STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING GOVERNOR

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

March 29, 1991

MONTGOMERY & ANDREWS Attorneys at Law P. O. Box 2307 Santa Fe, New Mexico 87505

RE: CASE NO. 9582 and CASE NO. 10266 ORDER NO. R-8872-A and ORDER NO. R-9478

Dear Sir:

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

Sincerely,

Florene Alavidson

Florene Davidson OC Staff Specialist

FD/sl

cc: BLM - Carlsbad William Carr

Lalled mary perception 2115/91 From FLORENE DAVIDSON OC Staff Specialist March 21, 1991 To Fina Oil and Chemical Company Compulsory Pooling E12 28-165-34E Lea County Formations below 10,907' for an atoka - Morrow test

Oil Conservation Division Santa Fe, New Mexico 87504-2088 827-5802

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OIL CONSER. ON DIVISION REFE VED

Fina Oil and Chemical Company 6 Desta Drive, Suite 4400 Midland, Texas 79705 P.O. Box 2990 Midland, Texas 79702 (915) 688-0600

CERTIFIED MAIL RETURN RECEIPT REQUESTED

(m. 110.) 101266

April 15, 1991

Marathon Oil Company 125 West Missouri Midland, Texas 79701

- Attn: Mr. Randall Wilson Land Department
- Re: AFE for drilling of the Kemnitz Deep Com Well #1 E/2 of Section 28, T-16-S, R-34-E, NMPM, Lea County, New Mexico F-LS-NM-2973-000

Gentlemen:

As you are aware, Fina Oil and Chemical Company filed an application with the Oil Conservation Commission to force pool your 50% leasehold interest in the NE/4 of Section 28 for drilling of the captioned well.

The compulsory pooling hearing on this matter took place on March 21, 1991 and an order was subsequently issued on March 29, 1991. A copy of the order has been enclosed with this letter for your review.

As per the terms of the order, enclosed please find Fina Oil and Chemical Company's AFE for the drilling, testing and completing of this well. Under Article (4) of Page 4 of the order, Marathon has 30 days from the date of receipt of the AFE in which to pay their share of the estimated well costs of drilling the proposed well.

Please apprise Fina of your decision in this matter as soon as possible.

Very truly yours,

Junie Riche Kevin T. Pfister

Staff Landman

Enclosures

cc: Conoco Inc. Conoco Plaza 10 Desta Drive Midland, Texas 79705 Attn: Mr. Mike Johnson

> State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504 Attn: Mr. Michael E. Stogner

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:

CASE NO. 10266 **ORDER NO. R-9478**

APPLICATION OF FINA OIL AND CHEMICAL COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

RECEIVED-7

APR 1 1991

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 29th day of March, 1991, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

The applicant, Fina Oil and Chemical Company, seeks an order pooling (2)all mineral interests below a depth of 10,907 feet, underlying the E/2 of Section 28, Township 16 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to th South Kemnitz Atoka-Morrow Gas Pool.

The applicant has the right to drill and proposes to drill a well at a (3) standard gas well location thereon.

There are interest owners in the proposed proration unit who have not (4) agreed to pool their interests.

JUMBRY ET AL

(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 gas in any pool 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 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 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) \$5200.00 per month while drilling and \$520.00 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 July 1, 1991, the order pooling said unit should become null and void and of no further effect whatsoever.

(14) 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.

(15) 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:

(1) All mineral interests, whatever they may be, below a depth of 10,907 feet, underlying the E/2 of Section 28, Township 16 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the South Kemnitz Atoka-Morrow Gas Pool, said unit to be dedicated to a well to be drilled at a standard gas well location thereon.

<u>PROVIDED HOWEVER THAT</u>, the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1991, and shall thereafter continue the drilling of said well with due diligence to a depth in excess of 10,907 feet.

<u>PROVIDED FURTHER THAT</u>, in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1991, 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.

<u>PROVIDED FURTHER THAT</u>, 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) Fina Oil and Chemical 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 nonconsenting 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, 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) \$5200.00 per month while drilling and \$520.00 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 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 Lea 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.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

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WILLIAM J. LEMAY Director

SEr

FINA DIL & CHENICAL COMPANY Authorization For Expenditure(Copas)

well Name:	Kemnitz Fed Comm #1	Operator: Fina	Date:	14 Dec 90	Fina AFE 🗱
Field:	Atoka-Morrow	Division: West Texas	Distric	t:632	Cost Center: 030
Budget Cat	:Exploration	Type Well:5as	TD:	13,100'	PLN #:
	Sec 28, T-16-S, R-34E		Days:	47+10=57	County/State:Lea, NM
	HADDENE 215	SFSL			
	440 FEL				

Approved:_____

Acct Approval:_____

Approved:____

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DRILLING SECTION INTANGIBLE WELL COSTS	DRY HOLE	COMPLETION SECTION INTANGIBLE WELL COSTS	PRODUCER \$M
301 Footage Drilling 13100 Ft@ 21.		204 Rig Mobilization	
301 Daywork Drilling 5 Days 46		206 Company Labor	
301 Turnkey Drilling		207 Contract Labor	•
301 Rig Mobilization		228 Trucking	
306 Company Labor	12	234 Location/Site Expense	ر 4
307 Contract Labor	12	250 Fuel & Lubricants	-
			
328 Trucking		256 Bits, Reamers, and Stabilizers	
334 Location/Site Expense		258 Non-Controllable Supplies	<u>,</u>
336 Environmental Protection/Safet	y ⊃ 4	265 Surface Rental Equipment	1
342 Surface Damage	4	266 Subsurface Rental Equipment	2
350 Fuel & Lubricants		270 Comp Unit 10 Days @ 1200 \$/Dy	12
355 Directional Surveys, Tools, &		272 Coiled Tubing & Nitrogen	
356 Bits, Reamers, and Stabilizers		274 Completion Fluids(Water)	1
357 Drilling Fluid & Chemicals	28	275 Acidizing	4
358 Non-controllable Supplies	7	276 Cement & Services	55
365 Surface Rental Equipment	1	279 Fracturing	
366 Subsurface Rental Equipment		280 Perforating	12
373 Corrosion Control/Treating		282 Well Testing/BHP	3
376 Cement & Services	25	283 Cased Hole Logs	2
377 Mud Logging, MWD Fore Eval	10	284 Contingency 🖲 10%(in decimal)	10
378 Coring & Core Analysis		SUBTOTAL INTANGIBLE	\$112
378 Formation Testing(DST)	6		
383 Open Hole Logging	45		
384 Contingency @ (in dec	imal) 0	TANGIBLE WELL COSTS	
390 Administrative Overhead	5	404 Prod Csg 5 1/2" 13100 ft@ 14.03 \$/ft	184
SUBTOTAL INTANGIBLE	\$478	404 Prod Csg ft@ \$/ft	
		410 Tubing 2 7/8" 12850 ft@ 7.94 \$/ft	102
TANGIBLE WELL COSTS		410 Tubing ft@ \$/ft	ð
	\$/ft 0	413 Inspect/Test Tubulars (Torque Turn)	
402 Surf Csg 13 3/8" 400 fte 29.		425 Sucker Rds ft@ \$/ft	0
403 Inter Csg 8 5/8" 4600 ft8 16.		425 Sucker Rds ft@ \$/ft	
403 Inter Csg ft@	\$/ft 0	425 Sucker Rds ft@ \$/ft	0
405 Liner ftë	\$/ft 0	435 Subsurface Equipment	•
406 Tie-Back ft@	\$/ft 0	437 Packers	5
413 Inspect/Test Casing	_ •/	439 Submersible Pumps	5
435 Subsurface Equipment		•	46
437 Packers		441 Tubing/Christmas Tree	40
		442 Tubing Head	
440 Wellhead Equipment	14	450 Pumping Unit & Components	······
SUBTOTAL TANGIBLE	\$99	453 Safety/Environmental Equipment	
		457 Surface Eq Installation	
TOTAL DRILLING COSTS	\$577	466 Compressors	
Plug & Abandon Expense		468 Dehydration	·
TOTAL DRY HOLE COST	\$577	469 Electrical System	
		470 Separator/Treating Equipment	
		472 Surface Flowline	3
COMPANY DECIMAL	EST COST	473 Injection Pump	
Fina 0.250	\$269	474 LACT Unit	
	\$0	477 Tanks	19
	\$0	479 SWD Equipment	
		480 Eas Production Unit	22
		481 Meter Run & Controls	5
		SUBTOTAL TANGIBLE	\$385
Prepared By: Jon Housman Dat	e: <u>12-15-9</u> 0	TOTAL COMPLETION COST	\$497
		TOTAL DRILLING & COMPLETION COST	\$1,074
Prepared By: Dat	e:		
Approved:Dat	e:P	ARTICIPANT APPROVAL:	

Date:	Company:	Date:
Date:	Authorized Signature:	
Date:	Name and Title:	

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING GOVERNOR

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June 25, 1991

CAMBELL & BLACK Attorneys at Law P. O. Box 2208 Santa Fe, New Mexico 87504

RE: CASE NO. 10266 ORDER NO. R-9478-A

Dear Sir:

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

Sincerely,

flowne Davidson

Florene Davidson OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office Perry Pearce