

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
TXO PRODUCTION CORP. FOR COMPULSORY :
POOLING AND AN UNORTHODOX LOCATION, :
EDDY COUNTY, NEW MEXICO :
_____ :

CASE NO. 5627

APPLICATION

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

1. Applicant is the operator of all horizons from
the surface through the base of the Morrow formation, underlying:

Township 24 South, Range 26 East, N.M.P.M.

Section 36: W/2

containing 320 acres, more or less,
and proposes to drill its Jake State No. 1 Well at a point located
660 feet from the south line and 660 feet from the west line
of said Section 36, to a depth sufficient to test the Morrow formation,
at approximately 11,700 feet.

2. 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
from the surface through the base of the Morrow formation.

3. A standard 320-acre gas proration unit comprising the W/2 of said Section 36, as to all horizons from the top of the Wolfcamp formation through the base of the Morrow formation, should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of gas.

4. A standard 40-acre oil proration unit comprising SW/4 SW/4 of said Section 36, as to all horizons from the surface through the base of the Strawn formation, should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of oil.

5. Coquina Oil Corporation, Coquina 73-A Exploration Program, Coquina 74-A Exploration Program, Coquina 74-B Exploration Program, Nautilus Venture II and Nautilus Venture III, P. O. Box 2960, Midland, Texas, 79702, own interests in the W/2 of said Section 36, and have not agreed to pool their interests.

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, as to the zones and proration units set forth above should be pooled as to such oil or gas proration units as may be established as productive.

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 oil and 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 enter its order pooling all mineral interests, whatever they may be, as to the zones and proration units set forth above, or such lesser portion as may be productive of oil and gas and dedicated to applicant's well.

C. That upon hearing the Division enter its order granting applicant permission to drill its Jake State No. 1 Well at a point 660 feet from the south line and 660 feet from the west line of said Section 36, and to dedicate the W/2 of said Section 36 to said well.

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

TXO PRODUCTION CORP.

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