

CASE 7487: NCF OIL CORPORATION FOR COM-  
PULSONY POOLING, LEA COUNTY, NEW MEXICO

DOCKET MAILED

Date 2/5/82

CASE NO.

7487

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

Operator: MGF Type of Operation: Drilling: Oil Well Date: 1/81  
 Lease: J. Speight Well No. 1 Field: House County: Lea  
 Location: 660' FS&EL, Sec. 31, T19S, R39E, Lea Co. Prospect: Nadine  
 Fee No.            Proposed T.D. 7800

-009	Road, Location & Survey	10,000	10,000
-008	Damages	5,000	5,000
-002	Drilling-Footage:	ft. @ /ft.	-
-003	Drilling, daywork:	25 days @ 6800 /day	170,000
-021	Fuel	20,000	20,000
-033	Water	15,000	15,000
-020	Bits	15,000	15,000
-004	Mud and Chemicals	10,000	10,000
-006	Cement Services	25,000	10,000
-025	DST's 5 Coring	ft. Mud Logging 10 Days	15,000
-015	Logging	15,000	10,000
-016	Perforating	5,000	-
-011	Treating-Acidize/frac	20,000	-
-014	Well Service Unit	20,000	-
-013	Rental Equipment	5,000	3,000
-005	Trucking	35,000	30,000
-022	Frac Oil & Wash Oil	-	-
-023	Labor	5,000	3,000
-034	Direct Supervision	10,000	8,000
-035	Contingencies	8 %	25,000

WELL EQUIPMENT							\$432,000	\$349,000
	Casino	Footage	Size	Grade Thread	Weight	Price		
-001	Surf.							
-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Insol						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
-004	Tubing	7000	2 3/8	J-EUE	47	3.65	25,550	-
-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
-014	Packers/Anchors	TAC					1,000	-

Total	\$ 181,063	\$ 25,880
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-011	Tanks 2-500 BBL	1-210' BBL	17,000	-
-024	Separation Equipment	4 x 20 Heater	7,000	-
-012	Line Pipe		2,000	-
-013	Fittings		3,000	-
-016	Installation		10,000	-

APPROVAL:  
Engineering 1/15 10/9/81  
Geologic 1/15 10/9/81  
and 1/15 10/9/81  
Managerial 1/15 10/9/81

### Working Interest Owners

**Total**

**\$ 39,000**

§

**Total AFE**

**\$ 652,063**

**374,883**

**74.1.**

**TO**

**S**

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Working Interest Owner Approval:  
This AFE is approved for the account of  
y:

Date:

Remarks:

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

17 February 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of MGF Oil Corporation  
for compulsory pooling, Lea County,  
New Mexico.

CASE  
7486

and

Application of MGF Oil Corporation  
for compulsory pooling, Lea County,  
New Mexico.

CASE  
7487

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal-Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P.A.  
Jefferson Place  
Santa Fe, New Mexico 87501

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I N D E X

WENDALL M. GIBSON

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Stamets	12

JACK BIRCHUM

Direct Examination by Mr. Carr	13
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E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Plat	6
Applicant Exhibit Three, Letters	9
Applicant Exhibit Four, AFE's	9
Applicant Exhibit Five, Plat	14
Applicant Exhibit Six, Map	15

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Applicant Exhibit Three, Letters	9
Applicant Exhibit Four, AFE's	9
Applicant Exhibit Five, Plat	14
Applicant Exhibit Six, Map	15

1  
2 MR. STAMETS: We'll call next Case  
3 7486.

4 MR. PEARCE: Application of MGF Oil  
5 Corporation for compulsory pooling, Lea County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 my name is William F. Carr, with the law firm Campbell, Byrd,  
8 and Black, P. A., of Santa Fe, appearing on behalf of the  
9 applicant.

10 We would request that this case be con-  
11 solidated with the next case inasmuch as they involve the  
12 pooling of two adjacent 40-acre tracts and the ownership  
13 under the tracts is --

14 MR. STAMETS: If there is no objection,  
15 these two cases will be consolidated for purposes of testi-  
16 mony.

17 MR. CARR: And I have two witnesses who  
18 need to be sworn.

19  
20 (Witnesses sworn.)

21  
22 WENDALL M. GIBSON  
23 being called as a witness and being duly sworn upon his oath,  
24 testified as follows, to-wit:  
25



## DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name, please?

A Wendall M. Gibson.

Q Mr. Gibson, by whom are you employed?

A MGF Oil Corporation.

Q And in what capacity?

A Division Landman.

Q And where are you stationed?

A Midland, Texas.

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

A Yes, I have.

Q Are you familiar with the applications filed in these cases for MGF?

A Yes, I am.

Q Are you familiar with the subject lands and the proposed wells?

A Yes, I am.

MR. CARR: Are the witness' qualifications acceptable.

MR. STAMETS: They are.

Q Mr. Gibson, will you briefly state what

1  
2 MCF seeks in these cases?

3 A. We seek to force pool from the surface  
4 down to the Abo formation, approximately 7800 feet, under  
5 the southeast quarter of the southeast quarter of Section 31,  
6 and the northeast quarter of the northeast quarter of Section  
7 6, Lea County, New Mexico.

8 We also drilled at a standard location.  
9 We also want to consider the cost of drilling and completing  
10 said wells and the actual operating cost and charges for  
11 supervision, designation of applicant as operator, and the  
12 charge for risk involved in drilling the wells.

13 Q Now, Section 6 is Section 6 of Township  
14 20 South, Range 39 East, is that correct?

15 A Yes, sir.

16 Q And Section 31 is in 19 South, 39 East.

17 A Right.

18 Q Will you refer to what has been marked  
19 for identification as MCF Exhibit Number One, and review  
20 this for Mr. Stamets?

21 A This plat depicts the location, what  
22 we're calling our Jay State Well in an orthodox location  
23 in the southeast quarter of the southeast quarter of Section  
24 31, said location being 660 feet from the east line and 660  
25 feet from the south line of Section 31, Township 19 South,

Range 39 East.

Also, we -- MGF Oil Corporation has offset ownership surrounding the proposed well locations.

Q Are MGF leases indicated on this plat?

A Yes, they are.

Q And how are they indicated?

A MGPOC.

Q And have you marked the boundary of the MGF leases in any manner?

A Yes, we have hatched marks on all that we have interest in, hatched marks around the boundary of Section 31, 32, 5, and 6, what portions we own leases.

Q And does this plat reflect the current status of the lands in the area?

A Yes, it does.

Q Will you now refer to what has been marked for identification as MGF Exhibit Two and explain -- review this for the Examiner?

A It's similar to the other plat. It's depicting the location for our H Schenk Well and it also is located at an orthodox location, 660 feet from the north and 660 feet from the east line of Section 6. This is Township 20 South, Range 39 East.

Q And both of the wells are -- proposed

1 wells are anticipated to be oil wells, is that --

2 A. Yes, sir.

3 Q. -- correct?

4 A. Yes, sir.

5 Q. How deep do you propose to drill each  
6 of the wells?

7 A. We're going through the Abo formation  
8 or approximately 7800 feet.

9 Q. Does this plat also show other wells  
10 in the immediate area?

11 A. Yes, it does.

12 Q. Are any of the offsetting wells current-  
13 ly producing from the Abo formation?

14 A. No, they're not.

15 Q. Mr. Gibson, what percent of the working  
16 interest ownership, or the mineral interest ownership, has  
17 been committed to each of these wells?

18 A. Well, the State Well, or the southeast  
19 quarter southeast quarter Section 31, we have 40 percent of  
20 the leases under this location. And in the northeast quarter  
21 northeast quarter of Section 6 we have approximately 21.25  
22 percent of the leases.

23 Now, I'd like to point out that North  
24 American has leased in this area, too, and we've got a letter  
25

1  
2 here that they will either join or farmout their interest,  
3 which will give us over 60 percent under each well.

4 Q So you will represent over 60 percent  
5 of the working interest ownership and the mineral interest  
6 ownership?

7 A Yes, we will.

8 Q On these properties.

9 What efforts have you made to obtain  
10 voluntary joinder of all the owners of working interest or  
11 unleased mineral interest in each of the proposed spacing  
12 units?

13 A We have started since 1979 and have  
14 contacted all the parties that can be located and we've  
15 mailed letters, offered leases, and we did that about three --  
16 we've done that about three times on some of these parties  
17 that have not shown any interest in leasing.

18 Q There are some individuals that you've  
19 been unable to locate?

20 A Yes.

21 Q And how many parties have you been un-  
22 able to locate?

23 A Out of the nineteen ownerships there's  
24 only three.

25 Q And who are they?

1  
2 A The Thurman Oca Mason heirs and Libby  
3 P. Wright.

4 Q Have you made a good faith effort to  
5 locate each of these individuals?

6 A We have made a diligent effort through  
7 brokers and we have written a letter to Chamber of Commerce,  
8 Bureau of Vital Statistics, churches, banks, trust departments,  
9 in my opinion we've made more than a diligent effort in the  
10 last two years to located these three people, or their heirs.

11 Q Have you provided all of those being  
12 pooled today with notice of today's hearing?

13 A Yes, we have.

14 Q And is Exhibit Three copies of letters  
15 that were sent to each of these people being pooled?

16 A Yes, it is.

17 Q Will you now refer to what has been  
18 marked for identification as MGF Exhibit Number Four, identi-  
19 fy this, please?

20 A This is Authority for Expenditure, or  
21 AFE of drilling the wells.

22 Q Are these two -- there are two AFE's.  
23 Are the figures identical on the two?

24 A Yes, yes, it is.

25 Q Would you please summarize the informa-

tion contained on this exhibit?

A. Well, to casing point our dry hole would be \$374,883 and for a completed well would be \$652,063 for a completed well.

Q. And the cost would be the same for each of the wells you're proposing?

A. Yes, it is.

Q. How soon do you propose to drill these wells?

A. As soon as we can get our order.

Q. Are the costs reflected on this AFE in line with what is being charged by other operators for similar wells in the area?

A. It is.

Q. Have you made an estimate of the overhead and administrative costs while drilling and while producing each of the subject wells?

A. We have.

Q. And what are those?

A. It's \$3500 for the drilling and \$400 monthly for a producing.

Q. And \$3500 is a monthly figure for drilling?

A. While drilling, yes.

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Q Are these costs also in line with what is being charged by other operators?

A Yes.

Q And do you recommend that these figures be incorporated into any order which will result from today's hearing?

A I do.

Q Does MGF request to be designated operator of each of the proposed wells?

A It does.

Q And will we call a geological witness who can also testify as to risk?

A Yes, we'll call Mr. Birchum.

Q In your opinion, Mr. Gibson, will granting this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes.

Q Were Exhibits One through Four prepared by you or can you testify from your own knowledge as to their accuracy?

A Yes.

MR. CARR: At this time, Mr. Stamets, we would offer into evidence MGF Exhibits One through Four.



1  
2 MR. STAMETS: These exhibits will be  
3 admitted.

4 MR. CARR: And that concludes my direct  
5 examination of this witness.

6  
7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Gibson, are the parties to be  
10 pooled the same under each tract?

11 A Yes, sir, it's common ownership.

12 Q In your attempts to contact these  
13 people were letters written to each of those that you had  
14 an address for?

15 A Yes, sir, all known addresses. We've  
16 written to all the known addresses.

17 Q Okay. Now, on the -- your operating  
18 costs, \$3500 and \$400, are those the costs that are in your  
19 current voluntary agreements?

20 A Yes, sir, and we've used it in that  
21 area before, and with several other oil companies, and they  
22 have accepted it.

23 MR. STAMETS: Any other questions of  
24 this witness? He may be excused.

25 MR. CARR: We call Mr. Birchum.

JACK R. BIRCHUM

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your name and place of  
residence?

A Jack Birchum, and I live in Midland,  
Texas.

Q By whom are you employed?

A MGF Oil Corporation.

MR. STAMETS: I'm sorry, I missed the  
witness' name.

MR. CARR: Jack Birchum, B-I-R-C-H-U-M.

Q Mr. Birchum, you're employed as a  
geologist by MGF?

A I am.

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

A Yes, I have.

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Q Are you familiar with the applications filed on behalf of MGF in each of these consolidated cases?

A Yes.

Q Are you familiar with the proposed wells and the proposed spacing units?

A Yes, sir.

MR. CARR: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q Mr. Birchum, have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Will you please refer to what has been marked for identification as MGF Exhibit Number Five, identify this and explain what it shows?

A Exhibit Number Five shows the two proposed well locations and offset production by cumulative numbers and the decimal showing 1900 barrels of oil cums.

Q All right, and the figures you have on each well, the large figure is cumulative production and then there is a smaller figure. Does that indicate the total depth of the well?

A The TD is underneath the well symbol and the large numbers are written in decimals and are the

1  
2 cumulative production for the San Andres oil production.

3 Q Now what is the primary objective in  
4 each of the subject wells?

5 A The primary objective is deeper than  
6 the San Andres. It's the Abo formation, 7800 feet.

7 Q How many wells in the immediate area  
8 have gone to the Abo formation?

9 A There are probably 10 wells on this  
10 plat that have penetrated the Abo.

11 Q Are there any wells in the immediate  
12 area that are producing from the Abo?

13 A No, the Abo is not produced in the im-  
14 mediate area.

15 Q Would you now refer to what has been  
16 marked for identification as MGF Exhibit Number Six, and  
17 review this for Mr. Stamets?

18 A Exhibit Number Six is a subsurface  
19 geological map prepared by using the datum point for the top  
20 of the San Andres and it also shows a porosity limit and  
21 our structural interpretation where the two wells are pro-  
22 posed.

23 Q Now, MGF is seeking an order pooling  
24 all formations from the surface down through the Abo, is  
25 that correct?

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A. Yes, sir.

Q. Why have you prepared a structure map only of the San Andres formation?

A. Lack of well control in the immediate area. The most well control is down to the southwest area, which does not have -- and then also, the complexity of the stratigraphic units from the San Andres down to my primary objective are quite complex; therefor, I think this map depicts my structural position and my best locations.

Q. So this shows that the best location for the wells in the San Andres is as you have proposed.

A. Yes.

Q. Would you drill a well to the San Andres formation alone?

A. No, sir, this would be too high risk.

Q. And why is that?

A. The cumulative production for the San Andres as shown on Exhibit Five is not satisfactory for economical conditions because of the high risk and the quite lengthy productive life of the wells.

Q. In your opinion what are the chances of making a successful commercial completion in either the Blinbry or the Tubb formations?

A. It would be extremely high risk because

1  
2 the -- of the nearest production is a few miles away from  
3 the subject area.

4 Q About how many miles would it be, do  
5 you know?

6 A Well, the Blinebry, for instance, is  
7 four miles to southwest, and the Drinkard is two miles to  
8 the northwest, and then the House Field has some San Andres  
9 and Drinkard production two miles to the southwest.

10 Q Where would the nearest Tubb production  
11 be?

12 A The nearest Tubb production is four  
13 miles, four and a half miles to the southwest near DK Field.

14 Q Now, what do you believe the chances of  
15 making a commercial well to be in the Drinkard formation?

16 A In which formation?

17 Q In the Drinkard formation.

18 A It would be very high risk because of  
19 the proximity of the production is so far away.

20 Q How would you characterize the Drinkard  
21 formation in this area?

22 A The stratigraphic nature of that Drinkard  
23 zone is very irregular and sporadic as far as the porosity  
24 is concerned and we consider it high risk.

25 Q And you may have stated this, how close

1  
2 is the nearest Abo production?

3 A The nearest Abo production is in Nadine  
4 Field two and a half miles to the northwest and then the  
5 next reference that I have to Abo production is four and a  
6 half miles south in DK Field.

7 Q Do you consider each of the proposed  
8 wells to be a high risk venture?

9 A Yes, sir, they're a high risk venture.

10 Q Are you prepared to make a recommenda-  
11 tion to the Examiner as to the risk factor that should be  
12 assessed against any interest owner who does not participate  
13 in the drilling of each of the wells?

14 A Yes, sir. We would ask that the Exa-  
15 miner grant a 200 percent penalty clause over and above the  
16 expense of the well.

17 Q Were Exhibits Five and Six prepared  
18 by you?

19 A They were.

20 MR. CARR: At this time, Mr. Stamets,  
21 we would offer Applicant's Exhibits Five and Six.

22 MR. STAMETS: These exhibits will be  
23 admitted.

24 MR. CARR: I have nothing further on  
25 direct.

1  
2 MR. STAMETS: Any questions of this  
3 witness? He may be excused.

4 Anything further in this case?

5 MR. CARR: Nothing further.

6 MR. STAMETS: The case will be taken  
7 under advisement.

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9 (Hearing concluded.)  
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## C E R T I F I C A T E

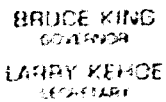
I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7487, 7486 heard by me on 2-17 1982  
Richard L. Stum, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



March 5, 1982

POST OFFICE BOX 2080  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Re: CASE NO. 7487  
ORDER NO. P-6916

MGF Oil Corporation

Yours very truly,

JOE D. RAMEY  
Director

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

Other \_\_\_\_\_

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7487  
Order No. R-6916

APPLICATION OF MGF OIL CORPORATION  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 17, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of March, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, MGF Oil Corporation, seeks an order pooling all mineral interests down through and including the Abo formation underlying the SE/4 SE/4 of Section 31, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in said formations, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

-2-

Case No. 7487

Order No. R-6916

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$3500.00 per month while drilling and \$400.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 7487  
Order No. R-6916

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, down through and including the Abo formation underlying the SE/4 SE/4 of Section 31, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of July, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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 Division 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 Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall

-4-

Case No. 7487  
Order No. R-6916

be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division 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 who 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, 200 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 \$3500.00 per month while drilling and \$400.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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

-5-

Case No. 7487  
Order No. R-6916

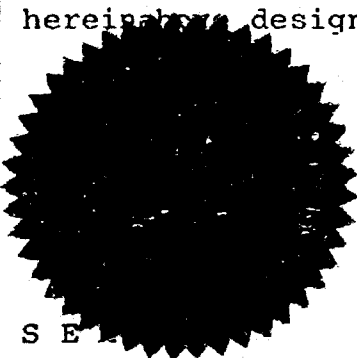
one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's 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 immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

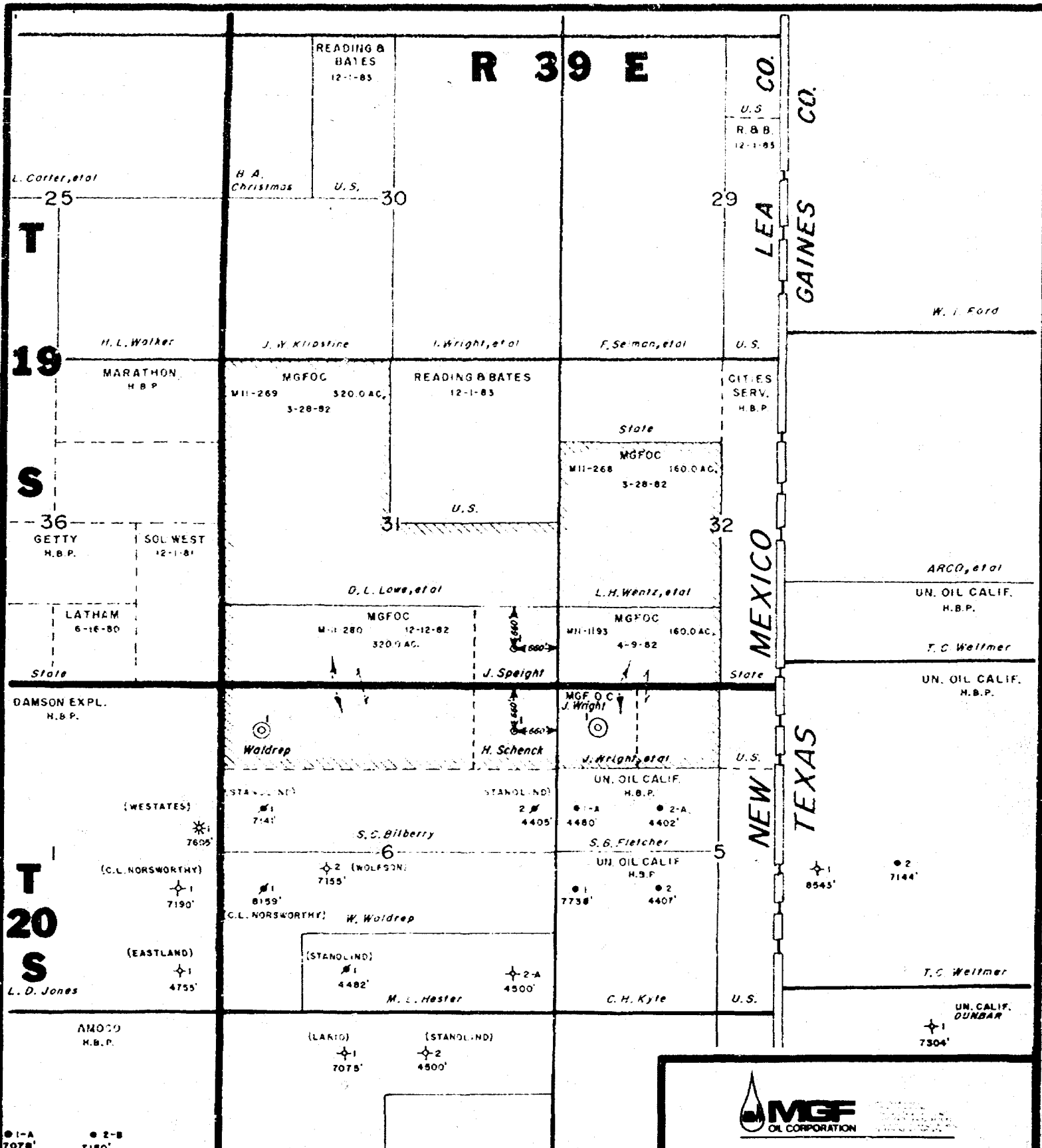
DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.



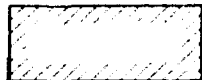
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY,  
Director

S E



### MAP LEGEND



LEASE  
OUTLINE



PROPOSED OR  
DRILLING LOCATION

- OIL WELL
- ★ GAS WELL
- OIL & GAS WELL
- ✦ DRY HOLE
- ✦/ ABANDONED OIL OR GAS WELL

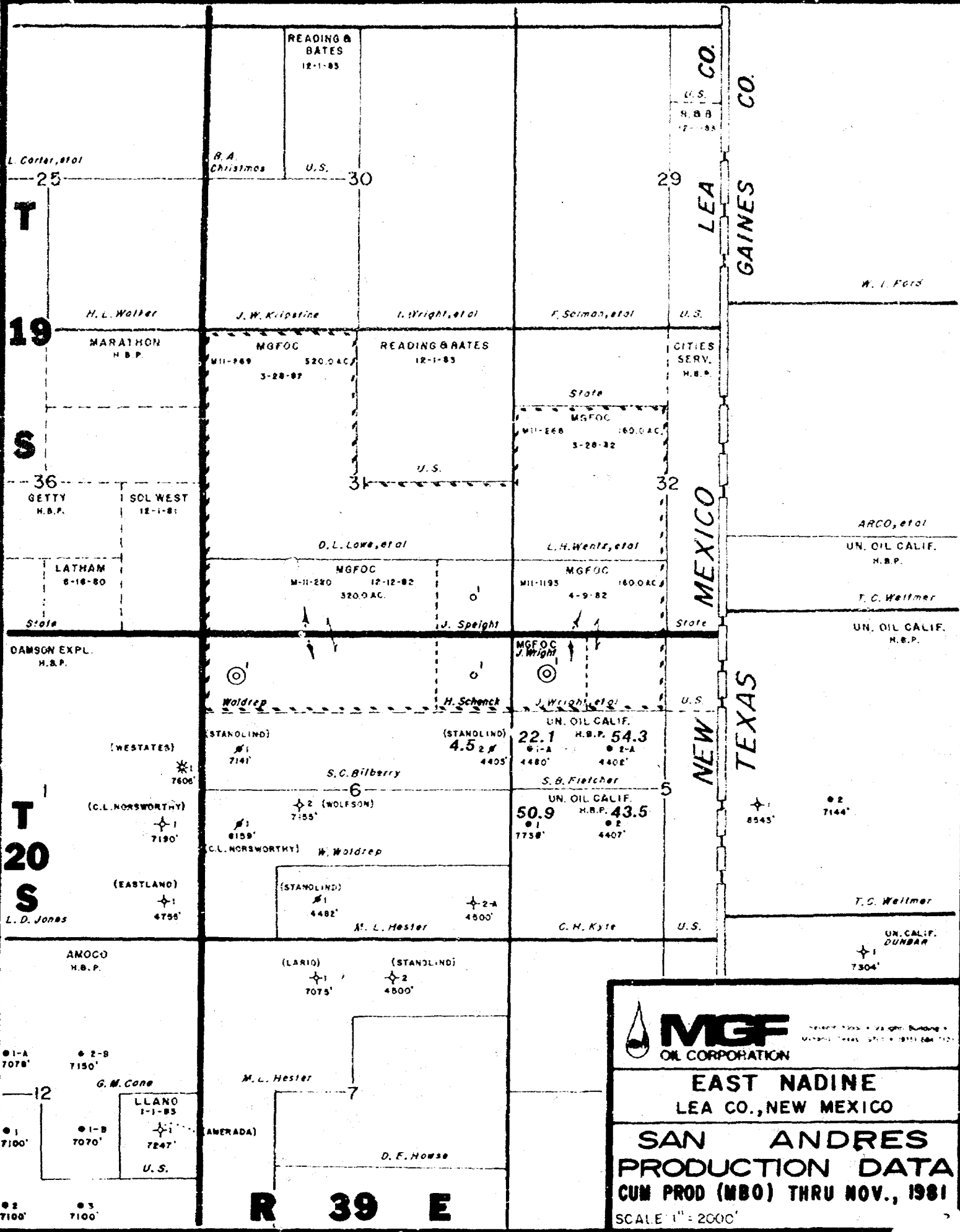


EAST NADINE  
LEA COUNTY, NEW MEXICO  
**LAND PLAT**

SCALE: 1" = 2,000'

1-82





BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

MGF EXHIBIT NO. 2

CASE NO. 7486 • 7487

Submitted by GIBSON

Hearing Date 2/17/82

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

MGF EXHIBIT NO. 1

CASE NO. 7486 • 7487

Submitted by GIBSON

Hearing Date 2/17/82

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
EARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Bella Steiner  
Fred W. Steiner, Jr.,  
Executor of Estate of  
Bella Steiner, deceased  
P.O. Box 2171  
Reno, Nevada 89505

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

MGF EXHIBIT NO. 3

CASE NO. 7486 - 7487

Submitted by GIBSON

Hearing Date 2/17/82

P22 1117916

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

TO Bella Steiner P.O. Box 2171 Reno, Nevada 89505 ZIP CODE		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	
																		2/10/82	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTNEY

JEFFERSON PLACE  
SUITE 1 • 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

North American Royalties, Inc.  
850 Empire Plaza  
Midland, Texas 79701

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P221117922  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO <i>North American Royalties, Inc.</i> STREET AND NO. P.O., STATE AND ZIP CODE		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Georgiana S. Kane  
Rouge Valley Manor  
1200 Miva Mar, Apt. 821  
Medford, Oregon 97501

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117923

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO <i>Georgiana S. Kane</i> STREET AND NO.		P.C. STATE AND ZIP CODE	
POSTAGE	CERTIFIED FEE		
SPECIAL DELIVERY			
RESTRICTED DELIVERY			
SHOW TO WHOM AND DATE DELIVERED			
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY			
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY			
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY			
TOTAL POSTAGE AND FEES			
POSTMARK OR DATE			

PS Form 3800, Apr. 1976

2/10/82

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
KARL D. BYRD  
BRUCE O. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1-110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Sabine Production Company  
P.O. Box 3083  
Midland, Texas 79702

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117924  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO William F. Carr, Esq. STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		\$	
CERTIFIED FEE		C	
SPECIAL DELIVERY		C	
RESTRICTED DELIVERY		C	
SHOW TO WHOM AND DATE DELIVERED		C	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		C	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		C	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		C	
RETURN RECEIPT SERVICE		C	
OPTIONAL SERVICES		C	
CONSULT POSTMASTER FOR FEES		C	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		2/10/82	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Richard S. Oliver  
326 Southwood Ave.  
Oakdale, California 95361

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

p22 1117925

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED —  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO RICHARD S. OLIVER STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE		\$	
CERTIFIED FEE		c	
SPECIAL DELIVERY		c	
RESTRICTED DELIVERY		c	
SHOW TO WHOM AND DATE DELIVERED		c	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		c	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		c	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		c	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		2/10/82	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 968-4421  
TELECOPIER: (505) 963-6043

February 10, 1982

Linda Oliver  
Star Route - Box 340  
Farmington, California 95230

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P221117926

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED -  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO STREET AND NO.	POSTAGE	CERTIFIED FEE	SPECIAL DELIVERY	RESTRICTED DELIVERY	SHOW TO WHOM AND DATE DELIVERED	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	TOTAL POSTAGE AND FEES	POSTMARK OR DATE
Oliver										2/10/82
P.O., STATE AND ZIP CODE										
CONSULT POSTMASTER FOR FEES										
OPTIONAL SERVICES										
RETURN RECEIPT SERVICE										
TOTAL POSTAGE AND FEES										



CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

First Interstate Bank  
Trustee of J.E. and Beulah Simmons  
P.O. Box 400  
Hobbs, New Mexico 88240

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REC

1. The following service is requested (Check one.) <input checked="" type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. <input type="checkbox"/> Show to whom, date, and address of delivery.		2. ARTICLE ADDRESSED TO: First Interstate Bank Post Office Box 400 Hobbs, NM 88240		3. ARTICLE DESCRIPTION: REGISTERED NO. 1117927 CERTIFIED NO. 1117927 INSURED NO.		4. SIGNATURE I have received the article described above. SIGNATURE <i>William F. Carr</i> DATE OF DELIVERY 2/17/82		5. POSTMARK FEB 17 1982		6. UNABLE TO DELIVER BECAUSE: INITIALS <i>WFC</i>	
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CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WAROLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6042

February 10, 1982

Richard Lyons Moore  
404 Blanks Building  
Midland, Texas 79701

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117928  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

BEN TO		STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE		\$	
OPTIONAL SERVICES		SPECIAL DELIVERY		\$	
RETURN RECEIPT SERVICE		RESTRICTED DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$	
TOTAL POSTAGE AND FEES		POSTMARK OR DATE		\$	

23/01/82

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BEROE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Michael H. Moore  
404 Blanks Building  
Midland, Texas 79701

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117929

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE	
SPECIAL DELIVERY		RESTRICTED DELIVERY	
SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL D. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WAROLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Stephen Scott Moore  
404 Blanks Building  
Midland, Texas 79701

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P221117930

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED --  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO <i>Stephen Scott Moore</i> STREET AND NO. <i>404 Blanks Building</i> P.O. STATE AND ZIP CODE <i>Midland, Texas 79701</i>		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTNEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Priscilla A. Kyte  
Conservator of the Estate  
of David Bond Kyte  
802 Alameda Padre Serra  
Santa Barbara, California 93103

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117931

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		3	
CERTIFIED FEE		6	
SPECIAL DELIVERY		6	
RESTRICTED DELIVERY		6	
SHOW TO WHOM AND DATE DELIVERED		6	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY		6	
RETURN RECEIPT SERVICE		6	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		6	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		6	
TOTAL POSTAGE AND FEES		5	
POSTMAN OR DATE			

9/10/82

PS Form 3800, Apr. 1976

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL D. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
ALEX W. GORTNEY

JEFFERSON PLACE  
SUITE 110 NORTH GUDALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Petty M. Dreessen  
27447 Edgerton Rd.  
Los Altos Hills, California 94022

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117932  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO 27447 Edgerton Rd. Los Altos Hills, CA 94022 P.O. STATE AND ZIP CODE		POSTAGE		1	
CERTIFIED FEE		SPECIAL DELIVERY		1	
RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		1	
RESTRICTED SERVICE		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		1	
RESTRICTED SERVICE		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		1	
RESTRICTED SERVICE		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		1	
TOTAL POSTAGE AND FEES		POSTMARK OR DATE		2/10/82	

PS Form 3825, Apr. 1978

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
EARL D. BYRD  
BRUCE D. BLACK  
MICHAEL W. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. HADDLE  
KEVIN W. GORTNEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 966-4421  
TELECOPIER: (505) 963-2043

February 10, 1982

Betty M. Dreessen and  
Ingrid D. Powell, Trustees  
P.O. Box 416  
Los Altos Hills, California 94022

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William P. Carr

WPC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P22 1117933

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED —  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

RENT TO		STREET AND NO.		P.O. BOX AND ZIP CODE	
POSTAGE		CERTIFIED FEE		TOTAL POSTAGE AND FEES	
SPECIAL DELIVERY		RESTRICTED DELIVERY		RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM AND DATE DELIVERED	
SUPER TO WHOM DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM AND DATE DELIVERED	
CONSULT POSTMASTER FOR FEES		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

10/2/82

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE G. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

The Bank of California  
Trustee for Betty K. Dreessen  
P.O. Box 45000  
San Francisco, California 94145

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

P 243 075 654

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO <i>Bank of California</i> STREET ADDRESS		P.O. STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE	
SPECIAL DELIVERY		RESTRICTED DELIVERY	
SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM AND DATE DELIVERED	
RETURN RECEIPT SERVICE		OPTIONAL SERVICES	
CONSULT POSTMASTER FOR FEES		TOTAL POSTAGE AND FEES	
POSTMARK OR DATE		2/10/82	



CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HAHL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-5043

February 10, 1982

The Bank of California  
Trustee for Cecile Mariee Dreessen  
P.O. Box 45000  
San Francisco, California 94145

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P 243 075 655  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO STREET AND NO P.O., STATE AND ZIP CODE	POSTAGE	CERTIFIED FEE	SPECIAL DELIVERY	RESTRICTED DELIVERY	SHOW TO WHOM AND DATE DELIVERED	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	TOTAL POSTAGE AND FEES	POSTMARK OR DATE
Bank of California										2/10/82

PS Form 3800, Apr. 1976

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Craig C. Powell and  
Ingrid D. Powell  
Trustees for the C & I Powell Trust  
P.O. Box 416  
Los Altos Hills, California 94022

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P 243 075 656  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO <i>Craig C. Powell</i> STREET NO. P.O. STATE AND ZIP CODE	POSTAGE \$	CERTIFIED FEE \$	SPECIAL DELIVERY \$	RESTRICTED DELIVERY \$	SHOW TO WHOM AND DATE DELIVERED \$	SHOW TO WHOM DATE AND ADDRESS OF DELIVERY \$	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$	SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$	OPTIONAL SERVICES \$	RETURN RECEIPT SERVICE \$	CONSULT POSTMASTER FOR FEES \$	TOTAL POSTAGE AND FEES \$	POSTMARK OR DATE 2/10/82
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CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 968-4421  
TELECOPIER: (505) 963-6043

February 10, 1982

Edward T. Dreessen, Jr.  
27447 Edgerton Rd.  
Los Altos Hills, California 94022

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P 243 075 657  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO <i>Edward T. Dreessen Jr.</i> STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE		\$	
CERTIFIED FEE		\$	
SPECIAL DELIVERY		\$	
RESTRICTED DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED		\$	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$	
CONSULT POSTMASTER FOR FEES		\$	
OPTIONAL SERVICES		\$	
RETURN RECEIPT SERVICE		\$	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE			

2/10/82

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WAROLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 10, 1982

Roy G. Barton  
P.O. Box 978  
300 West Taylor Street  
Hobbs, New Mexico 88240

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT RETURNED

110-1

1. The following service requested (check one): <input checked="" type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery.		2. ARTICLE ADDRESSED TO: Roy G. Barton Post Office Box 978 Hobbs, New Mexico 88240		3. REGISTERED NO. CERTIFIED NO. INSURED NO. p 243 075 658	
4. SIGNATURE OF SENDER (Always obtain signature of addressee or agent) I have received this article described above. SIGNATURE DATE WFC:kb 2/11/82		5. ADDRESS (Include zip if requested)		6. CLERK'S INITIALS WFC	

PS Form 3811, Jan. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO : 1978-300-459

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
DRAFFORD C. BERGE  
WILLIAM O. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 903-6043

February 10, 1982

Kirby Exploration Company  
P.O. Box 1745  
Houston, Texas 77001

Re: New Mexico Oil Conservation Division Cases 7486 and 7487

Gentlemen:

Enclosed is a copy of the docket for the February 17, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William F. Carr

WFC:kb

Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

P 243 075 659  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED--  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO <i>Kirby Exploration Co</i> STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE		\$	
CERTIFIED FEE		\$	
SPECIAL DELIVERY		\$	
RESTRICTED DELIVERY		\$	
SHOW TO WHOM AND DATE RECEIVED		\$	
SHOW TO WHOM, DATE, ADDRESS AND DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$	
RETURN RECEIPT SERVICE		\$	
OPTIONAL SERVICES		\$	
CONSULT POSTMASTER FOR FEES		\$	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		2/10/82	

Operator: MGF Type of Operation: Drilling: Oil Well Date: 1/81  
 Lease: J. Speight Well No. 1 Field: House County: Lea  
 Location: 660' FS&EL, Sec. 31, T19S, R39E, Lea Co. Prospect: Nadine  
 AFE No.                      Proposed T.O. 7800

5-009	Road, Location & Survey		10,000	10,000
5-008	Damages		5,000	5,000
5-002	Drilling-Footage:	ft. @ /ft.	-	-
5-003	Drilling, daywork:	25 days @ 6800 /day	170,000	170,000
5-021	Fuel		20,000	20,000
5-033	Water		15,000	15,000
5-020	Bits		15,000	15,000
5-004	Mud and Chemicals		10,000	10,000
5-006	Cement Services		25,000	10,000
5-025	DST's 5 Coring	ft. Mud Logging 10 Days	15,000	15,000
5-015	Logging		15,000	10,000
5-016	Perforating		5,000	-
5-011	Treating-Acidize/frac		20,000	-
5-014	Well Service Unit		20,000	-
5-013	Rental Equipment		5,000	3,000
5-005	Trucking		35,000	30,000
5-022	Frac Oil & Wash Oil		-	-
5-023	Labor		5,000	3,000
5-034	Direct Supervision		10,000	8,000
5-036	Contingencies	8 %	32,000	25,000

WELL EQUIPMENT							\$432,000	\$349,000
	Casino	Footage	Size	Grade Thread	Weight	Price		
A-001	Surf.							
A-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
A-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Inspl						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
A-004	Tubing	7000	2 3/8	J-EUE	47	3.65	25,550	-
A-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
A-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
A-014	Packers/Anchors	TAC					1,000	-

4-011	Tanks 2-500 BBI	1-210 BBI	17,000		-
4-024	Separation Equipment	4 x 20 Heater	7,000		-
4-012	Line Pipe		2,000		-
4-013	Fittings		3,000		-
4-016	Installation		10,000		-


Total AFE      \$ 652,063      \$374,883

24. I. TO \$ \$

Remarks:

Operator: MGF Type of Operation: Drilling: Oil Well Date: 1/81  
 Lease: J. Speight Well No. 1 Field: House County: Lea  
 Location: 660' FS&EL, Sec. 31, T19S, R39E, Lea Co. Prospect: Nadine  
 AFE No.                      Proposed T.D. 7800

INTANGIBLE DRILLING COSTS				Completed Well	To Casing Point
5-009	Road, Location & Survey			10,000	10,000
5-008	Damages			5,000	5,000
5-002	Drilling-Footage:	ft. @	/ft.	-	-
5-003	Drilling, daywork:	25 days @	6800 /day	170,000	170,000
5-021	Fuel			20,000	20,000
5-033	Water			15,000	15,000
5-020	Bits			15,000	15,000
5-004	Mud and Chemicals			10,000	10,000
5-006	Cement Services			25,000	10,000
5-025	DST's	5 Coring	ft. Mud Logging 10 Days	15,000	15,000
5-015	Logging			15,000	10,000
5-016	Perforating			5,000	-
5-011	Treating-Acidize/frac			20,000	-
5-014	Well Service Unit			20,000	-
5-013	Rental Equipment			5,000	3,000
5-005	Trucking			35,000	30,000
5-022	Frac Oil & Wash Oil			-	-
5-023	Labor			5,000	3,000
5-034	Direct Supervision			10,000	8,000
5-036	Contingencies	8 %		32,000	25,000

WELL EQUIPMENT							\$432,000	\$349,000
	Casino	Footage	Size	Grade Thread	Weight	Price		
4-001	Surf.							
4-002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
4-003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Inspl						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
4-004	Tubing	7000	2 3/8	J-FUE	47	3.65	25,550	-
4-015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
4-005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
4-014	Packers/Anchors	TAC					1,000	-
Total							\$ 181,063	\$ 25,880

<u>LEASE EQUIPMENT</u>				
4-011	Tanks 2-500 BBL	1-210 BBL	17,000	-
4-024	Separation Equipment	4 x 20 Heater	7,000	-
4-012	Line Pipe		2,000	-
4-013	Fittings		3,000	-
4-016	Installation		10,000	-

**\$**

5374,883

--

5

Remarks:

## AUTHORITY FOR EXPENDITURES

Operator: MGF Type of Operation: Drilling: Oil Well Date: 1/81  
 Lease: H. Schenck Well No. 1 Field: House County: Lea  
 Location: 660' FN&EL, Sec. 6, T20S, R39E, Lea Co. Prospect: Nadine  
 AFE No. \_\_\_\_\_ Proposed T.D. 7800

## INTANGIBLE DRILLING COSTS

INTANGIBLE DRILLING COSTS				Completed Well	To Casing Point
6-009	Road, Location & Survey			10,000	10,000
6-008	Damages			5,000	5,000
6-002	Drilling-Footage:	ft. @	/ft.	-	-
6-003	Drilling, daywork:	25 days @	6800 /day	170,000	170,000
6-021	Fuel			20,000	20,000
6-033	Water			15,000	15,000
6-020	Bits			15,000	15,000
6-004	Mud and Chemicals			10,000	10,000
6-006	Cement Services			25,000	10,000
6-025	OST's	5 Coring	ft. Mud Logging 10 Days	15,000	15,000
6-015	Logging			15,000	10,000
6-016	Perforating			5,000	-
6-011	Treating-Acidize/frac			20,000	-
6-014	Well Service Unit			20,000	-
6-013	Rental Equipment			5,000	3,000
6-005	Trucking			35,000	30,000
6-022	Frac Oil & Wash Oil			-	-
6-023	Labor			5,000	3,000
6-034	Direct Supervision			10,000	8,000
6-036	Contingencies 8 %			32,000	25,000

WELL EQUIPMENT

WELL EQUIPMENT							\$432,000	\$349,000
	Casino	Footage	Size	Grade Thread	Weight	Price		
001	Surf.							
002	Inter.	1600	8 5/8	K-ST&C	24	13.55	21,680	21,680
003	Prod.	6680	5 1/2	K-ST&C	15.5	7.85	52,438	-
		1120	5 1/2	K-ST&C	17	9.17	10,270	-
	Pipe Insp.						6,000	1,200
	Coated	1500	5 1/2			2.75	4,125	-
004	Tubing	7000	2 3/8	J-EUE	47	3.65	25,550	-
015	Well Head	8 5/8 x 5 1/2 x 2 3/8					10,000	3,000
005	Pumping Equipment	228 w/ Electric Motor					34,000	-
	Rods & Pump						16,000	-
014	Packers/Anchors	TAC					1,000	-

Total	\$ <u>181,063</u>	\$ <u>25,880</u>
-------	-------------------	------------------

## LEASE EQUIPMENT

-011	Tanks 2-500 BBL	1-210 BBL	17,000	-
-024	Separation Equipment	4 x 20 Heater	7,000	-
-012	Line Pipe		2,000	-
-013	Fittings		3,000	-
-016	Installation		10,000	-

**APPROVAL:**

Engineering 10/18/51

Geologic *1471* 10-8-81

Land, *1712 10.8.*

Managerial 11/17/81

## Working Interest Owners

**Total**

\$ 39,000

3

**Total AFE**

**\$ 652,063**

**\$374,883**

**M.I.**

**TO**

3

\$

**Working Interest Owner Approval:**

This AFE is approved for the account of

By: \_\_\_\_\_ Date: \_\_\_\_\_

Remarks:



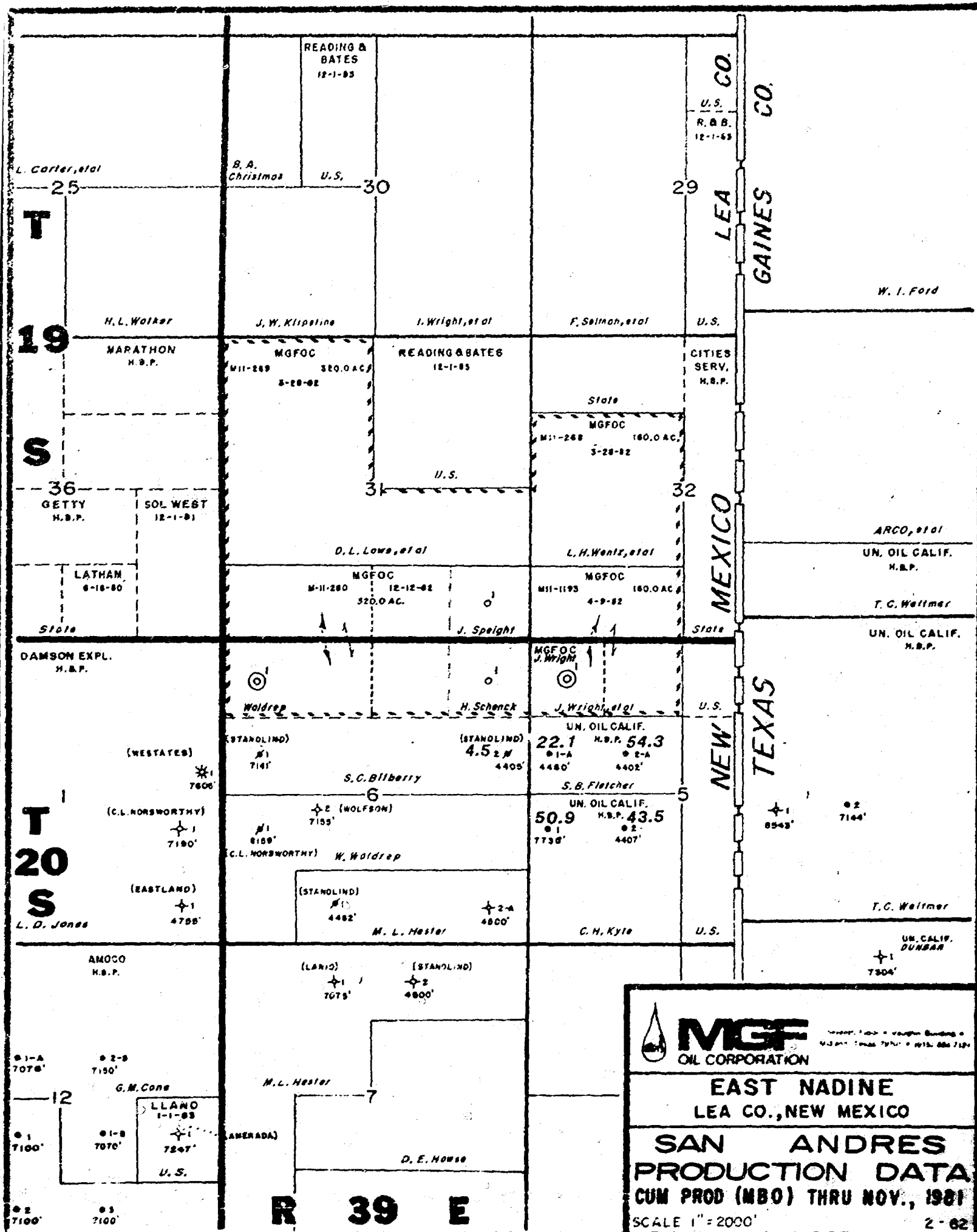
BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION


MGF EXHIBIT NO. 4

CASE NO. 7486 • 7487

Submitted by GIBSON

Hearing Date 2/17/82





**MGF**  
OIL CORPORATION

---

**EAST NADINE**  
LEA CO., NEW MEXICO

---

**SAN ANDRES**  
**PRODUCTION DATA**  
CUM PROD (MBO) THRU NOV., 1981  
SCALE 1" = 2000'

2 - 62

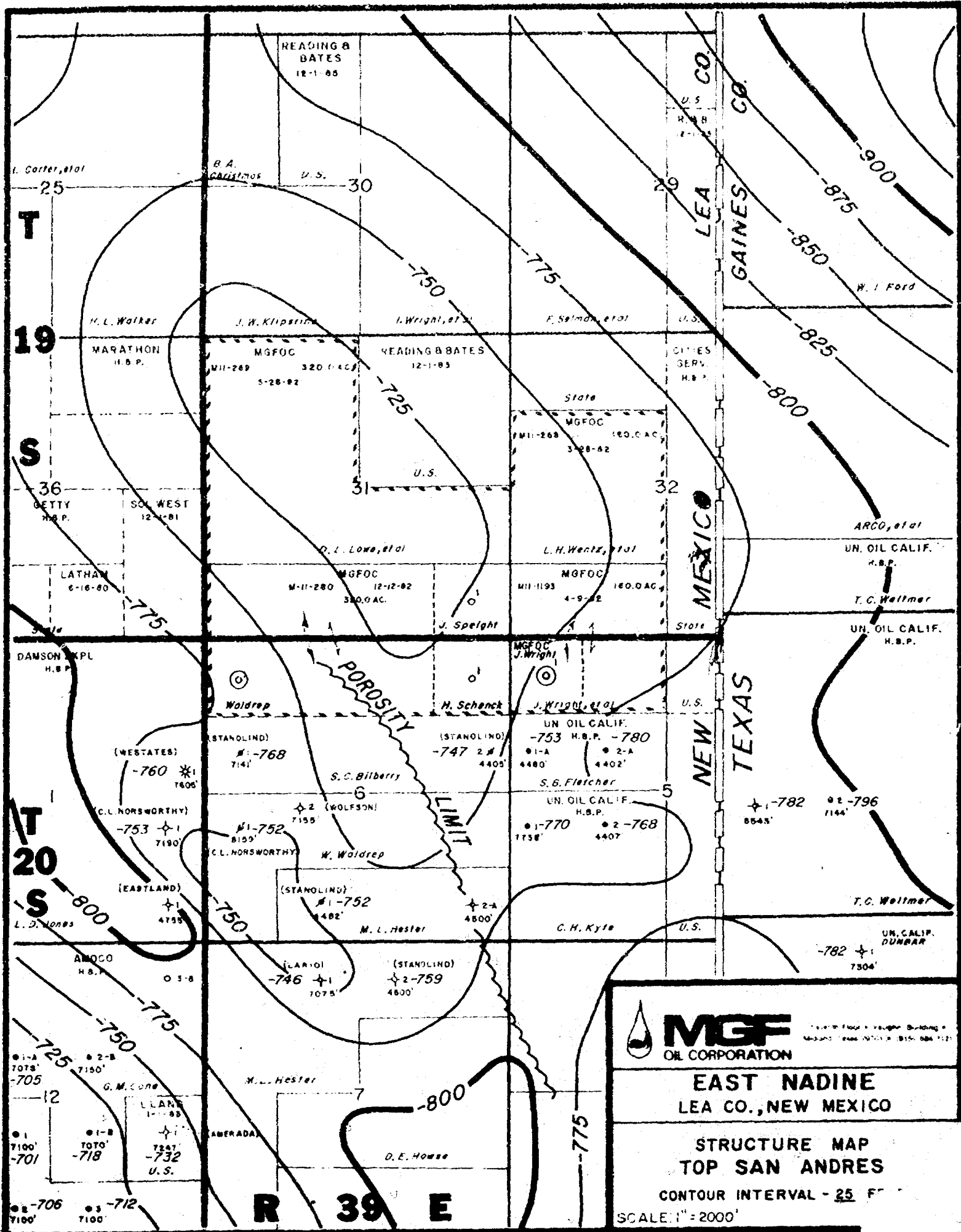
PROSECUTOR EXAMINER STAMETS  
FISH CONSERVATION DIVISION


MGF EXHIBIT NO. 5

CASE NO. 7486 • 7487

Submitted by BIRCHUM

Hearing Date 2/17/82





**MGF**  
 OIL CORPORATION

10000 Field & Leasing Building •  
 Mesquite Road, N.M. 88101

**EAST NADINE**  
**LEA CO., NEW MEXICO**

**STRUCTURE MAP**  
**TOP SAN ANDRES**  
 CONTOUR INTERVAL - 25 FT  
 SCALE: 1" = 2000'

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

MGF EXHIBIT NO. 6

CASE NO. 7486 + 7487

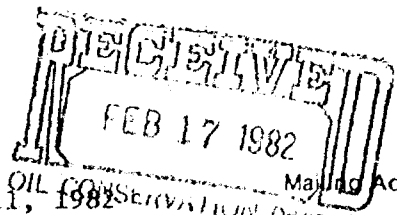
Submitted by BIRCHUM

Hearing Date 2/17/82



SABINE PRODUCTION COMPANY

Suite 210 Paragon Tower Midland, Texas (915) 683-5607



February 11, 1982

Mailing Address:

P.O. Box 3083

Midland, Texas 79702

MGF Oil Corporation  
P. O. Box 360  
Midland, Texas 79702

Attention: Mr. W. M. Gibson, Landman

Re: East Nadine Prospect  
Section 6: N/2 NE/4  
T-20-S, R-39-E  
Section 31: S/2 SE/4  
T-19-S, R-39-E  
Lea County, New Mexico  
Sabine #5834-R3

Gentlemen:

Reference is made to our recent telephone conversation whereby you advised that MGF Oil Corporation (MGF) intends to drill two 7800' Abo wells, one to be located in the N/2 NE/4 of Section 6, T-20-S, R-39-E, and the other to be located in the S/2 SE/4 of Section 31, T-19-S, R-39-E, Lea County, New Mexico. You have also advised that the anticipated AFE cost for these wells will be \$375,000.00 to casing point and \$652,000.00 for a completed well. Sabine Corporation's interest in the two wells will be a 1/20th undivided mineral interest owned by Sabine Corporation and additional mineral interests on which Sabine Corporation holds executive leasing rights. At the present time, pending review of applicable New Mexico law, our company intends to lease these additional minerals to Sabine Production Company, a wholly-owned subsidiary of Sabine Corporation, and participate in the drilling of at least one of your wells with these additional interests and our company-owned minerals. Sabine's participation is subject to the following terms and conditions:

1. Receipt and approval of satisfactory AFE and Operating Agreement.
2. Sabine believes that prudent development plans would not dictate the simultaneous drilling of two wells in such close proximity to each other. It is our understanding that you have applied for compulsory pooling on all mineral interests down to and including the Abo formation underlying the lands described above. Subject to the provisions

A Subsidiary of SABINE Corporation

MGF Oil Corporation  
February 11, 1982  
Page 2

contained herein, Sabine agrees to participate in the first of the two wells to be drilled, and within a reasonable time following completion of said first well agrees to either participate, lease or farmout its mineral interests in the second well. In the event we either lease or farmout in the second well, we agree to negotiate in good faith with MGF concerning said interests.

In consideration of Sabine's agreement to commit its interests under the provisions of this letter, MGF agrees that it shall not cause any interest owned or controlled by Sabine to be made subject to the forced pooling applications styled Case 7486 and Case 7487 to be held Wednesday, February 17, 1982.

If the above is satisfactory, please so indicate by signing in the space provided below and return one copy to the undersigned.

Yours very truly,

SABINE PRODUCTION COMPANY

By B. L. House  
B. L. House, Attorney-in-Fact DAF

AGREED TO AND ACCEPTED this \_\_\_\_\_  
day of \_\_\_\_\_, 1982.

MGF OIL CORPORATION

By \_\_\_\_\_

/cs

cc: Mr. Richard L. Stamets, Examiner  
Oil Conservation Division

Dockets Nos. 7-82 and 8-82 are tentatively set for March 3 and March 17, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 17, 1982

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Rutter, Alternate Examiner:

- ALLOWABLE:**
- (1) Consideration of the allowable production of gas for March, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for March, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
  - (3) Consideration of purchaser's nominations for the one year period beginning April 1, 1982, for both of the above areas.

**CASE 7445:** (Continued from December 16, 1981, Examiner Hearing)  
(THIS CASE WILL BE CONTINUED TO THE EXAMINER HEARING ON MARCH 17, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collier Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

**CASE 7479:** Application of Northwest Pipeline Corporation for amendment of Order No. R-2046, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the Amendment of Division Order No. R-2046, which authorized approval of six non-standard proration units, Basin-Dakota Gas Pool.

The amendment sought is for the creation of the following non-standard proration units to be drilled at standard locations thereon: Township 31 North, Range 6 West, Section 25: N/2 (272.16 acres) and S/2 (273.3 acres); Section 36: N/2 (272.56 acres) and S/2 (272.88 acres); Township 30 North, Range 6 West; Section 1: N/2 (272.81 acres) and S/2 (273.49 acres).

**CASE 7480:** Application of Arco Oil & Gas Company for pool creation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Upper Devonian gas pool for its Custer Well No. 1 located 1810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, Custer Field.

**CASE 7481:** Application of Arco Oil & Gas Company for amendment of Order No. R-6792, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-6792, which authorized the directional drilling of applicant's Custer Wells Well No. 1 to an unorthodox location in the Devonian and Ellenburger formations and imposed a penalty in the Devonian. By stipulation applicant and the offset operator have agreed that the subject well is not affecting the offsetting property and applicant herein seeks removal of the penalty imposed for so long as the well produces only from the present perforated interval in the Upper Devonian.

**CASE 7459:** (Continued from January 20, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

**CASE 7410:** (Continued from January 20, 1982, Examiner Hearing)

Application of B.O.A. Oil & Gas Company for two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2035 feet from the South line and 2455 feet from the East line and one to be drilled 2455 feet from the North line and 1944 feet from the East line, both in Section 31, Township 31 North, Range 15 West, Verde-Gallup Oil Pool, the NW/4 SE/4 and SW/4 NE/4, respectively, of said Section 31 to be dedicated to said wells.



EXAMINER HEARING - WEDNESDAY - FEBRUARY 17, 1982

CASE 7457: (Continued from January 20, 1982, Examiner Hearing)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4, Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

CASE 7482: Application of Wiser Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox location 1295 feet from the South line and 1345 feet from the West line of Section 32, Township 21 South, Range 37 East, Penrose-Skelly Pool.CASE 7483: Application of Adams Exploration Company for salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4176 feet to 4293 feet in its Griffin Well No. 4 located in Unit A, of Section 10, Township 8 South, Range 32 East, Chaveroo-San Andres Pool.CASE 7462: (Continued from February 3, 1982, Examiner Hearing)

Application of Marathon Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinberry production in the wellbore of its C. J. Saunders Well No. 3, located in Unit C of Section 1, Township 22 South, Range 36 East.

CASE 7474: (Continued from February 3, 1982, Examiner Hearing)

Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn, Atoka and Morrow formations underlying the E/2 of Section 25, Township 19 South, Range 33 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7484: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Atoka and Morrow formations underlying the E/2 of Section 1, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.CASE 7485: Application of Berge Exploration for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying two 160-acre proration units, the first being the NW/4 and the second being the SW/4 of Section 27, Township 7 South, Range 26 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.CASE 7486: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation underlying the NE/4 NE/4 of Section 6, Township 20 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.CASE 7487: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation underlying the SE/4 SE/4 of Section 31, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

7488: Application of Burkhart Petroleum Company for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SW/4 NW/4 of Section 13, Township 8 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7073: (Reopened and Readvertised)

In the matter of Case 7073 being reopened pursuant to the provisions of Order No. R-6558, which order promulgated special rules for the South Elkins-Fusselman Pool in Chaves County including provisions for 80-acre spacing units and a limiting gas-oil ratio of 3000 to one. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units with a limiting gas-oil ratio of 2000 to one.

CASE 7074: (Reopened and Readvertised)

In the matter of Case 7074 being reopened pursuant to the provisions of Orders Nos. R-6565 and R-6565-B, which created the South Elkins-Fusselman Gas Pool in Chaves County. All interested parties may appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined that said pool is producing from a retrograde gas condensate reservoir.

CASE 6373: (Reopened and Readvertised)

In the matter of Case 6373 being reopened pursuant to the provisions of Orders Nos. R-5875 and R-5875-A, which created the East High Hope - Abo Gas pool in Eddy County, and promulgated special rules therefor, including a provision for 320-acre spacing units. All interested parties may appear and show cause why said pool should not be developed on 160-acre spacing units.

CASE 7489: Application of Curtis J. Little for designation of a tight formation, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Chacra formation underlying portions of Township 25 North, Range 6 West, containing 6,720 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

CASE 7490: Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Atoka-Morrow formation, underlying the N/2 of Section 19, Township 8 South, Range 30 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7491: Application of Harvey E. Yates Company for designation of a tight formation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka formation underlying portions of Townships 12, 13, and 14 South, Ranges 35 and 36 East, containing 46,720 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705, said area being an eastward and westward extension of previously approved tight formation area.

CASE 7492: Application of Harvey E. Yates Company for designation of a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 29, 30, and 31 East, containing 115,200 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

CASE 7493: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the East Bootleg Ridge-Morrow Gas Pool. The discovery well is Getty Oil Company Getty 15 Federal Well No. 1 located in Unit J of Section 15, Township 22 South, Range 33 East, NMPM. Said Pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM  
Section 15: S/2

(L) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian and designated as the North King-Devonian Pool. The discovery well is Samedin Oil Corp Well No. 1 located in Unit B of Section 3, Township 13 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM  
Section 3: NE/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the North Loving-Atoka Gas Pool. The discovery well is Gulf Oil Corporation Eddy CR State Well No. 1 located in Unit E of Section 16, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM  
Section 12: N/2

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 4: S/2  
Section 7: All  
Section 8: All  
Section 9: All  
Section 16: All  
Section 17: All  
Section 18: E/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production and designated as the Teague-Drinkard Pool. The discovery well is Alpha Twenty-One Production Company Lea Well No. 1 located in Unit B of Section 17, Township 23 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM  
Section 17: NE/4

(e) EXTEND the West Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 23: All  
Section 24: W/2

(f) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 16: W/2

(g) EXTEND the Avalon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 2: Lots 1 through 8

(h) EXTEND the Brunson-Pusselman Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 5: SE/4

(i) EXTEND the Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM  
Section 26: E/2

(j) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM  
Section 23: All  
Section 26: All

AGE 5  
EXAMINER HEARING - WEDNESDAY - FEBRUARY 17, 1982

(k) EXTEND the Cary-Montoya Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 4: W/2 SW/4  
Section 5: SE/4  
Section 9: W/2 W/2

(l) EXTEND the Crow Flats-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 35: 2/2  
Section 36: W/2

(m) EXTEND the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 25: S/2 SW/4  
Section 27: SW/4

(n) EXTEND the Elkins-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 28 EAST, NMPM  
Section 21: NE/4

(o) EXTEND the Empire-Abo Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 19: S/2 SW/4

(p) EXTEND the Henshaw-Queen Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 19: NE/4 NW/4

(q) EXTEND the Indian Flats-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM  
Section 26: W/2

(r) EXTEND the West Nadine-Blinbry Pool in Lea County, New Mexico, to include therein:

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

(s) EXTEND the Peterson-Mississippian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM  
Section 28: NW/4

(t) EXTEND the Race Track-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 28 EAST, NMPM  
Section 7: S/2 SW/4  
Section 18: NW/4 and N/2 SW/4 and SW/4 SW/4

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EXAMINER HEARING - WEDNESDAY - FEBRUARY 17, 1982

(u) EXTEND the Railroad Mountain-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM  
Section 2: NE/4 and E/2 NW/4

(v) EXTEND the Red Lake-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 7: S/2  
Section 8: SW/4  
Section 18: E/2 NW/4

(w) EXTEND THE West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM  
Section 5: SW/4

(x) EXTEND the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 15: All

(y) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM  
Section 13: SE/4  
Section 24: NE/4

TOWNSHIP 9 SOUTH, RANGE 28 EAST, NMPM  
Section 12: S/2 NE/4

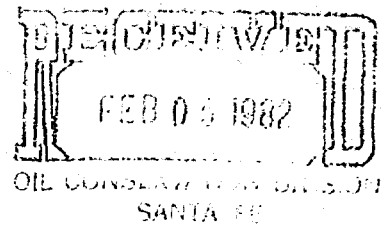
TOWNSHIP 9 SOUTH, RANGE 29 EAST, NMPM  
Section 7: S/2  
Section 8: NW/4

CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6042

February 5, 1982



Mr. Joe D. Ramey  
Division Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

*Case 7487*

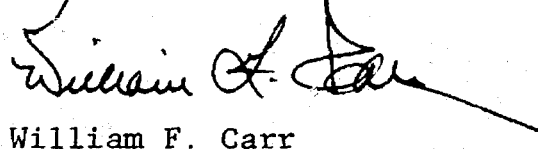
Re: Application of MGF Oil Corporation for  
Compulsory Pooling, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of MGF Oil Corporation in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on February 17, 1982.

Very truly yours,

  
William F. Carr

WFC:lr

Enclosures

cc: Mr. W. M. Gibson

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF MGF OIL CORPORATION FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

CASE 7487

APPLICATION

Comes now, MGF OIL CORPORATION, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests from the surface down through and including the Abo Formation in and under the S/2 SE/4 of Section 31, Township 19-S, Range 39-E, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 47% of the working interest in and under the S/2 SE/4 of said Section 31, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its J. Speight Well No. 1 to be drilled at an orthodox location S/2 SE/4 of said Section 31.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the S/2 SE/4 of said Section 31 except the following:

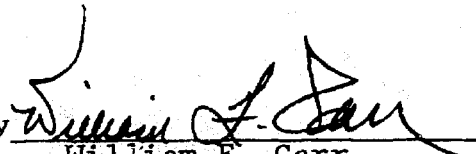
SEE ATTACHED SCHEDULE

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and assessing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL, BYRD & BLACK, P.A.

By   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant



SCHEDULE TO BE ATTACHED TO AND  
MADE A PART OF PARA. 3  
OF APPLICATION

Oca Mason Heirs	-	.0062500 W.I.	1 acre
Bella Steiner	-	.0093750 W.I.	1.5 acres
Georgiana S. Kane	-	.0093750 W.I.	1.5 acres
Louis F. Breuner	-	.0031250 W.I.	.5 acre
Ellis Rudy	-	.0093750 W.I.	1.5 acres
Henry Schaefer	-	.0015625 W.I.	.25 acre
Janice R. Magee and			
Betty J. Catlin	-	.0031250 W.I.	.5 acre
Joseph F. Woodsum	-	.0062500 W.I.	1 acre
Suits E. Strasinger	-	.0031250 W.I.	.5 acre
Dr. Edwin Merrithew	-	.0015625 W.I.	.25 acre
Ruby R. Fulmor	-	.0031250 W.I.	.5 acre
Alice C. Hardy	-	.0031250 W.I.	.5 acre
Irving G. Downs	-	.0015625 W.I.	.25 acre
A. C. Edler	-	.0062500 W.I.	1 acre
Edward S. Osborne	-	.0062500 W.I.	1 acre
Libby P. Wright	-	.0031250 W.I.	.5 acre
Andrew W. Oliver	-	.0031250 W.I.	.5 acre
Lottie Oliver	-	.0031250 W.I.	.5 acre
R. A. Thurmon	-	.0031250 W.I.	.5 acre
Richard Lyons Moore	-	.0091145 W.I.	1.46 acres
Michael H. Moore	-	.0091145 W.I.	1.46 acres
Stephen Scott Moore	-	.0091145 W.I.	1.46 acres
Priscilla A. Kyte,			
Conservator of the Est. of			
David Bond Kyte	-	.0078125 W.I.	1.25 acres
Betty M. Dreessen	-	.0039062 W.I.	.625 acre
Betty M. Dreessen, Tr.	-	.0039062 W.I.	.625 acre
Marilee I. Kyte &			
Betty M. Dreessen, Trustees	-	.0078125 W.I.	1.25 acres
The Bank of Calif., Nat'l.			
Assoc., Tr. for Betty			
K. Dreessen	-	.0050000 W.I.	.8 acre
The Bank of Calif., Tr.			
for Cecile M. Dreessen	-	.0009375 W.I.	.15 acre
Craig C. Powell and			
Ingrid D. Powell, Tr. for			
Craig and Ingrid Powell			
Living Trust	-	.0009375 W.I.	.15 acre
Edward Dreessen, Jr. a/k/a			
Edward T. Dreessen, Jr.	-	.0009375 W.I.	.15 acre
Roy G. Barton	-	.0273437 W.I.	4.375 acres
Gladys Berry	-	.0015625 W.I.	.25 acre
Sabine Production Co.	-	.0500000 W.I.	8 acres
Kirby Exploration Co.	-	.0703125 W.I.	11.25 acres

**Memo**

From

FLORENE DAVIDSON  
ADMINISTRATIVE SECRETARY

February 12

To

Called in by Bill Carr  
1/28/82

M&F Oil Corporation

Compulsory Pooling

From surface down thru  
abo formation

SE/4 SE/4

31-195-39E

leo

OIL CONSERVATION COMMISSION-SANTA FE

HEARINGS  
OFFICE

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7487

Order No. R-6916

APPLICATION OF MGF OIL CORPORATION  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 17, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of February, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, MGP Oil Corporation, seeks an order pooling all mineral interests down through and including the Abo formation underlying the SE/4 SE/4 of Section 31, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the ~~gas~~ <sup>oil</sup> in said ~~pool~~ <sup>formations</sup>, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$ 3500<sup>00</sup> per month while drilling and \$ 400<sup>00</sup> per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject

well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1982 -, 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, down through and including the Abo formation underlying the SE/4 SE/4 of Section 31, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40 -acre <sup>oil</sup>~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15<sup>th</sup> day of July, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> day of July, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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 Division 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 Division and the Division 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 Division 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 who 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, 200 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 \$ 3500<sup>00</sup> per month while drilling and \$ 400<sup>00</sup> per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 interest's 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 immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

JOE D. RAMEY,  
Director

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