



Case Number

4794

Application

Transcripts

Small Exhibits

ETC.

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209 SIMMS BLDG., P.O. BOX 1002, PHONE 242-8851, ALBUQUERQUE, NEW MEXICO 87103  
1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87103

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

August 9, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Green and  
Michaelson Producing Company  
for compulsory pooling, Eddy  
County, New Mexico.

Case No. 4794

BEFORE: Elvis A. Utz,  
Examiner.

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4794.

2 MR. HATCH: Case 4794: Application of Green and  
3 Michaelson Producing Company for compulsory pooling, Eddy  
4 County, New Mexico.

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

8 \* \* \* \*

9 CHARLES C. GREEN,  
10 was called as a witness, and after being duly sworn, testified  
11 as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q Would you state your name, please?

15 A Charles C. Green.

16 Q By whom are you employed and in what position?

17 A I am employed by Green and Michaelson Producing Company.

18 Q In connection with your work with Green and Michaelson,  
19 do you have anything to do with assembling drilling  
20 units and arranging for the purchase of leases?

21 A Yes, that's part of my responsibilities.

22 Q And in that connection, did you attempt to obtain leases  
23 on the land involved in Case 4794?

24 A Yes, sir.

25 Q Referring you to what has been marked as Applicant's

1 Exhibit One, would you identify that exhibit, please?

2 A That exhibit is a plat of the area with the proposed  
3 unit and location of the first well, the wildcat.

4 MR. UTZ: I didn't ask for appearances, are there  
5 any other appearances in this case?

6 (No response)

7 MR. UTZ: You may proceed, Mr. Kellahin.

8 Q (By Mr. Kellahin) What is the ownership of the land  
9 that is shown on your Exhibit Number One, Mr. Green?

10 A The Northeast quarter is fee property, fee land, owned  
11 by some twelve or fifteen metal owners. The Northwest  
12 quarter is federal land.

13 Q Do you have the right to drill and operate the Northwest  
14 quarter?

15 A Yes, through our farm-out from Shell Oil Company.

16 Q And there is no problem in connection with that portion  
17 of the proposed unit?

18 A No.

19 Q Referring you to what has been marked as Exhibit Two,  
20 would you discuss the situation that exists there?

21 A These are the mineral titles in the Northeast quarter,  
22 showing the various mineral owners.

23 Q Fee owners of mineral interests?

24 A That's correct.

25 Q Have you been able to obtain leases from substantially

1 all of these individuals?

2 A All except one.

3 Q Which one is that?

4 A Selma Andrews.

5 Q What effort did you make to obtain that interest?

6 A We contacted both the trustees that the Andrews created  
7 for Mrs. Andrews, or Miss Selma Andrews. When this  
8 trust was created, and this is according to the  
9 trustees, when it was created, she inadvertently failed  
10 to list a number of properties, this being one of them.  
11 She is at this time non compos mentis in California,  
12 and the guardianship set up by the State of California  
13 cannot operate outside of the State of California. We  
14 have been told by both trustees that there is no way  
15 in which a legally acceptable lease can be executed at  
16 this time.

17 Q Is the Republic National Bank in Texas one of the  
18 trustees?

19 A Yes, sir.

20 Q And you have not obtained a lease on that fractional  
21 piece of land?

22 A No, sir.

23 Q And that is the interest you are seeking to have force-  
24 pooled in this proceeding, is that correct?

25 A That's correct.

1 Q The application calls for force-pooling all mineral  
2 interests from the surface of the ground down to and  
3 including the Devonian formation. Do you plan to drill  
4 a well as shown in Exhibit One?

5 A Yes, we plan to drill a well to a depth of 8,200 feet,  
6 which should be the base of the Morrow. If at that  
7 point we are structurally high, we propose to deepen  
8 it to 9,200 feet.

9 Q So you are seeking to force-pool the Morrow and Devonian  
10 or any other producing formation you might encounter?

11 A Yes, sir.

12 Q What is the estimated cost of drilling the well?

13 A A dry hole would be \$120,000, the completed cost would  
14 be \$175,000.

15 Q Is this a wildcat well?

16 A Very much so.

17 Q Are there any risks involved that you know of?

18 A Yes, very high risks.

19 Q What are these risks?

20 A This is not only an area where it is difficult, due to  
21 the San Andres formation limestone being at the surface,  
22 to explore, but it is also further complicated by a  
23 very highly chargeable stratigraphic section.

24 Q What risk factor would you ask the Commission to give?

25 A I would ask it to be the same as in our operating

1 agreement with Shell, which would be 150 percent of  
2 the cost for drilling and equipment to produce, plus  
3 100 percent of operating costs and administrative  
4 overhead.

5 Q One hundred percent of their proportionate share of  
6 their operating costs?

7 A Yes, sir.

8 Q And what do you estimate those operating costs to be?

9 A Administrative overhead will be varying from zero to  
10 3,000, \$75.00 a month up to 12,000 or deeper, \$125.00  
11 a month.

12 Q That is during the drilling?

13 A No, the drilling would be \$750.00 a month for administra-  
14 tive overhead.

15 Q What is the cost of supervision that you normally  
16 allocate to a well of this kind?

17 A That would be \$750.00 a month.

18 Q That is during drilling?

19 A Yes, sir.

20 Q As a produced well, what would the supervisory cost be?

21 A We would only be talking about administrative overhead  
22 then.

23 Q But the cost for supervision, and that's what I am  
24 talking about, not your production costs-- do you have  
25 supervision costs?



1 A We do not make additional costs for that, administrative  
2 costs are all we make.

3 Q And do you ask this Commission to provide for the  
4 recovery of your costs of operating?

5 A We do, yes.

6 Q Were Exhibits One and Two prepared by you or under your  
7 supervision?

8 A Yes.

9 MR. KELLAHIN: I would like to offer in evidence  
10 Exhibits One and Two.

11 MR. UTZ: Without objection, Exhibits One and Two  
12 will be entered into the record of this case.

13 (Whereupon Applicant's Exhibits One and Two were  
14 entered in evidence.)

15 \* \* \* \*

16 CROSS EXAMINATION:

17 BY MR. HATCH:

18 Q I think I better go over this, you are not asking for  
19 any operating charges?

20 MR. KELLAHIN: If the Examiner please, I think  
21 there is a little confusion. Could I ask a few more questions?

22 MR. UTZ: Yes.

23 \* \* \* \*

24 DIRECT EXAMINATION (Continuing)

25 BY MR. KELLAHIN:

1 Q In a prior case, you did ask for and were given charges  
2 of \$110.00 a month for supervision.

3 A Yes, depending upon the depth, seventy-five, ninety,  
4 110, 125, for various depths.

5 Q Are you also asking for fractional interest shares in  
6 the proportionate cost of the well?

7 A Yes.

8 Q Those are two distinct things, isn't that correct?

9 A That's correct.

10 MR. HATCH: I think you better give us the break  
11 down on the depths.

12 THE WITNESS: Zero to three, \$75.00 a month; three  
13 to six thousand, \$90.00; six to nine thousand, \$110.00 a month;  
14 below that, \$125.00 a month. That's for the first five wells,  
15 and it is reduced by \$10.00 for any additional wells from  
16 that point on.

17 Q (By Mr. Kellahin) Your primary objective here is the  
18 Devonian?

19 A Actually, our primary objective is the Morrow.

20 Q All right, what depth are you speaking of?

21 A Eight-two hundred.

22 MR. UTZ: Are there any other questions?

23 (No response)

24 MR. UTZ: If not, the witness may be excused.

25 (Witness excused.)

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1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87103

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MR. UTZ: Are there any statements in this case?  
(No response)  
MR. UTZ: Case 4794 will be taken under advisement.

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1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87106

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO )

SS

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

11  
12 

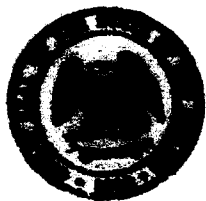
13 CERTIFIED SHORTHAND REPORTER  
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I hereby certify that the foregoing is  
a true and correct copy of the proceedings in  
Case No. 17994  
of the New Mexico Oil Conservation Commission  
New Mexico Oil Conservation Commission

dearnley, meier & mcconnick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6891, ALBUQUERQUE, NEW MEXICO 87103  
1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

	<u>I N D E X</u>	<u>P A G E</u>
1	<u>WITNESS</u>	
2		
3	CHARLES C. GREEN	3
4	Direct Examination by Mr. Kellahin	8
5	Cross Examination by Mr. Hatch	8
6	Direct (Continuing) by Mr. Kallahin	
7		
8	<u>E X H I B I T S</u>	
9	<u>APPLICANT'S</u>	
10	Exhibit #1 Plat	8 4
11	Exhibit #2 Mineral titles	8 4
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# **OIL CONSERVATION COMMISSION**

**STATE OF NEW MEXICO**  
**P. O. BOX 2808 - SANTA FE**  
**87501**

August 23, 1972

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

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

Re: Case No. 4794  
Order No. R-4373  
Applicant:  
Green & Michaelson

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.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC       

Other Republic National Bank - Trust Department, Dallas, Texas

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. 4794  
Order No. R-4373

APPLICATION OF GREEN & MICHAELSON  
PRODUCING COMPANY 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 August 9, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 22nd day of August, 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 applicant, Green & Michaelson Producing Company, seeks an order pooling all mineral interests from the surface of the ground down to and including the Devonian formation underlying the N/2 of Section 2, Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a wildcat well to be located at a standard location in the NE/4 of said Section 2 to test the Morrow and other formations down to and including the Devonian formation.
- (4) That there are interest owners in the proposed 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 the N/2 of said Section 2 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests, whatever they may be in the Devonian formation underlying the N/2 of said Section 2 should be pooled.

(6) That the applicant should be designated the operator 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 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 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) That \$125.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator 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 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) 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, from the surface of the ground down to and including the Devonian formation underlying the N/2 of Section 2, Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a wildcat well to be located at a standard location in the NE/4 of said Section 2.



(2) That Green & Michaelson are hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 60 days following the date of this order.

(4) That within 60 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 operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following completion of the well; that if no objection to the actual well costs are received by the Commission, and the Commission has not objected within 60 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-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 said estimated well costs within 60 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 60 days from the date the schedule of estimated well costs is furnished to him.

-4-

Case No. 4794  
Order No. R-4373

(8) That the operator 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 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 share of actual expenditures required for operating the subject 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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armiijo*  
ALEX J. ARMIJO, Member

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

S E A L

dr/

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 27, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Uts, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4829: Application of Coastal States Gas Producing Company for a special depth bracket allowable, Lea and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable greater than the present allowable for the Vada-Pennsylvanian Pool, Lea and Roosevelt Counties, New Mexico.

CASE 4830: Application of Mobil Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Vacuum-Abo Unit Area comprising 5,680 acres, more or less, of Federal, State, and Fee lands in Township 17 South, Ranges 34 and 35 East, Lea County, New Mexico.

CASE 4831: Application of Mobil Oil Corporation for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in its North Vacuum-Abo Unit Area by the injection of fluid into the North Vacuum-Abo Pool through 34 wells located in Township 17 South, Ranges 34 and 35 East, Lea County, New Mexico.

Applicant further seeks a procedure whereby additional producing and injection wells may be approved without notice and hearing.

CASE 4832: Application of Pennzoil Company for pool reclassification, special pool rules, and a non-standard proration unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Northwest Todd-San Andres Gas Pool to an associated pool for the production of gas and oil and the promulgation of special rules therefor including provisions for the classification of oil and gas wells, oil and gas spacing, and a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil.

Applicant further seeks approval of an 80-acre non-standard oil proration unit in the subject pool comprising the NW/4 SW/4 and the SW/4 NW/4 of Section 8, Township 7 South, Range 35 East to be dedicated to its Superior State "Com" Well No. 1 located in Unit L of said Section 8.

CASE 4833: Application of Tesoro Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 of Section 28, Township 20 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 650 feet from the South line and from 1160

(Case 4833 continued from page 1)

to 1200 feet from the East line of said Section 28, adjacent to the Springs-Upper Pennsylvanian Gas Pool.

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 4834: Application of Read & Stevens, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a Devonian test well at an unorthodox location 1200 feet from the South line and 660 feet from the East line of Section 2, Township 14 South, Range 37 East, Lea County, New Mexico, adjacent to the King-Devonian Pool.

CASE 4835: Application of Texas Oil & Gas Corporation 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 Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field area, Eddy County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the South and East lines of said Section 13. 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 4836: Application of Michael P. Grace II and Corinne Grace for compulsory pooling, Eddy 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 Morrow formation underlying the S/2 of Section 24, Township 22 South, Range 26 East, South Carlsbad Field area, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location for 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 for said well.

CASE 4819: (Continued from the September 13, 1972, Examiner Hearing)  
Application of D. L. Hannifin for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in and under the S/2 of Section 24, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the South and East lines of said Section 24. 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.

4794

Leard 8-9-72

Rec. 8-11-72

Leard, Green & Michaelson there  
request for compulsory pooling of  
the N/2 2-195-23 E for a well  
to be drilled in the NE 1/4 of said  
sec. 12. The only portion to be  
pooled is an 87/1160 of NE 1/4 of the  
unit.

Thos. D. [Signature]

Leard 150 to risk, + 125/mo.  
O.H. 750 while drilling.

[Signature]

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 9, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 4785: Application of Gulf Oil Corporation for rededication of acreage and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of a 40-acre non-standard proration unit comprising the SE/4 NW/4 of Section 28 and an 80-acre non-standard proration unit comprising the W/2 NE/4 of Section 28; Township 21 South, Range 37 East, Flinebry Gas Pool, Lea County, New Mexico, to form a 120-acre non-standard proration unit. Applicant also seeks permission to produce the allowable assigned to said 120-acre unit from its Eunice King Wells Nos. 5 and 9 located, respectively, in Units F and G of said Section 28 in any proportion.
- CASE 4786: Application of Highland Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open-hole interval from 4378 feet to 4418 feet in its Russell Federal Well No. 6 located in Unit K of Section 20, Township 26 South, Range 32 East, East Mason-Delaware Pool, Lea County, New Mexico.
- CASE 4787: Application of Superior Oil Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a gas well to test the Morrow and other formations at an unorthodox location 660 feet from the North line and 990 feet from the West line of Section 5, Township 23 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, with the N/2 of said Section 5 to be dedicated to the well.
- CASE 4788: Application of Murphy H. Baxter for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing well approximately in the center of the SW/4 of Section 18, Township 17 South, Range 33 East, Maljamar (Grayburg-San Andres) Pool, Lea County, New Mexico. Said well to be within the area of a waterflood project approved by Order No. R-2156.
- CASE 4789: Application of Humble Oil & Refining Company for special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Many Gates-Abo Pool, Chaves County, New Mexico, including provisions for 80-acre spacing units and wells to be located in the approximate center of the NE/4 or SW/4 of each quarter section.
- CASE 4790: Application of The Petroleum Corporation for special pool rules and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules

(Case 4790 continued from Page 1)

for the Dublin-Ellenburger Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units. Applicant further seeks approval of a 480-acre non-standard unit in said pool comprising the S/2, S/2 of NE/4 and E/2 NW/4 of Section 12, Township 26 South, Range 37 East, to be dedicated to its Tenneco Federal Well No. 1 located in Unit N of said Section 12.

CASE 4791: Application of Monsanto Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Burton Flat Deep Unit Area comprising 5,808 acres, more or less, of Federal, State, and Fee lands in Township 20 South, Range 28 East, and Township 21 South, Range 27 East, Eddy County, New Mexico.

CASE 4792: Application of David Fasken for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Walker Draw Unit Area comprising 7,040 acres, more or less, of Federal, State, and Fee lands in Sections 8, 9, 10, 15, 16, 17, 20, 21, 22, 28, and 29, Township 23 South, Range 23 East, Eddy County, New Mexico.

CASE 4793: Application of Tenneco Oil Company for a pressure maintenance project and unorthodox locations, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the South Hospah-Lower Sand Pool by the injection of water and gas into the Lower Hospah formation through three wells located at orthodox and unorthodox locations in Section 12, Township 17 North, Range 9 West, McKinley County, New Mexico.

Applicant further seeks a procedure whereby additional injection wells and expansion of the project area may be approved without the necessity of notice and hearing.

CASE 4794: Application of Green & Michaelson Producing Company 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 Devonian formation underlying the N/2 of Section 2, Township 19 South, Range 23 East, Eddy County, New Mexico, to be dedicated to a wildcat Devonian well to be drilled at a standard location in the NE/4 of said Section 2.

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 4760: (Readvertised)

Application of Anadarko Production Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to institute a waterflood project by the injection of water into the

(Case 4760 continued from Page 2)

Grayburg and Queen formations through its R. E. Cole Well No. 3 located in the SW/4 SW/4 of Section 16 and its E. W. Walden Well No. 6 located in the SE/4 SW/4 of Section 15, Township 22 South, Range 37 East, Penrose Shelly Pool, Lea County, New Mexico.

Applicant further seeks establishment of a procedure whereby the conversion of additional wells to injection may be approved without notice and hearing. In the absence of objection, an order will issue based upon evidence received in this case on July 12, 1972.

CASE 4795: (THIS CASE WILL BE CONTINUED TO AUGUST 16, 1972, AND WILL BE HEARD BY A QUORUM OF THE COMMISSION.)

Application of Michael P. Grace II and Corinne Grace for pool contraction and creation of two new gas pools, Eddy County, New Mexico. Applicants, in the above-styled cause, seek the contraction of the horizontal limits of the South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico by the deletion therefrom of the following:

TOWNSHIP 22 SOUTH, RANGE 26 EAST  
Section 25: S/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST  
Section 2: All  
Section 11: All

Applicants further seek the creation of two new pools for the production of gas from the Strawn and Morrow formations with the horizontal limits of each pool to comprise the following:

TOWNSHIP 22 SOUTH, RANGE 26 EAST  
Section 24: All  
Section 25: All  
Section 35: All  
Section 36: W/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST  
Section 2: All  
Section 11: All

CASE 4796: (THIS CASE WILL BE CONTINUED TO AUGUST 16, 1972, AND WILL BE HEARD BY A QUORUM OF THE COMMISSION.)

Application of Michael P. Grace II and Corinne Grace for capacity allowable, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an exception to the General Rules and Regulations governing the prorated gas pools of Southeast New Mexico, promulgated by Order No. R-1670, as amended, to produce their City of Carlsbad "COM"



Examiner Hearing - Wednesday, August 9, 1972

Docket No. 17-72

-4-

(Case 4796 continued from Page 3)

Well No. 1 located in Unit 0 of Section 25, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, at full capacity.

CASE 4797: Application of Michael P. Grace II and Corinne Grace for a dual completion, Eddy County, New Mexico. Applicants, in the above-styled cause, seek approval for the dual completion of their Humble-Grace Well No. 1 located 990 feet from the South line and 660 feet from the East line of Section 2, Township 23 South, Range 26 East, Eddy County, New Mexico, in such a manner as to produce gas from the Strawn and Morrow formations. Said well being presently designated as a South Carlsbad-Morrow gas well.

FEE TITLE

Surface Estate:

Blaine B. Haines and Emil Bach, Jr. own all.

Mineral Estate:

Blaine B. Haines and Emil Bach, Jr. -----	1174.5/11,600
Catherine Williams -----	391.5/11,600
Robert Edgar Williams -----	9/400
Elizabeth Ann Williams -----	9/400
Barbara Jane Runyan -----	9/400
John Finlay Williams -----	9/400
Bonnie H. Morrison -----	3/20
-Coll Production, Inc. -----	9/80
-Lillian Hinkle Coll, Trustee under the Will of M. W. Coll, deceased -----	3/80
-B. D. Orgain, separate property -----	1/30
-John C. Orgain, separate property -----	1/30
-Allene O. Bachman, separate property -----	1/30
Selma E. Andrews -----	87/1160
-Charlotte Miles Harris -----	3/40
-Virginia Collier Howell -----	6/40
Tempie Collier Ebeling -----	3/40 *

*unleashed*

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>applicat</i>	EXHIBIT NO. <u>2</u>
CASE NO. <u>4794</u>	
Submitted by <u>Charles C. Green, Jr.</u>	
Hearing Date <u>Aug 9, 1972</u>	

## GREEN &amp; MICHAELSON PRODUCING CO.

314 BUILDING OF THE SOUTH WEST

MIDLAND, TEXAS 79701

AUG 31 1972

OIL CONSERVATION COMM.  
Santa Fe

August 29, 1972

Oil Conservation Commission of New Mexico  
Santa Fe, New MexicoRE: Case #4794  
Order #R-4373

Gentlemen:

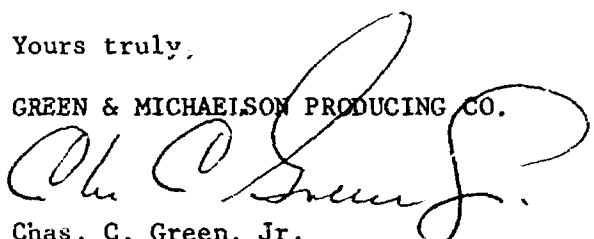
In accordance with the above case and order number, we are enclosing herewith a copy of our estimate of costs for the drilling of Green & Michaelson #1 Red Tank, located 1980' from the North and East lines of Sec. 2, T-19-S, R-23-E, Eddy Co., New Mexico.

You will note these costs cover the drilling to only 8200', the estimated depth to the top of the Mississippian. If the well is structurally high at this point, we plan to deepen to approximately 9200' to test the Devonian formation. It is anticipated an additional \$12,000 would be needed to deepen from 8200' to 9200'. Also please note there are no estimates for completion costs, for as this is a Wildcat we do not know if the well will be (1) a dry hole, (2) a dry gas well, (3) a gas and distillate well, or (4) an oil well. As the cost for each of these would vary greatly, we have hesitated to make an estimate at this time.

Further in accordance with the Commission orders, we have forwarded copies of this letter and the estimate of costs to all unleased interests.

Yours truly,

GREEN &amp; MICHAELSON PRODUCING CO.

  
Chas. C. Green, Jr.

CCG:gb

Encl.

GREEN & MICHAELSON PRODUCING CO.  
314 Building of the Southwest  
Midland, Texas 79701

Authorization for Expenditure

Lease: Red Tank Est. Spud Date: 15-August-72  
Location: 2-19S-23E Est. Completion Date: 15-September-72  
Well No. 1

**DRILLING COST**

LOCATION --Survey  
--Road, Pad & Cleanup  
--Damages

DRILLING --Footage 8200 @ \$ 7.65 /ft.  
Daywork 4 WDP @ \$ 1500.00/day  
2 WODP @ \$ 1450.00/day  
--Mud & Chemicals  
--Brine & Water

CASING --Surface 350 'of 13 3/8 @ ft.  
--Interm. 1900 'of 8 5/8 @ ft.  
--Float, shoe, cent., head

CEMENT --Surface  
--Intermediate  
--Plug Not inc.

SERVICES --Coring & Analysis None  
--Testing 4 DST 1018.35  
--Logging  
--Mud Logging 5000 to 8200  
--Engrag Service  
--Other

HAULING --Oil, Water, & Equip.

RENTAL EQUIP.  
SUPPLIES  
INSURANCE  
EXPENSE REPORTS & OVERHEAD  
CONTINGENCIES

Intangibles	Tangibles
200.00	
2000.00	
500.00	
62,730.00	
6,000.00	
2,900.00	
8,000.00	
	2,478.00
	6,790.00
	1,232.86
1,562.60	
3,531.85	
4,073.40	
4,507.00	
3,450.00	
1,000.00	
1,000.00	
125.00	
750.00	
1,000.00	
\$103,329.85	\$10,500.86

TOTALS

DRY HOLE COST

\$113,830.71

**COMPLETION COST**

CASING --Prod. 'of @ ft.  
--Float, shoe, Cent.

CEMENT --Oil String

WELL HEAD & FITTINGS

TUBING 'of @ ft.

PUMPING UNIT W/POWER  
--Fittings Pump  
--Rods 'of @ ft.

TANK BATTERY --Tanks  
--Treater Separator  
--Fittings Welding  
--Flowline 'of @ ft.  
--Labor Dirtwork

SERVICES --Logging Perforating  
--Completion Unit  
--Treat. Acid Frac  
--Engrag Service A.O.  
--Rent. Equip. Hauling

OTHER

TOTALS

COMPLETION COSTS

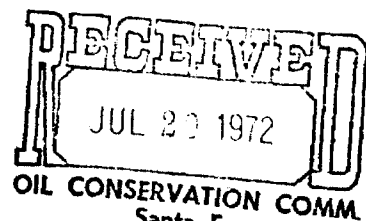
Non - Operator  
Interest of Non - Operator  
Cost Allocated to Non - Operator  
Approval By  
Date

TOTAL PRODUCING  
WELL COSTS

JASON W. KELLAHIN  
ROBERT E. FOX

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
84½ EAST SAN FRANCISCO STREET  
POST OFFICE BOX 1788  
SANTA FE, NEW MEXICO 87501

July 19, 1972



TELEPHONE 982-4315  
AREA CODE 505

Case 4794

*[Signature]*

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

Gentlemen:

Enclosed in triplicate is the application of Green & Michaelson Producing Company for compulsory pooling, Eddy County, New Mexico. It is our understanding that this application will be set for hearing August 9. Prior to the hearing, and as soon as possible, we will forward you the names and addresses of the owners of the uncommitted interests in order that notice may be sent to them.

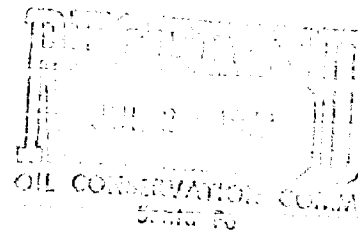
Yours very truly,

*Jason W. Kellahin*  
Jason W. Kellahin

JWK:brs  
Encls

NOTED 10/1/72

7-27-72



BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF GREEN & MICHAELSON PRODUCING CO.,  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

*Core 4794*

A P P L I C A T I O N

Comes now Green & Michaelson Producing Co., and applies to the Oil Conservation Commission of New Mexico for an order pooling all of the mineral interests in and under the N/2 of Section 2, Township 19 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the proposed 320-acre unit consisting of said N/2.
2. Applicant proposes to drill a well, to be located at an orthodox well location in the NE/4 of said Section 2, to be drilled to a depth sufficient to test the Devonian formation at a depth of approximately 9,200 feet in an undesignated pool, as a wildcat test.
3. Applicant has made diligent effort to obtain the commitment of all of the working interest in said unit, but has been unable to obtain the consent or cooperation of all of the mineral owners.
4. Applicant seeks an order pooling all of the mineral interest in the described tract, from the surface to total depth including but not limited to the following interest:

An 87/1160ths interest in and under the NE/4 of Section 2 as described above, which interest applicant is informed and believes to be the property of

the Estate of Frank Andrews, or held in trust under the terms of the Last Will and Testament of Frank Andrews.

5. There may be other working interest owners who have not yet agreed to the pooling of their mineral interest, who may not do so, whose names are not now known to applicant.

WHEREFORE applicant prays that this application be set 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 of the mineral interest underlying the N/2 of Section 2, Township 19 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, together with provisions for the recovery of 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 of supervision for said well.

Respectfully submitted,  
GREEN & MICHAELSON PRODUCING CO.,

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

**DRAFT**

GMH/dr

**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. 4794**

Order No. R-4273

APPLICATION OF GREEN & MICHAELSON  
PRODUCING COMPANY 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 August 9, 1972  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this            day of August, 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 applicant, Green & Michaelson Producing Company, <sup>from the surface of the ground,</sup> seeks an order pooling all mineral interests ~~in~~ the Devonian formation underlying the N/2 of Section 2, Township 19 South, Range 23 East, NMPM, ~~\_\_\_\_\_~~, Eddy County, New Mexico.



(3) That the applicant has the right to drill ~~and to~~ <sup>purpose to drill</sup> a wildcat well to be located at a standard location <sup>that the Devonian and other formations</sup> in the NE/4 of said Section 2 to the Devonian formation.

(4) That there are interest owners in the proposed 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 the N/2 of said Section 2 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interest, whatever they may be in the Devonian formation underlying the N/2 of said Section 2 should be pooled.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of ~~actual~~ <sup>estimated</sup> well costs to the operator 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 ~~25%~~ <sup>50%</sup> 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.

<sup>125.00</sup>  
~~111x107~~ That \$150.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator should be authorized to withhold from production the proportionate share of such supervision charge

(10) That following determination of reasonable well costs by non-consenting working interest owner that they paid his share of estimated well costs should be in the Devonian formation underlying the N/2 of said Section 2 should be pooled.

the  
to and including

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.

(1) 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 interest, whatever they may be, ~~in~~ *from the surface of the ground down to and including* the Devonian formation underlying the N/2 of Section 2, Township 19 South, Range 23 East, NMPM ~~\_\_\_\_\_~~

~~Pool~~, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a wildcat well to be located at a standard location in the NE/4 of said Section 2.

(2) That Green & Michaelson are hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within ~~30~~ <sup>60</sup> days following the date of this order.

(4) That within ~~30~~ <sup>60</sup> 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.

within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(5) ~~47~~ That within 60 days from the date the schedule of said ~~actual~~ <sup>estimated</sup> well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said ~~actual~~ <sup>estimated</sup> well costs to the operator in lieu of paying his share of ~~actual~~ <sup>reasonable</sup> well costs out of production, and that any such owner who pays his share of said ~~actual~~ <sup>estimated</sup> well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) ~~47~~ That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within ~~30~~ <sup>60</sup> days following completion of the well; that if no objection to the actual well costs are received by the Commission, and the Commission has not objected within 60 days following ~~completion of the well~~ <sup>receipt by said schedule</sup>, 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-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) ~~47~~ <sup>60</sup> That within ~~30~~ <sup>60</sup> 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.

non-consenting working interest owner who has not paid his share of ~~actual~~ <sup>estimated</sup> well costs within 60 days from the date the schedule of ~~actual~~ <sup>estimated</sup> well costs is furnished to him.

(5) ~~47~~ <sup>60</sup> That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

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Case No. 4794

Order No. R-

<sup>\$125.00</sup>  
(9) ~~(1)~~ That ~~\$120.00~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; 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 share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) ~~(9)~~ 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) ~~(9)~~ 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) ~~(10)~~ 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.

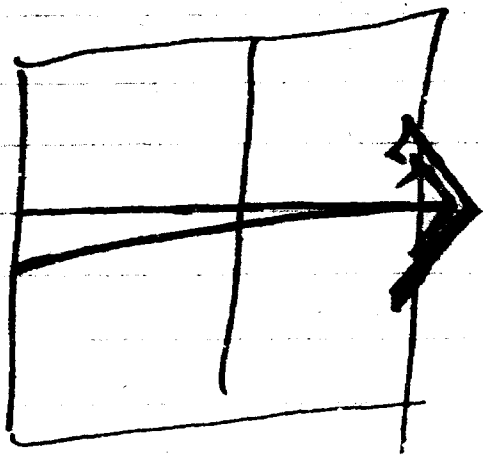
(13) ~~(11)~~ That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

Green + Michaelson Producing Co.  
for Corp. Pooling

N/2 Sec 2 - 19S - 23E Eddy

W/Cat & Test Des. Surface from  
through



BR-270

