

CASE 4672: Application of PAUL
M. MERSHON, JR. & VINCENT SHRYACK
FOR COMPULSORY POOLING, EDDY CO.

Case Number
46 72

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
March 1, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Paul M. Mershon, Jr.,) Case Number 4672
and Vincent Shryack for compulsory)
pooling, Eddy County, New Mexico.)

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

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1 MR. STAMETS: We will call the next case, Case
 2 Number 4672.

3 MR. HATCH: Case Number 4672 is the Application
 4 of Paul M. Mershon, Jr., and Vincent Shryack for compulsory
 5 pooling, Eddy County, New Mexico.

6 MR. KELLAHIN: Jason Kellahin of Kellahin and
 7 Fox, Santa Fe, appearing for the Applicant. We have one
 8 witness we would like sworn, please.

9 (Whereupon the witness was sworn.)

10 MR. STAMETS: Are there any other appearances
 11 in this case?

12 (No response.)

13 MR. STAMETS: You may proceed, Mr. Kellahin.

14 PAUL M. MERSHON,
 15 was called as a witness and having already been duly sworn,
 16 testified as follows:

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN

19 Q Would you state your name, please?

20 A Paul M. Mershon.

21 Q Mr. Mershon, what business are you engaged in?

22 A I am a petroleum engineer.

23 Q Have you testified before the Oil Commission of the
 24 State of New Mexico and have your qualifications been
 25 made part of the record of the Oil Commission?

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1 A Yes.

2 MR. KELLAHIN: Are the witness' qualifications
 3 acceptable?

4 MR. STAMETS: They are.

5 Q (By Mr. Kellahin) You are one of the Applicants in
 6 Case 4672?

7 A Yes.

8 Q And you are associated with Mr. Shryack?

9 A Yes.

10 Q Now, just what is proposed by the Applicant in this
 11 case?

12 A We propose to force pool an 80-acre tract in Section
 13 15, Township 17 South, Range 29 East, consisting of
 14 the west part of the southwest quarter.

15 Q Referring to Applicant's Exhibit #1, would you identify
 16 that exhibit, please?

17 A Exhibit #1 is a plat of the area. Specifically, to
 18 the last question, it shows the location of the
 19 proposed well in Section 15, Township 17 South. It
 20 shows in yellow 240 acres consisting of the northwest
 21 quarter of the east half of the southwest quarter
 22 which is a farm out to Mershon and Shryack from
 23 Continental Oil Company.

24 The acreage in question is the west half of this
 25 section and it is marked "T-e-n-n," it is not colored.

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1 Q Is that the acreage you are attempting to force pool
 2 in this application?

3 A Yes.

4 Q What is the spacing within that pool?

5 A Three hundred twenty acres.

6 Q And for that reason, you need 320 acres?

7 A That is correct.

8 Q Have you drilled this well yet?

9 A No, sir.

10 Q Did you personally attempt to get some agreement
 11 with Tenneco for either participation in your well
 12 or a farm out; or what did you do in connection with
 13 that?

14 A On September 28th, 1971, I wrote to Mr. Venus of the
 15 Tenneco Oil Company in Midland, Texas, asking for a
 16 farm out on the subject acreage.

17 On October 1st, 1971, a second letter was sent
 18 to Mr. Venus and a Mr. Marshall of the Continental
 19 Oil Company restating the proposed farm out request.

20 Q You said September, did you also write in November?

21 A Yes. However, on October 13th, 1971, we did receive
 22 from Tenneco a letter that declined our first request.

23 On November 12th, 1971, we had a favorable
 24 response from Continental, so I sent this letter on
 25 November 12th, 1971, to Tenneco to Mr. Venus' attention.

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1 Q That is the letter that has been marked Applicant's
 2 Exhibit #2?

3 A Yes, it is.

4 Q And what did you propose in that letter?

5 A We asked him to reconsider our letter of October 1st,
 6 1971. We further asked if they chose not to farm
 7 out, would they join us.

8 They had a third option -- this is not an option,
 9 it appears in the last paragraph and it states our
 10 position and if in the event Tenneco neither wanted
 11 to farm out or join us, we asked that they advise us
 12 so we could pursue pooling under Commission rules.

13 Q Did you receive a response to that letter?

14 A No, sir.

15 Q Did they ever make a counter proposal to you as a
 16 result of your correspondence?

17 A No, sir.

18 Q You had further contact with them; did you not?

19 A Yes, sir. On November 23rd, I called Mr. Venus and
 20 asked if he had a response to make and he said he was
 21 still waiting for advisement from their geological
 22 engineering section.

23 On December 10th, I called Mr. Venus again and
 24 he said he was still waiting for a response from the
 25 geological engineering section.

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1 At this point, I discussed the pooling possibility
2 and stated that we preferred that Tenneco join us
3 or farm out.

4 Then on January 4th, 1972, I made a third phone
5 call and there was still no decision out of the
6 geological engineering section.

7 On January 11th, Mr. Shryack and I went to
8 Midland, Texas, and visited with Mr. Venus and Mr.
9 Butterfield who is a petroleum engineer or a geological
10 engineer with Tenneco. We discussed the problem and
11 they told us, at that time, that Tenneco would neither
12 farm out or join us and that we should proceed with
13 forced pooling.

14 Q And you never did get a counter proposal from them?

15 A No, sir.

16 Q And they did not agree to any proposal that you made?

17 A That is correct.

18 Q Do you feel there is any possibility of reaching an
19 agreement at this stage?

20 A No, sir.

21 Q Are you willing, after the hearing on this case, to
22 still negotiate with them?

23 A Under the terms we previously submitted and which
24 have been accepted by Continental, and they are aware
25 of Continental's position.

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- 1 Q What will be the cost on this well?
- 2 A Exhibit #3 has been prepared by Mr. Shryack and I
- 3 have examined it.
- 4 Q Does it correctly state the well cost in your opinion?
- 5 A In my opinion, it does.
- 6 Q What does the cost come to?
- 7 A The total cost for the completed well would be
- 8 \$223,250.
- 9 Q Would you break that down into drilling costs and
- 10 completion costs?
- 11 A Drilling costs would be \$149,850 and completion costs
- 12 would be \$73,400.
- 13 Q Does that represent the reasonable cost of a well in
- 14 that area?
- 15 A Yes, sir.
- 16 Q In connection with your application, Mr. Mershon,
- 17 you asked for the right to recover costs of drilling?
- 18 A Yes.
- 19 Q And do you request that be included in any order
- 20 entered?
- 21 A Yes.
- 22 Q Now, you also asked for a charge for the risk involved
- 23 in the drilling of the well. Would you refer back to
- 24 Exhibit #1 and discuss the risk involved in drilling
- 25 in this particular location?

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1 A Yes, sir. Exhibit #1 shows all the Morrow tests
 2 within the confines of this plat and the status of
 3 each well, whether it was dry or abandoned or a
 4 producing well.

5 There are numerous shallow wells and they were
 6 deleted simply to make this prospect more obvious.
 7 I would like to point out first the well in Section
 8 21 South, Range 29 East.

9 This is a well labeled "El Paso" which is south
 10 of our prospect. It was drilled in the early 1950's
 11 and was completed as a discovery well.

12 The wells marked A and B were subsequently
 13 drilled by El Paso and were unsuccessful. Well C
 14 in Section 15 was drilled by Sun-Ray and had no
 15 significant show.

16 There was well drilled in the southeast of the
 17 southeast of Section 21 and was successfully completed
 18 in the same pay as El Paso's well. Following that
 19 successful completion, a well was drilled, and it is
 20 labeled E.

21 It was drilled by Moran in Section 22 and this
 22 well was dry. I hope that this shows that even with
 23 additional well control, dry holes can be drilled
 24 around this prospect.

25 I would like to call your attention to Section

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1 18 of 17 South, Range 3 East, to the well labeled
 2 "Great Western," this well was successfully completed
 3 in the Morrow and it was offset in two directions,
 4 both of which were dry holes.

5 There are four commercial wells on the plat and
 6 nineteen dry holes, giving a success ratio of three
 7 over twenty-two. I must correct that, of the four
 8 commercial wells, three of them are wildcats and were
 9 discoveries, the fourth well is not a wildcat.

10 So you would have a ratio of three over twenty-two
 11 or a fourteen percent success ratio.

12 Now, if you examine the three discovery wells
 13 and the dry holes around them, you will find there
 14 were thirteen dry holes drilled in Section 10 and one
 15 successful well which gives us a ratio of one over
 16 fourteen, or a seven percent rate of success.

17 Q What risk factor would you assign to this well?

18 A I would ask for the maximum risk which is one hundred
 19 and fifty percent.

20 Q You are also asking in your application for a provision
 21 for the allocation of actual operating costs to be
 22 recovered out of pocket?

23 A Yes.

24 Q And to establish charges for the supervision of the
 25 well?

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1 A Yes.

2 Q What would you recommend for the supervision of this
 3 well?

4 A I would recommend a well cost of \$125 per month as a
 5 reasonable operating cost.

6 Q Now, were Exhibits #1, #2, and #3 prepared by you?

7 A Exhibits #1 and #2 were prepared by me or under my
 8 supervision and Exhibit #3 was prepared by Mr.
 9 Shryack with my approval.

10 Q And you have checked Exhibit #3 and believe it to be
 11 correct?

12 A Yes, I do.

13 MR. KELLAHIN: I'd like to offer in evidence
 14 Exhibits #1, #2, and #3.

15 MR. STAMETS: Without objection, Exhibits #1,
 16 #2, and #3 will be admitted in evidence.

17 Q (By Mr. Kellahin) Did you ask that the Applicant
 18 be designated the operator of this well?

19 A Yes, with freedom to assign a third party.

20 Q In connection with this application, it has been
 21 advertised for pooling all minerals from the surface
 22 of the ground down to and including the Morrow
 23 formation; do you own all of those mineral interests?

24 A No, our rights start below 3,500 feet and go through
 25 the Morrow formation.

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1 Q So you would like any order to include from 3,500
2 feet to the base of the Morrow?

3 A Yes.

4 MR. KELLAHIN: That's all I have.

5 MR. STAMETS: Any questions?

6 (No response.)

7 CROSS-EXAMINATION

8 BY MR. STAMETS

9 Q Have you made any geological maps of this prospect?

10 A Yes, I have.

11 Q Was there any particular reason why you didn't submit
12 such a map as an exhibit in this case?

13 A Well, I would feel that we just thought it was not
14 pertinent to this hearing.

15 Q I believe you have already testified that apparently
16 other people have been wrong in picking this location
17 here?

18 A Yes, and I have too.

19 Q So, even a geological map showing that this would be
20 a really fine prospect would not necessarily be true?

21 A It would be a geological opinion based on the
22 background of that person preparing the data.

23 Q Do you feel -- do you still feel that it would be
24 within the seven to fourteen percent ratio?

25 A I would say hopefully not.

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1 MR. STAMETS: I don't believe I have any further
2 questions. Does anyone have any further questions?

3 (No response.)

4 MR. STAMETS: If not, the witness will be excused.

5 (Witness excused.)

6 MR. KELLAHIN: I would like to say, if the
7 Examiner please, in a previous case the Commission order
8 required the Applicant to furnish the party pooled with
9 an A.F.E. and wait thirty days before drilling. We have
10 offered an A.F.E. in this case in evidence and we will furnish
11 Tenneco with one immediately, so we would like to avoid
12 that provision if possible.

13 MR. HATCH: Are you saying they have less than
14 thirty days?

15 MR. KELLAHIN: I am stating that they have already
16 received, or will have received, an A.F.E. prior to the entry
17 of your order, if we give them an additional thirty days
18 from that date, we are talking about months.

19 MR. HATCH: You are asking for thirty days from
20 the time they receive the A.F.E. rather than the thirty days
21 from the time of the order?

22 MR. KELLAHIN: If the Examiner please, it is my
23 opinion that they should have thirty days after they
24 receive the A.F.E. to elect whether they will make a
25 contribution or not.

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1 MR. HATCH: I am not sure I know what you are
2 talking about.

3 MR. KELLAHIN: In a previous case, a party was
4 required to furnish the parties being force pooled with
5 an A.F.E. and I see no reason why it should not be thirty
6 days after they receive the A.F.E. and not thirty days after
7 the order is entered.

8 MR. STAMETS: We will take your request into
9 consideration.

10 MR. KELLAHIN: That is all we have.

11 MR. STAMETS: Are there any statements or telegrams
12 or letters?

13 (No response.)

14 MR. STAMETS: If not, we will take Case Number
15 4672 under advisement.

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1 STATE OF NEW MEXICO)
) ss
2 COUNTY OF BERNALILLO)

3 I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,
4 in and for the County of Bernalillo, State of New Mexico do
5 hereby certify that the foregoing and attached Transcript of
6 Hearing before the New Mexico Oil Conservation Commission was
7 reported by me; and that the same is a true and correct record
8 of the said proceedings to the best of my knowledge, skill and
9 ability.

Richard E. McCormick
CERTIFIED SHORTHAND REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4677 heard by me on March 1, 1943.

Richard L. Hunt, President
New Mexico Oil Conservation Commission

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25I N D E XWITNESS

PAUL M. MERSHON

Direct Examination by Mr. Kellahin 3

Cross-Examination by Mr. Stamets 12

E X H I B I T SAPPLICANT'SADMITTEDOFFERED

Exhibit #1 11 4

Exhibit #2 11 6

Exhibit #3 11 8

DEPCO, Inc.

PRODUCTION & EXPLORATION

December 4, 1975 *Case 4672*

New Mexico Oil Conservation Commission
State Capital Building
Santa Fe, NM 87501

Gentlemen:

Re: Order No. R-4273
Conoco State Com. No. 1
Sec. 15, T17S, R29E
Eddy County, New Mexico

all Attached is an itemized schedule of actual costs incurred in installing the necessary surface production equipment on the subject well. This schedule is being submitted in accordance with the provisions of Commission Order No. R-4273.

Costs incurred in drilling and completing the subject well were submitted with our letter of December 11, 1972.

Yours very truly,

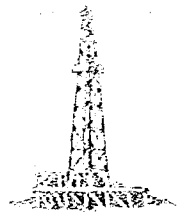
C. D. Crump

C. D. Crump
Vice President-Production

CDC:d11

Attachment

CC: Tenneco Oil Company
P. O. Box 2410
Denver, CO 80201 (St. Lease B-10714-5)
Mr. Paul M. Mershon, Jr.
Mr. Vincent Shryack



1025 PETROLEUM CLUB BLDG. • DENVER, COLORADO 80202 • PHONE 303/292-0980

DEPCO, Inc.

Description of Work INSTALL SURFACE PRODUCTION EQUIPMENT 1955

Name or Location	C o n o c o	S t a t e	C o m #1
County-State	E d d y , N . M .		
Lease No.			

31 - 1975

MIDN COMM.

[illegible]

Prepared by: _____ Date 12-4-75

DIVISION OF INTEREST

COMPANY

PER CENT

AMOUNT

DEPCO, Inc.

APPROVALS

☐ Depco, Inc.

Operator: ☐

Per:

Date: .

Participant: _____

Per,

Date: _____

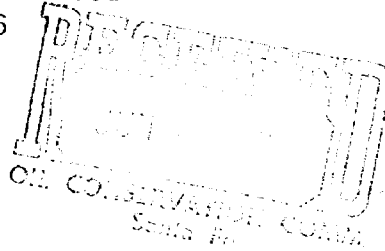
TOTAL

No.

PAUL M. MERSHON, JR.
789 Clarkson Street
Denver, Colorado 80218
(303) 255-0716

* * *

VINCENT E. SHRYACK
934 South High Street
Denver, Colorado 80209
(303) 777-2873



June 7, 1972

CERTIFIED MAIL NO. 492162
RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

gma
file Case 4672

RE: Case No. 4672;
Order No. R 4273
Application of Paul M.
Mershon, Jr. and
Vincent E. Shryack

Gentlemen:

In compliance with Paragraph 12, Page 5, of Order No. R 4273
concerning an escrow agent, notice is hereby given that if such escrow agent
is needed, the First National Bank of Artesia, Drawer AA, Artesia, New
Mexico 88201, shall serve as agent.

Very truly yours,

Vincent E. Shryack
Vincent E. Shryack

PMM:hgb



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

**GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMijo
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR**

March 15, 1972

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4672
Order No. R-4273
Applicant:
Marshon & Shryack

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u> </u>	x
Artesia OCC	<u> </u>	x
Aztec OCC	<u> </u>	

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4672
Order No. R-4273

APPLICATION OF PAUL M. MERSHON, Jr.,
AND VINCENT SHRYACK FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 1, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th day of March, 1972, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicants, Paul M. Mershon, Jr., and Vincent
Shryack, seek an order pooling all mineral interests from a depth
of 3500 feet down to and including the Grayburg-Morrow Gas Pool
underlying the W/2 of Section 15, Township 17 South, Range 29
East, NMPM, Eddy County, New Mexico, to form a standard 320-acre
gas proration unit to be dedicated to a well to be drilled at a
standard location.

(3) That the applicants have the right to drill and propose
to drill a well in the W/2 of said Section 15 to form a standard
gas proration unit.

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

(5) That 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicants should be designated the operators of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operators in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 50% thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operators any amount that reasonable well costs exceed estimated well costs and should receive from the operators any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$125.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operators should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators 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) That all proceeds from production from the subject well which are not disbursed for any reason should be placed

-3-

CASE No. 4672
Order No. R-4273

in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from a depth of 3500 feet down to and including the Grayburg-Morrow Gas Pool underlying the W/2 of Section 15, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15.

(2) That Paul M. Merzhon, Jr., and Vincent Shryack are hereby designated the operators of the subject well and unit.

(3) That the operators shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(4) That 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 that 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) That the operators shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that

-4-

CASE No. 4672

Order No. R-4273

has paid his share of estimated costs in advance as provided above shall pay to the operators his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operators his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operators are 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.
- (B) As a charge for the risk involved in the drilling of the well, 50% 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) That the operators shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$125.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operators are hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators are 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) That any unsevered 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) That any well costs or charges which are to be paid out of production shall be withheld only from the working

-5-

CASE No. 4672

Order No. R-4273

interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.


(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMLJO, Member


A. L. PORTER, Jr., Member & Secretary



esr/

PAUL M. MERSHON, JR.
789 Clarkson Street
Denver, Colorado 80218
(303) 255-0716

* * * *

VINCENT E. SHRYACK
934 South High Street
Denver, Colorado 80209
(303) 777-2873

March 28, 1972

CERTIFIED MAIL NO. 492153
RETURN RECEIPT REQUESTED

District Landman
Tenneco Oil Company
1200 Lincoln Tower Building
1860 Lincoln Street
Denver, Colorado 80203

RE: Case No. 4672; Order No. R-4273;
Application of Paul M. Mershon, Jr.
and Vincent E. Shryack for Compulsory
Pooling of the W/2 of Section 15,
Township 17 South, Range 29 East,
Grayburg Morrow Gas Pool
Eddy County, New Mexico

Dear Sir:

The captioned application was heard March 1, 1972 by the Oil Conservation Commission of New Mexico. In conformance with Commission Order No. R-4273, we are enclosing an itemized schedule of estimated well costs to drill a Grayburg Morrow test to be located in the SW/4 of Section 15, Township 17 South, Range 29 East, Eddy County, New Mexico. The spacing unit will be the W/2 of Section 15.

Tenneco Oil Company will have thirty (30) days from receipt of this letter to either join in the drilling of the well, or in the alternative, we will proceed with the drilling of the well under the Compulsory Pooling Order.

If you elect to join in the drilling of the well, please advance \$55,812.50 for your one-quarter interest, in a check payable to Messrs. Paul M. Mershon, Jr., and Vincent E. Shryack.

Yours very truly,

Vincent E. Shryack
Vincent E. Shryack

cc: ✓ Mr. R. L. Stamets
New Mexico Oil Conservation Commission
P. O. Box 2088, Santa Fe, New Mexico 87501
cc: Mr. Jason W. Kellahin
P. O. Box 1769, Santa Fe, New Mexico 87501

RECEIVED
APR 3 1972

Cost Estimate to Drill & Complete Grayburg-Mercur Well in W/2 Section 15, T. 19 S., R. 25 E. Eddy Co. N.M.

		Item	Cost		
1		Stake location	100.00		
2		Title Opinion, Abstracts	600.00		
3		Bradenhead	250.00		
4		Surface Casing (114 x 150')	5000.00		
5		Cement Surface Casing	1200.00		
6		Intermediate Casing 7" x 8 1/2"	14000.00	Drilling Cost	14785.00
7		Cement Intermediate Csg	4000.00	Completion Cost	73400.00
8		Drilling 10800' @ \$9.00 ft	97200.00		
9		Day rate - 2 days	2800.00	Total Cost	223250.00
10		Location & Roads	2000.00		
11		Mud, Chemicals, water	12000.00		
12		Electricity	4000.00		
13		Welding	2000.00		
14		Casing Crew	6000.00		
15		Trucking	8000.00		
16		Flats, shoes, centralizers	8000.00		
17		Drill Stem Test	2000.00		
18		Supervision	1200.00		
19		Miscellaneous	1000.00		
20					
21		Total Drilling Costs	149850.00		
22					
23		Production Casing 4 1/2"	20000.00		
24		Cement Production Csg	8000.00		
25		Day rate to run 4 1/2"	1400.00		
26		Casing Crew	12000.00		
27		Tubing	12000.00		
28		Welding	5000.00		
29		Perforating	1600.00		
30		Fracture Treatment	9000.00		
31		Well head	3000.00		
32		Completion rig & Tool rent	4000.00		
33		Trucking	15000.00	Merchen & Shryock	
34		Production Unit	6000.00	Hearing No.	
35		Stock Tank	15000.00	Exhibit No.	
36		Reestablish Labor	2000.00		
37		Shoe, Centralizer, Scraper	7000.00		
38		Supervision	1000.00		
39					
40		Total Completion Cost	73400.00		

4672

Finds

- (2) Plural --- pooling all mineral
interests from a depth of 3500
feet down to and including -----

Eddy County

320-acre gas unit ~~unit~~

~~(3) unit~~

(8) 50%

(11) \$125⁰⁰

Therefore

- (1) from a depth of 3500 feet down to ---
----- Eddy County ----- 320-acre gas -----

(3) prior to commencing well, furnish
est. well costs. (No 30 day delay)

(5) change 135 to 60 days

(7)(B) 50%

(9) \$125⁰⁰

CASE 4674: Application of Hanagan Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its Millman Deep Well No. 1 located 660 feet from the North line and 1924 feet from the East line of Section 4, Township 19 South, Range 28 East, undesignated Morrow gas pool, Eddy County, New Mexico, with the E/2 of said Section 4, to be dedicated to the well.

CASE 4670: Application of BTA Oil Producers for a special gas-oil ratio limitation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks as an exception to Rule 506 of the Commission Rules and Regulations, a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil for the Vada-Pennsylvanian Pool, Lea County, New Mexico.

CASE 4671: Application of V. F. Vasicek and J. M. Fullinwider, dba V-F Petroleum for compulsory pooling, Lea County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests from the surface of the ground down to and including the Wolfcamp formation underlying the SE/4 SW/4 of Section 1, Township 15 South, Range 36 East, Lea County, New Mexico, to form a standard oil proration unit to be dedicated to a well to be drilled at a standard location on said unit. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4672: Application of Paul M. Mershon, Jr., and Vincent Shryack for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 29 East, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to form a standard 320-acre unit for the production of gas to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the costs of drilling said well, a charge for the risk

(Case 4672 continued)

involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4508: (Reopened)

In the matter of Case 4508 being reopened pursuant to the provisions of Order No. R-4117, which order established special rules and regulations for the Warren-Devonian Pool, Lea County, New Mexico, including a provision for 80-acre spacing units. All interested persons may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4673: Application of Fluid Power Pump Company for two non-standard oil proration units, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 160-acre non-standard oil proration units in Township 19 North, Range 3 West, Media-Entrada Oil Pool, Sandoval County, New Mexico, said units comprising acreage as follows:

1. S/2 NW/4 and N/2 SW/4 of Section 14
2. S/2 NE/4 and N/2 SE/4 of Section 15

PAUL M. MERSHON, JR.
789 Clarkson Street
Denver, Colorado 80218
(303) 255-0716

* * *

VINCENT E. SHRYACK
934 South High Street
Denver, Colorado 80209
(303) 777-2873

RECEIVED

MAR 6 1972

CONSERVATION COMM.
SANTA FE

March 2, 1972

CERTIFIED MAIL NO. 553786
RETURN RECEIPT REQUESTED

Mr. N. B. Venus
Tenneco Oil Company
P. O. Box 1031
Midland, Texas 79701

RE: Case No. 4672: Application of
Paul M. Mershon, Jr. and Vincent E.
Shryack for Compulsory Pooling of the
W/2 Section 15, Township 17 South,
Range 29 East, Grayburg Morrow
Gas Pool, Eddy County, New Mexico

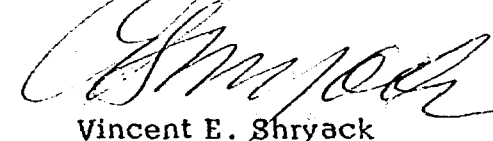
Dear Mr. Venus:

The captioned application was heard March 1, 1972 by the Oil Conservation Commission of New Mexico. In conformance with rules of the Commission, we are enclosing a copy of AFE to drill a Grayburg Morrow test to be located in the NE/4 SW/4 of Section 15, Township 17 South, Range 29 East, Eddy County, New Mexico. The spacing unit will be the W/2 of Section 15.

Tenneco Oil Company will have thirty (30) days from receipt of this letter to either join in the drilling of the well, or in the alternative, we will proceed with the drilling of the well under the compulsory pooling order.

If you elect to join in the drilling of the well, please advance \$55,812.50 for your one-quarter interest in a check payable to Messrs. Paul M. Mershon, Jr., and Vincent E. Shryack.

Yours very truly,



Vincent E. Shryack

VES:hgb

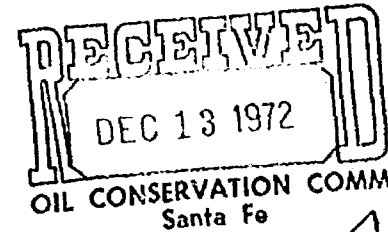
cc: Mr. R. L. Stamets, New Mexico Oil Conservation Commission
P. O. Box 2088, Santa Fe, New Mexico 87501

cc: Mr. Jason W. Kellahin, P. O. Box 1769, Santa Fe, New Mexico 87501

DEPCO, Inc.

PRODUCTION & EXPLORATION

December 11, 1972



*File Case
4672*

New Mexico Oil Conservation Commission
State Capitol Building
Santa Fe, New Mexico 87501

Re: Order No. R-4273
Conoco State Com. #1
Sec. 15, T17S, R29E
Eddy County, New Mexico

Gentlemen:

Attached is an itemized schedule of actual costs incurred on the subject well. This schedule is being submitted in accordance with the provisions of Commission Order No. R-4273.

The cost of production equipment, estimated at approximately \$11,500, has not been included on the schedule. This equipment will not be purchased until contract arrangements for sale of the gas are completed.

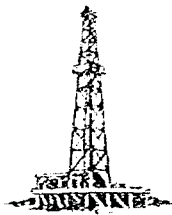
Yours very truly,

C. D. CRUMP
Vice President-Production

CDC/jer
enclosure

cc: Tenneco Oil Company
P. O. Box 2410
Denver, Colorado 80201 (St. Lease B-10714-5)

Mr. Paul M. Mershon, Jr.
Mr. Vincent Shryack



1025 PETROLEUM CLUB BLDG. • DENVER, COLORADO 80202 • PHONE 303/292-0980

DEPCO, Inc.
AUTHORITY FOR EXPENDITURE

Description	Drill
Lease and Well No.	Conoco State Cum #1
Location	Sec. 15, T17S, R29E
County and State	Eddy County, New Mexico
Lease No.	758-1001
Field	Grayburg (Atoka)

Date	12-11-72
Contractor	Meran Brothers
Spudded	8-6-72
Released	9-22-72
Total Depth	11,110

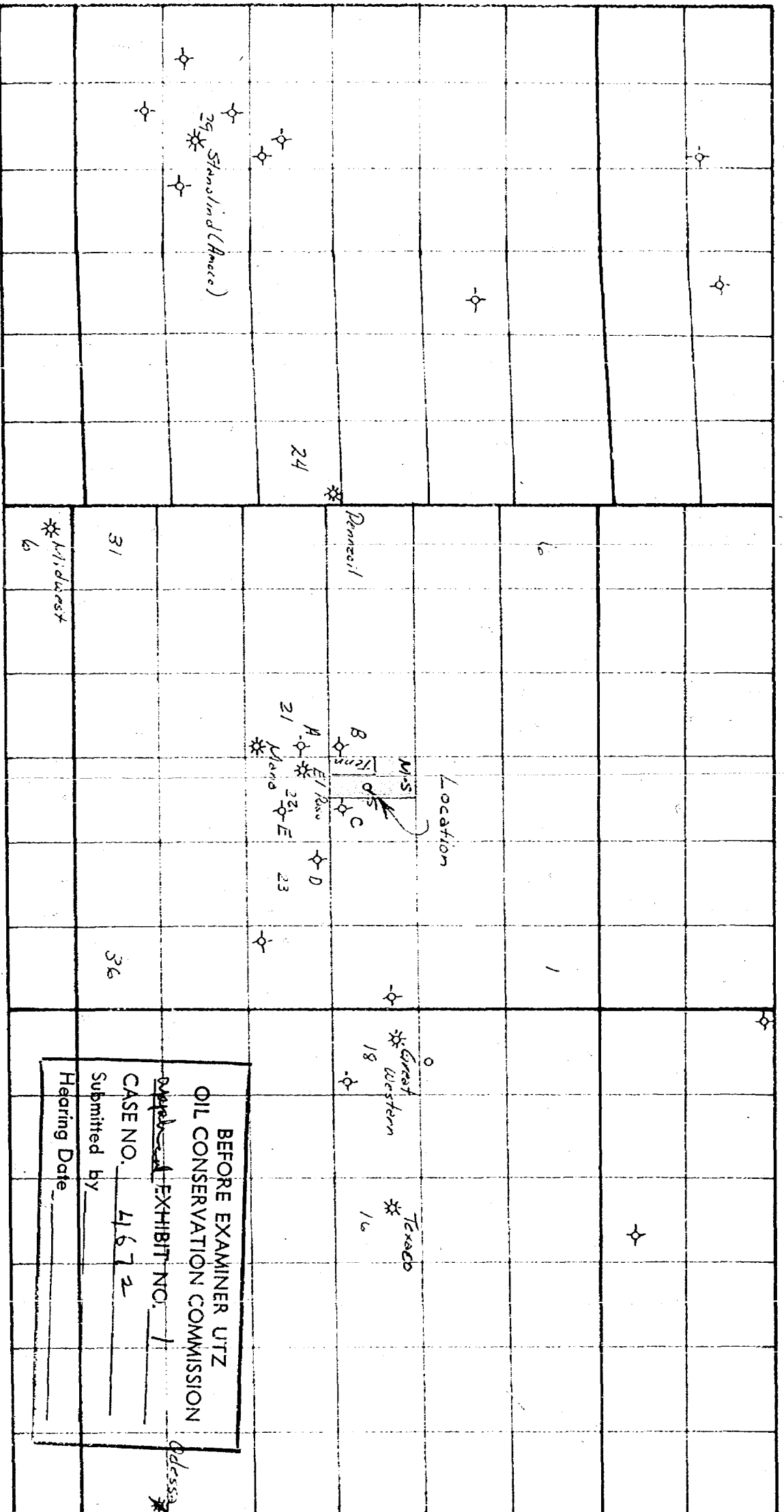
CODE	DESCRIPTION	ESTIMATED COST		ACTUAL COST
		DRY HOLE	PRODUCER	
	<u>INTANGIBLES</u>			
231	Surveying and Right-of-Way			78.00
232	Lease and Road Construction			2,282.90
240	Drilling - Footage			88,311.60
241	Daywork			15,737.60
242	Other			
243	Mud - Materials			11,730.84
248	Water			
249	Oil			
244	Equipment Rentals			746.82
245	Logging			15,827.09
246	Coring Equipment and Service			
247	Testing Services			6,734.00
250	Cementing and Services			11,135.57
251	Perforating			2,743.88
252	Stimulation			11,442.89
253	Completion Day Work			5,728.58
254	Squeezing			
255	Completion Miscellaneous			340.89
258	Abandonment			
260	Supervision - Geological			830.38
261	Engineering			
263	Communication			
265	Miscellaneous			
266	Overhead			
	TOTAL INTANGIBLES			173,671.04
	<u>TANGIBLES</u>			
309	Surface Casing			1,709.51
311	Intermediate Casing			
310	Production Casing			44,383.14
320	Tubing			13,944.13
321	Wellhead Equipment			9,347.62
322	Flowlines			
324	Pumping Unit			
325	Motor			
326	Sucker Rods			
327	Other			
328	Equipment Installation			
330	Linepipe, Valves & Fittings			
333	Separators, Heaters, Treaters			
334	Tanks			
335	Meters			
336	Building			
337	Road and Locations			
338	Battery Installation			
339	Disposal Facilities			
350	Miscellaneous			
	TOTAL TANGIBLES			69,384.40
	TOTAL WELL COST			\$243,055.44

<u>Company</u>	<u>Working Int.</u>	<u>Dry Hole</u>	<u>Cost Producer</u>	<u>Approved By</u>	<u>Date</u>
Total					

R28E

R29E

R30E



Map with Mershon status

MERSHON & SHRYACK

Hearing No 4672 Exhibit No 1

PAUL M. MERSHON, JR.
789 Clarkson Street
Denver, Colorado 80218
(303) 255-0716

* * * *

VINCENT E. SHRYACK
934 South High Street
Denver, Colorado 80209
(303) 777-2373

November 12, 1971

Mr. N. B. Venus
Tenneco Oil Company
P. O. Box 1031
Midland, Texas 79701

RE: FARMOUT REQUEST
W/2 Section 15, T. 17 S., R. 29 E.
Eddy County, New Mexico

Tenneco Leasehold, W/2 SW/4,
New Mexico 30408 and 30418

Dear Sir:

We requested a farmout of your captioned acreage by letter on October 1, 1971, and you declined by letter on October 13.

We have just received local approval of our farmout request from Continental Oil Company. In light of this development, we would sincerely appreciate your review of our October 1 request. However, should Tenneco choose not to farmout, then we would like you to join us in drilling the well to test the pay in the El Paso #1 Leonard State, which is found between 10,690 and 10,750 feet.

In the event Tenneco elects not to farmout or join, please advise, so that we may proceed with pooling under Commission rules.

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION <u>apparent</u> EXHIBIT NO. <u>2</u> CASE NO. <u>4672</u> Submitted by <u>PMM:hgb</u> Hearing Date <u>cc: Mr. Bill Marshall</u>
--

Continental Oil Company
P. O. Box 431
Midland, Texas 79701

Very truly yours,

Paul M. Mershon, Jr.

Paul M. Mershon, Jr.

Mershon & Shryack
Hearing No. 4672
Exhibit No. 2

Cost Estimate to Drill & Complete Gougeon-Horror
Well in W/2 Section 15, T 17 S, R 29 E Eddy Co. N.D.

	Item	Cost	
1	Stake Location	100.00	
2	Title Opinion, Abstracts	600.00	
3	Bradenhead	250.00	
4	Surface Casing (11 3/4" x 150')	5000.00	
5	Cement Surface Casing	1200.00	
6	Intermediate Casing 400' 8 1/2"	14000.00	Drilling Cost 149850.00
7	Cement Intermediate Csg	4000.00	Completion Cost 73400.00
8	Drilling 10800' @ 9.00 Ft	97200.00	Total Cost 223250.00
9	Day rate - 2 days	2800.00	
10	Location & roads -	2000.00	
11	Fluid, Chemicals, water	1500.00	
12	Electric logs	4000.00	
13	Welding	200.00	
14	Casing Crew	600.00	
15	Trucking	900.00	
16	Floats, shoes, centralizers	800.00	
17	Drill Stem Test	2000.00	
18	Supervision	1200.00	
19	Miscellaneous	1000.00	
20			
21	Total Drilling Costs	149850.00	
22			
23	Production Casing 4 1/2"	20000.00	
24	Cement Production Csg	8000.00	
25	Day rate to run 4 1/2"	1400.00	
26	Casing Crew	1200.00	
27	Tubing	12000.00	
28	Welding	500.00	
29	Perforating	1600.00	
30	Fracture Treatment	9000.00	
31	Well head	2000.00	
32	Completion rig & Tool rent	4000.00	
33	Trucking	1500.00	Mershon & Shryack
34	Production Unit	6000.00	Hearing No. 4672
35	Stock Tank	1500.00	Exhibit No. 3
36	Roostabout Labor	2000.00	
37	Shoe, Centralizer, Scraper	700.00	
38	Supervision	1000.00	
39			
40	Total Completion Cost	73400.00	

RECEIVED
FEB-2 1972
OIL CONSERVATION COMM.
SANTA FE

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
PAUL M. MERSHON, JR. AND VINCENT
SHRYACK FOR AN ORDER FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

Page 4672

A P P L I C A T I O N

Come now Paul M. Mershon, Jr. and Vincent Shryack and apply to the Oil Conservation Commission of New Mexico, as provided by Section 65-3-14, New Mexico Statutes 1953, as amended, for an order pooling all of the oil interests in and under the W/2 of Section 15, Township 17 South, Range 29 East, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and proposes to drill a well to be located on the above-described unit for production from the Grayburg-Morrow Pool.

2. Applicant proposes to complete the above well in the Grayburg-Morrow Pool.

3. All of the owners of working interests in and under the above-described tract have pooled or agreed to pool their interests insofar as the Grayburg-Morrow formation is concerned with the exception of Tenneco Oil Company, whose address is: P. O. Box 2511, Houston, Texas 77001.

4. ~~Applicant~~ ²⁻¹⁸⁻⁷² has been unable to obtain voluntary agreement for the pooling of the above-unpooled interest, which consists of the W/2 SW/4 of the above-described Section, and in order to avoid the drilling of unnecessary

DOCKET MAILED

2-18-72
DOCKET MAILED

wells, to protect correlative rights, and to prevent waste, the Commission should pool all interests in the spacing or proration unit as a unit.

WHEREFORE applicant prays the Commission set this matter for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all interests underlying the W/2 of Section 15, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, together with a provision for applicant to recover his costs of drilling and developing said unit out of production together with a risk factor to be determined by the Commission and with provision for recovery of the reasonable costs of operation and supervision of said well out of production to be allocated among the owners as their interests may appear, and for such further orders as may be proper in the premises.

Respectfully submitted,

PAUL M. MERSHON, JR. and
VINCENT SHRYACK

By *James W. Kellahin*
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

DRAFT

GMH/dr

gmh

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

A.P.P.

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4672

Order No. R- 4273

APPLICATION OF PAUL M. MERSHON, JR.,
AND VINCENT SHRYACK FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

DAW

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 1, 19 72,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of March, 1972, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicants, Paul M. Mershon, Jr., and Vincent

Shryack, seek an order pooling all mineral interests from ~~the~~
from a depth of 3500 feet
~~surface of the ground~~ down to and including the Grayburg-Morrow
Gas Pool underlying the W/2 of Section 15, Township 17 South,
Range 29 East, NMPM, *Eddy* ~~Lea~~ County, New Mexico, to form a standard
320-acre
~~40-acre~~ gas proration unit to be dedicated to a well to be drilled
at a standard location.

(3) That the applicant^{has} the right to drill and propose to drill a well in the W/2 of said Section 15 to form a standard gas proration unit.

(4) That there are interest owners in the proposed spacing and proration unit who have not ^{agreed} ~~agreed~~ to pool their interests.

(5) That 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant^s should be designated the operators of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator^s in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional ^{50%} ~~30%~~ thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operators any amount that reasonable well costs exceed estimated well costs and should receive from the operators any amount that paid estimated well costs exceed reasonable well costs.

(11) That ^{\$125.00} ~~\$110.00~~ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operators should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators 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) That 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, ^{a depth of 3500 feet down to and} ~~from the surface of the ground down to and~~ including the Crayburg-Morrow Gas Pool underlying the W/2 of Section 15, Township 17 South, Range 29 East, NMPM, ^{Eddy} ~~Lea~~ County, New Mexico, are hereby pooled to form a standard ³²⁰ ~~40~~-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of Section 15.

(2) That Paul M. Mershon, Jr., and Vincent Shryack are hereby designated the operators of the subject well and unit.

(3) That the operators shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs ^{within 30 days following the date of this order} ~~at least 30 days prior to commencing each well.~~

(4) That 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 that 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) That the operators shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within ^{to 45} ~~125~~ days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said ^{60 45} ~~135~~-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that 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) That 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.

(B) As a charge for the risk involved in the drilling of the well, ^{50%}~~30%~~ 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) That the operator^{is} shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$¹²⁵~~110~~.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator^{is} hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator^{is} hereby authorized to withhold from production the proportionate

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share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered 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) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

CASE 4673: Application of FLUID
POWER PUMP CO. FOR TWO NON-
STANDARD UNITS, SANDOVAL COUNTY.