

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

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

CASE NO. 8785

APPLICATION

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

1. Applicant is the operator of all formations from
the Wolfcamp through the Morrow formations, underlying:

Township 22 South, Range 27 East, N.M.P.M.

Section 2: E/2

containing 320 acres, more or less,
and proposes to drill its Delta Fee No. 1 Well at a point located
660 feet from the south line and 660 feet from the east line of
Section 2.

2. A standard 320-acre gas proration unit comprising
the E/2 Section 2 should be dedicated to such well or to such
lesser portion thereof as is reasonably shown to be productive of
gas, if production is established below the base of the Wolfcamp
formation, and a non-standard 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, if Wolfcamp production is established. This portion of this

application was heard as Case No. 8699 at an Examiner Hearing on September 11, 1985, and is presently under advisement.

3. Santa Fe Energy Company, 500 West Illinois, Midland, Texas, 79701, owns an interest in the proration unit and has not agreed to pool its interest.

4. Applicant should be designated the operator of the well and the proration unit.

5. To avoid the drilling of unnecessary wells, to protect correlative rights 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 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.

6. 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.

7. 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.

8. 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, 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.

C. That Applicant be authorized to complete its well in the Wolfcamp formation and to dedicate a non-standard 150-acre proration unit to such well.

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

TXO PRODUCTION CORP.

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