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and reactivative  
(amended loc.  
to 660' FSL and  
1980' FFL)

CASE No.

4835

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Application,  
Transcripts,  
Small Exhibits

ETC.

dearnley, meier & mc cormick

209 SIMMS BLDG. P.O. BOX 1002 PHONE 243-6631 ALBUQUERQUE, NEW MEXICO 87103  
1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO  
Wednesday, November 29, 1972

IN THE MATTER OF:

Application of Texas Oil & Gas  
Corporation for compulsory pooling,  
Eddy County, New Mexico.

Case No. 4835

BEFORE: Richard L. Stamets,  
Examiner

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick

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1 MR. STAMETS: The hearing will come to order. We  
2 will call next Case 4835 being the application of Texas Oil &  
3 Gas Corporation for compulsory pooling, Eddy County, New Mexico.

4 Call for appearances in Case 4835.

5 MR. LOSEE: A. J. Losee and Carson, Artesia, New  
6 Mexico. I have one witness.

7 MR. STAMETS: Are there other appearances in this case?

8 (No response.)

9 PAUL SCHERZER

10 a Witness, having been first duly sworn according to law, upon  
11 his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. LOSEE:

14 Q Will you state your name, please?

15 A My name is Paul Scherzer.

16 Q What is your residence and occupation?

17 A I live in Midland, Texas, and I'm a geologist with Texas  
18 Oil & Gas Corporation.

19 Q You have not presently testified before the Oil Conservation  
20 Commission?

21 A No, I have not.

22 Q Do you have a degree in higher education and, if so, from  
23 what institution and in what field?

24 A I have a Bachelor of Science in geology from Sul Ross  
25 College.

1 Q Since graduation from Sul Ross, in what employ in the  
2 oil industry have you been engaged and for what companies  
3 and the periods of time.

4 A I worked for Sinclair Oil and Gas for five and a half  
5 years as a Geologist; for Apache Corporation, three  
6 years as a Geologist; Great Western, one year as a  
7 Geologist; and Texas Oil and Gas, one year as a  
8 Geologist; and approximately nine of those years were  
9 spent working in Southeast New Mexico.

10 MR. LOSEE: Are Mr. Scherzer's qualifications  
11 acceptable?

12 MR. STAMETS: They are.

13 Q (By Mr. Losee) What is the purpose of the application of  
14 Texas Oil and Gas in this case?

15 A The purpose is to pool all mineral interests in the Penn  
16 Formation in the south half of Section 13, 22 South, 26  
17 East.

18 Q And that's to be dedicated to a well drilled at an  
19 orthodox location 660 feet from the south line and 1980  
20 feet from the east line?

21 A Yes.

22 Q Please refer to what's been marked as Exhibit 1 and  
23 explain what has been shown on this map?

24 A Exhibit 1 is an ownership map showing all mineral owners  
25 in the south half of Section 13 with the surrounding  
lessors and leasees.

1 Q Please refer to what's been marked as Exhibit 2 and  
2 explain what is shown by this Exhibit?

3 A Exhibit 2 is a production map showing the producing  
4 formations with completion information, CAOF, cumulative  
5 production figures, July 1972 production, and daily average  
6 figures.

7 Q Are these all of the wells in the South Carlsbad field?

8 A No, they are not; this is what I would term the north half  
9 of the Carlsbad field. These are wells that would be  
10 closest to our proposed location in the field.

11 Q And your proposed location is marked there in the south  
12 half of Section 13?

13 A Yes.

14 Q Is there anything else you'd like to point out about a  
15 this Exhibit?

16 A I don't believe on this Exhibit, no.

17 Q All right. Let's refer to what's been marked as Exhibit 3,  
18 being your structure map on top of the Morrow and explain  
19 what is shown by this Exhibit?

20 A Exhibit 3 is a structure map on top of the Morrow and this  
21 merely shows the configuration of the structure in the  
22 area and the field, showing it to trend to the northeast.

23 I might point out on this map that our location shows that  
24 a well there will be close to the Corrine Grace #1 City of  
25 Carlsbad in Section 25. This well is making approximately

1 25,000 barrels of water per month. Therefore, if our well  
2 is lower than anticipated, we could encounter water  
3 problems.

4 Q Now, before you leave that Exhibit, you've got a dotted  
5 line running from your proposed location through the  
6 Corrine Grace Gopogo 2 and the Cities Service Merlin 1-B.  
7 What is the significance of those dotted lines?

8 A This line represents a cross section which will be  
9 entered in as an Exhibit.

10 Q Okay. Please refer to what's been marked as Exhibit 4  
11 and explain what is portrayed there?

12 A Exhibit 4 is the cross section across the north end of the  
13 field, as I pointed out on the previous Exhibit. This  
14 merely indicates our location in relation to the closest  
15 wells. I would like to point out on this cross section  
16 that the two wells on the east side of the map, especially  
17 the Union Cal #1 T-Lee, this well is down dip from the  
18 well to the west. The sands have thinned and they have  
19 lost the porosity and permeability down dip from the  
20 producing well.

21 This will be our situation at the proposed location  
22 that we propose to drill a well. We would be down dip  
23 from a good well and this indicates the risk factor that  
24 could be involved.

25 Q And the good well you would be down dip from is what well?

1 A The Corrine Grace Garage #2.

2 Q Please refer to what's been marked as Exhibit 5 and  
3 explain what it portrays?

4 A Exhibit 5 shows the ownership in the south half of  
5 Section 13, the proposed unit, with the ownership, the  
6 interests, showing that the AFE's were mailed to all  
7 individuals involved, and additionally the Joint Operator  
8 Agreement.

9 Q Now, Texas Oil and Gas has approximately a 30 per cent  
10 working interest in this south half of Section 13?

11 A Yes.

12 Q The other large interest holder is Nielson Enterprises and  
13 they have approved an AFE and indicated their desire to  
14 join in the well?

15 A Yes, Nielson Enterprises has.

16 Q All right. What about Cities Service Oil Company with 22  
17 per cent?

18 A Cities Service Company has verbally agreed to participation,  
19 but the AFE has not been signed or returned.

20 Q All right. Now, have you heard from any of the other  
21 owners, owning interests less than 10 per cent?

22 A No, the additional ownerships are the ones we have not  
23 heard from.

24 Q And those are the people that you are seeking to force  
25 pool with this and also Cities Service if they don't sign



dearnley, meier &amp; mc cormick

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1 the AFE?

2 A Yes, that's correct.

3 Q Please refer to what has been marked Exhibit 6 entitled  
4 the Exploratory and Development Wells in the South  
5 Carlsbad Morrow Field, and explain what it is?

6 A This Exhibit merely shows the percentage of wells that  
7 would be profitable in the South Carlsbad field and this  
8 figure comes out to be approximately 40.9 per cent would  
9 be profitable. This is drilled to the Morrow, for  
10 Morrow production.

11 Q The question is how did you calculate profitability and  
12 marginal?

13 A This was calculated by using 20-cent gas on wells that  
14 were drilled approximately when gas was 20 cents, the  
15 approximate figure is 1.8 billion cubic feet payout;  
16 30-cent gas on wells that have been drilled within a  
17 period that we feel like gas was 30 cents, 1.2 billion  
18 cubic feet payout, using our AFE figure, \$267,000.00,  
19 as drilling costs.

20 Q So that this exhibit would indicate that approximately 40  
21 per cent of all the wells drilled were profitable and the  
22 60 per cent were either dry or marginal?

23 A Actually, approximately 41 per cent would be profitable  
24 and 59 unprofitable.

25 Q Or dry?

Or dry.

1 Q Please refer to what's been marked as Exhibit 7, being  
2 the development of interest payout and risk factors, and  
3 explain what is shown by this Exhibit?

4 A This Exhibit merely takes into consideration interests,  
5 money lost, and money put forth to drill and complete a  
6 well, \$267,000.00.

7 Q What interest rate did you use in preparing this?

8 A We used an 8 per cent interest; and, in essence, what this  
9 amounts to is a 125 per cent non-consent, would actually  
10 be a 119.8 per cent.

11 Q Returned to the operator?

12 A Returned to the operator.

13 Q What, on 150 per cent?

14 A 150 per cent non-consent, this would actually be 143.3 per  
15 cent returned to the operator.

16 Q Okay. Please refer to what has been marked as Exhibit 8,  
17 being AFE on the proposed well and what is the cost shown  
18 for a dry hole on this AFE?

19 A The cost for a dry hole is \$187,975.00.

20 Q What is the cost for a producing well?

21 A A completed well would be \$267,000.00.

22 Q Mr. Scherzer, is the Morrow formation predictable in  
23 Southeastern New Mexico?

24 A I would say that the predictability on the Morrow is very  
25 low, very low.

dearnley, meier & mc cormick

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1 Q And what about the predictability of the profitable  
2 productivity of the Morrow in Southeastern New Mexico?  
3 A There, again, this is some difficulty if you can't predict  
4 accurately that you will make a well, well, that's, it's  
5 difficult to predict that the well will pay out. The  
6 Morrow is so susceptible to damage, and it's hard to tell  
7 what a well will do.  
8 Q Do you have a recommendation to the Commission as to a  
9 risk factor which the operator should be allowed in  
10 drilling this proposed well?  
11 A Yes, I do. I would recommend that Texas Oil & Gas be  
12 given a 50 per cent risk factor.  
13 Q Do you have recommendations to the amount that should be  
14 allowed for the supervision of the well if a producing  
15 well is completed; and, if so, what is that amount?  
16 A I believe that figure is \$150.  
17 Q Were Exhibits 1 through 7 prepared by you, or under your  
18 direct supervision?  
19 A Yes, they were.  
20 MR. LOSEE: We move for the introduction of Exhibits  
21 1 through 3.  
22 MP. STAMETS: Without objection, Exhibits 1 through 3  
23 will be admitted into evidence.  
24 MR. LOSEE: That concludes our Direct Examination.  
25 MR. STAMETS: Are there any questions of the witness?

(No Response.)

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Scherzer, the AFE on here is \$267,000.00. This seems to me to be a little bit lower than some of the other AFE's I've seen in this particular pool. Do you feel this is a realistic estimate?

A I feel it is, in that our engineers who developed this AFE feel that they have gained enough knowledge through wells that have been drilled in the area that they can drill it at this price.

Q In other words, if this had been one of the earlier wells, it might have been more expensive?

A Yes, we were involved in one that was more expensive.

Q Mr. Scherzer, is the risk factor involved in drilling this well the same as a wildcat well?

A No, it is not.

Q It would be somewhat less than a wildcat well, somewhat less than the maximum risk?

A Yes.

Q On your Exhibit 6, I see the last well you have listed there as the Pennzoil No. 1 Collatt State. Has that been changed from Superior, or is that in error on the Exhibit?

A It's very possible that it is in error.

Q How soon after an order would be issued to force pool this

1 and name Texas Oil & Gas as the operator, would Texas Oil  
2 & Gas propose to drill this well?

3 A I would say within 60 days.

4 Q Is this location in or near the town of Carlsbad?

5 A Yes, it is.

6 Q Do you anticipate any extraordinary drilling precautions?

7 A None other than what is necessary in the area.

8 Q So you wouldn't anticipate any great increase in cost due  
9 to safety measures?

10 A No, this has been taken into consideration in the AFE.

11 Q Referring to your Exhibit 3, you show the proposed location  
12 as being at roughly the same depth as the Corrine Grace  
13 City of Carlsbad well which makes a lot of water?

14 A Yes.

15 Q And it looks as though you have the same structural  
16 position with the 8400 foot contour being about half a mile  
17 or somewhat less to the west. Do you have any idea of  
18 where this water comes from, in the City of Carlsbad well?

19 A No, I do not.

20 Q You don't have an opinion as to why there would be water  
21 up-dip from this well?

22 A I don't understand what you mean.

23 Q I'm sorry about that, I made a mistake, I read the map  
24 wrong. But, you anticipate that you might have this same  
25 water problem?

1 A I'm saying it is possible, yes.  
2  
3 MR. STAMETS: Are there any other questions of the  
4 witness?  
5 (No response.)  
6 MR. STAMETS: If not, he may be excused. Do you  
7 have anything further to offer?  
8 MR. LOSEE: No, sir.  
9 MR. STAMETS: Are there any statements in this case?  
10 (No response.)  
11 MR. STAMETS: We will take the case under advisement.  
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1 STATE OF NEW MEXICO )

2 ) SS  
COUNTY OF BERNALILLO)

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

10 John De La Rosa  
11 COURT REPORTER  
12  
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22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings of  
the Examiner hearing of Case No. 4835  
24 heard by me on Nov 29, 1972.  
Richard J. Llamas, Chairman  
New Mexico Oil Conservation Commission  
25

dearnley, meier & mc cormick

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, November 1, 1972  
EXAMINER HEARING

IN THE MATTER OF:

Application of Texas Oil & Gas  
Corporation for compulsory pooling,  
Eddy County, New Mexico.

Case No. 4835

BEFORE: Elvis A. Utz,  
Examiner

TRANSCRIPT OF HEARING



MR. UTZ: Case 4835: Application of Texas Oil and Gas Corporation for compulsory pooling, Eddy County, New Mexico. We had telephone communication yesterday for the continuance of Case 4835, by the applicant, and the case will be continued to November 29th.

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, JOHN DE LA ROSA, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

*John De La Rosa*  
COURT REPORTER

dearnley, meier & mc cormick

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# OIL CONSERVATION COMMISSION

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

December 8, 1972

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

Mr. A. J. Losee  
Losee & Carson  
Attorneys at Law  
Post Office Drawer 239  
Artesia, New Mexico 88210

Re: Case No. 4835  
Order No. R-4447  
Applicant:  
Texas Oil & Gas Corporation

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        All interested parties listed in Mr. Losee's  
letter of September 7, 1972

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. 4835  
Order No. R-4447

APPLICATION OF TEXAS OIL & GAS  
CORPORATION 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 November 29, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of December, 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, Texas Oil & Gas Corporation, 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, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in the S/2 of said Section 13 to be located 660 feet from the South line and 1980 feet from the East line of said Section 13.

(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 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.

-5-

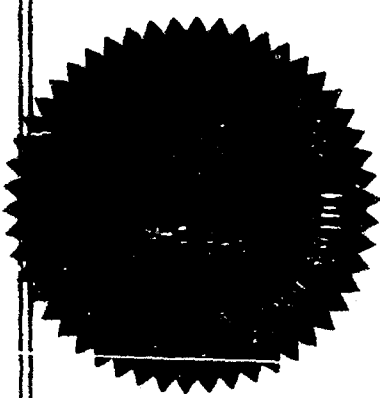
Case No. 4835  
Order No. R-4447

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. Armijo*  
ALEX J. ARMILLO, Member

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

S E A L

dr/

-4-

Case No. 4835  
Order No. R-4447

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, 35% 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 shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$130.00 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 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

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Case No. 4835

Order No. R-4447

Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled 660 feet from the South line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Texas Oil & Gas Corporation is 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 at least 30 days prior to commencing said 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 operator 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 has paid his share of estimated costs in advance as provided

-2-

Case No. 4835

Order No. R-4447

(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 35% 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 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 \$130.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 wells which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, 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, NBPB, South Carlsbad Field, Eddy County, New

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 29, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 4854: (Continued from the November 1, 1972 Examiner Hearing)

Application of Dugan Production Corporation to commingle gas production prior to metering, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas produced from wells located in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, undesignated Pictured Cliffs gas pool, San Juan County, New Mexico, prior to metering said gas, as an exception to Rule 403 of the Commission Rules and Regulations.

CASE 4860: (Continued from the November 14, 1972 Examiner Hearing)

Application of Craig Folsom for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well to test the Queen formation at an unorthodox oil well location 1340 feet from the South line and 1300 feet from the East line of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico.

CASE 4857: (Continued to November 29, 1972 Examiner Hearing)

Application of Perry R. Bass for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for his Big Eddy Well No. 7 located 660 feet from the South line and 1980 feet from the East line of Section 19, Township 20 South, Range 31 East, Maroon Cliffs-Morrow Gas Pool, Eddy County, New Mexico, with the E/2 of said Section 19 to be dedicated to the well.

CASE 4866: Application of Roger C. Hanks for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Devonian formation through perforations between 13,000 to 13,300 feet in his Graham Well No. 1 located in Unit F of Section 29, Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico.

CASE 4867: Application of Superior Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 7, Township 23 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a



(Case 4867 continued from page 1)

well to be drilled 810 feet from the South line and 1980 feet from the West line of said Section 7. 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 4868: Application of The Wiser Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Drinkard formation through its Downes "D" Well No. 1 located in Unit K of Section 32, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico.

CASE 4869: Application of Claude C. Kennedy for the amendment of Order No. R-4263 and for the revocation of Commission Order NSL-586, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4263 to require that all wells drilled within the Lone Pine Dakota "D" Unit be drilled on locations no closer than 330 feet from the boundary of the quarter-quarter section in which any such well is located, and to prohibit the transfer of allowable to any well located closer than 1320 feet from the outer boundary of the unit area. Applicant further requests the revocation of Commission Order No. NSL-586 dated November 1, 1972, which order authorized Tenneco Oil Company to drill its proposed Lone Pine Dakota "D" Unit No. 29 well at a location 2300 feet from the South line and 1450 feet from the West line of Section 8, Township 17 North, Range 8 West, Lone Pine-Dakota "D" Oil Pool, McKinley County, New Mexico.

CASE 4835: (Continued and readvertised)

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 660 feet from the South line and 1980 feet from the East line 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 4870: Application of Sun Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed U. D. Sawyer Well No. 10 at an unorthodox location 986 feet from the South line and 1000.5 feet from the East line of Section 27, Township 9 South, Range 36 East, Crossroads-Devonian Pool, Lea County, New Mexico.

CASE 4871: Application of Samedan Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Langlie-Mattix "B-4" Penrose (Queen) Unit Area, comprising 240 acres, more or less, of Federal lands in Sections 17 and 18, Township 23 South, Range 37 East, Lea County, New Mexico.

CASE 4872: Application of Samedan Oil Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Queen formation through two wells in its Langlie-Mattix "B-4" Unit Area, Langlie-Mattix Pool, Lea County, New Mexico.

CASE 4862: (Continued and readvertised)

Application of Adobe Oil Company for a non-standard gas proration unit and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 520-acre non-standard gas proration unit comprising the NE/4, SE/4, E/2 SW/4, N/2 NW/4, and SE/4 NW/4 of Section 11, Township 23 South, Range 24 East, Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 330 feet from the East line of said Section 11.

CASE 4863: (Continued and readvertised)

Application of C & K Petroleum Inc. for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the South and West lines, or in the alternative, 990 feet from the South line and 660 feet from the West line of Section 18, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a standard proration unit comprising the S/2 of said Section 18.

CASE 4873: Application of Mountain States Petroleum Corporation for gas prorationing, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the institution of gas prorationing in the West Atoka-Morrow Gas Pool, Eddy County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 1, 1972

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

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

CASE 4835: (Continued from the September 27, 1972, Examiner Hearing)

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 4849: Application of Harding Oil Company for pool creation, special rules therefor, and discovery allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Atoka formation for its Shipp Well No. 4 located in Unit I of Section 11, Township 17 South, Range 37 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing and proration units. Applicant further seeks the assignment of a discovery allowable of approximately 58,310 barrels of oil to said well.

CASE 4850: Application of Dalport Oil Corporation for amendment of pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 (a) and Rule 7 of the special rules governing the Double L-Queen Associated Pool, Chaves County, New Mexico, to increase the size of a standard gas well proration unit from 160 acres to 320 acres and a corresponding increase in the gas allowable.

CASE 4843: (Continued from the October 17, 1972, Examiner Hearing)

Application of Dalport Oil Corporation for designation of a special gas area and special rules therefor, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Southeast Chaves Queen Gas Area comprising all of Townships 12 and 13 South, Ranges 30 and 31 East, Township 14 South, Ranges 29, 30 and 31 East, and Township 15 South, Ranges 29 and 30 East.

Applicant further seeks the promulgation of special rules for said area including a provision for 320-acre spacing for gas

wells, location of gas wells in conformance with the Southeast New Mexico 320-acre gas well location rules, and classification of wells as gas wells at a gas-liquid ratio of 30,000 or more. Oil wells in said area would be governed by the statewide rules.

CASE 4851: Application of Texaco Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a unit area comprising 1400 acres, more or less, of state lands in Sections 1, 2, 11, and 12, Township 18 South, Range 34 East, Lea County, New Mexico.

CASE 4852: Application of Texaco Inc. for a pressure maintenance project and special rules therefor, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to institute a pressure maintenance project in the Vacuum Grayburg-San Andres Pool by the injection of water through 8 wells at orthodox and unorthodox locations in Sections 1 and 2, Township 18 South, Range 34 East, Lea County, New Mexico. Applicant further seeks authority to drill 8 producing wells within the boundaries of said project at unorthodox locations and the assignment of a bonus allowable to said project.

CASE 4853: Application of El Paso Natural Gas Company for amendment of gas well testing procedures, San Juan Basin, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the gas well testing procedures for the San Juan Basin, New Mexico, promulgated by Order No. R-333-F, as amended, to remove the requirement for annual deliverability and shut-in pressure tests for marginal wells.

CASE 4854: Application of Dugan Production Corporation to commingle gas production prior to metering, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas produced from wells located in Sections 25, 26, 35, and 36, Township 28 North, Range 15 West, undesignated Pictured Cliffs gas pool, San Juan County, New Mexico, prior to metering said gas, as an exception to Rule 403 of the Commission Rules and Regulations.

(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.

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. Utz, 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 660 feet from the South line and from 1160

App. of Texas Oil & Gas Corp  
for Compulsory Pooling,  
Eddy County -

from surface through  
fractured formation

S/2 of Sec. 13 - Township  
22 South, Range 26 East.

Location of well -

1980 FSL 1980 FEL

Phoned in by Jerry Loebe

On 8-31-72

Taken by George M. Hatch

| Ownership                          | Interest | A. F. E. |          | JOINT OPERATING AGMT |          |
|------------------------------------|----------|----------|----------|----------------------|----------|
|                                    |          | Mailed   | Approved | Mailed               | Approved |
| TXO                                | .2968750 |          |          |                      |          |
| Nielson Enterprises                | .2968750 | 10-25-72 | 10-31-72 | 10-25-72             |          |
| Cities Service Oil Co.             | .2265625 | 10-25-72 |          | 10-25-72             |          |
| E.L. Latham & Roy Barton           | .0363800 | 10-25-72 |          | 10-25-72             |          |
| Robert Pickens                     | .0448600 | 10-25-72 |          | 10-25-72             |          |
| Santiago Granger                   | .0039400 | 10-25-72 |          | 10-25-72             |          |
| Lonnie Kemper                      | .0045200 | 11-21-72 |          | 11-21-72             |          |
| Charles Gildon & Earle<br>Gaertner | .0587375 | 10-30-72 |          | 10-30-72             |          |
| M. P. Grace                        | .0312500 | 10-30-72 |          | 10-30-72             |          |
| Operator                           |          |          |          |                      |          |

5

CITY OF CARLSBAD - Section 13-22S-26E  
Eddy County, New Mexico

OFFICE OF THE COUNTY CLERK  
CITY OF CARLSBAD, NEW MEXICO  
RECORDED  
INDEXED  
CASE NO. 4835  
Texas 086  
11-29-72



EXPLORATORY AND DEVELOPMENT WELLS  
SOUTH CARLSBAD FIELD - MORROW GAS  
CUMULATIVE PRODUCTION TO 10-1-72

| COMPANY         | NO.                            | LOCATION | GAS MCF                        | STATUS *   |
|-----------------|--------------------------------|----------|--------------------------------|------------|
| Grace           | #2 GoPoGo                      | 24-22-26 | No Production to Date          | Probably   |
| Grace           | #1 GoPoGo                      | 25-22-26 | No Production to Date          | Profitable |
| Grace           | #1 City of Carlsbad            | 25-22-26 | 2,009,411                      | No Data    |
| Grace           | #1 Grace-Carlsbad              | 36-22-26 | No Production to Date          | Profitable |
| Cities Service  | #1-A Merland Com.              | 19-22-27 | 657,309                        | No Data    |
| Cities Service  | #1-B Merland Com.              | 30-22-27 | 1,018,490                      | Marginal   |
| Cities Service  | #1-A Spencer                   | 30-22-27 | 1,451,075                      | Profitable |
| Union           | #1 Lee                         | 29-22-27 | Waiting on Completion          | Profitable |
| Antweil         | #1 Little Jewel                | 31-22-27 | 883,683                        | Marginal   |
| Antweil         | #1 Allen                       | 31-22-27 | 509,039                        | Profitable |
| Cities Service  | #1-A Strackbein                | 32-22-27 | 807,854                        | Dry        |
| Antweil         | #1 Randall                     | 21-22-27 | Dry                            | Profitable |
| Grace           | #1 Gradonoco                   | 2-23-26  | 961,979                        | Marginal   |
| Grace           | #1 Humble-Grace                | 2-23-26  | 727,219                        | Marginal   |
| Pennzoil        | #1 Gulf Federal Com.           | 1-23-26  | 940,748                        | Profitable |
| Pennzoil        | #1 Echols Com.                 | 12-23-26 | 1,295,613                      | Profitable |
| Pennzoil        | #1 Mobil 12 Federal            | 12-23-26 | 2,208,358                      | Marginal   |
| Pennzoil        | #2 Gulf Federal Com.           | 6-23-27  | 146,917                        | Marginal   |
| Texas Oil & Gas | #1 Pan Am State Com.           | 11-23-26 | 26,824                         | Marginal   |
| Grace           | #1 Panagra Com.                | 11-23-26 | 20,470                         | Marginal   |
| Antweil         | #1 Missouri N.M. Land Co. Com. | 6-23-27  | 54,836 (No Production in 1972) | Marginal   |
| Pennzoil        | #1 Collatt Est. Com.           | 1-23-26  | Shutin (Completed in 1972)     | Marginal   |

SUMMARY OF DEVELOPMENT

|                                      |      |       |        |
|--------------------------------------|------|-------|--------|
| Percentage of Wells - Profitable     | (9)  | - - - | 40.9%  |
| Percentage of Wells - Marginal       | (9)  | - - - | 40.9%  |
| Percentage of Wells - Dry            | (2)  | - - - | 9.1%   |
| Percentage of Wells - Unknown Status | (2)  | - - - | 9.1%   |
| Totals                               | (22) |       | 100.0% |

Percentage of Profitable Wells = 40.9%

\*STATUS: Profitable - Well that has or probably will payout.  
Marginal - Well that is completed as a producer, but will probably not payout.  
Dry - Completed as a dry hole.

CASE NO. 4835  
Exhibit No. \_\_\_\_\_

BEFORE EXAMINER  
CONSERVATION COMMISSION  
EXHIBIT NO. 4835  
JAN 3 1973  
11-29-72

Superior

DEVELOPMENT - INTEREST - PAY OUT - COSTS  
PROPOSED WELL SOUTH CARLSBAD MORROW  
Sec. 13, T-22S, R-26E, EDDY COUNTY, NEW MEXICO

Estimated Drilling and Completion Cost - - - - - \$267,000

Pay Out Schedule

a. Est. Production Rate

Gas - 3 MMCFPD

b. Working Interest Income

Gas @ 35¢ per MCF (32.6¢/MCF after tax)  
Net Revenue Interest Basis - 82.5%

Gross Working Interest - \$24,205/month

Operating Expense - \$450/month

Net Working Interest Income \$23,755/month

c. Pay Out Period  $\$267,000 \div \$23,755 = \underline{11.2 \text{ months}}$

Cost + Interest on Money - \$278,500 (11.7 months)

125% Non-Consent on Cost - \$333,750

Relationship of Non-Consent 125% to Cost + Interest=119.8%

150% Non-Consent on Cost - \$400,500

Relationship of Non-Consent 150% to Cost + Interest=143.8%

d. 125% Non-Consent grants Operator a net 119.8% over 14 months.

150% Non-Consent grants Operator 143.8% over 17 months.

CASE NO. 4835  
Exhibit No. 7

EXHIBIT  
FILED  
NOV 29 1977  
EDDY COUNTY, NEW MEXICO

4835  
Texas O&G  
11-29

AUTHORITY FOR EXPENDITURE

DRILLING WELL

District West Texas Date October 19, 1972  
Lease Name City of Carlsbad Well No. 1 Depth 11,900'  
Field Carlsbad, South County Eddy State New Mexico  
Requested By: Jim Colter Approved By: Jim

| NATURE OF EXPENDITURE                 | QUANTITY | PRICE | ESTIMATED COST |                |
|---------------------------------------|----------|-------|----------------|----------------|
|                                       |          |       | CASH           | MAT'L. ON HAND |
| <b>DRILLING</b>                       |          |       |                |                |
| 243 Location, Roads, Dirt Work        |          |       | 2 000          |                |
| DRILLING CONTRACT - 231 Footage       | 11,900   | 8.75  | 104 125        |                |
| 265 Daywork WDP                       | 3        | 1350  | 4 050          |                |
| 266 Daywork WDP                       | 2        | 1200  | 2 400          |                |
| 267 Turnkey                           |          |       |                |                |
| 102 Casing 350' 13 3/8", 5500' 9 5/8" |          |       | 29 000         |                |
| 104 Casinghead                        |          |       | 5 000          |                |
| 233 Cementing Service & Supplies      |          |       | 7 000          |                |
| 242 Rentals                           |          |       | 1 000          |                |
| 230 Mud & Chemicals                   |          |       | 20 000         |                |
| 234 Testing & Logging                 |          |       | 10 000         |                |
| 204 Supervision                       |          |       | 500            |                |
| 290 Other                             |          |       | 2 000          |                |
| <b>TOTAL DRILLING</b>                 |          |       | 187 075        |                |
| <b>COMPLETION</b>                     |          |       |                |                |
| 241 Rig (Incl. Day Work)              | 7        | 500   | 3 500          |                |
| 102 Casing 5 1/2"                     | 11,900   |       | 38 730         |                |
| 233 Cementing Service & Supplies      |          |       | 4 000          |                |
| 242 Rentals                           |          |       |                |                |
| 103 Tubing 2 7/8"                     | 11,800   |       | 46 700         |                |
| 108 Sub-Surface Equipment             |          |       | 1 500          |                |
| 234 Testing, Logging & Perforating    |          |       | 4 000          |                |
| 236 Stimulation                       |          |       |                |                |
| 104 Wellhead                          |          |       | 5 000          |                |
| 204 Supervision                       |          |       | 500            |                |
| 290 Other                             |          |       | 1 000          |                |
| <b>TOTAL COMPLETION</b>               |          |       | 74 930         |                |
| <b>PRODUCTION EQUIPMENT</b>           |          |       |                |                |
| 105 Pumping Unit                      |          |       |                |                |
| 106 Engine & Motors                   |          |       |                |                |
| 107 Rods                              |          |       |                |                |
| 110 Flow Lines                        |          |       | 500            |                |
| 111 Installation                      |          |       | 500            |                |
| 115 Storage                           |          |       |                |                |
| 117 Separators, Heaters, Treaters     |          |       | 4 000          |                |
| 120 Other Equipment                   |          |       |                |                |
| <b>TOTAL PRODUCTION EQUIPMENT</b>     |          |       | 5 000          |                |
| <b>TOTALS</b>                         |          |       | 267 000        |                |

OWNER NAME

WORKING  
INTEREST

DATE  
APPROVED

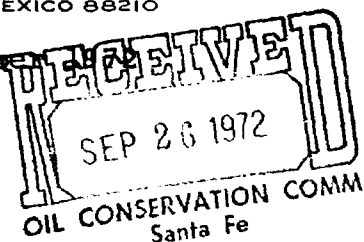
APPROVED:

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
**LOSEE & CARSON**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

25 September 1972



Mr. George Hatch, Attorney  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 4835, Application of Texas Oil & Gas Corp.  
for Compulsory Pooling, S/2 Section 13, Township  
22 South, Range 26 East, Eddy County, New Mexico  
Our File 20-009-004

Dear George:

In accordance with my telephone request of this date, I understand the captioned compulsory pooling application has been continued until the November 1, 1972, examiner hearing.

Very truly yours,

LOSEE & CARSON

A. J. Losee

AJL:jw

cc: Mr. John Morgan  
Mr. W. B. Macey

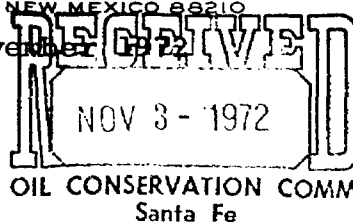
10/18/72

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
**LOSEE & CARSON**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

1 November 1972



*Case 4835*

Mr. Daniel S. Nutter  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Re: Application of Texas Oil & Gas Corp. for  
Compulsory Pooling, Case No. 4835

Dear Mr. Nutter:

This will confirm our telephone conversation of October 31, in which you agreed to continue the captioned case until November 29, 1972, in order that an amended notice of the hearing may be published which shows the correct location of the well.

You will please consider this letter as an amendment to the application of Texas Oil & Gas Corp., changing the proposed location of the well from 1,980 feet from the South and East lines of Section 13 to 1,980 feet from the East line and 660 feet from the South line of said Section 13.

If anything further is required, please let me know.

Very truly yours,

LOSEE & CARSON

*A. J. Losee*  
A. J. Losee

AJL:jw

cc: Mr. W. B. Macey, President  
Mr. John Morgan

NOV 15 1972

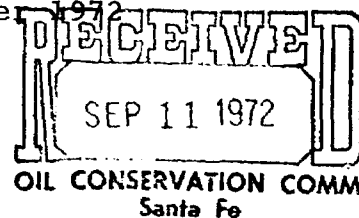
NOV 15 1972

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
**LOSEE & CARSON**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

7 September 1972



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

Re: Application of Texas Oil & Gas Corp. for  
Compulsory Pooling

Dear Ida:

The names and addresses of the parties to be pooled in the  
captioned application are as follows:

|  |   |
|--|---|
| ✓ Mr. Marvin Bailey ✓<br>918 Standpipe Road<br>Carlsbad, New Mexico 88220        | ✓ Arthur and Kathryn Cook ✓<br>1663 Sequoia Street<br>Napa, California 94558        |
| ✓ Barbara and Lewis Carter ✓<br>932 Standpipe Road<br>Carlsbad, New Mexico 88220 | Mr. Lee J. Davis ✓✓<br>936 Standpipe Road<br>Carlsbad, New Mexico 88220             |
| ✓ Mrs. Ray Robinson ✓<br>P. O. Box 723<br>Carlsbad, New Mexico 88220             | ✓ Mr. Claude Cunningham ✓<br>928 Standpipe Road<br>Carlsbad, New Mexico 88220       |
| ✓ Valley Agency, Inc. ✓<br>P. O. Drawer 40<br>Carlsbad, New Mexico 88220         | ✓ State of New Mexico<br>Commissioner of Public Lands<br>Santa Fe, New Mexico 87501 |

If there is any further information you need in this matter,  
please do not hesitate to let me know.

Very truly yours,

LOSEE & CARSON

*Jerry*  
A. J. Losee

DOCKET MAILED

*for Dec 19th*  
Ajl:jw

cc: Mr. John Morgan, Texas Oil & Gas Corp.  
Mr. W. B. Macey, Nielson Enterprises, Inc.

DOCKET MAILED

*10-18-72*  
*for sub. et hearing*

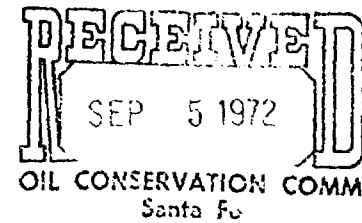
*for sub. et hearing*

A. J. LOSEE  
JOEL M. CARSON

LAW OFFICES  
**LOSEE & CARSON**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

31 August 1972



Mr. George Hatch, Attorney  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

*Case 4835*

Dear George:

This will confirm my telephone conversation of this date with you filing the Compulsory Pooling Application of Texas Oil & Gas Corp. on the S/2 Section 13, Township 22 South, Range 26 East, N.M.P.M.

In support of this telephone conversation, I enclose three copies of proposed application.

Very truly yours,

LOSEE & CARSON

*A. J. Losee*  
A. J. Losee

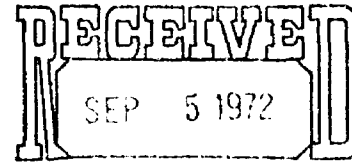
AJL:jw  
Enclosures

cc: Mr. John Morgan,  
Texas Oil & Gas Corp. w/enclosure

Mr. W. B. Macey,  
Nielson Enterprises, Inc. w/enclosure

DOCKET # 1000

Date 9-15-72



BEFORE THE OIL CONSERVATION COMMISSION  
Santa Fe

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
TEXAS OIL & GAS CORP. FOR COMPULSORY )  
POOLING, EDDY COUNTY, NEW MEXICO )

Case No. 4835

APPLICATION

COMES TEXAS OIL & GAS CORP., by its attorneys, and  
in support hereof, respectfully states:

1. That applicant is the owner of the entire working  
interest from the surface through the Pennsylvanian formation  
underlying the SE/4 and SE/4 SW/4 Section 13, Township 22 South,  
Range 26 East, N.M.P.M.

2. Applicant proposes to drill its No. 1 Well to  
test the Morrow sand of the Pennsylvanian formation at a loca-  
tion 1,980 feet from the South line and 1,980 feet from the  
East line of said Section 13, and to dedicate the entire S/2  
of said Section 13 as the gas drilling and spacing unit for  
said well.

3. The mineral, royalty and working interest owners  
of the separately owned tract or tracts within the proposed  
gas drilling and spacing unit have not agreed to pool their  
interests with applicant.

4. That all mineral, royalty and working interests,  
whatever they may be, from the surface through the Pennsylvanian  
formation underlying the above described gas drilling and  
spacing unit dedicated to the No. 1 Well should be pooled to  
avoid the drilling of unnecessary wells, to protect correlative  
rights and to afford the owner of each such interest the



opportunity to recover or receive their just and fair share of the gas in said formations underlying said drilling and spacing unit.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing, the Commission enter its order pooling all mineral, royalty and working interests, whatever they may be, from the surface through the Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M., to form a standard gas spacing and drilling unit to be dedicated to the No. 1 Well at a location 1,980 feet from the South line and 1,980 feet from the East line of said Section 13.

C. And for such other relief as may be just in the premises.

TEXAS OIL & GAS CORP.

By: 

A. J. Losee, for

Losee & Carson  
P. O. Drawer 239  
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

*dw*  
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

dr/

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

CASE NO. 4835

Order No. R-4447

APPLICATION OF TEXAS OIL & GAS CORPORATION  
FOR COMPULSORY POOLING, EDDY COUNTY, NEW  
MEXICO.

*gmk*  
*JSW*  
ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 29, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of December, 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, Texas Oil & Gas Corporation, 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, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in the S/2 of said Section 13 to be located 660 feet from the South line and 1980 feet from the East line of said Section 13.

(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 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 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 25% 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 actual well costs should be adopted as the reasonable well costs in the absence of such objection.

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Case No. 4835  
Order No. R-

(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 1130.<sup>00</sup> per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject wells which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, 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, NMPM, South Carlsbad Field, 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 660 feet from the South line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March of November, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Permian formation;

PROVIDED FURTHER, that in the event said operator <sup>does</sup> not commence the drilling of said well on or before the 15th day of March of November, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

(2) That Texas Oil & Gas Corporation is 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 at least 30 days prior to commencing said 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 operator 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 <sup>45</sup>~~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 <sup>45</sup>~~125~~-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, 35% 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 shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$130<sup>00</sup> 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 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.

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Case No. 4835  
Order No. R-

(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.

RECEIVED Application of MICHAEL  
P. H. II & COMPANY, INC.  
CORPORATE FORMS, NEW YORK.