

CASE 4947: Application of TOM
BROWN, Inc. FOR COMPULSORY POOL-
ING & A NON-STANDARD UNIT.

CASE No.

4947

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
MORGAN HALL
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, April 25, 1973

EXAMINED HEARING

IN THE MATTER OF:

Application of Tom Brown,
Inc., for compulsory
pooling, and a non-standard
unit, Eddy County, New Mexico.

Case No. 4947

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Call next case 4947.

2 MR. CARR: Case 4947, application of Tom Brown, Inc.,
3 for compulsory pooling, and a non-standard unit, Eddy
4 County, New Mexico.

5 MR. STAMETS: At this time, I would ask that the
6 attorneys present as soon as this applicant finishes
7 stamping his exhibits to try and get your exhibits
8 stamped ahead of time, stamped and numbered, and this will
9 speed up the process quite a bit.

10 MR. STEVENS: These are already stamped.

11 MR. STAMETS: The hearing will adjourn and reconvene
12 in Morgan Hall in the basement of the Land Office Building
13 in however long it takes us to get down there.

14 (Whereupon, a brief recess was held.)

15 MR. STAMETS: The hearing will come to order, please.
16 We will start again on Case Number 4947.

17 MR. STEVENS: Mr. Examiner, I'm Don Stevens, attorney
18 in Santa Fe, New Mexico, representing the Applicant in
19 this case. We have one witness to be sworn.

20 (Whereupon, the witness was sworn.)

21 MR. STEVENS: Mr. Examiner --

22 MR. STAMETS: You may proceed.

23 MR. STEVENS: I'd like to read a telegram received
24 today by the Commission regarding this case. This is to
25 the Oil Conservation Commission from Michael P. Grace, II.

1 It states as follows: "I have agreed to transfer to Tom
2 Brown my oil and gas leases from Roberts and John Mills
3 in the Northwest quarter of Section 13 plus my leases
4 from Bouchillon and Dyer in the Southwest quarter of
5 Section 12 in exchange for Tom Browns oil and gas lease
6 from Jewel Sloan in the Northwest quarter of Section 12
7 all above leases being in Township 22 South, Range 26
8 East, Eddy County, New Mexico."

9 "Mr. Brown's counsel's reading this and to the record
10 of the forced pooling of the above North half of Section 13
11 will confirm this agreement between us to be later reduced
12 to specific block and lot numbers and through the exchange
13 of assignments on the above leases." Signed, Michael P.
14 Grace.

15 In view of this telegram, we would like to withdraw
16 that portion of our application wherein we seek to force
17 pool the Michael P. Grace, II interest in the North half
18 of the Section referred to in the application.

19 MR.STAMETS: This amendment will be noted.

20 R.J. DE PAUL

21 was called as a witness and after being duly sworn, according
22 to law, testified as follows:

23 DIRECT EXAMINATION

24 BY MR. STEVENS:

25 Q Would you state your name, your residence, and your

1 occupation, please?

2 A R. J. DePaul, Midland, Texas. I'm a geologist.

3 Q By whom are you employed, Mr. DePaul?

4 A Tom Brown, Inc.

5 Q Have you previously testified before the Oil Conservation
6 Commission?

7 A No, sir.

8 Q Would you briefly state your higher education, in what
9 institutions you were educated, and then your work
10 experience since that date?

11 A I'm graduated from the University of Minnesota with a
12 Bachelor's Degree with a major in geology. I worked for
13 Cities Service from 1949 to 1954, for Hanley Company
14 until 1956, F. W. Holbrook to 1964. I worked as a
15 consultant till 1967, and I've been with Tom Brown, Inc.
16 since then.

17 MR. STEVENS: Mr. Examiner, are the qualifications
18 of the witness acceptable?

19 MR. STAMETS: Mr. DePaul, what areas geographically
20 have you worked in?

21 THE WITNESS: I have worked mostly in the Permian
22 Basin. I do also work in the Midcontinent, in the
23 Rockies, and we do have an interest in Southeast Asia.

24 MR. STAMETS: The witness' qualifications are
25 acceptable.

- 1 Q Mr. DePaul, would you state the purpose of Tom Brown,
2 Incorporated's application in this case?
- 3 A We want to pool the mineral interests in the North half
4 of Section 13, Township 22 South, Range 26 East.
- 5 Q Is that all the mineral interests or just a portion of
6 the mineral interests by formation?
- 7 A Of course, we want to pool all of the Pennsylvanian
8 interest which is the Cisco through the Morrow, of course.
- 9 Q Could you give us the location of the well to be
10 dedicated to this North half of Section 13?
- 11 A The location is 1680 from the North line, 1980 from the
12 East line of that Section 13. The reason for the 1680
13 location is because the 1980 from the North fell into
14 an Arroya which is subject to flood.
- 15 Q Is that 1680 location, does that take you farther away
16 from the nearest producing well than the usual 1980-foot
17 location?
- 18 A It does.
- 19 Q What is the nearest human habitation to this particular
20 location?
- 21 A 550 feet.
- 22 Q And the next nearest?
- 23 A 600.
- 24 Q In your opinion, can this drilling operation be conducted
25 without undue hazard to human habitation in the vicinity?

1 A Yes, sir.

2 Q Referring to what has been marked as Exhibit 1, would
3 you explain what this map shows?

4 A We have simply here a map of the locality on a scale of
5 1 to 4 thousand. The red outline indicates the area
6 under discussion. You will note that this takes in the
7 Northern half of the South Morrow field.

8 Q Excuse me, South Carlsbad?

9 A Excuse me, South Carlsbad Morrow Field. Our plat you
10 will notice the wells are shaded in yellow. Those are
11 the ones that have gone deep enough or are going deep
12 enough to test that zone.

13 Q The acreage in question, the subject of this hearing,
14 is outlined in yellow; is that correct?

15 A Outlined in yellow being the North half of Section 13,
16 22,26.

17 Q Referring to what has been marked as Exhibit 2, would you
18 explain it for the Commission?

19 A We have here a surveyor's plat on the scale of
20 approximately one inch equals 192 feet, which shows the
21 subject North half of the Section. Those tracts
22 colored in orange are the Grace tracts, which the wire
23 that was read, which Mr. Stevens takes care of. That
24 colored in green has such a type of problem that cannot
25 be cleared up.

1 Q Do you have a portion of that colored in green, leased?

2 A Yes, we do.

3 Q So the other portion that is unleased, is it because
4 there are minors for whom no guardian has been appointed?

5 A Yes, that's right.

6 Q All right, sir.

7 A That which is colored in purple and that which is colored
8 in yellow is that interest that we have attempted to
9 lease. In fact, we have offered \$200 an acre and 3/16
10 royalty in an effort to get that lease in.

11 The lease has been in for, the offer has been in for
12 quite a period of time. The mineral owner hasn't
13 reacted either way. Did you have a question for me?

14 Q Did you also make him an offer to join in the drilling
15 of this well?

16 A We have offered to invite him to the drilling of the well,
17 or we have offered him that bonus and that royalty for
18 commercial oil and gas.

19 Q Does that also apply to the W. A. Page acreage colored
20 in purple?

21 A Yes, sir.

22 Q Referring to what has been marked as Exhibit Number 3,
23 would you discuss it for the Commission?

24 A Exhibit Number 3 is what we will call the structure map.
25 The Strawn is at the top of the middle Morrow. Its

1 main purpose, I would say, is that it illustrates that
2 one's structural position has little or nothing to do with
3 whether or not you are going to produce from this Morrow
4 sand. It does show a very prominent ridge and a nose;
5 but as we will see later on by a plat with production
6 figures on it, you will see that there is little correlation
7 between your structural position and your productive
8 capabilities.

9 Q What is the meaning of the yellow and blue well colors?

10 A Those shades in yellow are Morrow sand producers. Those
11 in blue are Strawn. You will note there are some dual
12 producers in the South side of the plat.

13 Q You have marked on that map a line at each end. One end
14 has "A" and the other "A Prime". Could you explain that
15 please?

16 A That's a cross section that we will come to, and it's
17 labeled Exhibit -- what is it?

18 Q Five.

19 A Five.

20 Q Do you have any further information on this exhibit?

21 A I think that's the substance of that plat.

22 Q Referring to what has been marked as Exhibit Number 4,
23 would you explain it?

24 A Exhibit Number 4 is probably the most important of the
25 Exhibits. It illustrates the thickness of the pay zone

1 in the South Carlshad Field, and I refer to a main pay
2 zone.

3 There are several sand sequences from the middle
4 Morrow down to the Barnett. By our nomenclature that
5 we would go into when we get to the cross section, we will
6 find that the main pay zone is the second sand down there
7 that we refer to as M-2; and it can be easily demonstrated.

8 One better have an M-2 objective to drill to before
9 one decides to drill a well in the field since attempts
10 in those other zones which are even more transcient than
11 this M-2, attempts in these other zones have for the most
12 part proved non-commercial.

13 Now, this isopachous map shows a thick down in the
14 vicinity of the Section 36 or 22 South, 26 East. And
15 as we will see a little later on, that thick zone
16 coincides with improved production capability.

17 That is the main significance of this map. It
18 demonstrates that you better have an adequate thickness
19 of porosity in M-2 to make the venture commercial. Now,
20 this net thickness is based on an 8 percent or more
21 porosity. Eight percent is rather low, but it seems to
22 be the accepted break-off point for that sand in the
23 area.

24 Q Would you discuss the importance of the wells in Section 24
25 as relates to the well in Section 13 and your proposed

1 well in Section 13?

2 A You will note the two Grace wells in Section 24 do not
3 have values on them. The reason for this is that those
4 two logs have not yet been released. I have seen them.
5 They are contoured accurately from that evidence.

6 The Number 2 Gopogo is contoured as a thick net
7 porous with sand, and its production capabilities
8 demonstrate that it is also.

9 The Number 1 Grace Arco is a new well on which we
10 don't have any production figures; but there again, we
11 have had the privilege of seeing the log, and it is
12 contoured accurately.

13 It, too, figures to be a good well. The relationship
14 between the Number 2 Well in Section 24 of 22 South,
15 26 relative to the Texas Oil and Gas well illustrates
16 that you are going in the direction where the sand is
17 thinning.

18 I have seen and have a copy of the Texas Oil and Gas
19 logs, and I have assigned 10 feet of net pay, net porosity
20 to that; and I've been generous with it. Actually, if I
21 were to stick to the 8 percent cutoff line, it probably
22 has closer to 6 or 7 feet.

23 We are going in a Northerly direction in what would
24 indicate what would be a thinning direction to that well
25 at our location there in the North half of Section 13.

1 Q Do you have any further information from that exhibit?

2 A No, sir.

3 Q Referring to what has been marked as Exhibit 5, would you
4 explain it for the Commission?

5 A On the extreme left of Exhibit 5, you will note a log
6 on Cities Service 1 Merland B that I have used as a tight
7 section to show you the nomenclature we are using in
8 these plats.

9 The locality doesn't seem to have a standard, and so
10 we have taken the liberty of setting up our own for the
11 hearing here. You will notice that the log is on the
12 scale of one inch to 100 feet and that is to get in that
13 critical zone between the Strawn and the Barnett.

14 The structural plat we looked at is contoured on
15 the middle Morrow as you see there, just below 11,300,
16 that being the top of what we have labelled N-1. The
17 main pay zone is that sand development immediately
18 thereunder, and that's the one you better have before you
19 drill one of these wells.

20 The main body of the cross section is on a scale,
21 vertical scale of one inch to 40 feet so that you can
22 better see the porosity developments. On a 1 to 100,
23 we'd have a hard time finding them.

24 You will notice that from A' we go from a pure
25 absolute dry hole, being the Union Lee, into a Cities

1 well, being the Cities 1-B Merland which is a very good
2 well as we will see in a moment.

3 We have on purpose taken it then to an edge well
4 to demonstrate how the sands do come and go, that well
5 being the Cities Service Number 1 Merland A. From the
6 Number 1 Merland A we have gone to the Texas Oil and Gas
7 log which is freshly acquired from Texas Oil and Gas.

8 The cross section illustrates starting at the dry
9 hole that Union drilled, and by the way made a completion
10 attempt in the Morrow. You will see that we judge that
11 the completion attempt was ill-advised. We see no
12 porosity in the sands anywhere.

13 The Cities 1 Merland B demonstrates a relative wealth
14 of porosity in the M-2 zone. As we will see down the line
15 in one of the next, the next exhibit probably I think it
16 is, that well has a very good production capability. You
17 will also notice a porous sand developed in what we call
18 M-1. You will also notice it does not persist into the
19 Union Lee nor into the Number 1 Merland A.

20 The same circumstances happen in the M-3 zone where
21 we find a porosity development in the Number 1 Merland B.
22 We don't find it in the two offsets, being the Number 1
23 Lee and the Number 1 Merland A.

24 Going to the Merland A, we find that the main sand
25 has thinned considerably. We will see on the production

1 plat that the production also thins accordingly. From
2 there to the Texas Oil and Gas Well, we do find that one
3 zone in M-2 does persist; and that is the zone that we
4 have assigned a ten foot net porous value to on the
5 Texas Oil and Gas log; and I'll repeat. I've been
6 generous with it.

7 We are assuming or hoping that that zone will persist
8 into our location. We are going in a thinning direction
9 and of course, that increases the risk involved in our
10 well. The other sand zones demonstrated by the Number
11 1 City of Carlsbad drilled by Texas Oil and Gas development
12 in M-1 again is a very local development.

13 It does not persist. That porous development in
14 M-4 is water all the time, and the log analysis in this
15 case also calculates out to be 100 percent water. That
16 sand zone at M-5 is quite unpromising. It measures
17 only 4-1/2 percent porosity.

18 It does have, show on the samples I am told, and so
19 we have assigned a porosity sand value to it. I think
20 that covers that exhibit.

21 Q Okay. Referring to what has been marked as Exhibit Number
22 6, would you explain it for the Commission?

23 A Exhibit 6 is a production plat in MCF. The top figure
24 shows the cumulative production to 1-1-73. The bottom
25 figure is that production figure for January of 1973, the

1 latest figures that were available to me. You will note
2 going back to the information on the cross section which
3 should be fresh in our minds, we go from the Union Lee
4 at A' to the Cities Merland B that we see and which we
5 see a nice thickness of Morrow sand developed. And we
6 will see that it is a very desirable producer but quite
7 capable having produced a 101 million plus in January.

8 Going back from the Merland B to the Merland A in
9 a thinning direction we find that the production quality
10 has deteriorated down to 41.9 million for the month of
11 January.

12 Down in the thick zone on our isopachous plat, we
13 will see production figures that correlate with the
14 thickness of the net pay. The Antweil wells in there are
15 among the thickest, and you will note that the Antweil
16 Joell, for instance, does now produce the most gas in
17 January of any of the wells on the plat. Well, that is
18 because we have a restricted allowable.

19 Q Excuse me. Is that a restricted allowable or restricted
20 take?

21 A Excuse me, a restricted take. Thank you. The color
22 code on the plat is the same as previously indicated.
23 The yellow are the Morrow completions. The blue are the
24 Strawn completions. You will also notice some wells are
25 circled in red. These wells in my judgment are either dry

1 or can produce a million or less a month and would put
2 them in the category of being non-commercial especially
3 at this early date in their lives.

4 You will see the Union Lee is indicated as a dry
5 hole. In Section 25 of 22, 26, the Grace Number 1 Gopogo
6 I have circled in red as a non-commercial well; and we
7 see in January it produced 12.5 million cubic feet of gas.
8 The Superior Ryan in Section 5 of 22, excuse me, of 23,
9 27 attempted a completion in the Morrow, produced no gas.

10 The Corinne Grace, let's notice the Corinne Grace
11 Number 1 Humble Grace in Section 2 of 22 South, excuse
12 me, 23 South, 26 East. You will notice that it is
13 circled in red. After having produced a cumulative of
14 720 of gas, it is now shut-in.

15 Another interesting point about this. This verifies
16 what we were saying earlier about the M-2 zone being the
17 main objective and the only one fit to go to. This well
18 was completed out of the M-3 zone and that is the extent
19 of its production.

20 The Superior Collatt is an interesting well in
21 Section 1, 23, 26. It has zero Morrow porosity and it
22 graphically illustrates what can happen to you in one
23 location. You also note that the red-circled wells
24 number nine. There are 9 red-circled wells in that plat.
25 on which we have 23 attempts. If those red-circled wells

1 are dry or non-commercial, 9 out of 23 is a pretty
2 dismal percent.

3 Q And all of those wells, of those 23 you would presume
4 all but one is a field well; is that correct?

5 A Well, when you stop and think about it, that's correct.
6 Only the first well would be considered a wildcat. From
7 there on, you were drilling field wells.

8 Q Regarding that plat, now, some of these production
9 figures reflect production for more than just the M-2;
10 is that a true statement?

11 A That's correct, and that notation we made about the
12 Humble Grace illustrates that you better have the M-2
13 or you are in trouble. The Corinne Grace Number 1
14 Gopogo in 25 or 22, 26 again a 12.5 million a month,
15 I wouldn't say it's commercial. And it produces primarily
16 out of zone 3.

17 Q Have you any further comments on this exhibit?

18 A No, I don't.

19 Q Referring to what has been marked as Exhibit Number 7,
20 would you explain it for the Commission?

21 A That is an AFE. AFE has always been a term I like. It's
22 not really an AFE, it's an estimated well cost. We like
23 to keep it on the safe side.

24 We sometimes include things in there that are, really
25 fall into the category of contingencies. In particular,

1 in this one, you will notice that our production
2 superintendent has included in here provisions for a
3 frac job.

4 Well, we know that in the field if you have a good
5 well, it will be a natural well. If you do not have a
6 good development, of course, you might find yourself
7 fracturing it in an effort to turn it into a commercial
8 well; but outside of that frac job which I think he has
9 down here at \$10,000, we stick to the figures in this
10 so-called AFE.

11 We find that this AFE, this figure is slightly
12 higher than some. It's slightly lower than many. We
13 know from first-hand knowledge that Cities Service
14 AFE's run considerably higher. We know that Antweil's
15 AFE's run considerably higher.

16 Q Referring to what has been marked as Exhibit 8, would
17 you explain it for the Commission?

18 A Exhibit 8 is an estimate of the payout period based on
19 our estimated well cost figure. It assumes a 2 million
20 a day delivery. Gas at 50 cents a million less 3 cents
21 taxes and estimated operating cost of \$450.

22 The Tom Brown revenue interest until payout is 70
23 percent on our leases, all figuring out to be a monthly
24 revenue of 19,290 dollars a month, based on an annual
25 interest rate of 7-1/2 percent.

1 We find that the payout period is just under 18
2 months. I have nothing through the mechanics of that
3 computation. I borrowed from a friend at the bank who
4 has a table and can do it immediately. If you do it
5 manually you also come out with about 18 months payout.

6 Q And that's just an estimate based upon a presumption of
7 how many cubic feet per day?

8 A Two million cubic feet per day.

9 Q Mr. DePaul, in your opinion, is the Morrow formation
10 predicted to success or failure in Southern New Mexico?

11 A The Morrow is notorious for being unpredictable.

12 Q What about the predictability of the profitability of
13 the formation in Southern New Mexico?

14 A I think the exhibit labeled 6 demonstrates very
15 graphically the answer to that question. There again,
16 the profitability of a Morrow attempt is quite
17 unpredictable. When you consider that this ratio
18 shown on Exhibit 6 begins to approach a success ratio
19 of only 1 out of 2 for development wells, the odds are
20 not good.

21 Q In your opinion, is this field well riskier than most
22 field wells?

23 A Undoubtedly.

24 Q Is the reason for your assuming this risk the fact that
25 you might have a great potential gain in the event it is

1 productive?

2 A Certainly. That always enters into a decision to drill
3 a well. Further, we have seen what gas prices have been
4 doing recently. The indications are that they will
5 continue to do that. Anyway, we are also playing
6 futures, drilling it out of cost that will certainly be
7 lower now than in the future since the drilling costs,
8 equipment costs, and fuel costs are also increasing.

9 Q Will there be a greater possibility that you could get a
10 higher price for your gas later if you complete it now?

11 A Yes, sir.

12 Q On the basis of your study of this field and this
13 particular well, do you have a recommendation to the
14 Commission as to the risk factor which Tom Brown, Inc.
15 should be allowed in the drilling of this well?

16 A Yes, sir. I think we ought to be able to get our money
17 back at a 200 percent penalty. This is not unusual.
18 All of us in the oil business have seen many, many operating
19 agreements that we sign that are exactly that.

20 These operating agreements are really in effect
21 for field wells because they usually do not take over
22 until the completion of the initial well in any prospect
23 which would be the wildcat. So I think that is
24 reasonable. I believe the risk here is very high.

25 Q Do you have a recommendation as to the amount which should

1 be allowed for the supervision of a well if a producing
2 well is completed here and if the Commission grants your
3 application to force pool?

4 A Well, usually the Tom Brown, Inc. is very easy in that
5 respect. I think the estimate of \$450 a month to operate
6 the thing would include everything, and I'm quite
7 confident that will more than cover it.

8 Q This is for the drilling of the well. How about the
9 monthly combined rates during the --

10 A \$150 a month would suit us fine.

11 Q Okay. In seeking this order ruling that all non-joining
12 owners be allowed to join you at a date subsequent to
13 this hearing and prior to the drilling of the well by
14 agreeing to pay their portion of it?

15 A Oh, certainly, we have had that offer open to them from
16 the beginning and it still is.

17 Q Should the Commission grant this application, when would
18 you propose to start this well?

19 A Probably would be within sixty to ninety days depending
20 on rig availability. We would want to drill it with our
21 own rig, which we have 14. We have faithful clients that
22 we have obligations to, and our rigs are very busy now,
23 and there might be a delay in being able to get one of
24 our rigs to drill one of our own wells.

25 Q One further question. Going back to Exhibit #2, the

1 Taylor acreage mentioned in that Exhibit Number 2, I
2 believe it has a figure of acreage 43.03 acres. Is there
3 a controversy as to the actual amount of acreage
4 allocatable to that tract?

5 A I understand there is, and I'm not qualified to comment.

6 Q Would Tom Brown, Inc. be willing to, if there is such
7 a controversy, put any amount attributable to the acreage
8 in controversy in escrow until such time as it might be
9 determined what the true acreage is?

10 A Surely.

11 Q Were Exhibits 1 through 9 prepared by you or under your
12 direct supervision?

13 A They were prepared by me.

14 MR. STEVENS: We would like to move the introduction
15 of Exhibit 1 through 8 at this time, Mr. Examiner.

16 MR. STAMETS: Without objection, the Exhibits will
17 be admitted into evidence.

18 MR. STEVENS: We have no further questions on
19 Direct.

20 CROSS-EXAMINATION

21 BY MR. STAMETS:

22 Q What was the difference in the acreage that you mentioned
23 there? I presume that's on this Bill Taylor lease?

24 A Yes. As I say, really I don't know about that. It seems
25 to have to do with how much of that road was taken in or

1 not taken into the tract, but truly I can't answer your
2 question. I just don't know.

3 MR. STAMETS: Are there questions of this witness?

4 MR. KELLAHIN: If the Examiner please, Jason
5 Kellahin, Kellahin & Fox, appearing for Bill Taylor.
6 I have a few questions I would like to ask if I may.

7 CROSS-EXAMINATION

8 BY MR. KELLAHIN:

9 Q Mr. DePaul, the last question asked had to do with the
10 acreage. So we may want to pick it up right there. You
11 say you don't know what the acreage involved might be;
12 is this your testimony?

13 A On that particular tract, it's true. Our lawyer has
14 handled all that, and he is privileged to that information.

15 Q Who prepared the Exhibit Number 2 here?

16 A Is this the surveyor's plat?

17 Q Yes, sir.

18 A That was prepared by an engineer, a surveyor who I do
19 not know. I agree with you that it's not a very good
20 job. I don't question the accuracy of it, but just a
21 second. Could we ask Chuck to identify this guy for him?

22 MR. STEVENS: Yes. We can get him on the stand later
23 if it should be worth it.

24 A We have a man here who can answer those questions for you.

25 Q Are you vouching for the accuracy of the map?

1 A Oh, I can't vouch for the accuracy of Exhibit 2. No, sir.

2 Q Did you personally examine the dedication of Hoose acres?

3 A I can't answer any of the questions relative to that part
4 of the hearing.

5 Q Well, my question was: Did you examine the official
6 plat itself?

7 A No.

8 Q You didn't? Is there someone here who did?

9 A You'll be able to ask --

10 MR. STEVENS: Excuse me just a moment, Mr. Kellahin.
11 If you are concerned with this particular question, Mr.
12 Examiner, we'd be happy to have the attorney for Tom
13 Brown, Inc. take the stand and state that which he knows
14 concerning this question if it is a legal question. As
15 to title, we think it should be researched; but we would
16 be happy to tell all we know about it.

17 MR. STAMETS: You do have a witness available who
18 could speak with more authority as to this exhibit?
19 Mr. Kellahin?

20 MR. KELLAHIN: If the Examiner please, I didn't
21 intend to get into the legal aspects of the dedication of
22 the road. That is a legal question, and I don't think
23 this Commission can pass on it in any event. What I was
24 concerned about is the inaccuracy of the plat itself in
25 that it shows at the bottom of the yellow portion in

1 number 2 it shows a width of 131.2 feet and the dedication
2 shows 231.8. That's a significant amount of land. We
3 will offer this later into evidence.

4 Q Now, turning to your Exhibit Number 6, Mr. DePaul, first
5 of all I would like to ask you if the Cities Service
6 Spencer A Number 1 well in Section 30, is that not a
7 Strawn-Morrow dual completion?

8 A I think that you might find that the Strawn was
9 perforated, but is not producing. Let me check some notes
10 here. I may be able to find it, I'm quite confident.

11 Q Would you also check the Pennzoil Gulf Federal in
12 Section 6?

13 A As being a dual producer?

14 Q Yes, sir.

15 A It may very well be. As you recall, as I stated a time
16 or two, I think the main question here on profitabilities
17 of our location must rest on whether or not we have a
18 good chance in the Morrow, too. You will also note that
19 those Strawn completions are up a small portion of the
20 field, and the Strawn is not likely to be prospective up
21 under our proposed location as evidenced by the recent
22 drilling of the Texas Oil and Gas Well which shows that
23 the Strawn is not commercial.

24 The Strawn developed no porosity up there. The
25 Strawn develops no porosity. We will find that the

1 Spencer A has been perforated in the Strawn. We find
2 no Strawn from there within 3 miles of our location. There
3 is no reason to think that we could expect any Strawn
4 at our location, and we do not.

5 Let me see what I have on this Spencer A, if anything.
6 Right. It shows that the Strawn is a very good looking
7 zone, good porosity; and you are right. It is productive
8 in the Strawn. Evidentially, it is shut-in. I do not
9 know whether or not it is delivering gas from the Strawn
10 again. I point out that my approach has been strictly
11 Morrow.

12 Q Do you know whether or not that well has a dual
13 completion which could affect its production?

14 A The Spencer A?

15 Q Yes, sir.

16 A No, I don't.

17 Q Now, did you check on the Pennzoil Gulf Federal Well
18 in Section 6?

19 A Let's see. In Section 6?

20 Q Yes, sir. In the bottom of your exhibit.

21 A Again, you are correct. I show them with 14 feet of
22 good strong porosity. Let me reiterate. These
23 production figures are in the Morrow only, and they are
24 what was available to me, and that was through the
25 Commission report.

1 You will also note even as indicated, I have
2 indicated that's a dual producer; but you will also
3 notice that I do not show any Strawn production therefrom.

4 And that Antweil Number 1 Little Jewel is the most
5 simply named well in the whole bunch. It produces from
6 the Strawn beautifully, but our case is based on the
7 Morrow 2 and that's the information I'm trying to show
8 you.

9 Q Are you seeking to force pool the Morrow only?

10 A No. Actually we are seeking to force pool all of the
11 Pennsylvanian.

12 Q What formation are you talking about now?

13 A We are going to have to include the Cisco Canyon, Strawn,
14 Morrow, Atoka. When you are trying to drill a well, I
15 suppose you do have those responsibilities in that area.

16 Q You would not include the Wolfcamp; is that correct?

17 MR. STEVENS: Would you repeat your question?

18 THE WITNESS: I'm unfamiliar with these force pooling
19 hearings. Is it customary just to force pool just the
20 horizon?

21 MR. STAMETS: It's possible.

22 THE WITNESS: Is that the case more often than not?

23 MR. STAMETS: In my opinion it's more often that the
24 force pooling takes place from the surface of the ground
25 down to and including a particular formation.

1 THE WITNESS: That was my impression, too; but I
2 have little experience to have that impression; but I'm
3 glad to know it's yours.

4 A Okay. From the ground down.

5 Q With that in mind, Mr. DePaul, does it not reduce your
6 appraisal of the risk factor if there is a possibility
7 of production from other horizons?

8 A It reduces it negatively because we have got enough
9 control in the area to know what our chances are in those
10 other zones. It's demonstrated that they are nill or
11 next to nill.

12 I shouldn't say they are nill. You can always
13 stumble into something.

14 Q Now, is it your opinion that the Strawn production is
15 confined to the Southern portion of the area shown on
16 your Exhibit Number 6?

17 A Well, on this plat we show this Strawn bubble down here.
18 Also you will note that there is a Belco Union-Mead Well
19 up here in Section 8 of 22, 27. I have all but
20 disregarded it, because it is not, I have treated it
21 not as being in the Carlsbad South Morrow Field. That
22 well does produce from the Strawn.

23 It does also produce from a Morrow zone, but it is
24 an upper Morrow zone. It is not in the middle Morrow
25 as this is down South.

1 Q Now, that's just as close to your proposed location as the
2 Cities Service Merland Well, is it not in Section 10?

3 A Oh, I can't dispute that.

4 Q But you didn't consider it as having any bearing on your
5 risk in the drilling in Section 13?

6 A That's right. It has no bearing on what we expect in
7 13. I think it would be, I think it is apparent that your
8 judgment must be based on the Texas Oil and Gas and its
9 proximity to our location rather than reach way across
10 here in the right field, instead of using a well, say,
11 half a mile or so away from us and use its information
12 as a standard. Now, you want us to go over here about
13 three miles and use it?

14 Q Mr. DePaul, aren't you using the Union Lee Well in
15 Section 29 and the other wells you discussed as being
16 marginal in Section 5 and 6 and Section 1 at the bottom
17 of your Exhibit?

18 A I missed my point evidently in explaining why I have
19 Union Lee in the Section. All that was demonstrated,
20 all I intended to demonstrate on that Union Lee Well is
21 how rapidly you could go from zero to the good and
22 vice versa. That was the only reason really.

23 That's the main thing that the Union Lee demonstrates
24 which is applied up here to the Texas Oil and Gas Well.
25 Our location relative to it shows you that there is risk.

1 Q Now, the Belco Well Number 3 in Section 5 is also a
2 Morrow-Strawn; is it not?

3 A At the time this work was done, the Belco Number 3 Well
4 in 5 had not been officially completed; and as a result
5 I did not, the log was not released. I am not privileged
6 to Belco's information and I must depend on getting their
7 log through a log service.

8 Q Now, there is also another Belco Well in Section 4 not
9 shown on your Exhibit; is there not?

10 A Well, it's not on Section 4. It's not on our field plat,
11 though, is it?

12 Q It is not, no.

13 A No.

14 Q But there is a Belco well completely in the Morrow and
15 Wolfcamp in that section; is there not?

16 A At the time this was done, it was not officially
17 completed.

18 Q Now, you have stated that the production from these
19 wells, the Superior Ryan and Antweil Missouri are
20 circled in red because in your opinion they are now
21 marginal; is that your correct statement?

22 A From the Morrow?

23 Q Yes, sir.

24 Q They are, yes.

25 Q Do you know what the production from any of those wells

1 was during the past month or --

2 MR. STAMETS: Excuse me, Mr. Kellahin, I understood
3 the witness to indicate that the ones circled in red were
4 non-commercial, not marginal.

5 Q Non-commercial?

6 A You are right. They were non-commercial in my opinion
7 or dry. And you are asking about the current production
8 figures? On information available to me, the latest
9 production figures were for January.

10 Q You didn't check the Oil Conservation Commission records
11 then for any production figures?

12 A We have, the Oil Conservation Commission sends their
13 monthly and annual reports to our log library in
14 Midland, Texas; and that's where I checked.

15 Q Well, if the records of the Oil Conservation Commission
16 showed the Superior Collatt Well in Section 1 produced
17 37,170 MCF for the month of March, would you call that
18 non-commercial?

19 A Superior Collatt Well?

20 Q Yes, sir.

21 A Well, I must remind you again the production figures
22 we have here are for the Morrow only, and I think you
23 would find the Superior Collatt producing from the Strawn.

24 Q You don't show that on your exhibit?

25 A I have the Superior Collatt Well in my plat circled in

1 blue which is Strawn production.

2 Q I beg your pardon. You are correct. I am mistaken,
3 but you have it circled in red. Is it completed also
4 in the Morrow?

5 A Mr. Kellahin, I'll repeat. Red circles indicate either
6 dry holes or non-commercial wells out of M-2. M-2 was
7 penetrated in the Superior Collatt. That's all I am
8 saying. In the Morrow 2 the Superior Collatt is a dry
9 hole.

10 If you separate the premise that the main pay zone
11 is M-2, that's a valid point to make.

12 Q Do you know what the production for the month of March
13 was for any of the other wells on this exhibit which you
14 show as --

15 A No, sir. As I've stated before, my latest production
16 filings are for January of 1973.

17 Q Now, you are talking about the M-3 zone primarily --
18 M-2, I mean. Is that the main body of the formation?

19 A Yes, sir. M-2 is the main producing body.

20 Q Does it get stronger as you go North, or does it thin
21 out?

22 A Referring back to the cross section, it thins and
23 thickens. Sometimes you get to thinning almost
24 capriciously. To answer your question, does it thicken
25 going to the north -- from the best evidence we can see

1 in our locality which we will say embraces Section 13 and
2 Section 24, it is thinning going to the north. We have
3 the two Grace Wells with 20 feet or more. We go North
4 to Texas Oil and Gas; and we find really less than 10
5 feet. That is a thinning direction going North.

6 Q Now, you say you had 10 feet. What porosity did you
7 encounter as pay?

8 A As I stated before, I was a little generous in giving it
9 10 feet. I lowered the porosity break-off point to
10 something like 6 percent. Whereas, if I would have
11 adhered to the 8 percent cut-off point, I think
12 realistically we would find that well has 6 feet
13 porosity.

14 Q Now, that was a Neutron Density Log? Is that right?

15 A Yes.

16 Q Is that the best log for determining porosity?

17 A Of course, that's a matter of opinion. Some of us think
18 it is. You probably would be able to get different
19 opinions. I suppose we would have to have a Schlumberger
20 Log annulus legally to tell us which are the best.

21 I can say that in preparing the drilling of our
22 location, I did have a Schlumberger specialist come to
23 my office and ask him what set of logs he recommended to
24 best evaluate this location; and, yes, he did recommend
25 a compensated neutron formation density. In his opinion,

1 he thought it was the best. He is really the expert in
2 that respect. I am not.

3 Q You made the determination of the porosity, did you not,
4 or did he?

5 A On some.

6 Q About the Texas Oil and Gas Well?

7 A Pardon?

8 Q I'm talking about the Texas Oil and Gas well.

9 A On the Texas Oil and Gas Well, he said it had 6 feet of
10 8 percent porosity.

11 Q Is that the figure you used or did you make a determination
12 of your own?

13 A As I say, I gave it 10 feet of porosity recognizing I
14 was going below the 8 percent break-off.

15 Q But you were just being generous and adding 2 more feet;
16 is this what you are saying?

17 A Well, of course, when handling these logs, I'm flying more
18 by the seat of my pants than he is; and I see this thing
19 breaking in there; and being a perpetual optimist, I
20 thought maybe it had more than 6 feet.

21 Q Now, getting to your operating costs, I want to be sure
22 I understand what you are talking about. You said a
23 figure of \$450 per day. Is that the operating, supervision,
24 and operating cost during drilling? Is this what you are
25 talking about?

1 A During the drilling, of course, the operation of the
2 well, the supervision and such will come to more than
3 \$450. Frankly, I borrowed that \$450 figure from another
4 operator in the area who is operating in the area.

5 I asked, "What is it you are charging? What did
6 the operating cost run?" He said, "Well, around \$450."
7 I agree. To our way of thinking, that's a little high.
8 I think as we brought out earlier, Tom Brown, Inc.
9 would probably be a little below that. I think this is
10 not really a significant item.

11 Q Now, you said \$150 a month combined rate. Is this your
12 overhead for supervision that wells would normally
13 charge?

14 A Yes. I would think that would cover it in our house.

15 Q I don't think you got my question. Is it the same figure
16 you use for other wells operated by Tom Brown?

17 A Oh, no. Of course, the zone, we know not what it takes to
18 operate a well here. We don't have one yet. I can state
19 that generally speaking our operating costs are lower than
20 the industry average, our operating charges to our partner.

21 Q So both of your figures could be lower than the \$450 and
22 \$150; is this your testimony?

23 A I'll grant you that.

24 Q About how much lower?

25 A How would you like \$125 and \$400?

1 It would be fine with us, sir. Whatever you figure you
2 want to say. We will accept \$125.

3 A You got it.

4 Q Now, on the risk factor, are you familiar with the charges
5 that have been allowed for the risk factor force in the
6 South Carlshad Pools?

7 A Not really. I've heard a thing or two, but then I would
8 think that this is a new ball game as evidenced by the
9 fact that the Commission saw fit to just recently change
10 the rules in that respect.

11 Q Just to clarify it for you, Mr. DePaul. I don't want
12 to mislead you. The New Mexico Legislature recently
13 passed a new law which will permit the Commission to give
14 a 200 percent. Prior to that, the risk factor was
15 limited to 50 percent.

16 So with that in mind, the risk factor maximum used
17 to be you could get your 100 percent cost plus 50 percent
18 risk factor, the maximum risk. Today, the maximum risk
19 factor would be 200 percent. Do you consider this well
20 the highest risk to be assumed for which the Commission
21 would be justified for giving the maximum risk factor?

22 A I think the fact that the Commission did change this is
23 evidence that it did need changing; and as far as the
24 maximum risk factor, it's an extremely risky well. Whether
25 or not it's as risky as a rank wildcat out there in the

1 boondocks, 40 miles away from anything, no it's not
2 that risky.

3 You'd have to figure for the maximum risk. I suppose
4 a rank wildcat in an area which you weren't even familiar
5 with the sedimentary section was that you were penetrating,
6 not knowing whether or not you were going to run into
7 a potential reservoir.

8 Q You are talking about the risk of finding production;
9 is this right?

10 A Yes, sir.

11 MR. KELLAHIN: That's all the questions I have.
12 Thank you, Mr. DePaul.

13 THE WITNESS: Thank you.

14 MR. STAMETS: Are there other questions of the
15 witness?

16 RECROSS-EXAMINATION

17 BY MR. STAMETS:

18 Q Mr. DePaul, does Tom Brown's drilling company intend to
19 take any special drilling precautions concerning the
20 proximity of habitations in this area?

21 A Yes, sir. Mr. Commissioner, I think that you would find
22 that our equipment and our personnel are especially good
23 in this area. We do intend to take all precautions.
24 Yes, sir. Our blow-out equipment is among the best.
25 Our supervisory personnel we believe is among the best.

- 1 Q What about testing programs? I know it's quite common
2 to take drill stem tests and have some pretty good size
3 flares out there. Will this be set up to protect the
4 residents of the area?
- 5 A Yes, sir. What we would do is put a separator out there
6 on the location prior to any test.
- 7 Q What is the standard penalty clause for voluntary
8 communitization?
- 9 A I don't know. On most of the operating agreements that
10 we sign, which those are what you refer to as the
11 operating agreements; is that correct?
- 12 Q Right.
- 13 A Most of them that we sign range from 200 to 300 percent
14 depending on how we are using that percentage; but then,
15 maybe that is, well, most of them we sign are that way.
- 16 Q Are you saying then that on the standard voluntary
17 operating agreement that you sign where somebody else
18 is going to operate the well, that you would expect to
19 pay back 3 times your share of the cost if you chose
20 not to participate?
- 21 A Well, a hundred percent of the well and then a hundred
22 percent, two hundred percent more.
- 23 Q Yes. So we are talking about, you are talking about a
24 100 to 200 percent risk factor rather than a 200 to
25 300 percent risk factor?

1 A I'm not too sure that I'm the one to, that I can make
2 a statement along these lines, because, I'll tell you.
3 We are unique in that in our group of investors truthfully
4 we have an agreement usually that says you either join
5 or you are out.

6 And everybody is agreeable to this. You are out of
7 that proration unit. And frankly, we have been doing it
8 for years.

9 Q It's rather interesting. How do you manage that when the
10 Commission doesn't allow non-standard proration units in
11 a particular area?

12 A Well, I've never run across that instance where we were
13 doing this on non-standard proration units.

14 Q You are proposing a risk factor here of 200 percent and
15 yet it's not clear to me that this has been Tom Brown's
16 drilling company's experience in the field. It is either
17 something less than this or none at all.

18 A No, sir. Most of the other operating agreements that
19 I'm familiar with that we have signed have a 200 percent
20 penalty clause in them.

21 Q Okay. On a scale of 1 to 10, going from a sure thing to
22 the rank wildcat in the boondocks, how do you rate this
23 particular location?

24 A Well, I suppose that one plat with the production figures
25 on it which shows I think 9 dry or non-commercial wells in

1 an area in which there are 23 would give us a pretty
2 good odd right there. It would approach, truly it's
3 my feeling that it would approach, our chances of making
4 a commercial well are one to two, one out of two.

5 Gosh, excuse me. I'd like to qualify that. If
6 we were going from a Texas Oil and Gas Well that
7 demonstrated a 20 to 30 percent net porosity to our
8 location, then it would be more on the odds of one and
9 two.

10 Since we are going from 10 feet or less out into
11 no man's land, and it is as you can see on the plat. I'd
12 like to say it would be more like 1 out of 5, and I
13 hope I'm wrong.

14 Q Sounds like somewhere along about 3 on the scale there?
15 I believe that you have modified your Exhibit Number 8
16 in response to a question of Mr. Kellahin to show operating
17 costs of about \$125 a month?

18 A All right.

19 MR. STAMETS: Are there any other questions of the
20 witness?

21 MR. KELLAHIN: Just one point of clarification
22 perhaps, Mr. Examiner.

23 MR. STAMETS: Yes, sir.

24 * * * * *

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RECROSS-EXAMINATION

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BY MR. KELLAHIN:

Q Could I ask one before --

A Sure.

Q One question brought out by Mr. Stamets, you said there were 9 non-commercial wells out of 23. Are you confining that solely to the Morrow?

A Yes.

Q And some of those 9 wells weren't productive from other zones, or were they?

A Oh, sure. We are back to the point, though, that you better not crank it up unless you think you got an M-2 shot.

Q I understand your position, Mr. DePaul, but there is actually only one dry hole well drilled in that pool; isn't there? Isn't that the case? I'm not talking about the Morrow.

A It depends on what you use as a standard for a dry hole. I think you ought to add another qualification there. Dry holes are non-commercial. Another thing about this Morrow is that quite often you don't know whether or not you have a commercial well until you case it and try it.

Q Mr. DePaul, we are just talking about numbers right at the moment. You say there have been 23 wells drilled?

A Well, we have 23 wells on this plat in that area.

1 Q And out of those 23 all of them with the exception of
2 the Union Lee are producing from something; are they
3 not?

4 A I insist on using a standard non-commercial or dry.

5 Q Can you answer my question? They are producing, are
6 they not, from someplace?

7 A Some are producing non-commercially.

8 Q Then are you confining that to the Morrow again or are
9 you talking about all zones?

10 A We are just talking about the Morrow.

11 Q They are producing in the Strawn and producing commercially?

12 A You got some of them are producing beautifully from the
13 Strawn.

14 MR. KELLAHIN: That's all.

15 MR. STAMETS: Mr. Stevens, you had a point of
16 qualification to make?

17 MR. STEVENS: Yes, sir.

18 REDIRECT EXAMINATION

19 BY MR. STEVENS:

20 Q Mr. DePaul, in most industry agreements, does it apply
21 what you'd call 300 percent non-consent clause?

22 A Well, we sign them that way.

23 Q Yes. Is that in your opinion the same as the statute
24 requirement of return of cost plus 200 percent risk
25 factor?

1 A Yes. That's, yes.

2 Q And therefore, most industry non-consent clauses conform
3 with that which the New Mexico statute allows?

4 A Yes.

5 MR. STEVENS: No further questions.

6 RECROSS-EXAMINATION

7 BY MR. STAMETS:

8 Q That would be on a wildcat well or on an offset well?

9 A Well, Mr. Examiner, most of the operating agreements
10 signed in our circle don't really go into effect until
11 the well is completed, the initial well is completed,
12 the wildcat. And so this clause in it really applies
13 to subsequent wells which are then development wells.

14 Q Okay. One more thing I'd like to ask. On your Exhibit 4
15 in Section 19, 22 South, 27 East, the Cities Service
16 Merland A has about 18 feet of pay?

17 A Yes.

18 Q Okay. And its position on this isopachous is about the
19 same as Texas Oil and Gas Well?

20 A Yes.

21 Q And when you go North from the Merland Well, you get more
22 pay; and when you go South from the Merland Well, you
23 get more pay; is that right?

24 A Okay. The way the isopach is drawn, yes.

25 Q And is it possible that this same situation could exist

1 at the Texas Oil and Gas Well?

2 A To our location?

3 Q Yes.

4 A You bet. Sure it's possible. It's just that I think
5 the odds are that it will go the other way. The evidence
6 would make you think that it will go the other way.

7 MR. STAMETS: Are there other questions of this
8 witness? He may be excused. Mr. Stevens, do you have
9 anything further?

10 MR. STEVENS: No, Mr. Examiner.

11 MR. STAMETS: Mr. Kellahin, do you have a witness?

12 MR. KELLAHIN: If I could speak to counsel for a
13 minute.

14 MR. STAMETS: All right, sir.

15 (Whereupon, a discussion was held off the record.)

16 MR. KELLAHIN: If the Examiner please, by stipulation
17 of counsel, we would like to offer into evidence Taylor's
18 Exhibit Number 1 being a copy of the plat on the file
19 of the record to Eddy County, showing Hoose subdivision.
20 And with that, we will not call the witness.

21 MR. STAMETS: Are there any objections to the
22 introduction of this exhibit? It will be admitted into
23 evidence. Perhaps the Examiner should point out that this
24 does confirm what Mr. Kellahin earlier said that this
25 Lot 2 shows 231.8 feet as the Southern dimension.

1 Is there any further testimony? Are there any statements
2 in this case?

3 MR. KELLAHIN: I'd like to make a statement, if I
4 may.

5 MR. STAMETS: Mr. Kellahin?

6 MR. KELLAHIN: If the Examiner please, Bill Taylor
7 is not here to oppose the compulsory pooling. Unfortunately
8 we couldn't work out a voluntary agreement. We are
9 perfectly willing for the acreage to be pooled.

10 Our objection is two-fold, one of which can be
11 resolved by this Commission. I don't feel that the
12 Commission can resolve the question of the acreage
13 involved in this case and the proposal to escrow the
14 funds until that can be worked out. That is, those
15 portions of the funds attributable to the acreage in
16 dispute would be quite satisfactory.

17 Our main concern is the risk factor that might be
18 allocated to this well. Mr. Taylor receive a notice from
19 the Commission on this force pooling case last Monday.
20 He had been attempting to work out something with the
21 Applicant here without any success and unfortunately
22 was not able to get a geologist to give him assistance
23 in this case.

24 The witness for Tom Brown, however, I think has been
25 of great assistance. He has only chosen to talk about the

1 Morrow formation. He has based all of the risk factors
2 by his own testimony on the chances of finding production
3 from the Morrow formation.

4 The wells shown on his exhibit, with the exception
5 of one, are all producing from some horizon, either the
6 Morrow, the Strawn, or the Atoka. There is also a
7 possibility of the production from the Wolfcamp which is
8 found in Belco Well to the North.

9 There is the Cisco Canyon production to the South,
10 and there is always a possibility these things could be
11 encountered; and to completely ignore the possibility
12 of other producing zones in accessing the risk factor
13 based upon the possibility of finding production is
14 wholly unrealistic.

15 The experience that he has testified to shows that
16 Tom Brown has used somewhat less as risk factor than
17 200 percent; and in that connection, I would want to
18 point out that 200 percent is the maximum risk factor
19 that this Commission can access.

20 Historically, they have researched in the past the
21 150 percent recovery for wells in areas of great danger
22 to drilling operations such as the possibility of
23 blow-outs, low circulation, and other matters none of
24 which were testified to here today; and historically in
25 the South Carlsbad Pool, the Commission has never

1 accessed the maximum risk factor.

2 At the time these cases came up, the maximum was
3 50 percent risk factor and 100 percent recovery. The
4 Texas Oil and Gas Company in Case 4935 heard in November
5 was assigned 135 percent risk factor. In August of 1970,
6 Corinne Grace had filed for force pooling and was given,
7 that's in the North half of Section 2, 23, 26. I'm
8 sorry. I don't have the case number. She was given a
9 risk factor of 125 percent.

10 In October the 22nd, again the Graces brought
11 a force pooling case in the area in which they owned
12 only 80 acres, the North half of Section 11, 23, 26, and
13 were given 137-1/2 percent risk factor, \$100 supervisory
14 costs.

15 I would also mention in the other Grace case, they
16 got \$100 for cost of supervision. We won't quarrel with
17 125 percent. In Case Number 4643, Cities Service got
18 130 percent risk factor. In Case 4847, this was a
19 wildcat. It was the only one in the entire area in which
20 150 percent was granted.

21 In Cases 4819 and 4836, a Complainant Hearing, the
22 Graces were awarded 125 percent risk factor. We feel
23 that this is not an area of maximum risk and that the
24 risk factor should be considerably lower than that
25 testified to by the witness. Thank you.

1 MR. STAMETS: Any other statements in this case?
2 Mr. Stevens?

3 MR. STEVENS: Mr. Examiner, first, Mr. DePaul did
4 consider the possibilities of Strawn and other formations.
5 As I recall his statement, the chances were practically
6 nil. Therefore, he did not consider that to be something
7 that would lower the risk factor here.

8 Historically, as Mr. Kellahin pointed out, the risk
9 factor has been 50 percent. The maximum field was 37-1/2
10 percent on the basis of 50 percent prior to that.

11 However, we do have a statute. There is a new
12 amount that the Commission can consider. The Commission
13 historically has considered each case on its own merits
14 regardless of what might have been a precedent inasmuch
15 as each location has different geology and different
16 prospects.

17 We ask only that the Commission do that in this
18 case. Mr. Kellahin mentioned that about Texas Oil and
19 Gas getting 35 percent of the 50 percent available risk
20 factor, that Texas Well offset as pointed out by the
21 witness.

22 The Gopogo Number 2, which has made some half billion
23 cubic feet per month and had 30 feet of pay. We are
24 offsetting a well that has 10 feet of pay which is not
25 yet completed. We don't know what it will produce.

1 We ask only that the Commission exercise its usual
2 judgment in examining each location and ours in particular
3 on the basis of its geology and its risk factors,
4 regardless of what might have been done in the field or
5 by the Commission in the past.

6 MR. STAMETS: Are there any other statements in this
7 case? The case will be taken under advisement.

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

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

11 Janet Russell
12 Notary Public
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26 I do hereby certify that the foregoing is
27 a true and correct copy of the proceedings in
28 the case of 4947
29 April 25 1973
30 Richard L. Thomas
31 Notary Public

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25WITNESSPAGE

R. J. DE PAUL

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western union
Telegram
Tel

Case 49.47

FOR

RECEIVED
APR 25 1973

OIL CONSERVATION COMM.

1973 APR 24 PM 6:55 Santa Fe

IPMFEKA SANA

2-156816E1M 04/24/73

ICS IPMFEZ CSP

5055823048 M TDRN SANTA FE NM 121 04-24 0851P EST.

PHS TOM BROWN DELIVER BEFORE 830 AM MST 4-25-73, DLR

CARE OIL CONSERVATION COMMISSION STATE LAND OFFICE BLDG OLD SANTE
FE TRAIL

SANTA FE NM 87501

I HAVE AGREED TO TRANSFER TO TOM BROWN MY OIL AND GAS LEASES
FROM ROBERTS AND JOHN HELLS IN THE NORTHWEST QUARTER OF SECTION
13 PLUS MY LEASES FROM BOUCHILLON AND DYER IN THE SOUTHWEST
QUARTER OF SECTION 12 IN EXCHANGE FOR TOM BROWN'S OIL AND GAS
LEASE FROM JEWEL SLOAN IN THE NORTHWEST QUARTER OF SECTION 12
ALL ABOVE LEASES BEING IN TOWNSHIP 22 SOUTH, RANGE 26 EAST EDDY
COUNTY NEW MEXICO

MISTER BROWN'S COUNCELS READING THIS AND TO THE RECORD OF THE
FORCED POOLING OF THE ABOVE NORTH HALF OF SECTION 13 WILL CONFIRM
THIS AGREEMENT BETWEEN US TO BE LATER REDUCED TO SPECIFIC BLOCK
AND LOT NUMBERS AND THROUGH THE EXCHANGE OF ASSIGNMENTS ON THE
ABOVE LEASES.

MICHAEL P GRACE, II

2053 EST

IPMFEKA SANA



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

May 21, 1973

Mr. Donald G. Stevens
Attorneys at Law
Post Office Box 1797
Santa Fe, New Mexico

Re: Case No. 4947

Order No. R-4531

Applicant:

TOM BROWN, INC.

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 SHOWN ON APPLICATION IN CASE 4947

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. 4947
Order No. R-4531

APPLICATION OF TOM BROWN, INC.,
FOR COMPULSORY POOLING, AND A
NON-STANDARD UNIT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 25, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of May, 1973, 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, Tom Brown, Inc., seeks an order
pooling all mineral interests from the surface of the ground
down to and including the Morrow formation underlying the N/2
of Section 13, Township 22 South, Range 26 East, NMPM, South
Carlsbad Field Extension, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well 1680 feet from the North line and 1980 feet
from the East line of said Section 13.

(4) That the applicant further seeks authority to form
a non-standard 336.6-acre unit to be dedicated to said well.

(5) That the dependent resurvey of Township 22 South,
Range 26 East, NMPM, indicates that the N/2 of said Section 13
contains 336.06 acres and that this non-standard unit should
be approved and be dedicated to said well.

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

(7) 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.

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

(9) 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.

(10) 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 120 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 August 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 Morrow formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field Extension, Eddy County, New Mexico, are hereby pooled to form a non-standard 336.06-acre gas spacing and proration unit to be dedicated to a well to be drilled 1680 feet from the North 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 August, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of August, 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 Tom Brown, Inc. 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 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, 120 percent 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); 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.

-5-

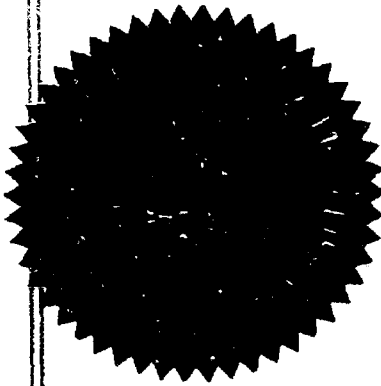
Case No. 4947

Order No. R-4531

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

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

COE HOOD, Chairman
RALPH W. CALLAWAY, Vice-Chairman
LAMOIN MOORE, Commissioner
GERALDINE MAHAFFEY, County Clerk
L. L. COOPER, Probate Judge



THOMAS S. GRANGER, Sheriff
NELL PHILLIPS, Treasurer
JUANITA S. GRUBE, Assessor
JOHN W. LEWIS, Jr., Surveyor

Eddy County

CARLSBAD, NEW MEXICO 88220
May 3, 1973

RECEIVED
MAY 7 1973
OIL CONSERVATION COMM.
Santa Fe

Mr. Dick Stamets
Oil Conservation Comm.
Santa Fe, N. M.

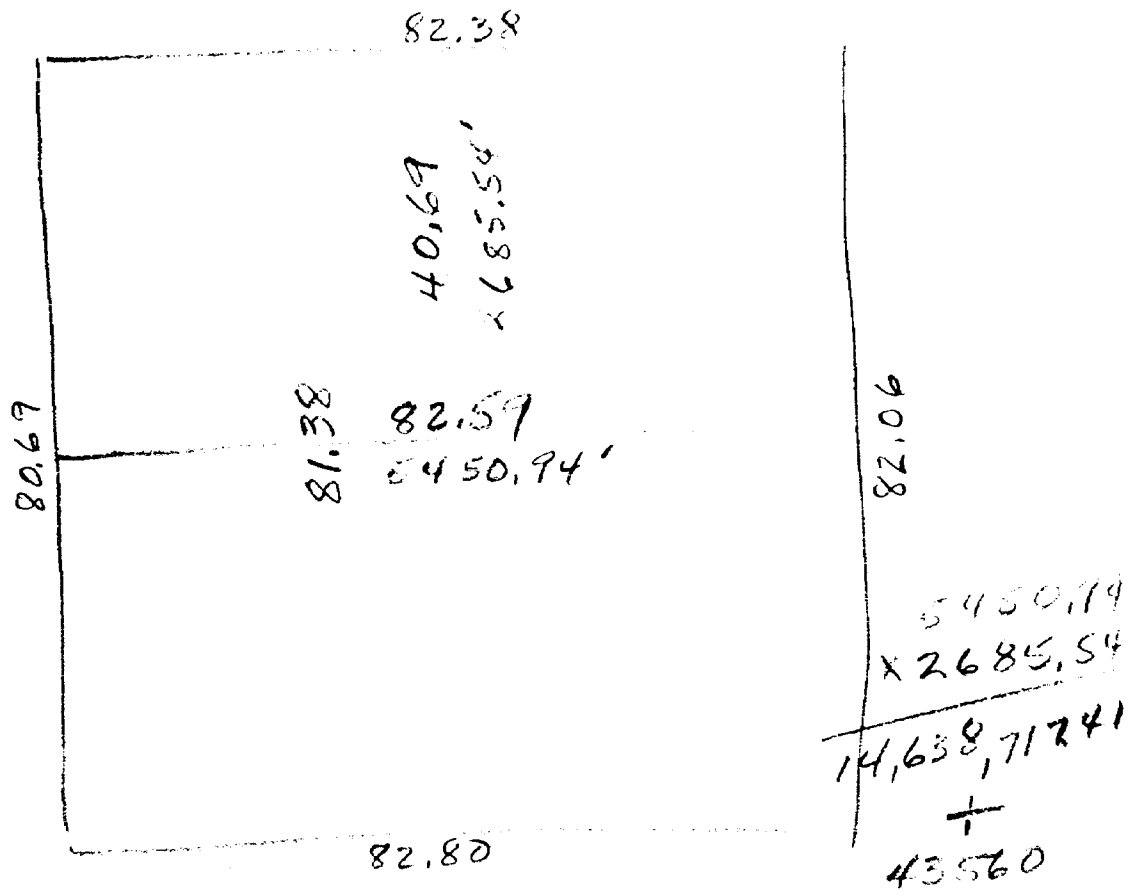
Dear sir:

I am inclosing a print of a portion of Twp. 22 S., Rge. 26 E. N. M. P. M. showing the dimensions of section 13. This is a dependant resurvey of the township conducted by the General Land Office and was executed in 1943.

This is being sent you at the request of Mr. J. C. Snyder for the Tom Brown Drilling Co. of Midland, Texas.

Yours truly

[illegible][illegible]



See 13, T22S, R26E =
 dimension taken from ^{across in} N/2
 resurvey of 1945

1947 — Tom Ford.

R. J. De Paul.

1630 — no longer correct
produce well than a
standard 1980 X 1988

1980 would fit within an
array so repeat 1680

Risk — more than a normal well
— nature of Morgan Sands
and exhibit #6
— factor — 200%

Amt. for well supervision —
\$450 per mo.
to operate
well when
drilling
then \$150 per mo.

USA primary owners can join
until drilling
begins

Drilling to begin — 60-90 days
maybe longer

43.02 acres — controversy as to
amt. of land in unit
% and acreage — % amount into norms

average 1. amount in container (Lecithin)

Jason for 1 abs.
1st 2 prepared by unknown engineer.
plot inaccurate
error of 100 ft.

little

1st 2 prepared by unknown engineer.
plot inaccurate

1st 2 prepared by unknown engineer.
plot inaccurate

Testing program - in place
- separate in location
prior to test.

1 - 10 miles - commercial
well - 1 out of 5
qualified to 1 out of 5

Jason - on day late in field

1st 2 prepared by unknown engineer.

western union
Telegram
Tele

IPMFEKA SAMA
1-007032A115 04/25/73
ICS IPMAYKA ABQ

01004 (2053) 2-156873E114 PD 4/24 2053 TDRN SANTA FE NM 0853PEST
PMS DOROTHY HARVEY, DELIVER BEFORE 830AMST 4-29-
WILL CALL WU SANTA FE NM 87501

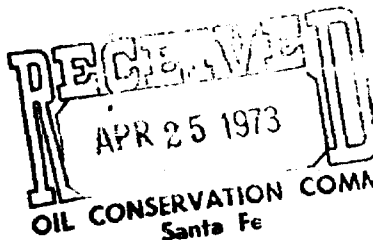
I HAVE AGREED TO TRANSFER TO TOM BROWN MY OIL AND GAS LEASES
FROM ROBERTS AND JOHN HILLS IN THE NORTHWEST QUARTER OF SECTION
13 PLUS MY LEASES FROM BOUCHILLON AND DYER IN THE SOUTHWEST
QUARTER OF SECTION 12 IN EXCHANGE FOR TOM BROWNS OIL AND GAS
LEASE FROM JEWEL SLOAN IN THE NORTHWEST QUARTER OF SECTION 12
ALL ABOVE LEASES BEING IN TOW SHIP 22 SOUTH, RANGE 26 EAST EDDY
COUNTY NEW MEXICO

MISTER BROWN'S COUNCELS READING THIS AND TO THE RECORD OF THE
FORCED POOLING OF THE ABOVE NORTH HALF OF SECTION 13 WILL CONFIRM
THIS AGREEMENT BETWEEN US TO BE LATER REDUCED TO SPECIFIC BLOCK
AND LOT NUMBERS AND THROUGH THE EXCHANGE OF ASSIGNMENTS ON THE ABOVE
LEASES.

MICHAEL P GRACE, II

0949 EST

IPMFEKA SAMA



1973 APR 25 AM 8:01

Case 4947

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 25, 1973

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 Daniel S. Nutter or Elvis A. Utz, Alternate Examiners:

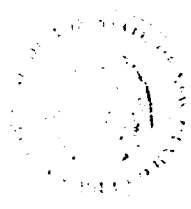
CASE 4946: Application of Union Texas Petroleum for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Crosby-Fusselman Pool, Lea County, New Mexico, including a provision for classification of oil wells and gas wells, 80-acre spacing for oil wells, 320-acre spacing for gas wells, and a limiting gas-oil ratio of 5000 to one.

CASE 4947: Application of Tom Brown, Inc., for compulsory pooling, and a non-standard unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field Extension, Eddy County, New Mexico, to form a non-standard 336.6-acre unit to be dedicated to a well to be drilled 1680 feet from the North 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 4948: Application of Skelly Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-complete its R. R. Sims Well No. 7 located 2200 feet from the South and West lines of Section 3, Township 23 South, Range 37 East, Lea County, New Mexico, as a producing oil well in its Penrose "A" waterflood project, Langlie-Mattix Pool, said well being an unorthodox location closer than 330 feet to another well producing from the same pool. Applicant further seeks an administrative procedure for approval of further in-fill development at unorthodox locations in its Penrose "A" Unit Area.

CASE 4949: Application of Skelly Oil Company for the amendment of Order No. R-1069-B, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1069-B, which order promulgated special pool rules for the Bisti Lower-Gallup Oil Pool, San Juan County, New Mexico. Applicant seeks the adoption of rules for the classification of gas wells in said pool and the dedication of 320 acres thereto.



OIL CONSERVATION COMMISSION

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

May 22, 1973

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

Mr. Donald G. Stevens
P. O. Box 1797
Santa Fe, New Mexico 87501

Re: Commission Order No. R-4531

Dear Mr. Stevens:

Reference is made to Commission Order No. R-4531, entered by the Commission May 17, 1973, which order pooled all mineral interests down to and including the Morrow formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field Extension, Eddy County, New Mexico, and designating your client, Tom Brown, Inc., as operator of the subject well and unit.

To avoid any misunderstanding as to when Tom Brown, Inc. should furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs (in accordance with Order 3), please be advised that the Commission regards a designated operator as the operator only after the order is entered, thereby making it incumbent upon Tom Brown, Inc., to furnish each of the above with a schedule of estimated well costs after May 17, but at least 30 days prior to commencing the well. Each non-consenting working interest owner will then have 30 days to make his determination as to whether to pay his share in advance or to pay out of production.

Please call the undersigned if you have any questions regarding this matter.

Yours very truly,

DANIEL S. NUTTER
Chief Engineer

DSN/dr

cc: Mr. Jason Kellahin

CARLESBAD
AIRPORT

BEFORE EXA

CASE NO

Submitted 10/1/11

Hearing Date

NMOCC CASE 4947, EXHIBIT 1

TOM BROWN DRILLING COMPANY, INC.
AUTHORIZATION FOR EXPENDITURE
SUMMARY

No. _____ Page 1 of 4

WELL AND LOCATION: Carlsbad # 1, 1680 FNL & 1980 FEL, Sec. 13, T-22S R-26E,
Eddy County, New Mexico

JUSTIFICATION: _____

REMARKS: _____

OPERATOR: Tom Brown, Inc. DISTRICT: Midland

INTERESTS:	Intangible Costs	Tangible Costs	Total Estimated Cost	Actual Cost
Tom Brown Drilling Co., Inc.	\$168,655.00	\$ 44,150.00	\$212,805.00	
_____ %	33,100.00	67,650.00	100,750.00	
_____ %	2,500.00	10,500.00	13,000.00	
_____ %	\$204,255.00	\$122,300.00	\$326,555.00	
_____ %				
_____ %				
_____ %				
_____ %				

Estimate By: *John L. Oliver* Date: 4-11-73
~~District Manager~~
Vice President

Division Manager: _____

Exploration Manager: _____

General Manager: _____

Co-Owner Approval: _____

By: _____ Title: _____
Date: _____

BEFORE EXAMINER STAMPS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 7
CASE NO. 4947
Submitted by: _____
Hearing Date: _____

By: _____ Title: _____
Date: _____

TOM BROWN DRILLING COMPANY, INC.

AUTHORIZATION FOR EXPENDITURE

DRILLING AND COMPLETION

No. _____
Page 2 of 4

Quantity	Items - Description	Intangible Costs	Tangible Costs	Total Estimated Cost	Actual Cost
	DRILLING				
	Survey	\$ 200.00			
	Surface Damages	1,000.00			
	Roads & Location	1,000.00	\$		
	Surface Casing: 400' 13 3/8		3,400.00		
	Intermediate Casing: 5600' 9 5/8		38,000.00		
	Casinghead		4,000.00		
	Float Equipment		500.00		
	Scratchers & Centralizers		250.00		
	Cement & Cementing Services	10,000.00			
	Mud & Chemicals	20,000.00			
	Water				
	Coring Services				
	Core Analysis				
	Testing Services	4,000.00			
	Logging Services	8,500.00			
	Geological Services	1,000.00			
	Engineering Services	1,000.00			
	Welding	200.00			
	Tool & Equipment Rental	2,000.00			
	Drilling Contract: 11,900 feet @ \$ 9.50 /foot	113,155.00			
	_____ W/DP				
	_____ WO/DP				
	_____ SB				
	Air Compressor: _____ days @ \$ _____ /day				
	Bits				
	Location Clean Up	750.00			
	Miscellaneous:				
	Contingencies _____ %	2,500.00			
	Total Drilling Cost ...				
	ABANDONMENT				
	Cement & Cementing Services				
	Daywork: 1 day	1,350.00			
	Miscellaneous: Cementing & Plugs	2,000.00			
	Less Salvage: Well Head 2,000.00		(2,000.00)		
		168,655.00	44,150.00		
	Total Dry Hole Cost ...	212,805.00			

TOM BROWN DRILLING COMPANY, INC.

AUTHORIZATION FOR EXPENDITURE

DRILLING AND COMPLETION

No. _____
Page 3 of 4

Quantity	Items - Description	Intangible Costs	Tangible Costs	Total Estimated Cost	Actual Cost
	COMPLETION				
	Production Casing: 5 1/2		\$ 43,000.00		
	Tubing: 2 7/8		19,400.00		
	Cement & Cementing Services	\$ 4,000.00			
	Xmas Tree & Tubinghead		5,000.00		
	Float Equipment		250.00		
	Logging Services	1,000.00			
	Perforating Services	2,000.00			
	Acidizing	5,000.00			
	Fracturing	10,000.00			
	Packers	2,000.00			
	Test Tank Rental	500.00			
	Bits				
	Engineering Services	1,000.00			
	Welding	100.00			
	Trucking				
	Daywork - Rig:				
	Daywork - Pulling Unit:				
	10 days @ \$500.00/ day	5,000.00			
	Tool & Equipment Rental:				
	Miscellaneous:				
	Contingencies 2500 %	2,500.00			
		33,100.00	67,650.00		
	Total Completion Cost ...	100,750.00			
	TOTAL WELL COST ...				

TOM BROWN DRILLING COMPANY, INC.

AUTHORIZATION FOR EXPENDITURE

PRODUCTION

No. _____
Page 4 of 4

Quantity	Items - Description	Intangible Costs	Tangible Costs	Total Estimated Cost	Actual Cost
	PRODUCTION EQUIPMENT				
	Pumping Unit:				
	Power:				
	Electrical:				
	Bottom Hole Pump:				
	Rods:				
	Flow Line:				
	Tanks		3,000.00		
	Separator		5,000.00		
	Heater Treater		2,500.00		
	Dirt Work & Ditching				
	Welding	1,000.00			
	Circulating Pump				
	Fencing				
	Engineering Services	500.00			
	Labor				
	Guy Line Anchors				
	Polish Rod & Clamp				
	Stuffing Box & Pumping Tree				
	Connections & Fittings				
	Header				
	Trucking				
	Miscellaneous:				
	Contingencies 1000 %	1,000.00			
		2,500.00		10,500.00	
	Equipment Cost ...	13,000.00			
	TOTAL COST ...				

ESTIMATE OF PAYOUT PERIOD

Completed well cost	\$ 326,555
TBI revenue interest until payout	70%
Reasonable delivery rate	2 MM/day
Gas @ 50¢/M less 3¢ taxes	47¢
Operating cost per month	\$ 450
Monthly revenue	
2,000M x 47¢ x 70% x 30 days - \$450 =	\$ 19,290/month
Annual rate of interest	7.5%

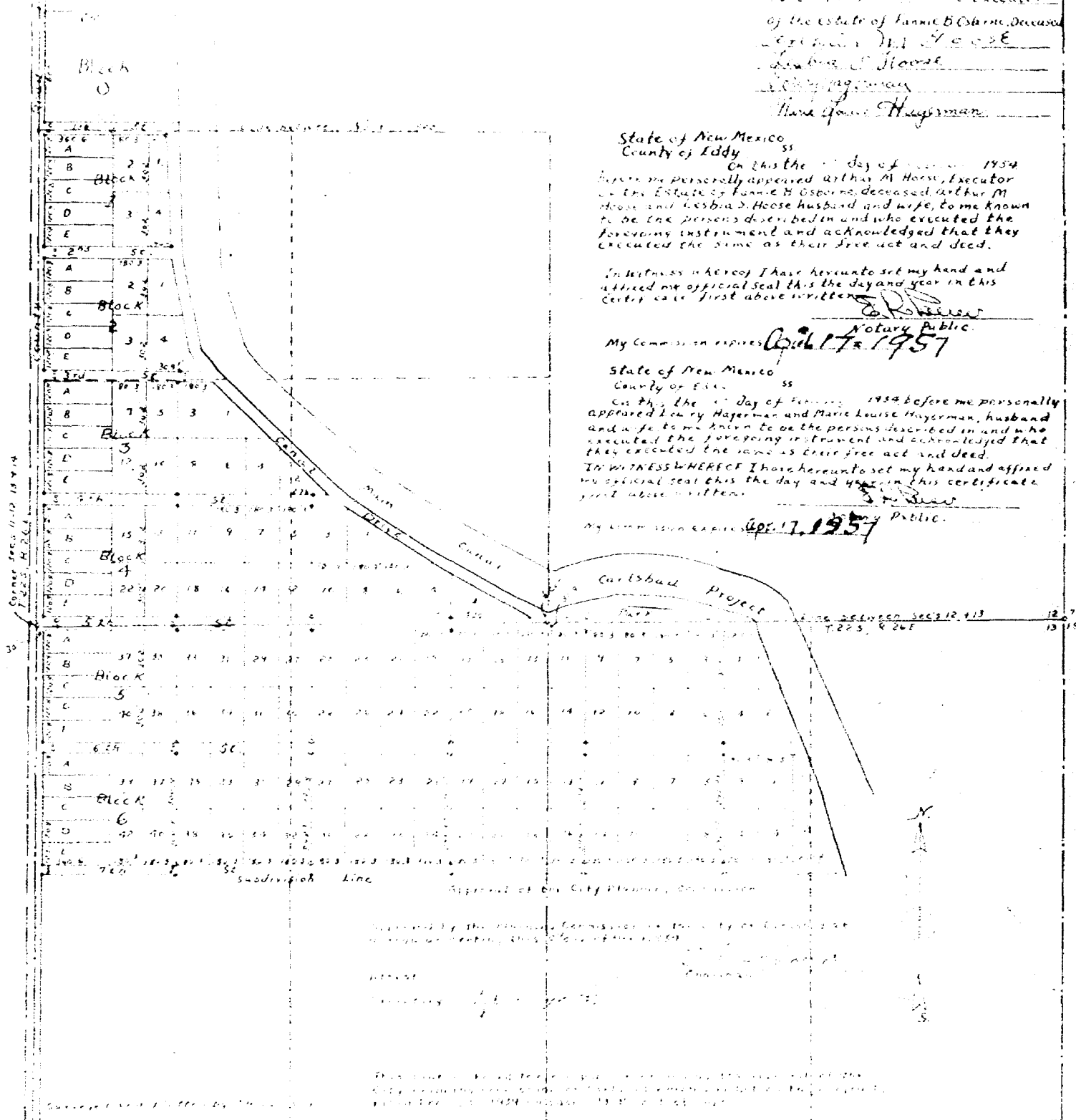
Payout period just under 18 months

DEPARTMENT OF REVENUE	
OIL COMMISSION	
RECEIVED	8
CASE NO.	4947
DATE	
FILED	

Map of HOOSE ACRES

LOCATED IN W1/2 AND SW1/4 SEC 14
SECTION 12 AND NW1/4 SEC 13
TWP 22 S. R. 1 E. 26 E

EDDY COUNTY NEW MEXICO
Scale 1 in. = 400 ft.



DEDICATION.

I hereby certify that the subdivision into blocks, lots and streets of a part of the W1/2 and SW1/4 Section 12, and NW1/4 Section 13, T22S, R1E, S26E, is in accordance with the provisions of the Act to provide for the subdivision of land, and that the same is being done with the free consent and in accordance with the desire of the undersigned owners and proprietors thereof.

Wm. H. Hoose, Executor
of the estate of Fannie B. Hoose, Deceased
J. H. Hoose
J. H. Hoose
J. H. Hoose

State of New Mexico
County of Eddy

On this the 17th day of April, 1954, before me personally appeared Arthur M. Hoose, Executor of the Estate of Fannie B. Hoose, deceased, Arthur M. Hoose and Fannie B. Hoose, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

In witness whereof I have hereunto set my hand and affixed my official seal this the day and year in this certificate first above written.

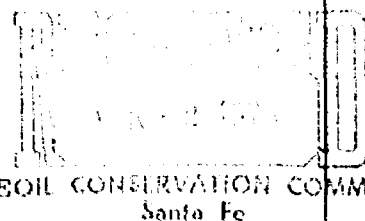
My Commission expires April 17, 1957

State of New Mexico
County of Eddy

On this the 17th day of April, 1954, before me personally appeared Henry Hagerman and Marie Louise Hagerman, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

In witness whereof I have hereunto set my hand and affixed my official seal this the day and year in this certificate first above written.

My Commission expires April 17, 1957



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BEFORE THE OIL AND GAS COMMISSION OF THE OIL CONSERVATION COMM.
Santa Fe
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
TOM BROWN, INC. FOR FORCED POOLING OF :
N/2, SECTION 13, TOWNSHIP 22 SOUTH, :
RANGE 26 EAST, IN EDDY COUNTY, NEW MEXICO :

No. 4947

APPLICATION

COMES NOW the Applicant, TOM BROWN, INC., a corporation
duly qualified to do business in the State of New Mexico, whose
address is P. O. Box 5706, Midland, Texas, 79701, and states:

1. Applicant hereby applies for an order for forced
pooling of all the oil and gas minerals located in and under the
following lands in Eddy County, New Mexico:

N/2, Section 13, Township 22 South,
Range 26 East, containing 336.6 acres,
more or less.

2. This application is filed pursuant to Section
65-3-14, NMSA 1953, as amended, and also pursuant to all applica-
ble rules and regulations of this Commission.

3. The name or general description of the common
sources of supply which will be affected by the order sought,
are the following, all believed to be in the Pennsylvanian Age:

- Cisco Formation;
- Canyon Formation;
- Strawn Formation;
- Atoka Formation;
- Morrow Formation.

4. The location of the well proposed to be drilled
by the Applicant, who will be the operator of said well, is as
follows:

DOCKET MAILED

1680' from the North and 1980' from the
East lines of said Section. 4-12-73
Date

It is not practicable to locate said well 1980' from the North
and 1980' from the East lines of said Section for the reason that

1 such precise location would fall in an arroya which is subject to
2 flood.

3 5. The proposed location is 550' from the nearest
4 human habitation and 600' from the next nearest human habitation.
5 Drilling operations could be conducted at such location without
6 any undue hazards to life or property.

7 6. The proposed location lies outside the city limits
8 of the City of Carlsbad, New Mexico.

9 7. Applicant is the owner of valid oil and gas leases
10 on all of said half section, except on certain portions of said
11 land as will be hereinafter described. Attached hereto as
12 Exhibit 1 is a plat showing the entire half section. The owner-
13 ship of the minerals and the status of the leases on the tracts
14 not under lease to Applicant are as follows:

15 a. Sam Thomas is the owner of Lots 37 and 40 in
16 Block 6 of Hoose Acres.

17 Paul Womack is the owner of Lots 25 and 28 of
18 Block 6, Hoose Acres.

19 ✓ Michael P. Grace, whose post office address
20 is P. O. Box 1418, Carlsbad, New Mexico 88220, is the holder
21 of valid oil and gas leases on the 4 lots described in this sub-
22 paragraph. The total acreage contained in said 4 lots is 5.50.

23 b. ✓ Consuelo Saldana, Enrique Saldana, Epifanio
24 Saldana and Amy Saldana, all of whom are minors, are the owners
25 of an undivided 2/3 of Lot 24, Block 5, Hoose Acres. Said
26 interest is unleased and it amounts to .916 acres. The address
27 of said minors is 310 Curry Street, Carlsbad, New Mexico, and
28 their father is named Brigido Saldana.

29 c. W. A. Page, whose address is 10129 Monaco
30 Drive, El Paso, Texas is the owner of Lots 15 and 18 in Block 5,
31 Hoose Acres, said lots are unleased and the total acreage
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1 contained therein is 2.75 acres.

2 d. Bill Taylor, whose address is Route 2, Box 74,
3 Satanta, Kansas 67870, is the owner of the following lands:

4 Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12,
5 13, 14, and 16, in Block 5 and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10,
6 11, 12, 13, 14 and 16 in Block 6 of Hoose Acres.

7 The mineral interests of Bill Taylor are un-
8 leased. The total acreage in the lands owned by the said Bill
9 Taylor amounts to 43.03 acres.

10 e. Western States Broadcasters, Inc., whose
11 address is 201 S. Halagueno, Carlsbad, New Mexico, is the owner
12 of an undivided 1/4 of the oil, gas and other minerals lying in
13 and under the following lands, to-wit:

14 N/2 S/2 NW/4, Section 13-22-26.

15 The interest of said corporation is not leased
16 and it amounts to an undivided 10 mineral acres.

17 8. The lands under lease to Applicant amount to
18 274.404/336.600. The lands not under lease to Applicant amount
19 to 62.196/336.600 acres.

20 9. Applicant is experienced in the oil and gas
21 business and has the equipment, capital and personnel with which
22 to drill a well to the projected zones and to act as operator
23 thereof.

24 10. Applicant has made bona fide effort to lease the
25 unleased lands in said half section as described above, but has
26 been unable to do so.

27 11. All of said half section should be pooled to
28 protect correlative rights, prevent waste and avoid the drilling
29 of unnecessary wells.

30 12. The risk and expense of drilling said well to the
31 projected depth of approximately 11,900 feet is great and if any
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1 of the working interest owners or unleased mineral owners in said
2 half section do not choose to buy their share of the cost of
3 drilling said well, Applicant should be allowed a reasonable
4 charge for the supervision and a charge for the risk involved of
5 200% of the actual cost, in addition to recovery of the actual
6 cost of drilling and completing said well.

7 13. Applicant desires a hearing before the Oil
8 Conservation Commission.

9 WHEREFORE, APPLICANT PRAYS:

10 1. That the Commission set this matter down for
11 hearing before it.

12 2. That notice be given as required by law.

13 3. That upon hearing, an order be issued pursuant to
14 Section 65-3-14, NMSA 1953, as amended, for forced pooling of all
15 mineral interests in said half section with Applicant designated
16 as operator and with the allowances mentioned in paragraph 12
17 above.

18 McCORMICK, PAINE and FORBES

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By Don G. McCormick
Don G. McCormick
P. O. Box 1718
Carlsbad, New Mexico

DONALD G. STEVENS

Donald G. Stevens
Santa Fe, New Mexico

Attorneys for Applicant.

DRAFT

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. 4947
Order No. R-7531

APPLICATION OF TOM BROWN, INC.,
FOR COMPULSORY POOLING, AND A
NON-STANDARD UNIT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 25, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 1973, 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, Tom Brown, Inc., seeks an order
pooling all mineral interests ~~from the surface of the ground~~
~~down to and including the Morrow Formation of the Permian~~
underlying the N/2 of Section 13, Township 22 South,
Range 26 East, NMPM, South Carlsbad Field Extension, Eddy County,
New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well ~~1680 feet from the North line and 1980 feet from~~
~~the East line of said Section 13.~~

(4) That the applicant further seeks authority to form
a non-standard 336.6-acre unit to be dedicated to ~~a well, to be~~
~~drilled 1680 feet from the North line and 1980 feet from the~~
~~East line of said Section 13.~~

(5) That the dependent resurvey
of Township 22 South, Range 26 East,
N.M.P.M. indicates that the
N/2 of said Section 13 contains
336.06 acres and that this
non-standard unit should be
approved and be dedicated to
said well.

~~6~~ That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

~~7~~ 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.

~~8~~ That the applicant should be designated the operator of the subject well and unit.

~~9~~ 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.

~~10~~ 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 120 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

~~11~~ 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.

~~12~~ 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.

~~13 (12)~~ 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.

~~14 (13)~~ 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.

~~15 (14)~~ 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 August 15, 1973, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

down to and including
(1) That all mineral interests, whatever they may be, *from the surface of the ground through the Morrow formation* ~~the surface of the ground through the Morrow formation~~ underlying the N/2

of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field Extension, Eddy County, New Mexico, ~~non-~~ are hereby pooled to form a/standard 336.06-acre gas spacing and proration unit to be dedicated to a well to be drilled

1680 feet from the North 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 August, 1973, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of August, 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 Tom Brown, Inc. 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

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, 120 percent 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); 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 Edberg 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.