

CASE No.

4846

Application,

Transcripts,

Small Exhibits

ETC.

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

October 17, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Universal Resources
Corporation for compulsory pooling,
San Juan County, New Mexico.

Case No. 4846

BEFORE: Richard L. Stamets,
Examiner.

TRANSCRIPT OF HEARING

dearnley, meier & mc cornick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-0691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87103

MR. STAMETS: Case 4846.

MR. HATCH: Case 4846: Application of Universal Resources Corporation for compulsory pooling, San Juan County, New Mexico.

MR. KELLAHIN: Tom Kellahin, of Kellahin and Fox, Santa Fe, appearing on behalf of the Applicant, Universal Resources Corporation. I have one witness I would like to have sworn.

* * * *

CURTIS J. LITTLE,

was called as a witness, and after being duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Little, would you please state your name and occupation?

A My name is Curtis J. Little, and I am Division Manager for Universal Resources in their Rocky Mountain Division. I am a graduate geologist--

Q Have you previously testified before this Commission or one of its hearing examiners and had your qualifications as a geologist accepted and made a matter of record?

A Yes.

Q Have you examined and are you familiar with the facts

1 in this application?

2 A Yes, sir.

3 MR. KELLAHIN: Mr. Examiner, are the witness's
4 qualifications as an expert acceptable?

5 MR. STAMETS: They are.

6 Q (By Mr. Kellahin) Mr. Little, will you please state
7 briefly what is sought by this application?

8 A We are seeking on behalf of Universal Resources to drill
9 an orthodox location in the Blanco Mesaverde Pool on
10 acreage which Universal was the high bidder on in the
11 State Sale in March of this year.

12 Q What is that acreage, Mr. Little?

13 A State Lease LGW-038, located in the North half of Section
14 16, Township 32 North, Range 12 West, San Juan County,
15 New Mexico.

16 MR. STAMETS: Is that the same acreage shown on
17 Exhibit Number Two?

18 THE WITNESS: Yes.

19 Q (By Mr. Kellahin) Please refer to what has been marked
20 as Applicant's Exhibit One, your structure map, and
21 will you locate your proposed location and your unit
22 area?

23 A The unit area is in the North half of Section 16, and
24 the well will be located 1,850 feet from the north line
25 and 1,730 feet from the east line.

1 Q Will you identify the wells, the other wells in the
2 area, Mr. Little?

3 A To the northeast is the Aztec Oil and Gas Decker Number
4 Four; to the southeast, diagonally, is the Aztec Number
5 Four Hubbard, which was drilled in 1969. To the south
6 is the Aztec Number Fifteen Culpepper, drilled in 1966;
7 to the southwest is the Pan-American, now Amoco
8 Production Number One Federal, drilled in 1957; to the
9 west is the El Paso Number Two, which was drilled and
10 completed in 1958.

11 Q Will you please refer to what has been marked as
12 Applicant's Exhibit Two and identify what information it
13 contains?

14 A It contains the lease records, the owners of all of
15 the North half of Section 16. These are Universal
16 Resources Corporation, El Paso Natural Gas Company, and
17 P. T., L. K., and H. C. Griffin of Escondido, California.

18 Q At this point, Mr. Little, what acreage is not committed
19 to the unit?

20 A The Griffin 40-acre tract being in the Northwest quarter
21 of the Northeast quarter.

22 Q Would you please describe for the benefit of the Examiner
23 what efforts Universal has taken to obtain the Griffins
24 voluntary participation in this unit?

25 A Upon being awarded the State Lease as a result of

1 sealed bids, we immediately contacted the Griffins on
2 March 24th. We received correspondence from the
3 Griffins stating that they had \$18,000.00, that that
4 was their cost in it, and we were invited to make an
5 offer. We offered forty dollars an acre and three percent
6 of eight eighths overriding royalty on April 7th. On
7 April 17th, they declined our offer and then by telegram,
8 which is Exhibit Four, we again offered them fifty
9 dollars an acre and three percent of eight eighths
10 overriding royalty.

11 Q What response did you have to the telegram?

12 A None.

13 Q Let me refer you to what has been marked as Applicant's
14 Exhibit Three, and will you explain what that is?

15 A This is an AFE for the well that we are going to drill
16 in the South half where one of our partners is Ameco
17 Production Company.

18 Q This is the South half of Section 16?

19 A Right.

20 Q What relevance is this to your proposed well location
21 in the North half of Section 16?

22 A The same depth, the same formation, and approximately
23 the same estimated cost.

24 Q In the event the Griffins do not voluntarily join the
25 unit, have you at this point determined any anticipated

1 cost of supervision for the proposed well?

2 A The drilling rate for the depth of the proposed well
3 would be \$750.00 per month, reduced to the actual number
4 of days drilling, which would probably be less than a
5 week, so it would be rated downward to that. The
6 producing well rate would be \$125.00 per month.

7 Q And if the application is approved, it is your intention,
8 or it is your request, to have a provision in the order
9 for the allocation of actual operating costs out of the
10 production, is that correct?

11 A Yes.

12 Q Do you have any recommendations for the Examiner with
13 regard to the risk factor involved in the drilling of
14 this particular well?

15 A There is production on three sides of the proposed test
16 location; there is no control to the north. I might
17 point out on the structure map that a steep dip crosses
18 the drilling unit in the southwest, and in my opinion,
19 there is little doubt that the well would be productive,
20 the only risk factor is will it be commercial. We are
21 asking for a thirty-five percent recovery factor.

22 Q Is Universal Corporation to be designated as operator
23 in the area?

24 A Yes.

25 Q And it is your intention to have the North half of

1 Section 16 dedicated to this unit?

2 A Yes.

3 Q In your opinion, Mr. Little, will approval of this
4 application prevent waste and not impair the correlative
5 rights of others?

6 A Yes.

7 Q Were Exhibits One through Four prepared by you or
8 prepared under your direct supervision?

9 A Yes.

10 MR. KELLAHIN: We move for the introduction of
11 Applicant's Exhibits One through Four.

12 MR. STAMETS: Without objection, Exhibits One
13 through Four will be admitted into evidence.

14 (Whereupon Applicant's Exhibits One through Four
15 were admitted in evidence.)

16 MR. STAMETS: Does that conclude your direct
17 testimony?

18 MR. KELLAHIN: Yes.

19 * * * *

20 CROSS EXAMINATION

21 BY MR. STAMETS:

22 Q Mr. Little, if I understand your testimony correctly,
23 all parties have agreed to communitize the acreage for
24 the drilling of the well, with the exception of the
25 Griffin property in the Northwest quarter of the

1 Northeast quarter of Section 16?

2 A That's right.

3 Q Do they have complete working and royalty interests?

4 A Yes. You might note that the lease was originally
5 awarded to their father in 1944, it's an old HBP lease.

6 Q Is this a federal lease in there or a state lease?

7 A A state lease.

8 Q So the state has a royalty interest?

9 A Yes, sir.

10 Q Do you anticipate any monies will be paid into an escrow
11 account in this case?

12 A It's quite possible, yes.

13 Q So an escrow account would have to be set up?

14 A Yes, sir.

15 Q I believe you indicated that the offset wells to the
16 northeast, southwest, south, and west are producers,
17 is that correct?

18 A All of them.

19 Q Are these commercial wells?

20 A I have prepared accumulative production of all of these
21 wells from the New Mexico Oil and Gas Engineering
22 Committee Reports and also production information in
23 1971. I have this information available if you would
24 care to examine it.

25 Q Is that on an exhibit?

1 MR. KELLAHIN: We have not introduced it as an
2 exhibit, but we can certainly do so.

3 MR. STAMETS: Let me take a look at it.

4 MR. KELLAHIN: Here is accumulative production,
5 and here is production for 1971 (indicating).

6 (Whereupon an off the record discussion was held.)

7 (Hearing continues.)

8 MR. STAMETS: Yes, I would like to have these in
9 evidence.

10 MR. KELLAHIN: We will mark those as Applicant's
11 Exhibits Five and Six if you would like.

12 MR. STAMETS: Okay, which one will be Five now?

13 MR. KELLAHIN: The production information for 1971
14 will be Exhibit Number Five, and the accumulative production
15 will be Exhibit Number Six.

16 Q (By Mr. Stamets) Mr. Little, referring now to what has
17 been marked as Exhibit Number Five, which is the
18 production information for 1971, the figure above the
19 line then represents one million cubic feet of gas for
20 the year, is that right?

21 A Yes.

22 Q And the figure below the line is the condensate produced
23 for the year?

24 A Yes, sir.

25 Q And Exhibit Number Six is the same set of figures, but

1 accumulative as of December 31st, 1971, is that right?

2 A Yes, sir.

3 Q And in your opinion, are the wells offsetting the
4 proposed location commercial wells?

5 A All except the one across the steep dip, which is
6 structurally the highest well drilled. It was drilled
7 by El Paso and is located in the Northeast quarter of
8 Section 17.

9 MR. STAMETS: Are there any other questions of
10 this witness?

11 (No response)

12 MR. STAMETS: If not, he may be excused.

13 (Witness excused.)

14 MR. STAMETS: Would you like to offer Exhibits Five
15 and Six?

16 MR. KELLAHIN: Yes, Mr. Examiner, I hereby offer
17 Exhibits Five and Six into evidence.

18 MR. STAMETS: Without objection, they will be
19 admitted.

20 (Whereupon Applicant's Exhibits Five and Six were
21 admitted in evidence.)

22 MR. STAMETS: Do you have any further testimony?

23 MR. KELLAHIN: No, Mr. Examiner.

24 MR. STAMETS: Are there any statements in this
25 case?

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(No response)

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MR. STAMETS: The case will be taken under

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advisement.

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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF BERNALILLO)

4 I, RICHARD E. McCORMICK, a Certified Shorthand
5 Reporter, in and for the County of Bernalillo, State of New
6 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 *Richard E. McCormick*
13 CERTIFIED SHORTHAND REPORTER
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I N D E XWITNESSPAGE

CURTIS J. LITTLE

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Stamets

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E X H I B I T SAPPLICANT'SADMITTEDOFFERED

Exhibit #1 Structure map

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Exhibit #2 Lease records

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Exhibit #3 AFE

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Exhibit #4 Telegram

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Exhibit #5 Production information

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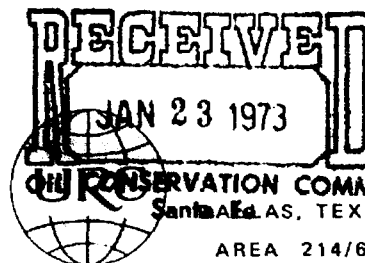
Exhibit #6 Accumulative production

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UNIVERSAL RESOURCES CORPORATION

11411 NORTH CENTRAL EXPRESSWAY



January 18, 1973

First National Bank of Farmington
Box 540
Farmington, New Mexico 87401

Attention: Mr. Stan Braun, Executive Vice President

Re: Case No. 4846
Order No. R-4427,
OCC, State of New Mexico

Gentlemen:

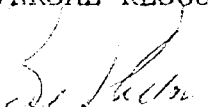
In accordance with our telephone conversation, Universal Resources Corporation forced pooled the interest of the Oliver Griffin Estate, P. T. Griffin, L. K. Griffin and H. C. Griffin, 4 Rancho Drive, Escondido, California. The Order No. 4427, Section 12 states that all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in San Juan 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."

The date of the order is October 27, 1972, and we hereby wish to designate your bank as the escrow agent and request that you provide us the necessary forms and instructions in this regard.

With thanks for your prompt attention to this, I am

Yours truly,

UNIVERSAL RESOURCES CORPORATION


William J. Phelan
Vice-President

WJP/sm

cc: State of New Mexico
Oil Conversation Commission
Box 288
Santa Fe, New Mexico



OIL CONSERVATION COMMISSION

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

October 30, 1972

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

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

Re: Case No. 4846
Order No. R-4427
Applicant:
Universal Resources

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

Aztec OCC X

Other

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4846
Order No. R-4427

APPLICATION OF UNIVERSAL RESOURCES
CORPORATION FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 17, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of October, 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, Universal Resources Corporation, seeks an order pooling all mineral interests in the Mesaverde formation underlying the N/2 of Section 16, Township 32 North, Range 12 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico, to form a standard spacing unit to be dedicated to a well to be drilled at a standard location in the SW/4 NE/4 of said Section 16.

(3) That the applicant has the right and proposes to drill a well located at a standard location in the SW/4 NE/4 of said Section 16 to the Mesaverde formation.

(4) That there are interest owners in the proposed pro-ration 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.

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Case No. 4846
Order No. R-4427

(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 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); 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, in the Mesaverde formation underlying the N/2 of Section 16, Township 32 North, Range 12 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be located at a standard location in the SW/4 NE/4 of said Section 16.

(2) That Universal Resources Corporation is hereby designated the operator of the subject well and unit.

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Case No. 4846

Order No. R-4427

(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 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the 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 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 operators 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.

-4-

Case No. 4846
Order No. R-4427

(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 such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

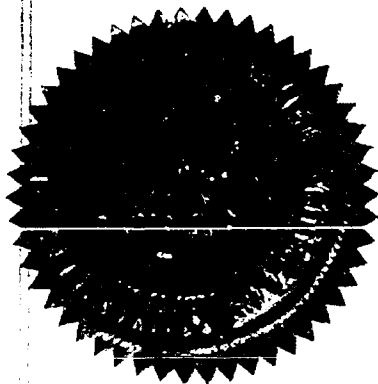
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(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 San Juan 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.



S E A L

dr/

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

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 17, 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:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for November, 1972, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for November, 1972.

CASE 4747: (Continued from the September 13, 1972, Examiner Hearing)

Application of Union Texas Petroleum, A Division of Allied Chemical Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below the base of the Devonian formation underlying the N/2 of Section 33, Township 25 South, Range 37 East, Crosby Field, Lea County, New Mexico. Said acreage to be dedicated to its well to be located 1650 feet from the North line and 2310 feet from the East line of said Section 33. 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 4842: Application of Dalport Oil Corporation for amendment of pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the special rules governing the Double L-Queen Associated Pool, Chaves County, New Mexico, to change the size of a standard gas well proration unit from 160 acres to 320 acres with the provision that said 320-acre units not be permitted to produce more gas than is presently permitted under 160-acre spacing.

CASE 4843: 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

Case 4843 continued from Page 1

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 4844: Application of Western Oil Producers, Inc. for a non-standard gas spacing unit and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard spacing unit in the Osudo-Morrow Gas Pool comprising the W/2 SE/4 of Section 6, and the NE/4 of Section 7, Township 21 South, Range 35 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 330 feet from the South line and 1980 feet from the East line of said Section 6.

CASE 4845: Application of Western Oil Producers, Inc. for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Osudo-Morrow Gas Pool underlying Lots 11, 12, 13 and 14 and the SW/4 of Section 5, Township 21 South, Range 35 East, Lea County, New Mexico, to form a non-standard spacing unit to be dedicated to a well to be drilled 3300 feet from the South line and 660 feet from the West line of said Section 5.

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 4846: Application of Universal Resources Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the N/2 of Section 16, Township 32 North, Range 12 West, Blanco Mesaverde Pool, San Juan County, New Mexico, to be dedicated to a well to be located at a standard location. 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 the supervision of said well.

CASE 4847: Application of Cities Service Oil 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 Morrow formation underlying the S/2 of Section 28, Township 21 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, said acreage to be dedicated to applicant's Cawley "A" Well No. 1 to be drilled to the Morrow formation at a location 1980 feet from the South and West lines of said Section 28.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of

Case 4847 continued from Page 2

actual operating costs, and the establishment of charges for supervision of said well.

CASE 4720: (Reopened)

In the matter of the application of Rotary Oil & Gas Company for an unorthodox location and non-standard proration unit, Lea County, New Mexico, being reopened on the motion of Rotary Oil & Gas Company. Applicant, in the above-styled cause, seeks amendment of Order No. R-4318 which order established a non-standard proration unit in the Osudo-Devonian Gas Pool comprising the NE/4 of Section 32 and the NW/4 of Section 33, Township 20 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1980 feet from the East line of said Section 32. Applicant seeks removal of the ratable take and acreage factor assigned to the subject well by said Order No. R-4318.

CASE 4848: Southeastern New Mexico nomenclature case calling for an order for the creation, contraction and extension of certain pools in Lea County, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as a gas pool for San Andres production and designated as the Hare-San Andres Gas Pool. The discovery well is Shell Oil Company, Turner No. 16 located in Unit M of Section 22, Township 21 South, Range 37 East, NMPM. Said pool described as:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 22: SW/4

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Hightower-Wolfcamp Pool. The discovery well is Blackrock Oil Company, State CY No. 1 located in Unit M of Section 30, Township 12 South, Range 34 East, NMPM. Said pool described as:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 30: SW/4

(c) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Sombbrero-Atoka Gas Pool. The discovery well is Thunderbird Oil Corporation, Bell "15" State No. 1 located in Unit L of Section 15, Township 16 South, Range 33 East, NMPM. Said pool described as:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 15: W/2

Case 4848 continued from page 3

(d) Contract the Arrowhead-Grayburg Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 19: All
Section 20: W/2

(e) Contract the Eumont Gas Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 20: W/2 NW/4 and NW/4 SW/4

(f) Extend the vertical limits of the Langlie Mattix Pool in Lea County, New Mexico, to include the Grayburg formation. Also, extend said Langlie Mattix Pool to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 20: W/2 NW/4 and NW/4 SW/4

(g) Contract the Bagley-Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: NW/4

(h) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: NW/4

(i) Extend the Blinebry Oil Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 25: SW/4

(j) Extend the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 8: E/2

(k) Extend the Fowler-Upper Paddock Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 15: NW/4
Section 22: S/2 and NW/4

- (1) Extend the North Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 19: NE/4

- (m) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 27: S/2

- (n) Extend the North Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 8: N/2 NW/4

- (o) Extend the Townsend-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 16: W/2

- (p) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 1: SE/4

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 29: NW/4

- (q) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM
Section 7: NW/4

UNIVERSAL RESOURCES CORPORATION
11411 NORTH CENTRAL EXPRESSWAY



DALLAS, TEXAS 75231
AREA 214/691-0040

November 10, 1972

Estate of Oliver Griffin
c/o P. T. Griffin
L. K. Griffin
H. C. Griffin
4 Rancho Drive
Escondido, California 92026

Re: State Com. 2-16
Blanco Mesaverde Field
R-4427

Gentlemen:

Enclosed for your information is a copy of the State of New Mexico Oil Conservation Commission Case No. 4846, Order No. R-4427 dated October 27, 1972.

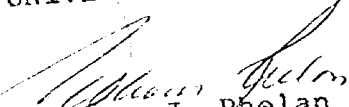
This letter and enclosures are being written pursuant to state directive pp. 3, paragraph 3. Your attention is called to paragraph 4 wherein you have 30 days to pay your share of the estimated well costs of \$74,623. Your share (1/8) amounts to \$9,327.88.

We hereby enclose for your signature and return, the following:

- (1) Communitization Agreement
- (2) Authorization for Expenditure Estimating Well Cost
- (3) Joint Operating Agreement & Accounting Procedure

Very truly yours,

UNIVERSAL RESOURCES CORPORATION


William J. Phelan
Vice President

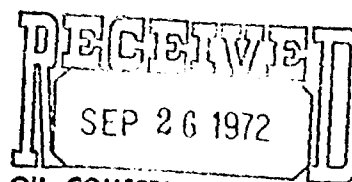
WJP/se
Enc.

cc: State of New Mexico Oil Conservation Commission
P. O. Box 2038
Santa Fe, New Mexico 87501

*File
Has Universal Resources
filed it
Statement of
actual
well
costs?
No - not
yet -
this is
estimated
well
costs -
were not
made
well
costs
itemized
at hearing?*

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501



OIL CONSERVATION COMMISSION
Santa Fe TELEPHONE 982-4315
AREA CODE 505

September 25, 1972

Case 4846

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

Gentlemen:

Enclosed is the application of Universal Resources Corporation for compulsory pooling, Blanco-Mesa Verde Pool, San Juan County, New Mexico.

It is requested that this application be set for hearing at the October 17th hearing of the Commission.

See 10-30-72
The owners of the NE/4 NW/4 of Section 16 are Mr. L. T. Barringer and Mr. J. E. Atkins of 161 South Front Street, Memphis, Tenn. 72901

The owners of the NW/4 NE/4 are Mr. P. T. Griffin, Mr. L. K. Griffin, and Mr. H. C. Griffin all of 4 Rancho Drive, Escondido, Calif. 92025.

DOCKET MAILED
Date 5-10-72

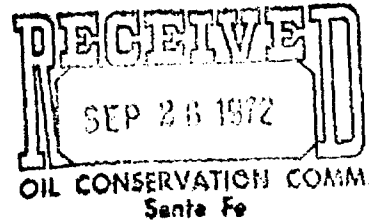
Very truly yours,

W. T. Kellahin
W. Thomas Kellahin

WTK:amr

DOCKET MAILED

5-10-72



BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF UNIVERSAL RESOURCES CORPORATION
FOR COMPULSORY POOLING, BLANCO-
MESAVERDE POOL, SAN JUAN COUNTY,
NEW MEXICO

4846

A P P L I C A T I O N

Comes now Universal Resources Corporation 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 16, Township 32 North, Range 12 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the NW/4 NW/4, S/2 NW/2, NE/4 NE/4, S/2 NE/4 of Section 16, for production from the Mesaverde formation.
2. Owners of the remaining acreage in the standard spacing and proration unit, being the NW/4 NE/4, and the NE/4 NW/4, cannot agree to sell their acreage, join in the drilling of a well, or otherwise participate in the drilling of a well on the standard proration unit.
3. In order to prevent waste, and to permit application to obtain its just and equitable share of the hydrocarbons underlying its acreage in the N/2 of Section 16, the mineral interest should be pooled.

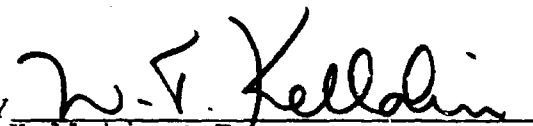
WHEREFORE applicant prays that the Commission set this matter for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its

order pooling all of the mineral interest underlying the N/2 of Section 16, Township 32 North, Range 12 West, N.M.P.M., San Juan County, New Mexico, together with a charge for the risk involved in drilling the well, a provision for the allocation of actual operating costs, and the establishment of charges for supervision for said well.

Respectfully submitted,

UNIVERSAL RESOURCES CORPORATION

By



Kellahin & Fox

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

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. 4846

Order No. R-4427

APPLICATION OF UNIVERSAL RESOURCES
CORPORATION FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 17, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of October, 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, Universal Resources Corporation,
seeks an order pooling all mineral interests in the Mesaverde
formation underlying the N/2 of Section 16, Township 32 North,
Range 12 West, NMPM, Blanco Mesaverde Pool, San Juan County,
New Mexico, to form a standard spacing unit to
be dedicated to a well to be drilled ~~150 feet~~
~~from the North line and 175 feet~~ at a
standard location in the ~~SW~~ ^{SE} ~~1/4~~ of said
Section 16.

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Case No. 4846
Order No. R-

(3) That the applicant has the right to drill ^{and propose} ~~and plans~~ ^{a well}
~~to drill into~~ _____ to be
located at a standard location in the SW/4
NE/4 of said Section 16 to the Mesaverde 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 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 operators/ of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator/ 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 30% thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operators/ any amount that reasonable well costs exceed estimated well costs and should receive from the 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); that the operators/ should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the 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

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Case No. 4846

Order No. R-

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) ~~(11)~~ 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, in the Mesaverde formation underlying the N/2 of Section 16, Township 32 North, Range 12 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be located at a standard location in the SW/4 NE/4 of said Section 16.

(2) That Universal Resources 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 within 30 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the 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 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 operators his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator ^{is} ~~are~~ hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, ^{55%} ~~50%~~ of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the 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} ~~are~~ hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator ^{is} ~~are~~ hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working

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CASE No. 4672

Order No. R-4273

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

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/

