

CASE NO. 5449: BELCO PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

CASE No.

5449

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 2, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Belco Petroleum Corpora-
tion for compulsory pooling, Eddy
County, New Mexico.

Case No.
5449

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

William Carr, Esq.
Legal Counsel for the
Commission
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

Ronald M. Higginbotham, Esq.
HUNKER, FEDRIC &
HIGGINBOTHAM, P.A.
Suite 210
Hinkle Building
Roswell, New Mexico

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1 and 2

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MR. STAMETS: Call the next case, 5449.

MR. CARR: Case 5449. Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

MR. HIGGINBOTHAM: With your permission, Mr. Examiner, I'm Ronald Higginbotham, Hunker Fredric & Higginbotham, Roswell, New Mexico, appearing on behalf of Belco Corporation. I have two witnesses I would like to call this morning if I could have them sworn, please.

MR. STAMETS: Will there be any other appearances in this case? The Witnesses will stand and be sworn please.

(Witnesses sworn.)

MR. HIGGINBOTHAM: I call Mr. J.A. Patterson.

J.A. PATTERSON

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HIGGINBOTHAM:

Q State your name please, sir.

A James A. Patterson, Jr.

Q Where do you live?

A 3217 Sinclair, Midland, Texas.

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Q What is your occupation, sir?

A Distract Land Man, Belco Petroleum Corporation.

Q Would you describe your education background, please?

A I graduated from Texas Tech University, January, 1967, a BBA in Marketing.

Q What about your employment experience since your graduation?

A I was employed in February, '67, by Texaco, Inc., and worked for Texaco for six and a half years, all in west Texas and southeastern New Mexico. I worked for Amarillo Oil Company for 9 months as District Land Man in the west Texas, southeastern New Mexico district. I have been employed by Belco Petroleum for the last 9 months as District Land Man.

Q What were your duties with Texaco?

A My last duties was as District Land Man in their east district, which covers the eastern part of the Permian Basin.

Q All right. Your areas of responsibility with Belco include Eddy County, New Mexico?

A Yes, they do.

Q You are familiar with that area?

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A Very familiar.

Q Belco presently has its No. 1 Martin Well being drilled in the W/2 of Section 20, Township 22 South, Range 27 East, is that correct?

A That's correct.

Q Has that well been drilled at a standard location?

A Yes it has.

Q You are seeking here today to pool the mineral interest in the Pennsylvanian Formation in older, is that correct?

A That is correct.

Q Is it your view, Mr. Patterson, that it is in the best interest of protection of correlative rights of the various interest owners in that tract and in saving unnecessary expense and the drilling of unnecessary wells that this be pooled?

A Yes.

Q I'm going to hand you what has been marked for identification purposes as Exhibit No. 1 and ask you if you can identify that, please?

A Yes. This is a land plat of the west half of Section 20, Township 22 South, Range 27 East, in Eddy

PATTERSON-DIRECT

County, New Mexico, which was prepared by my office.

MR. HIGGINBOTHAM: We move the introduction of Exhibit 1.

MR. STAMETS: You can introduce all of your exhibits at one time if you like.

MR. HIGGINBOTHAM: All right.

MR. STAMETS: Or at least after each witness has discussed the exhibits.

MR. HIGGINBOTHAM: Thank you.

BY MR. HIGGINBOTHAM:

Q Has this pool unit been dedicated to Belco's No. 1 Martin Well?

A Yes, it has.

Q What leased interests are committed to the 320-acre unit?

A We have 98.4 percent of the leased interests committed to the proration unit: Cities Service is committed, Buzz MacDonald of Midland is committed, Troporro Oil and Gas, Gene McCutchen, Nolen Bronson, Union Oil of California, Baron Corporation, Mabee Petroleum, Alan Antweil, and Delta Drilling Company. These parties are all committed to the unit.

Q This constitutes 98.4 percent?

A That's correct.

Q What leased interests are not committed?

A We have one leased interest that is not committed to the unit, being the Byron McKnight Estate, comprising 4.4 acres or 1.3 percent of the unit.

Q Have you had occasion to discuss the estate matter in position with the estate attorney?

A Yes, I have. The estate is represented by Mr. Fincher Neal of Hobbs, New Mexico, and in my contact and conversations with Mr. Neal he has stated that the estate is insolvent and will have to be force pooled in this matter.

Q What unleased interests have not been committed to the unit?

A We have two small unleased interests that are not committed, one being the O.C. Squires interest, which is in the south half, northwest quarter northwest quarter, as shown on this land plat here, comprising .5677 acres. Then we have another interest owned by Mrs. Bobby Dean Rogers in the northeast quarter of the northwest quarter of this proration unit, which is comprised of .42 acres. We have a little less than one acre uncommitted.

Q Have you had occasion to communicate with these

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parties?

A Yes, I have.

Q Mr. Patterson, I hand you what has been marked for identification purposes as Exhibit 2 and ask you what that is?

A This is a letter dated February 10th, 1975, from my office in Midland to Mr. Oliver C. Squires and Mrs. Bobby Dean Pat Rogers of Carlsbad, New Mexico. On the second page of the letter is an indication by Mr. Oliver C. Squires that he wishes his interest to be force pooled.

Q What is the third page of this Exhibit?

A This is a letter from Mrs. Bobby Dean Rogers to my office in Midland in which she states her wishes in this matter.

Q Her wishes are?

A She does not wish to be force pooled and does not wish to join with Belco in the well. She would like to lease on the basis of \$1000 per acre, 5-year primary term, and she states here a 20 percent override; I assume that that means royalty.

Q Page 4 and 5 of the Exhibit?

A Page 4 is a xerox copy of the return from Mr.

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CROSS

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O.C. Squires to our certified mail. The last page is the return from Mrs. Bobby Dean Rogers; a xerox copy of same.

Q Is it Belco's desire to be designated as operator?

A Yes, it is.

Q Have all of the leased interests, which have been committed to the unit, agreed to Belco's designation as operator?

A Yes, they have.

Q Is this No. 1 Martin Well of Morrow test?

A Yes, it is.

Q What is the established spacing unit for a Morrow test?

A 320 acres in New Mexico.

MR. HIGGINBOTHAM: That is all I have of this Witness, Mr. Examiner. Do you have any questions?

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Patterson, I assume from reading this letter, February 10th, that you have had people in the field who have contacted Mr. Squires and Mrs. Rogers about the situation and have attempted to obtain voluntary communitization, is that correct?

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A That is correct; I have had a broker working on it.

Q So they should understand what the situation is?

A Yes, they should.

Q What price per acre are being paid for leases in that area now?

A I have offered as high as \$500 per acre -- I believe there is an offer in that letter -- but we haven't paid any more than that, and I'm not aware -- to the best of my knowledge noone else has either.

Q Are others paying something less than this?

A I can't answer that. They probably are; to the best of my knowledge they probably are.

MR. STAMETS: I have no other questions. The Witness may be excused.

MR. HIGGINBOTHAM: I move the introduction of Applicant's Exhibits 1 and 2.

MR. STAMETS: Applicant's Exhibits 1 and 2 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 and 2 were admitted into evidence.)

MR. HIGGINBOTHAM: Call Lee R. Nering.

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(Witness previously sworn.)

LEE NERING

called as a witness, having been first duly sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. HIGGINBOTHAM:

Q State your name please, sir.

A Lee Nering.

Q And your address?

A Belco Petroleum Corporation, Houston, Texas.

Q Your occupation, sir?

A I'm Administrative Geologist for Belco Petroleum Corporation.

Q You have previously testified before the New Mexico Oil Conservation Commission as an expert witness on geology and administrative operations?

A I have.

Q You are familiar with the area where you are drilling the Belco Martin No. 1 Well?

A Yes, I am.

Q Is this well presently being drilled?

A Yes.

Q What is the total depth?

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A The total depth is 11,725 feet.

Q What is the present status of the well?

A The present status of the well is that it is at TD and the casing has been set on bottom.

Q Does the Company know at this time the results of this test well?

A Not the ultimate results. The well, as I mentioned, has had casing set to bottom and logging has been completed.

Q Does the Company know the extent of the risk involved at this time?

A Only an estimate of the risk at this time.

Q Does the Company know whether or not it will receive from recovery its cost of drilling and completing and operating the well?

A No.

Q From your experience with these factors, what do you feel to be a reasonable risk factor to be assigned in this matter?

A It is my opinion that we can estimate a risk factor of 200 percent for this well.

Q What do you base that on?

A I base this opinion on the historical sensitivity

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of the Morrow Formation for one item, and the fact that the well is located in an area where nearby wells have indicated the high risk factor for Morrow production. A well that is located approximately three-quarters of a mile south, the operator of that well was unsuccessful in the completion attempt, and this operator, Union Oil Company, elected not to participate in the drilling of Belco No. 1 Martin; instead it farmed out its interest in the area to Belco.

Q Are you familiar with the agreed upon charges for administrative overhead during drilling and after completion as between Belco and the participating non-operators?

A I am.

Q What are those figures, sir?

A The figures are for a drilling well and charge of \$1650 per month and for operational wells of \$242 per month supervisory charges.

Q Do you consider those reasonable charges?

A They are reasonable.

Q Mr. Nering, I hand you what has been marked for identification purposes as Applicant's Exhibit No. 3 and ask you to identify this, please.

A This is a copy of the Belco Authorization for

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CROSS

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Expenditure, known as an AFE, for the Belco No. 1 Martin, which totals the anticipated expense of this well. The total cost of this well is estimated at \$588,000 completed cost.

Q Was this instrument prepared with your knowledge?

A It was.

MR. HIGGINBOTHAM: That is all I have of this Witness, Mr. Examiner. I move the introduction of Exhibit 3.

MR. STAMETS: Exhibit 3 will be admitted into evidence.

(Whereupon, Applicant's Exhibit No. 3 was admitted into evidence.)

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Nering, what do you recommend for the supervision cost?

A Drilling wells, \$1650 per month; operational wells \$242 per month.

Q You wish both of those figures to be set out in any order which might be issued?

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A Yes.

Q Were any drill-stem tests conducted on this well?

A Not in the subject of the Application. The Pennsylvanian are older formations.

Q Do you have any indications of production in any of the Pennsylvanian Formations?

A Indications only from indirect methods, these being logging.

Q Mr. Nering, you recommended a 200 percent risk factor. In fact, has Belco not already to this point accepted a considerable part of the risk involved in the drilling of this well by actually drilling it to the total depth.

A I think this is a calculated risk taken by any operating company by drilling any well; in a case where obligations have to be met, commitments to other working interests, Belco, in this particular case, really had no choice but to proceed, recognizing there was risk involved. The risk still remains because as indicated in prior testimony, the Morrow is a historically sensitive formation and does not necessarily respond to completion techniques, and that at this point we cannot assess the

actual total outcome of the well, and in my opinion, we won't know the value of the well until all completion techniques have been exhausted, leading either to a dry hole or to a producing well which has been thoroughly tested. At that time we would be able to say precisely what type of a Morrow completion we have.

Q That was a long answer to a short question. I would like to ask that again and see if I could elicit a brief response. Has Belco not accepted a good part of the risk involved in the drilling of the well by actually drilling it?

A As I indicated, Belco has accepted a responsibility of risk practically in any well it drills, and in this case, yes.

Q Are there risks in drilling a well which may or may not occur, such as the potential for blow-out, a considerable amount of lost circulation problems, eventually having to run extra strings of casing, which can run up the price of the well and contribute to the risk of the operator in getting his money back?

A If I understand your question, in your references these are primarily mechanical risks during the drilling operational phase of the well, whereas my

opinion as a geologist are directed primarily to the risk involved in the purpose of the well, which is the completion of a successful well.

Q I think there is a serious question here of what risk is, and whether or not risk is the same when the well is at total depth as it is when no well has been drilled at all.

A Are you asking me a question?

Q I think that that is a serious question and I would like to hear a response to that point.

A All right. I would agree with it as a question, however I think it needs to be weighted; weighted in respect to the purpose, the ultimate outcome of the well, and what percentage we should weight such risk as compared to the risk involved in the mechanical operation of drilling the well. I venture to say the former carries a considerable higher percentage weight than the latter, the latter being the mechanical risk.

Q You're saying that the sheer risk of the well paying out exceeds the potential for failure to pay out because of unusual costs of drilling and completion?

A Yes. That is greater; that part of risk is much greater.

Q So, in drilling the well then -- if I can interpret what you have said -- Belco has not taken 50 percent of the risk involved; they have taken maybe 25 percent of the risk involved?

A I hate to create percentage of figures, but I would agree that the bulk of the risk is still present.

MR. STAMETS: Are there any other questions of the Witness?

MR. HIGGINBOTHAM: We have none; we rest.

BY MR. STAMETS:

Q Mr. Nering, just one more question: The Commission records would point out the location of this well and the quality of off setting wells and so on? I notice that you have no map here to indicate where the well is located structurally or what the off setting wells are and potential for off setting wells for production, and so on. This would be reflected in the Commission record would it not?

A Could we go off the record for just a moment to discuss this with our counsel?

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

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RECROSS

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REDIRECT EXAMINATION

BY MR. HIGGINBOTHAM:

Q Mr. Nering, I hand you what has been marked for identification as Applicant's Exhibit No. 4. Would you identify that, please?

A This is a plat illustrating the township and range within which the Belco No. 1 Martin is located and the Morrow test control within that adjacent area of the Martin No. 1 Well and its designated west half of Section 20.

MR. HIGGINBOTHAM: I move the introduction of Exhibit 4, please.

MR. STAMETS: Exhibit 4 will be admitted.

(Whereupon, Applicant's Exhibit No. 4 was admitted into evidence.)

MR. HIGGINBOTHAM: Again, I rest.

RECROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Nering, what is the quality of some of these off setting wells that you show here, the ones that are not marked as dry holes, which are readily visible.

A As mentioned just a moment ago, the circles

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around the well spots indicate that these are the Morrow tests. I mentioned in previous testimony that a well which is located approximately three-quarters of a mile south of our location had been attempted to completion by an operator who did not elect to participate with us, being Union Oil Company. The well was run to TD; you will notice that the well is located in Section 29 of the northwest quarter; casing was set and a Morrow completion was attempted and it was a dry hole. The well to the north, in the south half of Section 17, is of recent completion and is a single-zone Morrow well, and the only data we have as to its quality is it is a calculated open-flow potential of approximately 2 million cubic feet per day.

The well in Section 21, lying to the east of Martin No. 1, is a well of very low productive capability. We took figures taken from the New Mexico Commission Records of January of this year and this well indicates that it is producing an average of 1 mcf per day; 1 mcf per day.

The well which is located in the southeastern corner of Section 19 has an average productive rate as of January of this year of 914 mcf per day.

I have already mentioned the well in the northwest quarter of Section 29. I have figures on the others, although these are the four wells which are the immediate adjacent wells to the Martin No. 1.

Q So in four off-setting wells you have one well which appears to be rather good and then you have a couple others that are not too good and one dry hole?

A Yes. I might point out in addition that these are the adjacent wells. The structural strike and the stratographic strike of the Morrow Formation is essentially north 20, maybe 25 degrees east, so that it is important to compare the wells which are along strike both structurally and stratographically. For this reason then I would like to mention that another well which is along strike and located in the southwest quarter of Section 25, which is operated by Bronson and the deceased McKnight estate, is currently producing as of January 61 mcf per day. The quality of this well is rather low.

Q Did you say Section 25?

A 29.

Q It is the one that says "B & B"?

A That is correct, yes. This "B&B" appears on our records and the Commission records reflect it as

Bronson and McKnight. The well that appears to be a somewhat better well, being less than 1 million cubic feet per day in the southeast quarter of Section 19 at 914 mcf, is not along strike. The best well that we have information on, which is along strike of the Martin No. 1, is the Antweil well, which at the moment does not have a sustained productivity record; it only has calculated open flow in our records, and we indicate that at that time it was producing 2 million cubic feet per day. Normally we might expect that that might diminish.

MR. STAMETS: Are there any other questions of the Witness? He may be excused. Anything further in this case?

MR. HIGGINBOTHAM: We have nothing further to present sir.

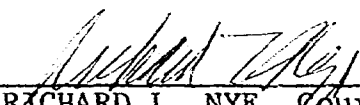
MR. STAMETS: We will take the case under advisement.

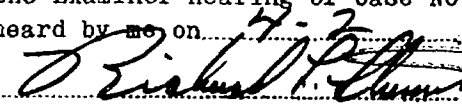
CASE 5449

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STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5449
heard by me on 7-3-75, 1975.

Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE NEW MEXICO 87501

June 10, 1975

C
O
P
Y

Belco Petroleum Corporation
P. O. Box 19234
Houston, Texas 77024

Attention: Mr. Lee G. Nering

Re: Order No. R-4998

Gentlemen:

Reference is made to your letter dated May 28, 1975, wherein you requested an extension of time in which to complete the well provided for in the subject order.

Your request was presented to the Commission at its regular meeting on this date, and approval granted for extension of time to 150 days for completion from date of commencement. Inasmuch as the well was commenced February 14, 1975, this would allow until July 14, 1975, to complete the well.

Very truly yours,

DANIEL S. NUTTER
Chief Engineer

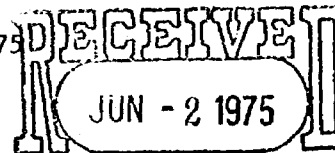
DSN/dr
cc: Oil Conservation Commission - Artesia
Case File 5449

P.O. Box 19234
5707 Katy Freeway
Houston, Texas 77024
Telephone (713) 461-2662
Cable: BELPETEX

Belco Petroleum Corporation

Belco

May 28, 1975



OIL CONSERVATION COMM.
Santa Fe

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

Re: Case No. 5449
Order No. R-4998
April 15, 1975
Belco Petroleum Corporation
Martin Comm. No. 1
Sec. 20, T22S, R27E
Eddy County, New Mexico

*for Commission
mtg*

Gentlemen:

Belco as designated operator has drilled the Martin Comm. No. 1 to a total depth of 11,734'. Production casing has been set to the total depth and a completion (ready for production) is designed and planned. We find, however, that we will be unable to finalize our completion operation within the time span of the 120 days after our commencement on February 14, 1975, as provided for in Order (1) of Order No. R-4998, described on page three of said Order.

We herewith respectfully request with this letter an administrative extension to the completion time provision for the Belco Martin Comm. No. 1. Our reasons for the request are due to difficulty in locating critical completion equipment and material, as well as, completion operating equipment.

Yours respectfully,

Lee G. Nering
Lee G. Nering

cc: George Hunker P.A.
P. O. Box 1837
Roswell, N. M. 88201

data not correct were made

right hand of page

P.O. Box 19234
8707 Katy Freeway
Houston, Texas 77024
Telephone (713) 461-2662
Cable: BELPETEX

Belco Petroleum Corporation

Belco

CASE 5449

10/9

1975

ON COM.

October 9, 1975

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

RE: Order No. R-4998
(Case No. 5449)
Belco Petroleum Corporation
No. 1 Martin Unit
W/2 Section 20, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

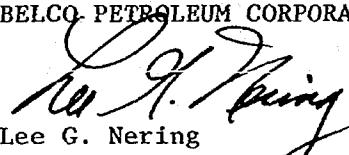
Belco Petroleum Corporation herewith furnishes you, as attachment, a copy of our itemized schedule of actual well costs as of 8-31-75 for the Belco Martin No. 1 Well, captioned above, which was completed on July 18, 1975, as per NMOCC Form No. C-105 for this well, dated 7-30-75.

This transmittal to you is pursuant to directive No. (5), p.3 from Order No. R-4998 (Case No. 5449), dated April 15, 1975, issued by the State of New Mexico Oil Conservation Commission.

Each known working interest owner has been furnished a copy of this same itemized schedule.

Yours very truly,

BELCO PETROLEUM CORPORATION


Lee G. Nering
Administrative Geologist

LGN:b
Attachment

| TOTAL INTANGIBLE EXPENSE | | CSG. PT. COST | COMPL. COST | TOTAL COST |
|--------------------------|--|---------------|-------------|------------|
| SO. | CHG. | 732 | 736 | |
| 20 | | | | |
| TANGIBLE EXPENSE | | | | |
| CSG. & LINER | | | | |
| | Drive _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| | Cond. _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| | Surf. _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| | Intr. _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| | Prod. _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| | Liner _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | | | |
| 426 | TOTAL _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | \$ 216,810 | \$ 34,446 | \$ 251,256 |
| 427 | TUBING _____ Ft. _____ O.D.@ \$ _____ /Ft. = _____ | 5,403 | 36,755 | 36,755 |
| | | | 5,119 | 10,522 |

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE NEW MEXICO 87501

July 11, 1975

C
O
P
Y

Belco Petroleum Corporation
Box 19234
Houston, Texas 77024

Attn: Mr. Lee G. Nering

Re: Order No. R-4998

Gentlemen:

This is with reference to your letter of July 9, 1975, wherein you request an extension of time in which to complete the well provided in the above referenced order.

An extension of time is hereby granted to August 1, 1975, which should be reasonable time to complete this well. It is my understanding that the well has been drilled to a total depth of 11,734 feet, the production casing has been set, and the well is in the process of being perforated and treated for final completion.

Yours very truly,

JOE D. RAMEY
Secretary-Director

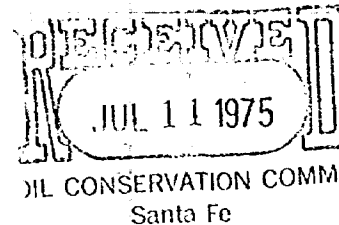
JDR/fd

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Cable: BELPETEX

Belco Petroleum Corporation

Belco

July 9, 1975



New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501
Attn: Joe Ramey

Re: Case No. 5449
Order No. R-4998
April 15, 1975
Belco Petroleum Corporation
Martin Comm. No. 1
Sec. 20, T22S, R27E
Eddy Co., New Mexico

and Commission letter dated 6/10/75

Gentlemen:

Belco as designated operator has drilled the Martin Comm. No. 1 to a total depth of 11,734'. Production casing has been set to the total depth and a completion (ready for production) is currently in progress. We find, however, that we will be unable to totally finalize our completion operation within the time span of the 150 day period granted by the Commission on June 10, 1975 allowing until July 14, 1975 for completion.

We herewith respectfully request with this letter a further administrative extension to the completion time provision for the Belco Martin Comm. No. 1. Our current completion operation has progressed through initial perforations although we do not anticipate having all perforations finalized with completion ready for production prior to July 14th. We fully expect that our operation will be completed no later than August 1, 1975. For this reason we respectfully make this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lee G. Nering". The signature is written in a cursive, flowing style.

Lee G. Nering
Administrative Geologist
North American Operations

LCN:jj

cc: George Hunker P.A.
P. O. Box 1837
Roswell, N. M. 88201



OIL CONSERVATION COMMISSION

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

April 16, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

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

Mr. Ronald Higginbotham
Hunker, Federic & Higginbotham
Attorneys at Law
Post Office Box 1837
Roswell, New Mexico 88201

Re: CASE NO. 5449
ORDER NO. R-4998

Applicant:

Belco Petroleum Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Mr. Oliver C. Squires and Bobbydene Pack Rogers

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5449
Order No. R-4998

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 2, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th day of April, 1975, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Belco Petroleum Corporation,
seeks an order pooling all mineral interests of Pennsylvanian
age or older underlying the W/2 of Section 20, Township 22
South, Range 27 East, NMPM, South Carlsbad-Morrow Gas Pool,
Eddy County, New Mexico.

(3) That the applicant has the right to drill and has
drilled its Belco Martin Well No. 1 at a standard location
for said unit.

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

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

-2-

Case No. 5449
Order No. R-4998

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 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 that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1650.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$242.00 per month should be fixed as a reasonable charge for supervision while producing; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 20, Township 22 South, Range 27 East, NMPM, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to its Belco Martin Well No. 1 drilled at a standard location for said unit.

-3-

Case No. 5449
Order No. R-4998

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

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

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission 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 Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

-4-

Case No. 5449
Order No. R-4998

- (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, 150 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 \$1650.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$242.00 per month is hereby fixed as a reasonable charge for supervision while producing; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

-5-

Case No. 5449
Order No. R-4998

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


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

Phil R. Lucero
PHIL R. LUCERO, Member

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

S E A L

dr/

411 Petroleum Building
204 W. Texas
Midland, Texas 79701
Telephone (915) 683-6366

Belco Petroleum Corporation

February 10, 1975

Belco

RECEIVED

FEB 13 1975

MIDLAND OFFICE

✓ Oliver C. Squires
3310 Old Cavern Road
Carlsbad, New Mexico 88220

Bobbyedene Pack Rogers
Route 1, P. O. Box 264
Carlsbad, New Mexico 88220

Re: Avalon Area
Belco #1-Martin
W/2 Section 20, T22S, R27E
Eddy County, New Mexico

Gentlemen:

Belco Petroleum Corporation proposes to drill an 11,700' Morrow test to be located 1980' FNL and 1650' FNL of Section 20, T22S, R27E, Eddy County, New Mexico. Mr. Oliver C. Squires owns .5677 acres out of the S/2 NW/4 NW/4 of Section 20, T22S, R27E, Eddy County, New Mexico and Bobbyedene Pack Rogers owns a small triangular tract in the NE/4 NW/4 containing .42 acres, including one-half of the canal and more particularly described in that certain Quit Claim Deed from Robert M. Calvani, et ux, to Bobbyedene Pack Rogers, recorded in Book 213 at page 762 of the Deed Records of Eddy County, New Mexico. All of the minerals under the above two described tracts are unleased at the present time.

Belco will commence the above-referenced test immediately and we herein offer to purchase an Oil and Gas Lease covering these two tracts at a consideration of \$500 per net mineral acre; or as an alternative, you may wish to join with Belco in the drilling of this test and pay your proportionate part of the cost of drilling said test. If you should desire to join us, please let me know at your very earliest convenience and I will send you a copy of the proposed Operating Agreement and an AFE covering the cost of the well for your consideration.

Of course, you can elect to be force pooled in this matter. I believe both of you indicated to Mr. Robert S. Pickens, who was working on behalf of Belco Petroleum Corporation, that you would prefer to be force pooled. If this is still the case, I would appreciate your indicating same in the space provided below on the enclosed extra copy of this letter and returning same to me at your earliest convenience. I am enclosing a stamped, self-addressed envelope for your convenience in replying.

| | |
|-----------------------------|--------|
| BEFORE EXAMINER STAMETS | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. | 2 |
| CASE NO. | 5449 |
| Submitted by | Belco |
| Hearing Date | 4-2-75 |

Avalon Area
Belco #1-Martin
Eddy Co., N.M.
Page Two

We will greatly appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

J. A. Patterson

J. A. Patterson
District Landman

JAP/MW
Attachments

I WISH MY INTEREST UNDER THE
W/2 SECTION 20, T22S, R27E,
EDDY COUNTY, NEW MEXICO, TO
BE FORCE POOLED.

Oliver C. Squires
Oliver C. Squires

Bobbydene Pack Rogers

File #1 Martin

RECEIVED

FEB 14 1975

MIDLAND OFFICE

Rt. 1, Box 264
Carlsbad, New Mexico 88220
February 12, 1975

Mr. J. A. Patterson, District Landman
Belco Petroleum Corporation
411 Petroleum Building
204 W. Texas
Midland, Texas 79701

Re: Avalon Area
Belco #1-Martin
W/2 Section 20, T22S, R27E
Eddy County, New Mexico

Dear Sir:

In reply to your letter dated February 10, 1975.

I do not want to be force pooled.

I do not want to join with Belco on this well.

I would like a five (5) year lease based on \$1,000.00 per acre bonus and twenty percent (20%) override.

Thank you for your consideration in this matter.

Very truly yours,

Bobbie Dene Rogers

(Mrs.) Bobbye Dene Rogers

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one). 15¢
☐ Show to whom and date delivered.
☐ Show to whom, date, & address of delivery. 35¢
☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered.
☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery. 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:
REGISTERED NO. 728 CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE *Mr. C. E. Seaton*

4. DATE OF DELIVERY 2/11/75

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

U.S. POSTMAR
FEB 11 1975

GPO : 1974 O - 527-803

RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811 Nov. 1973

● **SENDER:** Complete items 1 and 2.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):

☐ Show to whom and date delivered. 15¢

☐ Show to whom, date, & address of delivery. 35¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered. 65¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery. 85¢

2. ARTICLE ADDRESSED TO:

3. ARTICLE DESCRIPTION:

REGISTERED NO. 729 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE: *Mrs. Betty D. Dyer*

DATE OF DELIVERY: FEB 10 1975

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS: *W*

POSTMARK: FEB 11 1975

★ GPO : 1974 O - 517-803

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4
CASE NO. 5449
Submitted by Belco
Hearing Date 4-2-75

R 27 E

UNION CAL
1 - Worsell

BELCO
1 - Joyce

BELCO
3 - Union Mead

BELCO
2 - Comm

CITIES
1 - Paslay A

UNION
1 - Calvani

ANTWEIL
1 - Saik

CITIES
1 - Tracy B

ANTWEIL
1 - Saik

2,000 CFP

CITIES
1 - C

BELCO
1 - Martin

ANTWEIL
1 - Randall

W/2
Section
20

Low Prod
IMCFD
Jon

914 MCFD
Jon

UNION
1 - Ditz

BELCO
1 - Mary?

CITIES
1 - C

CITIES
1 - C

BELCO PETROLEUM CORP.

CARLSBAD AREA
Eddy Co, New Mexico

MORROW TESTS

SCALE: 1" = 2000' C.I.

REVISION

REV. DT.

BELCO PETROLEUM CORPORATION
AUTHORIZATION FOR EXPENDITURE

COMPANY

05

AFF NO.

C5562

| | | | | | | | | | | | | | |
|-------------------|------|-----------------------------|---|-----------|---|----------------|---|------------|----|-------------------------|----|----|----|
| 10. | CHG. | PROPERTY NAME & NUMBER (27) | | | | AUTH. DATE (6) | | | | LOCATION (27) | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 16 | | MARTIN #1 | | | | 013175 | | | | Sec. 20, T-22-S, R-27-E | | | |
| TYPE OF WORK (21) | | P. DEPTH (8) | | FORMATION | | FIELD NAME | | CONTRACTOR | | DIG. TYPE | | | |
| Drill & Complete | | 11,700' | | Morrow | | | | | | Rotary | | | |
| 19. | CHG. | PROSPECT NAME (22) | | | | STATE (15) | | | | COUNTY / PARISH (15) | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | |
| 19 | | Avalon | | | | New Mexico | | | | Eddy | | | |

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

| | | | | | | | |
|--------------------------|------|---|---|---------|---------------|-------------|------------|
| SO. | CHG. | PROPERTY NO. | | 7412007 | CSG. PT. COST | COMPL. COST | TOTAL COST |
| 1 | 2 | 3 | 4 | 5 | 21 | 23 | 25 |
| 20 | | INTANGIBLE EXPENSE | | | 730 | 734 | |
| 18 | 20 | | | | 24 | 32 | 37 |
| | | Rig Expenditure | | | | | |
| | | Move In & Out = 12,000 | | | | | |
| | | Drilling 9000' Ft. @ \$ 8.50 /Ft. = 76,500 | | | | | |
| | | Daywork 26 Days @ \$2,400/day = 62,400 | | | | | |
| | | Completion/W.O. Unit 18 Days @ \$700/day = 12,600 | | | | | |
| 218 | | Total Rig Expenditure | | | \$ 150,900 | \$ 12,600 | \$ 163,500 |
| 612 | | Location - Roads, Row & Damages | | | 20,000 | | 20,000 |
| 204 | | Contract Professional Services | | | 6,000 | 2,400 | 8,400 |
| 210 | | Misc. Contract Labor | | | 3,000 | 8,000 | 11,000 |
| 418 | | Mud & Additives | | | 8,000 | | 8,000 |
| 220 | | Mud Logging | | | 2,250 | | 2,250 |
| 424 | | Bits | | | 11,000 | 2,000 | 13,000 |
| 228 | | Tubular Testing/Inspection | | | 3,000 | 1,500 | 4,500 |
| 230 | | CSG/TBG Crews/Tools | | | 4,000 | 2,000 | 6,000 |
| 422 | | Float Eq., Cent & Scratchers | | | 2,500 | 1,000 | 3,500 |
| 420 | | Cement & Additives | | | 18,000 | 4,000 | 22,000 |
| 236 | | Pump Truck/Skid Unit Serv. & Cmt. Tools | | | | | |
| 222 | | Coring & Analysis | | | | | |
| 224 | | Elec. Line - Logs, Perf, Production, Etc. | | | 14,000 | 3,500 | 17,500 |
| 226 | | Well Testing - DST, Wireline, Etc. | | | 3,500 | 3,000 | 6,500 |
| 512 | | Eq. Rntls. - Surface/Downhole | | | 12,000 | | 12,000 |
| 950 | | Directional Drilling Expense | | | | | |
| 234 | | Transportation - Land - Marine | | | 3,000 | 1,000 | 4,000 |
| 410 | | Fuel, Power & Water | | | 11,750 | | 11,750 |
| 930 | | Well Stimulation | | | | 6,000 | 6,000 |
| 808 | | Insurance & Bonds | | | | | |
| 920 | | Misc. & Contingency | | | 26,168 | 4,462 | 30,630 |
| TOTAL INTANGIBLE EXPENSE | | | | | \$ 299,068 | \$ 51,462 | \$ 350,530 |

| | | | | | | | |
|------------------------|------|---|---|---------------|-------------|------------|------------|
| SO. | CHG. | TANGIBLE EXPENSE | | CSG. PT. COST | COMPL. COST | TOTAL COST | |
| 1 | 2 | 3 | 4 | 21 | 23 | 25 | |
| 20 | | | | | 732 | 736 | |
| | | | | | | | |
| | | CSG. & LINER | | | | | |
| | | Drive 30 Ft. 30" O.D. @ \$ 25.00 /Ft. = 750 | | | | | |
| | | Cond. 350 Ft. 16" O.D. @ \$ 18.52 /Ft. = 6,482 | | | | | |
| | | Intr. 2000 Ft. 10-3/4" O.D. @ \$ 12.50 /Ft. = 25,000 | | | | | |
| | | Prod. 9000 Ft. 7-5/8" O.D. @ \$ 12.00 /Ft. = 108,000 | | | | | |
| | | Liner 3000 Ft. 5-1/2" O.D. @ \$ 10.00 /Ft. = 30,000 | | | | | |
| 426 | | TOTAL | | | \$ 133,000 | \$ 30,000 | \$ 163,000 |
| 432 | | TUBING 11,650 Ft. 2-7/8" O.D. @ \$ 3.50 /Ft. = 40,775 | | | | 40,775 | 40,775 |
| 430 | | WELLHEAD EQUIPT. | | | 2,932 | 6,763 | 9,695 |
| 438 | | WELL PROD. EQUIPT. SURFACE | | | | | |
| 440 | | WELL PROD. EQUIPT. DOWNHOLE | | | | 4,000 | 4,000 |
| 442 | | PROD. FACILITIES-TANKS, EQUIPT. & LINES | | | | 20,000 | 20,000 |
| 450 | | MARINE PLATFORMS | | | | | |
| 452 | | OFFSHORE PROD. FACILITIES | | | | | |
| TOTAL TANGIBLE EXPENSE | | | | | \$ 135,932 | \$ 101,538 | \$ 237,470 |
| TOTAL WELL COST | | | | | \$ 435,000 | \$ 153,000 | \$ 588,000 |

LIONEL COHEN
1202 PHILTOWER BUILDING
TULSA, OKLAHOMA 74103

March 21, 1975

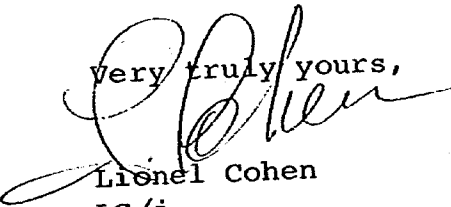
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Attn: Secretary-Director

Dear Sir:

Please forward a copy of the application filed by
Belco Petroleum Corporation for compulsory pooling
in Case No. 5449. please expedite.

Very truly yours,


Lionel Cohen
LC/j

Copy of application mailed March 24, 1975.

Ida Rodriguez

Docket No. 8-75

Dockets Nos. 9-75 and 10-75 are tentatively set for hearing on April 16 and April 30, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 2, 1975

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

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

CASE 5408: (Continued from the March 5, 1975, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 36, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5449: Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying the W/2 of Section 20, Township 22 South, Range 27 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Belco Martin Well No. 1, to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5450: Application of Texaco Inc., for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle East Weir-Blinbry and Skaggs-Drinkard production in the wellbore of its M. B. Weir "B" Federal Well No. 9, located in Unit O of Section 12, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 5451: Application of Consolidated Oil and Gas, Inc., for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Ballard-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Linda 1-31 Well, located in Unit M of Section 31, Township 27 North, Range 8 West, San Juan County, New Mexico.

CASE 5452: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Totah-Gallup Oil and Basin-Dakota Gas production in the wellbore of its Federal I well No. 1, located at a standard location in Unit E of Section 11, Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 5453: Application of Dugan Production Corporation for a non-standard gas proration unit and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SW/4 of Section 14, Township 24 North, Range 5 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, to be dedicated to a well at a standard location in Unit L of said Section 14. Applicant further seeks authority to commingle Otero-Gallup Oil and Basin-Dakota Gas production in the wellbore of said well.

CASE 5448: Southeastern New Mexico nomenclature case calling for the creation, extension, and abolishment of certain pools in Lea and Chaves 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 Legg-Morrow Gas Pool. The discovery well is the Brunson & McKnight, Inc. R. F. Leggett Well No. 1 located in Unit H of Section 33, Township 21 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
SECTION 33: E/2

(b) CREATE A new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the East Lusk-Bone Springs Pool. The discovery well is the Sun Oil Company Jennings Federal Com Well No. 1 located in Unit F of Section 15, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
SECTION 15: NW/4

(c) ABOLISH the East Skaggs-Drinkard Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 19: SE/4

(d) EXTEND the Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 18: N/2 and SE/4
SECTION 19: E/2

(e) EXTEND the Corbin-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
SECTION 36: NW/4

(f) EXTEND the South Corbin-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
SECTION 17: W/2
SECTION 18: E/2
SECTION 20: W/2

- (g) EXTEND the D-K Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
SECTION 30: SW/4

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

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
SECTION 33: NE/4

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

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
SECTION 23: NW/4

- (j) EXTEND the Sawyer-San Andres Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM
SECTION 9: Lots 3 and 4 and W/2 SW/4

- (k) EXTEND the North Shoe Bar-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
SECTION 14: SW/4

- (l) EXTEND the Sulimar-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
SECTION 19: NW/4

- (m) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 1: NW/4

*Send docket to
Fincher Neal*

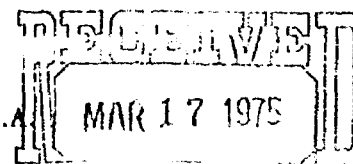
LAW OFFICES OF

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

210 HINKLE BUILDING

POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201



OIL CONSERVATION COMM

Santa Fe

TELEPHONE 622-2700
AREA CODE 505

GEORGE H. HUNKER, JR.
DON M. FEDRIC
RONALD M. HIGGINBOTHAM
ROBERT I. WALDMAN

March 14, 1975

A.L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Belco Compulsory Pooling
T. 22 S., R. 27 E.
Eddy County
Sec. 20: W $\frac{1}{2}$
Case No. 5449
Date of Hearing: 4-2-75

Dear Mr. Porter:

In connection with the above matter, please be advised and notify the Examiner hearing this case, that it now appears that Byron M. McKnight, whose wife's name is Amelda Ann McKnight, the owners of a leasehold estate in lands embraced in the above described tract, were killed in an airplane accident recently, and it appears that it will be necessary for Belco to compulsorily pool their interests in the proceeding which we have filed on behalf of Belco.

Attorney C. Fincher Neal of Hobbs, is handling the estates of both of these parties and has indicated that he would like to have a copy of the docket and may very well enter his appearance on behalf of the decedents in the Commission's proceeding. It is hoped that he will see fit to do so. The Byron M. McKnight leases covered the NW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 20, Township 22 South, Range 27 East, 10 acres, more or less. The leases require the payment of a royalty to the lessors of 3/16.

Should you or the Examiner need any other or further information, please do not hesitate to contact us or contact Attorney C. Fincher Neal.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

George H. Hunker, Jr.
George H. Hunker, Jr.

GHH:dd

cc: C. Fincher Neal, Esq.
P.O. Box 278, Hobbs, N.M.
cc: Mr. J.A. Patterson

DOCKET MAILED

3-21-75
Date

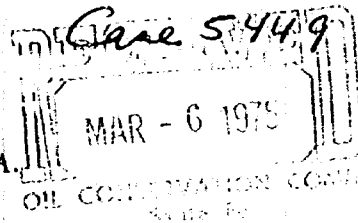
LAW OFFICES OF
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

210 HINKLE BUILDING

POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.
DON M. FEDRIC
RONALD M. HIGGINBOTHAM
ROBERT I. WALDMAN



TELEPHONE 322-2700
AREA CODE 505

March 5, 1975

Mr. A.L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

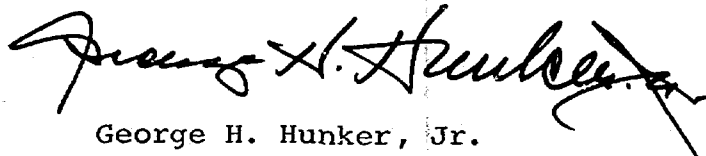
Re: Belco Compulsory Pooling
T. 22 S., R. 27 E.
Sec. 20: W $\frac{1}{2}$

Dear Mr. Porter:

We hand you herewith in triplicate, Belco's Application for Compulsory Pooling of the above described tract. Will you please set this matter up for an Examiner hearing on April 2, 1975, and advise.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.



George H. Hunker, Jr.

GHH:dd
Enc.

cc: Mr. J.A. Patterson
Belco Petroleum Corp.

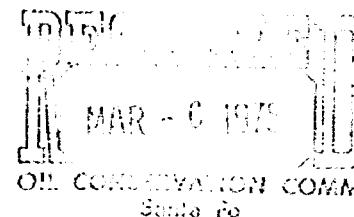
DOCKET MAILED

Date 3-21-75

Send check to not shown on application.

Case 5449

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



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

CASE NO.
Order No.

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

A P P L I C A T I O N

COMES NOW Belco Petroleum Corporation, by and through
its Attorneys, Hunker, Fedric & Higginbotham, P.A., P.O. Box
1837, Roswell, New Mexico 88201, and makes application to the
Commission for a hearing before the Examiner of the Commission
for an Order pooling all mineral interests in the Pennsylvanian
formation or older underlying the W $\frac{1}{2}$ Section 20, Township 22
South, Range 27 East, South Carlsbad-Morrow Gas Pool, Eddy
County, New Mexico, and in support thereof, SHOWS:

1. That the Applicant has the right to drill and is now
drilling its Belco #1, Martin Well (an 11,700-foot Morrow test)
at a standard location for a 320-acre spacing unit, 1980 feet
from the North line and 1650 feet from the West line of
Section 20, Township 22 South, Range 27 East, N.M.P.M., Eddy
County, New Mexico, and proposes to complete said well in the
Morrow formation in the Pennsylvanian age.

2. That a portion of the acreage to be dedicated to the
said well is unleased, consisting of .9847 acre, .5677 acre
of which is in the S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$, being claimed or owned by Oliver C.
Squires, and .42 acre in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ being claimed or owned by
Bobbie Dene Rogers.

That said parties have not agreed to pool their interests and there may be other parties who will not agree to pool their interests.

3. That in order to avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the gas in said pool, it is necessary and proper that an Order be entered herein pooling all mineral interests, whatever they may be, within said unit as to the Pennsylvanian formation or older formations underlying the W $\frac{1}{2}$ Section 20, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

4. That Belco Petroleum Corporation should be designated the Operator of the unit.

5. That a hearing should be had for the purpose of determining and considering the cost of drilling and completing said test well and the allocation of such costs as well as the actual operating costs and charges for supervision. That Applicant will ask that a charge be made for the risk involved in drilling said well.

6. That the following named persons are believed to be interested parties.

DOCKET MAILED

Oliver C. Squires
3310 Old Cavern Road
Carlsbad, New Mexico 88220

Bobbie Dene Rogers
Route 1, P.O. Box 264
Carlsbad, New Mexico 88220

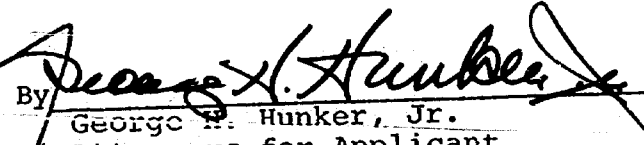
Date 3-21-75

WHEREFORE, Applicant prays that an Order be entered herein pooling all mineral interests in the Pennsylvanian formation or older underlying the W $\frac{1}{2}$ Section 20, Township 22 South, Range 27 East, N.M.P.M., Eddy County, South Carlsbad-Morrow Gas Pool, naming Belco Petroleum Corporation as the Operator of the unit and providing for the allocation of costs of drilling and

operating said well, together with a reasonable charge for the risk involved therein, together with such further Orders and Rules as may be appropriate in the premises.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

By 
George M. Hunker, Jr.
Attorneys for Applicant
P.O. Box 1837
Roswell, New Mexico 88201

DRAFT

dr/ *nr*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 5449

Order No. R-4998

RLK *W/C* *JSW*
ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 2, 1975
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of April, 1975, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Belco Petroleum Corporation,
seeks an order pooling all mineral interests of Pennsylvanian
age or older underlying the W/2
of Section 20, Township 22 South, Range 27 East,
NMPM, South Carlsbad-Morrow Gas Pool, Eddy County, New
Mexico.

-2-

Case No.
Order No. R-

(3) That the applicant has the right to drill and ^{has drilled} ~~proposes~~ to drill its Belco Martin Well No. 1 at a standard location for said unit.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 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 that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

Case No.

\$ 1650.00

(11) That ~~\$1536.00~~ per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that ~~\$242.00~~ per month should be fixed as a reasonable charge for supervision while producing; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(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 _____, 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, in the Pennsylvanian formation underlying the W/2 of Section 20, Township 22 South, Range 27 East, NMPM, South Carlsbad-Morrow Gas Pool, _____ County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing its Belco Martin Well No. 1 and proration unit to be dedicated to ~~xxxxxxx~~ to be drilled at a standard location for said unit.

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

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

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

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

(3) That ^{within 30 days} after the effective date of this order ~~and at least~~ ^{within} ~~20 days prior to commencing said well~~, the operator shall furnish the Commission 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 Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

-5-

Case No.

Order No. R-

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, 150 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.*

\$1650.00
(9) That ~~\$1536.00~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that ~~\$272.00~~ per month is hereby fixed as a reasonable charge for supervision while producing, *that the operator* is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-

Case No.

Order No. R-

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

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

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

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

April 7 Lrg

Beled

force pooling

w/2

20 22S 27E

1980' FWL 1650' FWL

.9847 of unfaced licks

Geo Hunter

Penn & below

winter app coming

Check who is being pushed

154
PC 5/12/63

BL

Pad

amended 9/15/63

Dr

PS

Pad

amend mod (2-26)

PS

Dr

Bl cond

Tb cond