Co. and/or Perry R. Bass choose not to pay their share of well costs, such costs will be paid out of production and this interest will be subject to the risk penalties as stated in the Order.

If Bass Enterprises Production Co. and/or Perry R. Bass choose to participate, their share of production would be from the Morrow formation only inasmuch as the proration unit for the Wolfcamp formation will be the SE/4 of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. Since our

Bass Enterprises Production Co.
Perry R. Bass
Delta Fee #1 Well
Page 2

lease in Section 2 will expire in the near future, we would appreciate your early consideration of this matter.

Sincerely,


David M. Hundley
District Landman

DMH/bv
Enclosures

cc: Chad Dickerson
Dickerson, Fisk, and Vandiver
Mahone Office Court, Suite E
7th and Mahone
Artesia, NM 88210

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501
Attn: Gilbert P. Quintana

Bass Enterprises Production Co. hereby elects:

_____ to participate in the Delta Fee #1 well and enclose our share
of the well costs

_____ not to participate

By: _____
Title: _____
Date: _____

Perry R. Bass elects:

_____ to participate in the Delta Fee #1 well and encloses his share
of the well costs

_____ not to participate

Perry R. Bass

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

December 4, 1985

Chevron U.S.A.
P. O. Box 1150
Midland, TX 79702

Attn: Mr. Mickey Cohlma

CERTIFIED MAIL

Re: OCD Case No. 8699
Order No. R-7817-B
Delta Fee #1 Well
E/2 Section 2,
T-22-S, R-27-E, NMPM
Eddy County, New Mexico

Gentlemen:

Pursuant to Article 6, Page 5 of the above referenced Order, enclosed please find two (2) Authority for Expenditures (AFE's) detailing the cost estimates for the Delta Fee #1 well. Chevron U.S.A. has thirty days upon receipt of this letter and AFE's in which to pay their share of well costs, and thereby become participating working interest owners in the Delta Fee #1 well.

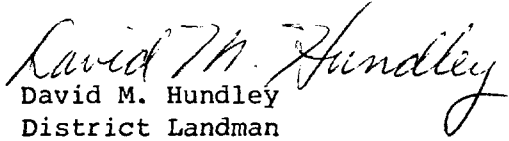
If Chevron U.S.A. chooses not to pay their share of well costs, such costs will be paid out of production and this interest will be subject to the risk penalties as stated in the Order.

If Chevron U.S.A. chooses to participate, their share of production would be from the Morrow formation only inasmuch as the proration unit for the Wolfcamp formation will be the SE/4 of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. Since our lease in Section 2 will expire in the near

Chevron U.S.A.
Delta Fee #1 Well
Page 2

future, we would appreciate your early consideration of this matter.

Sincerely,


David M. Hundley
District Landman

DMH/bv
Enclosures

cc: Chad Dickerson
Dickerson, Fisk, and Vandiver
Mahone Office Court, Suite E
7th and Mahone
Artesia, NM 88210

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501
Attn: Gilbert P. Quintana

Chevron U.S.A. hereby elects:

_____ to participate in the Delta Fee #1 well and enclose our share
of the well costs

_____ not to participate

By: _____
Title: _____
Date: _____

District West Texas Well Name Delta Fee Well No. 1
 Well Location 660' FS & EL, Sec 2, T-22-S, R-27-E Depth 11,800'
 Field Carlsbad East (Wolfcamp/Morrow) County Eddy State NM
 Prepared By: Mark Weideman Submitted By: W.M.M. Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING					
01	Casing 450' 13 3/8" 2650' 8 5/8"	Shave 1/2	44 000		44 000
02	Casinghead	Shave 1/2	12 000		12 000
03	Location, Road & Dirt Work damages & stake	Shave 1/2	28 000		28 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 48 days @ \$4400	27 2/3	211 200		211 200
06	Drilling - Rig Support MI & MORT	1/2	18 000		18 000
07	Bits 1-17 1/2", 1-12 1/2", 8-7 7/8"		35 000		35 000
08	Supervision 50 days @ \$250		12 500		12 500
09	Overhead				
10	Mud & Chemicals & water		55 000		55 000
11	Cementing Services & Supplies & csg crew		40 000		40 000
12	Testing & Logging & mud logger		28 000		28 000
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15	Other Equipment		10 000		10 000
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29	Other IDC clean loc, anchors, welder		6 000		6 000
TOTAL COMPLETION			255 200		255 200
PRODUCTION EQUIPMENT					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines		1 500		1 500
36	Meters		6 000		6 000
37	Installation		1 000		1 000
38	Storage		12 000		12 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			40 500		40 500
TOTALS			810 400		810 400

W/ OWNER NAME

BILLING INT
(7 decimals)

DATE
APPROVED

APPROVED: (this space for approval only)

AUTHORITY FOR EXPENDITURE
DRILLING WELL

District West Texas Well Name Delta Fee Well No. 1
Well Location 660' FS & EL, Sec. 2, T-22-S, R-27-E Depth 10,000
Field Carlsbad East (Wolfcamp) County Eddy State New Mexico
Prepared By: Randall Cate Submitted By: _____ Dallas _____ District _____

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT.L ON HAND	TOTAL
DRILLING					
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04	Drilling - Footage/Turnkey				
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19	Wellhead		5 500		5 000
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22	Mud & Chemicals		3 000		3 000
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24	Stimulation		12 000		12 000
25	Overhead				
26	Rentals		10 000		10 000
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28	Cementing Services & Supplies & csg crew		18 000		18 000
29	Other IDC				
TOTAL COMPLETION			173 100		173 100
PRODUCTION EQUIPMENT					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines		1 500		1 500
36	Meters		6 000		6 000
37	Installation		2 000		2 000
38	Storage		12 000		12 000
39	Separation & Treating		10 000		10 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			36 500		36 500
TOTALS			656 600		656 600

WI OWNER NAME _____ BILLING INT (7 decimals) _____ DATE APPROVED _____ APPROVED: (this space for approval only)



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

POST OFFICE BOX 2086
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

November 18, 1985

Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Attorneys at Law
Seventh and Mahone, Suite E
Artesia, New Mexico 88210

Re: CASE NO. 8699
ORDER NO. R-7017-B

Applicant:
TXO Production Corporation

Dear Sir:

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

Sincerely,

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD

Other _____



KERR-MCGEE CORPORATION

ONE MARIANFELD PLACE, SUITE 330 • MIDLAND, TEXAS 79701

January 9, 1986

TXO Production Corp.
900 Wilco Bldg.
Midland, Texas 79701

Attn: David M. Hundley

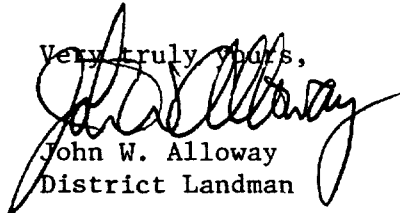
Re: Compulsory Pooling
Delta Fee #1 Well
E/2 Section 2,
T22S-R27E, NMPM
Eddy County, New Mexico
OCD Case No. 8699
Order No. R-7817-B

Gentlemen,

Kerr-McGee has received a copy of the above referenced Compulsory Pooling Order. We have reviewed the order and the proposed AFE and elect to be a non-consenting working interest owner having our share of the well costs and the 150% risk surcharge withheld from production.

If you have any questions, please contact me.

Very truly yours,


John W. Alloway
District Landman

JWA/dh

cc: Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501
attn: Gilbert P. Quintana