

CASE 5829: ELK OIL COMPANY FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

CASE NO.

5829

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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. 5829
Order No. R-5349

APPLICATION OF ELK OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 5, 1977, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of January, 1977, 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, Elk Oil Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 36, Township 11 South, Range 32 East, NMPM, North Bagley Field, Lea County, New Mexico.

(3) That applicant proposes to dedicate said 320-acre gas unit to a proposed gas well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line of said Section 36.

(4) That should said well be productive of gas and be classified as a gas well, applicant should obtain approval for said unorthodox gas well location.

(5) That should said well be productive of oil and be classified as an oil well, applicant should obtain the amendment of this order to pool the mineral interests underlying the oil proration unit only.

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

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

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

(9) That any non-consenting working interest owner should be afforded a reasonable period of time in which 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 20 days is such reasonable period of time.

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

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

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

(13) That \$2031.00 per month while drilling and \$234.00 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.

(14) 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.

(15) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or

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before April 15, 1977, 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 Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 36, Township 11 South, Range 32 East, NMPM, North Bagley Field, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled 660 feet from the South line and 1980 feet from the West line of said Section 36.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of April, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of April, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission 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 Commission and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within 30 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 20 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

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Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 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 \$2031.00 per month while drilling and \$234.00 per month while producing is 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.

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(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.

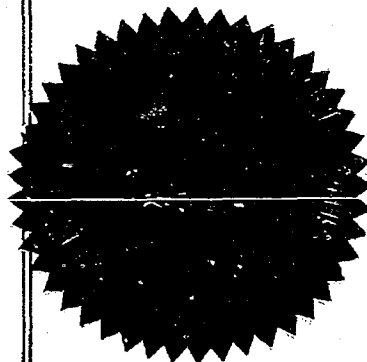
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said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

(13) That should the subject well be completed as a gas well and be so classified by the Commission, applicant shall request a hearing for the purpose of obtaining approval of the unorthodox gas well location of said well.

(14) That should the subject well be completed as an oil well and be so classified by the Commission, applicant shall request a hearing for the purpose of amending this order to pool the mineral interests underlying the oil proration unit only.

(15) 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

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 5, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Elk Oil Company for
compulsory pooling, Lea County,
New Mexico.

CASE
5829

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Paul Cooter, Esq.
ATWOOD, MALONE, MANN & COOTER
Attorneys at Law
P. O. Drawer 700
Roswell, New Mexico

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JOSEPH J. KELLY

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EXHIBIT INDEX

Offered Admitted

Applicant's Exhibit One, Form C-101	4	8
Applicant's Exhibit Two, Plat	5	8
Applicant's Exhibit Three, AFE	5	8

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1 MR. NUTTER: We will call next Case Number 5829.

2 MS. TESCHENDORF: Case 5829, application of Elk Oil
3 Company for compulsory pooling, Lea County, New Mexico.

4 MR. COOTER: Paul Cooter with Atwood and Malone
5 appearing on behalf of the applicant, Elk Oil Company. I have
6 one witness, Joe Kelly.

7 (THEREUPON, the witness was duly sworn.)

8
9 JOSEPH J. KELLY
10 called as a witness, having been first duly sworn, was
11 examined and testified as follows:

12
13 DIRECT EXAMINATION

14 BY MR. COOTER:

15 Q Please state your name for the record?

16 A My name is Joseph J. Kelly, employed by Elk Oil
17 Company as President.

18 Q Relate briefly, if you would, your education and your
19 professional experience?

20 A I received my B.Sc. degree from the University of
21 Santa Clara in '64 and a Master's degree in business administa-
22 tion from the American University in '66. I've been employed
23 by Elk since August of '69 and President since January of '73.

24 Q What does the applicant, Elk Oil Company, seek in
25 this case, Mr. Kelly?

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1 A. Elk Oil Company seeks a three hundred and twenty
 2 acre pooling for a wildcat gas well to test all formations
 3 through the Pennsylvanian zones.

4 Q. That's the west half of Section 36?

5 A. Yes, comprising the west half of Section 36, 11, 32,
 6 Lea County, New Mexico.

7 Q. First may I direct your attention to what has been
 8 marked as Exhibit One, the OCC Form C-101, Intent to Drill. Has
 9 that form yet been filed?

10 A. No, it has not.

11 Q. It has been prepared and Exhibit One is a true copy
 12 of that form as it will be filed?

13 A. Yes, sir.

14 Q. Has Elk Oil Company procured leases from some of the
 15 mineral owners of the west half of Section 36?

16 A. Yes, we have.

17 Q. The ownership of the west half of Section 36 is common
 18 throughout the three hundred and twenty acres?

19 A. Yes, sir.

20 Q. What percentage of the mineral owners have you
 21 acquired leases from, Mr. Kelly?

22 A. To date we have acquired seventy percent.

23 Q. The unleased mineral interest, those that you have
 24 not acquired leases from are as set forth in the application
 25 filed in this case?

1 A. Yes, sir, they are.

2 Q. Have any of those listed in that application since
3 leased or indicated to you that they would lease to you?

4 A. Yes, they have.

5 Q. Was a notice of this hearing mailed to all of those
6 mineral owners as set forth in the application?

7 A. Yes, they were.

8 Q. Next may I direct your attention to Exhibit Number
9 Two, relate to the Commission what that is?

10 A. Exhibit Number Two is a land ownership plat of the
11 area outlining the west half of Section 36, 11, 32.

12 Q. What is the closest production?

13 A. The closest production to our proposed location
14 is a half a mile to the east to a Bough "C" oil zone and two
15 and a half miles southwest to a Penn gas zone, two miles
16 northwest there is a Penn gas well. All other wells on the
17 plat are either Devonian or Bagley-Pennsylvanian oil wells.

18 Q. The two gas wells that you mentioned to the north and
19 to the south, are those commercial producers or good producers?

20 A. No, sir, they are not.

21 Q. Next may I call your attention to Exhibit Three, your
22 AFE, would you review this briefly for the Commission?

23 A. Exhibit Three is our AFE on the proposed well. We
24 have a drilling contract to drill this well for eleven dollars
25 and sixty-five cents. All other costs underneath it, logging,

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1 cementing and everything are costs experienced by Elk in the
2 area. The pipe costs are at market value or out-of-stock
3 prices from the mill and you will notice that we have put under
4 here for high pressure equipment for the gas well, separators
5 and wellhead connections.

6 Q When will the applicant commence this well?

7 A We propose to commence our well January 15th.

8 Q Do you have a problem with some short term leases?

9 A Yes, sir, we do. We had leased approximately fifty

10 percent of the mineral interest which will expire February 15th.

11 Q Absent drilling?

12 A Yes, sir.

13 Q Elk Oil Company will be the operator?

14 A Yes, sir.

15 Q In your opinion, considering the area as reflected

16 on Exhibit Two and the closest production, in the estimated

17 costs as outlined in your Exhibit Three, what in your opinion is

18 a reasonable risk charge for non-participating mineral owners?

19 A Well, the industry average for commercial wildcat gas

20 wells is approximately nine to one, so, therefore, we ask a

21 two hundred percent drilling charge as reasonable.

22 Q In your opinion, the closest production being some

23 two miles or further way and not very good at those locations

24 would they lessen your risk any?

25 A No, sir, they wouldn't.

1 Q What in your opinion is a reasonable charge of
2 supervision while drilling?

3 A Elk Oil Company recently completed a well and
4 charged two thousand, thirty-one dollars for drilling supervision
5 and the operating costs after completion will be two hundred
6 and thirty-four dollars a month.

7 Q Those were your actual costs incurred?

8 A Actual costs and this well was drilled in December of
9 '76.

10 Q If the Commission were to grant the order, the usual
11 order in the past has provided for a thirty-day period for a
12 non-consenting owner to come in and pay his share of the costs.
13 Do you ask that if the Commission grant this application that
14 that thirty-day time period be shortened?

15 A Yes, Elk Oil Company requests that that thirty days
16 be shortened to ten for the following reasons: We have the
17 contractor to move in January 15th and we could be to points
18 within formations within fifteen days after that point, so
19 within the thirty days a party would know approximately where
20 he stood and the effect would be kind of riding us down.

21 Q There wouldn't be much risk left after the thirty
22 day time period?

23 A That's correct.

24 Q In your opinion would the granting of this applica-
25 tion by the Commission and the fixing of the charges and the

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1 time periods as you have related, prevent waste, protect
2 correlative rights and avoid the drilling of unnecessary wells?

3 A. Yes, sir.

4 MR. COOTER: Mr. Nutter, we offer Exhibits One, Two
5 and Three.

6 MR. NUTTER: Applicant's Exhibits One through Three
7 will be admitted.

8 (THEREUPON, Applicant's Exhibits One
9 through Three were admitted into evidence.)

10
11 CROSS EXAMINATION

12 BY MR. NUTTER:

13 Q. Mr. Kelly, ten days doesn't give you very long to
14 make up your mind. I see some of your poolees here are as far
15 away as Norway, how are they going to be able to decide?

16 A. Okay, now, I have written them, I've had correspondence
17 with the one in Norway and they have said they would lease and
18 that lease has been forwarded to them.

19 Q. Maybe we ought to start off by going through this
20 list now and find out who would be the outstanding interests
21 here because you did mention that some of the people had
22 leased since this application was filed.

23 A. Okay, the Ingbers --

24 Q. Now, these are the ones that have leased to you?

25 A. Yes.

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1 Q Now, this would be this Phillip Henry on the first
 2 page?

3 A Yes.

4 Q Do you have the application there?

5 A Yes, sir.

6 Q Okay.

7 A And Nancy Ingber Brown.

8 Q Now, this Phillip Henry Ingber on the next page at
 9 the top of the list also has leased?

10 A Well, it's the same one. We put him down twice.

11 Q Okay, he's down twice, same address and everything.

12 And Nancy Brown has leased?

13 A Yes, sir. And Peter Ingber has leased. And then
 14 this Erna Louise Riisoe is the one that has leased, she has
 15 indicated that she would lease.

16 Q That's the lady in Norway?

17 A Yes, sir.

18 Q And she has indicated that she will lease?

19 A Yes, sir. And then Ralph Nix, Elizabeth Hannifin,
 20 Jerry Curtis, Jens Ferrigan.

21 Q I don't have that one on here.

22 A Okay, he has leased.

23 Q He might have leased before the application was filed?

24 A Yes, he did.

25 Q Okay.

1 A. And R. P. Poulsen heirs we cannot find.

2 Q. They are still unknown then?

3 A. Right. So the unleased interests are the Rowan's. A
4 Mr. Hamilton Rogers is representing G. L. Rowan, William Darby,
5 Lee Kirkwood, Jean Rowan Altgelt, Arch H. Rowan Company, Ltd.,
6 William Albert Rowan and A. H. Rowan, Sue Rowan Pittman, B. S.
7 Brants, Trustees.

8 Q. Well, now, on December 28th, Hamilton Rogers, an
9 attorney in Fort Worth directed a letter to you offering to
10 lease and sent a copy of it to the Commission. Have you
11 accepted the terms of their offer there?

12 A. No, sir, we had previously written to him, starting
13 February 4th of '76 and I called him back on December 9th, had
14 a telephone conversation with him. Excuse me, December 7th,
15 in which he recommended that they lease their interest under
16 different terms than what he comes back in his letter for.

17 Q. So you haven't made any arrangements with them yet?

18 A. No, and I had forwarded him leases and made an offer
19 of a cash bonus to him.

20 The only other one is Southland Royalty. I talked to
21 them yesterday and they are in the process of coming up with
22 some sort of an agreement.

23 Q. Now, these remaining people on this list here
24 constitute what total -- it's all one actual basic lease, is
25 it?

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1 A. Yes, sir, it's all under --

2 Q But these are all undivided interests in this west
 3 half?

4 A. Yes, sir.

5 Q Now, what do the unleased interests, as far as
 6 working interests constitute percentage-wise in the total three
 7 hundred and twenty acres at this time?

8 MR. MALONE: You have leases from seventy percent,
 9 that would be thirty percent.

10 A. Thirty percent, but I'm including in that thirty
 11 percent this Erna Riisoen and people that I don't have in
 12 hand.

13 Q (Mr. Nutter continuing.) Are they all about the
 14 same interest or are some of these much larger interests than
 15 others in this thirty percent?

16 A. Well, sir, do you want me to read them to you?

17 Q Yes, sir, please.

18 A. Southland Royalty owns a seven sixty-fourth. Do
 19 you want this in percentage?

20 Q Just fractions would be all right. This is percentage
 21 of the three twenty?

22 A. That's right. The G. L. Rowan and First National
 23 Bank owns a seven two-fifty-sixths. Erna Riisoen a one thirty-
 24 second. William Darby a one sixty-fourth. Lee Kirkwood one
 25 sixty-fourth. Jean Rowan Altgelt seven three-eighty-fourths.

1 Arch Rowan Company, Ltd. seven three-eighty-fourths. William
2 Albert Rowan seven two-fifty-sixths. And A. H. Rowan, Sue
3 Rowan Pittman, B. S. Brants, Trustees, seven three-eighty-
4 fourths. And the heirs that we cannot find are thirty percent
5 of a sixteenth.

6 Q That would be these Poulson heirs?

7 A Yes.

8 Q That's thirty percent of one sixteenth. And everything
9 else has been leased by Elk Oil Company?

10 A That's right.

11 Q Okay, now with respect to your Exhibit Number Three,
12 Mr. Kelly, you have estimated here that dry hole costs would
13 be two hundred and sixty-one thousand, eight hundred and fifty
14 dollars, is that correct?

15 A Yes, sir.

16 Q Now, is this typical for a well to be drilled in this
17 area at this time?

18 A Yes, sir.

19 Q And your completion costs are for a high-pressure
20 gas well?

21 A That's right.

22 Q There is some likelihood, is there not, here that an
23 oil well would be encountered, however?

24 A That is true.

25 Q Would the costs be more or less in the event you

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1 encountered an oil well?

2 A. Well, let's see, if it's just an oil well it would
 3 be less. If it's a gas well it would be less than if you went
 4 to a dual but I'm not set up for a dual.

5 Q. Okay, now, I would like for you to be a little more
 6 specific as to where these other wells are that you mentioned.
 7 Two miles to the northwest there was a gas well?

8 A. Yes, it's in the northeast northeast of 26, Texaco.

9 Q. What formation does that well produce from?

10 A. Pennsylvanian. And then at the bottom beneath
 11 Section 11 in 12, 32, it's cut off the map here, there's a
 12 Texaco well, right on the bottom just before it is cut off on
 13 the Xerox.

14 Q. Would it be in the northwest northwest of the Section
 15 immediately south of 11?

16 A. Yes, sir.

17 Q. Okay, this Xerox has a gas well there.

18 A. Okay.

19 Q. And that's a Penn gas well also?

20 A. Yes, sir.

21 Q. And the nearest production is a half a mile to the
 22 east, that's that Elk Oil Company's oil well in the --

23 A. Southwest southwest.

24 Q. Southeast southeast of 36, is that it?

25 A. Yes, right, excuse me.

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1 Q And what formation does it produce from?

2 A From the Bough "C" Pennsylvanian.

3 Q Is that a pretty good well, Mr. Kelly?

4 A Yes, sir.

5 Q And these wells immediately south then, here in

6 Sections 1 and 2 are old Bagley oil wells, are they?

7 A Yes. Everything east on the map is Bagley-

8 Pennsylvanian and the Caprock Devonian is southwest.

9 Q Now, the remoteness of this Pennsylvanian gas here
10 was the basis for the two hundred percent risk factor being
11 requested?

12 A That's correct.

13 Q Now, you mentioned that your drilling costs on a
14 recent well, now, that was your operating overhead costs?

15 A That's right.

16 Q They were two thousand, thirty-one dollars?

17 A Yes, sir.

18 Q A month, while drilling?

19 A While drilling.

20 Q And the two hundred and thirty-four dollars a month
21 that you mentioned is overhead for operating --

22 A A producing well.

23 Q A gas well or an oil well?

24 A An oil well, the oil and gas, it's the same for the
25 way I operate at this depth.

1 Q. Your operating overhead would be the same whether
2 it's an oil well or a gas well?

3 A. Yes.

4 Q. Now, normally, as you mentioned, the Commission
5 provides that, I think the Commission pooling orders provide
6 that within thirty days prior to the drilling of the well that
7 you would submit an estimate of your costs to the Commission
8 and to the operators?

9 A. Yes.

10 Q. Now, when was a drilling cost submitted to all of
11 these poolees that you're talking about here today, have you
12 ever submitted a drilling cost to them yet?

13 A. Just to Southland, they are the only ones that
14 requested one. Everybody else declined to join and I didn't
15 send them one.

16 Q. But you would under the terms of the agreement have
17 to provide them with that and then they would have ten days
18 after that in which to respond?

19 A. That's correct.

20 MR. NUTTER: Are there any further questions of
21 the witness? He may be excused.

22 (THEREUPON, the witness was excused.)

23 MR. NUTTER: Do you have anything further, Mr.
24 Cooter?

25 MR. COOTER: Nothing further.

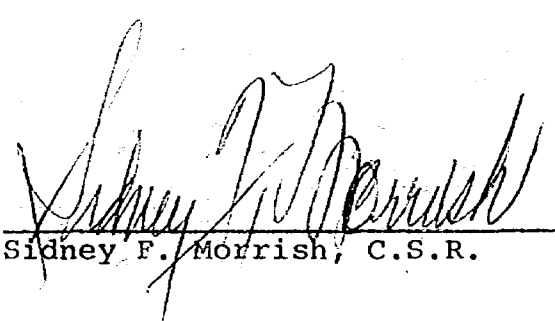
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MR. NUTTER: Does anyone have anything they wish to offer in Case Number 5829? We will take the case under advisement.

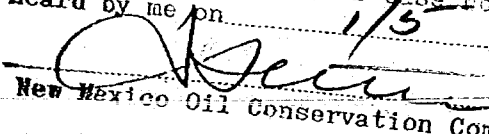
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.


Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5829
heard by me on 1/3, 1977.
 Examiner
New Mexico Oil Conservation Commission

COPIES RECEIVED

TRIBUTION

APPROVAL

OFFICE

DATE

NEW MEXICO OIL CONSERVATION COMMISSION

Form O-101
Revised 1-14-67

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR RE-DRILL

1. Name of Well **DRILL XX**

2. Type of Well **GAS**

3. Location of Well **XX**

Elk Oil Company
P. O. Box 310, Roswell, New Mexico 88201

4. Direction of Well **N**

5. Section **660**

6. Township **South**

7. Range **32E**

8. Feet from the **West** **1980**

9. Feet from the **36**

10. Feet from the **11S**

11. Field or Pool, or Wildcat **Wildcat**

12. County **Lea**

13. Depth of Well **11,000**

14. State **Penn**

15. Rotary or C.T. **Rotary**

16. Approx. Date Work will start **January 15, 1977**

17. Elevations (Show whether DF, RT, etc.) **4,330 Grd**

18. Cement **Blanket**

19. Cement **Hondo**

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	DEPTH OF CASING	SACKS OF CEMENT	EST. TOP
17 1/4	12 3/4	34	375	375	circ
12 1/4	8 5/8	32/24	3700	1000	circ
7 7/8	5 1/7	17	11000	1000	6000'

BLOWOUT PREVENTION PROGRAM

Size	Series or Test Pressure	Make & Model	Number
10"	900#	Shaffer Type #E	1-Double

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. **5829**
CASE NO. **1**

ABOVE SPACE DESCRIBE PROPOSED PROGRAM IF IT IS A RE-DRILL OR DEEPENING OF AN EXISTING WELL. IF IT IS A NEW WELL, DESCRIBE THE PROPOSED PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge.

Signature **J. J. Hally** Title **President** Date **1/4/77**

APPROVED BY _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____

NEW MEASUREMENT CORNER AND BOUNDARY
WELL LOCATION AND ACREAGE DEDICATION PLAT

1976-1977
Supersedes L-124
1976-1977

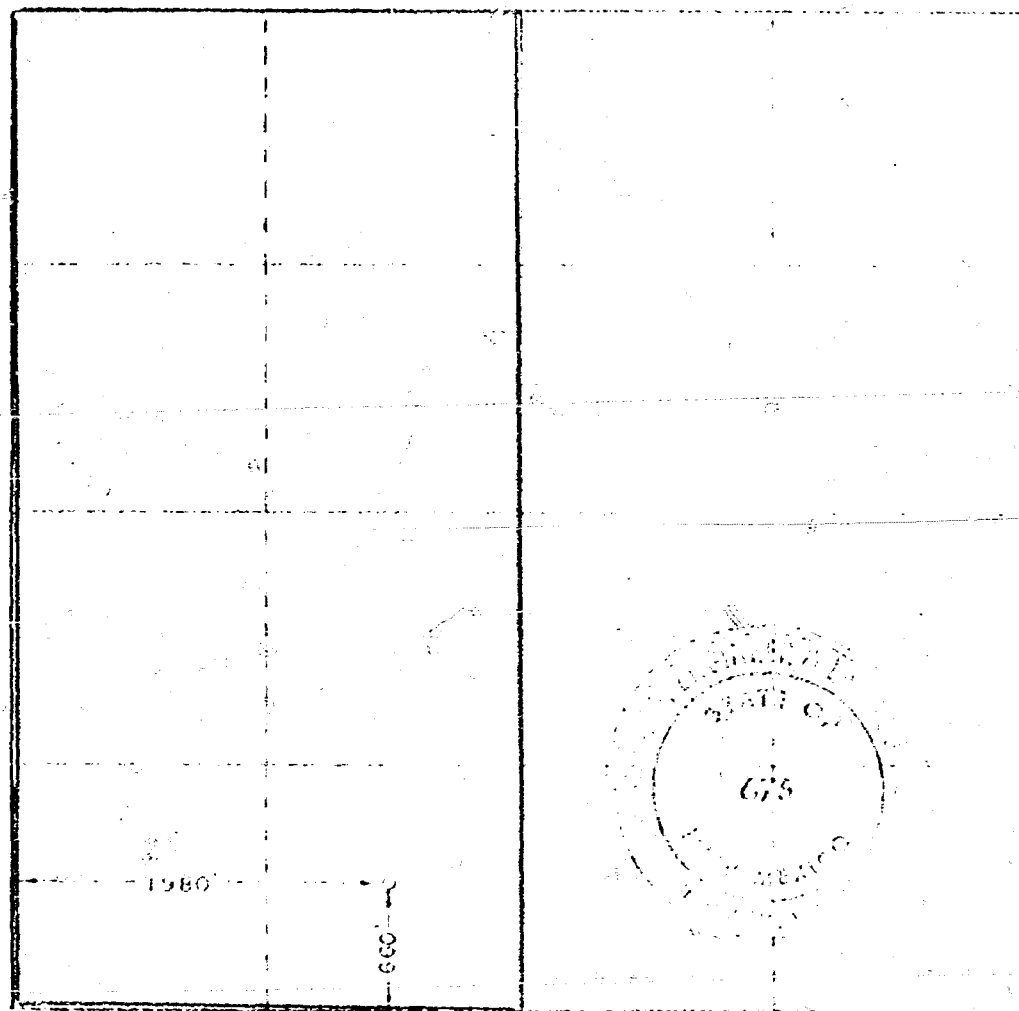
ELK OIL COMPANY		Moore		1	
N	36	11 South	52 East	Lea	
660	660	south	1980	west	
4330.0	Penn	Wildcat		320	

1. Outline the acreage dedicated to the subject well by stated portion of the plat area.
2. If more than one lease is dedicated to the well, outline each and state the type of lease (as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, forced pooling, etc.?

☐ Yes ☐ No If answer is "yes," type of consolidation

If answer is "no," list the owners and tract descriptions which have not all been consolidated (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, encompassing such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Joseph J. Kelly
Joseph J. Kelly

President

Elk Oil Company

January 4, 1977

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Dec. 27, 1976

John W. West
John W. West

676

[illegible]

DETAIL WELL ESTIMATE

EASE NO. _____ APPR. NO. 77-1
 EASE NAME Moore WELL NO. 1 W.I. _____ NET REVENUE INTEREST _____
 COUNTY Lea STATE New Mexico FIELD Wildcat

1980 FWL; 660 FSL, Section 36-11S-32E

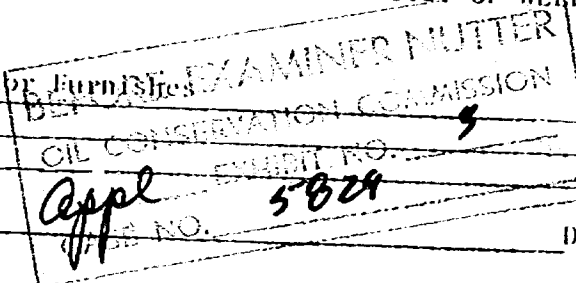
RILLING INTANGIBLES:

	PRODUCER	DRY HOLE
Drilling Cost 11,000 feet @ 11.65	128,100.00	128,100.00
Day Work 3 day @ 2,900	8,700.00	8,700.00
Coring Service Well Surveys	11,000.00	11,000.00
Testing 3 DST @ 2500	7,500.00	7,500.00
Fuel * Water *		
Mud Mud Logging ----	15,000.00	15,000.00
Cementing Service Cement Floats	12,000.00	7,500.00
Company Labor Contract Labor	3,000.00	-0-
Digging Pits Filling Pits	5,000.00	5,000.00
Roads & Bridges location Dredging & Grading	1,000.00	1,000.00
Acidizing Fracturing Perforating	27,500.00	-0-
Plugging	-0-	5,000.00
Trucking Cost	6,000.00	2,000.00
Development Superintendence	5,000.00	3,000.00
Rental Equipment	2,000.00	
Swabbing and Testing	15,000.00	
Other Costs Miscellaneous	25,000.00	18,000.00
Geological Services	5,000.00	5,000.00
Total Intangibles	276,800.00	216,800.00

ELL EQUIPMENT:

Casing 400 Ft. of 12 3/4 @ 9.50 Per Foot	3,800.00	3,800.00
3750 Ft. of 8 5/8 @ 8.90 Per Foot	33,375.00	33,750.00
11000 Ft. of 5 1/2 @ 6.50 Per Foot	71,500.00	
Tubing 11000 Ft. of 2 3/8 @ 2.50 Per Foot	27,500.00	
Casing Head High Pressure	18,500.00	7,500.00
Xmas Tree or Pumping Connections		
Pumping Unit Kobe Pump		
Engine & Kobe Triplex		
Sucker Rods		
Pump		
Tank Battery with Heater & Power Oil Tank	9,000.00	
Separator or Dehydration Equipment	15,000.00	
Metering Equipment	2,500.00	
Flow Lines & Connections	5,000.00	
Other Casing Equipment		
Total Tangibles	186,175.00	45,050.00
TOTAL COST OF WELL	462,975.00	261,850.00

WORKS: * Contractor Furnishes



inated By

ROVED BY

Date

Date

DEC 6 - 1975
OIL CONSERVATION COMMISSION

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF ELK OIL COMPANY FOR COMPULSORY)
POOLING OF ALL MINERAL INTERESTS IN)
the WOLFCAMP AND PENNSYLVANIAN)
FORMATIONS UNDERLYING THE W $\frac{1}{2}$)
SECTION 36, TOWNSHIP 11 SOUTH,)
RANGE 32 EAST, N.M.P.M., LEA)
COUNTY, NEW MEXICO.)

APPLICATION

COMES NOW Applicant Elk Oil Company and requests the Oil Conservation Commission of the State of New Mexico for an order pooling the Wolfcamp and Pennsylvanian formations underlying the W $\frac{1}{2}$ Section 36, Township 11 South, Range 32 East, N.M.P.M., Lea County, New Mexico, as provided for by Section 65-3-14, N.M.S.A., 1953 and states:

1. Applicant anticipates the filing of its Application for Permit to Drill a wildcat gas well, dedicating thereto, as the drilling tract consisting of 320 surface contiguous acres, the W $\frac{1}{2}$ Section 36, Township 11 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Applicant proposes to drill its well to the top of the Mississippian formation expected to be encountered at a depth of approximately 11,000 feet, to test the Wolfcamp and Pennsylvanian formations underlying the dedicated tract.

2. Applicant is the owner of the oil and gas leasehold estate covering certain undivided interests in the dedicated tract, but the following oil and gas interest owners have not agreed to lease their interests, nor join with Applicant in the drilling of its proposed well:

Phillip Henry Ingber
1664 Fallen Leaf Lane
Los Altos, California 94022

Phillip Henry Ingber
1664 Fallen Leaf Lane
Los Altos, California 94022

Nancy Ingber Brown
733 Walnut Avenue
Burlingame, California 94010

Peter Sexton Ingber
165 Warren Road
San Mateo, California 94402

G. L. Rowan and First National
Bank of Fort Worth, Trustees
P. O. Box 2260
Fort Worth, Texas 76101

Southland Royalty Company
1600 First National Bank Building
Fort Worth, Texas 76101

Erna Louise Riisøen
P. O. Box 61 - Hot Station
Bergen, Norway

William Darby
Continental National Bank Building
Fort Worth, Texas 76101

Lee Kirwood
Continental National Bank Building
Fort Worth, Texas 76101

Jean Rowan Altgelt
Fort Worth, Texas

Arch H. Rowan Company, Ltd.
P. O. Drawer 12247
Fort Worth, Texas 76116

William Albert Rowan
P. O. Box 9585
Fort Worth, Texas 76101

A. H. Rowan, Sue Rowan Pittman,
B. S. Brants, Trustees
Fort Worth, Texas

Ralph Nix
American Home Security Life Building
Artesia, New Mexico 88210

Elizabeth Hannifin
Roswell, New Mexico

Jerry Curtis
605 South 15th Street
Artesia, New Mexico

P. R. Poulsen
Address Unknown

3. The compulsory pooling sought hereby and the drilling of Applicant's proposed well would prevent waste, protect correlative rights and avoid the drilling of unnecessary wells.

WHEREFORE, Applicant prays that this matter be set for hearing, that notice thereof be given as provided by law and that the Commission enter its order providing for compulsory pooling of the land hereinabove described, designating Applicant as the operator and authorizing it to collect reasonable well costs and supervision and risk charges from all nonconsenting interest owners.

Respectfully submitted,

ATWOOD, MALONE, MANN & COOTER

BY 

P. O. Drawer 700
Roswell, New Mexico

Attorneys for Elk Oil Company

HAMILTON ROGERS
ATTORNEY AT LAW
ISIS OIL & GAS BUILDING
FORT WORTH, TEXAS 76102

December 28, 1976

JAN - 3 1977
OIL CONSERVATION COMM.

Mr. Joseph J. Kelly
Elk Oil Company
Box 310
Roswell, New Mexico 88201

Re: 02-03-04 R-16 and R-18
John H. Moore
Lea County, New Mexico
W/2 Sec 36, T-11-S, R-32-E
Oil Conservation Commission
Case 5829, Docket No. 2-77

Dear Mr. Kelly:

I acknowledge receipt of your letter dated December 22, 1976, with respect to your application to the Oil Conservation Commission for compulsory pooling, Case No. 5829.

As heretofore explained to you, the Rowan group of mineral owners own 35 mineral acres in the west half of Section 36. These mineral interests are divided among several trusts and a limited partnership. An additional 5 acre interest is owned by Patricia Kirkwood Harris, daughter of Lee Kirkwood, deceased, and another 5 acre interest is owned by the Estate of William Jennings Darby, Deceased.

The Continental National Bank of Fort Worth is the Executor of the Darby Estate. I have discussed this matter with the Bank and with other owners, and all have indicated that they would be willing to lease this interest to you on a one year lease, 3/16 royalty and \$50.00 per acre cash bonus.

Sincerely yours,

Hamilton Rogers

Hamilton Rogers

HR:pg

cc: Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico
cc: Mr. Elton M. Hyder, Jr.
cc: Mrs. Patricia Kirkwood Harris
cc: Mrs. Pauline Kirkwood
cc: The Continental National Bank
cc: Mr. William Albert Rowan

DEC 6 - 1955

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF ELK OIL COMPANY FOR COMPULSORY)
POOLING OF ALL MINERAL INTERESTS IN)
the WOLFCAMP AND PENNSYLVANIAN)
FORMATIONS UNDERLYING THE W $\frac{1}{2}$)
SECTION 36, TOWNSHIP 11 SOUTH,)
RANGE 32 EAST, N.M.P.M., LEA)
COUNTY, NEW MEXICO.)

APPLICATION

COMES NOW Applicant Elk Oil Company and requests the Oil Conservation Commission of the State of New Mexico for an order pooling the Wolfcamp and Pennsylvanian formations underlying the W $\frac{1}{2}$ Section 36, Township 11 South, Range 32 East, N.M.P.M., Lea County, New Mexico, as provided for by Section 65-3-14, N.M.S.A., 1953 and states:

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165 Warren Road
San Mateo, California 94402

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Bergen, Norway

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Continental National Bank Building
Fort Worth, Texas 76101

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Continental National Bank Building
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Fort Worth, Texas

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P. O. Drawer 12247
Fort Worth, Texas 76116

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A. H. Rowan, Sue Rowan Pittman,
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Ralph Nix
American Home Security Life Building
Artesia, New Mexico 88210

Elizabeth Hannifin
Roswell, New Mexico

Jerry Curtis
605 South 15th Street
Artesia, New Mexico

P. R. Poulsen
Address Unknown

3. The compulsory pooling sought hereby and the drilling of Applicant's proposed well would prevent waste, protect correlative rights and avoid the drilling of unnecessary wells.

WHEREFORE, Applicant prays that this matter be set for hearing, that notice thereof be given as provided by law and that the Commission enter its order providing for compulsory pooling of the land hereinabove described, designating Applicant as the operator and authorizing it to collect reasonable well costs and supervision and risk charges from all nonconsenting interest owners.

Respectfully submitted,

ATWOOD, MALONE, MANN & COOTER

BY 

P. O. Drawer 700
Roswell, New Mexico

Attorneys for Elk Oil Company

ATWOOD, MALONE, MANN & COOTER
LAWYERS

JEFF D. ATWOOD [883-1960]
ROSS L. MALONE [1910-1974]

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
R. E. THOMPSON

RALPH D. SHAMAS
RANDAL W. ROBERTS

December 3, 1976

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

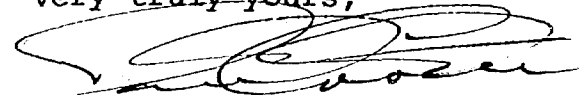
Case 5829

Dear Mr. Ramey:

Enclosed herewith in triplicate is the Application of Elk Oil Company for compulsory pooling, Lea County, New Mexico. Would you please place the same on the docket for examiner hearing January 5.

Appreciating your courtesy and with regards, I am,

Very truly yours,



Paul Cooter

PC:sas
Encl.

DRAFT

dr/ *dr*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5829

Order No. R-5349

APPLICATION OF ELK OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Bld

JSU *JAR*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 5, 1977
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of January, 1977, 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, Elk Oil Company,
seeks an order pooling all mineral interests in the Wolfcamp and
Pennsylvanian formations underlying the W/2
of Section 36, Township 11 South, Range 32 East,
NMPM, *North Bagley Field*, Lea County, New
Mexico.

(3) That applicant proposes to dedicate said ^{320-acre gas} unit
to a proposed gas well to be drilled at an
unorthodox gas well location 660 feet from the
South line and 1980 feet from the West
line of said Section 36.

(4) That should said well be productive of gas
and be classified as a gas well, applicant
should obtain approval for said unorthodox
gas well location.

(5) That should said well be productive of oil
and be classified as an oil well, applicant
should obtain the amendment of this order to pool
the mineral interests underlying the oil proration with only.

~~(3) That the applicant has the right to drill and proposes to drill a well at a standard location in said Section 36.~~

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

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

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

(9) That any non-consenting working interest owner should be afforded *a reasonable period of time in which* ~~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, *and that 20 days is such reasonable period of time.*

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

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

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

*while drilling and
\$234.00 per month.
while producing*

(13) That \$2031.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision 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.

(14) 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.

(15) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before April 15, 1977, 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 Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 36, Township 11 South, Range 32 East, NMPM, North Bagley Field, Lea County, New Mexico, are hereby pooled to form a standard 320 - acre gas spacing and proration unit to be dedicated to a well to be drilled 660 feet from the South line and 1980 feet from the West line of said Section 36.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of April, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of April, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission 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 Commission and show cause why Order (1) of this order should not be rescinded.

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

(3) That after the effective date of this order and within 30 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 ²⁰~~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, 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. *while drilling and \$234.00 per month while producing*

(9) That \$2031.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea 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.

(13) That should the subject well be completed as a gas well and be so classified by the Commission, applicant shall request a hearing for the purpose of obtaining approval of the unorthodox gas well location of said well.

(14) That should the subject well be completed as an oil well and be so classified by the Commission, applicant shall request a hearing for the purpose of amending this order to pool the mineral interests underlying the oil production with only.