

CASE 5939: C&K PETROLEUM, INC., FOR
COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, EDDY COUNTY, NEW MEXICO

Case Number
5939

Application

Transcripts.

Small Exhibits

ETC.

512 Welshire
Carlsbad, NM 88220
July 19, 1977

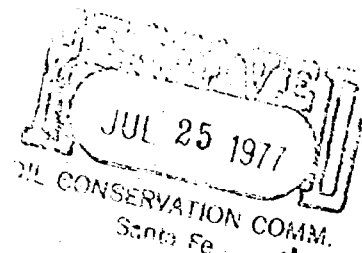
C & K Petroleum, Inc.
G.C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Mr. Tompson:

In reference to your letter of July 15, 1977 asking for approval of AFE #00160 covering the drilling and completion of proposed well Carlsbad #7, Eddy County (W $\frac{1}{2}$ 7-22S-27E), may I state that I have at no time authorized your direct inclusion of myself in your billing as a participating partner nor do I recall being approached by your company to lease the tract to you.

→ On May 25, 1977, I received from the N.M.O.C.C. (State of New Mexico Oil Conservation Commission) a notice of a forced pool hearing concerning the W $\frac{1}{2}$ of Sec. 7, Township 22 South, Range 27 East (Case 5939) to be held on May 25, 1977 (that same day) at Santa Fe. I expect to be bound by the findings of the N.M.O.C.C. upon receiving a copy of their order and granted the 30 day time allocation after their notification to myself and receipt of your AFE within the time allotted as specified therein. After that time, I intend to take care of my share of estimated well costs. I cannot foresee any other way we can work directly together as:

1. C & K has requested \$15,000 (fifteen thousand dollars) as my share of well insurance--a ridiculous figure as this would cause the total insurance premiums of all parties to exceed \$24,000,000 (twenty-four million dollars) for the well.
2. C & K has shown a disregard for N.M.O.C.C. orders and verbal and written agreements with individuals in prior dealings as:
 - a. Failure of C & K to comply with N.M.O.C.C. order #R-5332 to provide an AFE within 30 days of drilling on the S $\frac{1}{2}$ 13-22-26, Eddy County to working interest owners. To rectify this with two of us, C & K has attempted to stretch an agreement beyond intended and agreed bounds.
 - b. Failure of C & K to provide well completion records on said well until requested in writing after phone conversation with the N.M.O.C.C.; complying barely within allotted time and only after at least two contacts, initiated by N.M.O.C.C.
 - c. Failure to fulfill order R-5332 by filing an itemized schedule of "actual" well costs with the N.M.O.C.C. and working interest owners within the time specified; then exaggerating said costs by listing items as tubing at \$33,000 when actual costs were approximately \$12,000 as evidenced by the tubing bill of lading.



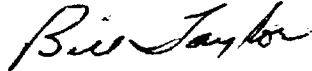
Case File
5939

- d. Failure of C & K to fulfill verbal agreements to have their accounting and legal departments establish the method of payments by working interest owners (although constantly told said working interest owners desired to participate and so stated into N.M.O.C.C. hearing Case 5807); and failure of C & K to respond to working interest owners attempts by phone to set up such procedures, thereby gaining legal grounds for the 120% penalty established.
- e. Efforts of C & K to circumvent N.M.O.C.C. orders concerning said well by efforts to establish new operating agreements with higher cost schedules of present and future drilling (and related costs) designating higher penalties, adding items, restrictions, etc., beyond those previously set forth by N.M.O.C.C. order R-5332.

This is a partial list of the reasons I believe we can only reach agreement with each other through the bounds established upon you by the N.M.O.C.C. although you seem to hold them in disregard as well as individual owners.

Please be advised it is my contention that our present and future relations, before and after well completion, pay outs, etc. will be within the guide lines established by the N.M.O.C.C. and set forth in their rulings. I expect you to so notify responsible departments of your organization.

Sincerely,

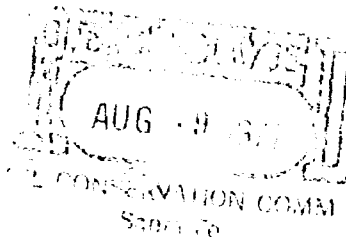


Bill Taylor

Copy to N.M.O.C.C.

512 Welshire
Carlsbad, NM 88220
August 8, 1977

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



Case 5938
Statements
[Handwritten signature]

Commission:

I appreciate Mr. R.M. Richardson's letter to C & K Petroleum dated July 30, 1977, and copies sent to you and me. I had already sent C & K a check in response to your Order #R-5451 (received 7/28/77), prior to Mr. Richardson's letter (Aug. 4, 1977, copy enclosed). C & K responded by phoning previous daily progress reports to my wife on Aug. 4 and mailing daily reports since. I appreciate this consideration.

I would like to clear a little camouflage smoke from Mr. Richardson's statements.

Mr. Richardson emphasizes a private "contract" between C & K and Bill Taylor. Although Mr. Richardson would like to place such value upon an agreement as to what C & K and Bill Taylor would request of the NMOCC, a re-reading of the hearing (Case #5807) will substantiate the fact Mr. Hooper & Mr. Kellihan representing C & K, and Bill Taylor regarded the agreement as a guideline of areas of agreement for the NMOCC to consider. If it had been intended as a contract, there would have been no hearing. Although I am in disagreement with the emphasis now placed upon a 30 day provision and the necessity of entering further agreements, etc. I believe a letter from another C & K attorney, Tom C. McCall, dated Mar. 16, 1977, in response to my letter to C & K, Feb. 26, 1977, will further strengthen the fact C & K felt bound by the OCC order (paragraph 3 of Tom McCall letter---copies of both letters enclosed).

Taylor's intention was to participate if successful in raising the money and consistently so stated, even into the hearing record. Potential investors were under consideration (whose names are only available to the Commission if they request).

The agreement was confirmed by Taylor's Carlsbad attorney in phone conversation with Mr. Kellihan on Nov. 9, 1976. It was to be ready for Taylor upon his arrival in Santa Fe, containing the following items: (1) C & K was to not seek over 120% penalty factor at the hearing; (2) C & K was to not seek forced pooling of any formation above the Wolfcamp; and (3) Taylor was to be eligible to receive his share of the gas in kind after payment or payout. (Mr. Kellihan thought Taylor had this right already). Taylor was to not seek a postponement of the hearing to allow time to obtain legal and geological representation.

The agreement was not ready upon arrival. Taylor insisted upon it. Mr. Kellihan and Mr. Hooper conferred, whereupon Mr. Kellihan drew up a rough draft, adding a provision of receipt of an AFE and 30 day payment period. The additions were explained to be identical to the order of the NMOCC and would allow C & K to begin drilling within the 30 days. The final, typed agreement was to show a correlation between the 30 days allowed Taylor and C & K's drilling in that time period--for tax purposes.

Returning after an hour as requested, Taylor found the final draft did not contain the explanation; Mr. Hooper had signed, left, and was unavailable; but Mr. Kellihan assured the verbal explanation was adequate. Time to seek an extension of the hearing from the NMOCC that day had expired, so Taylor accepted the draft as was, given assurance of the verbal explanation (agreement copy enclosed).

Next morning, prior to the hearing, Taylor again sought assurance from Mr. Hooper and Mr. Kellihan of the verbal explanation of the 30 day period and was given it. Also C & K's legal and accounting departments were to contact Taylor as to timing and method of paying his share of well costs. Mr. Hooper was not aware of the exact process. Mr. Kellihan placed this responsibility upon C & K.

(Mr. Hooper's office was contacted Nov. 12, 1976. His secretary seemed undecided as to whether Mr. Hooper was available or not. I left word to tell Mr. Hooper that Bill Taylor called to discuss participating, the 120% penalty, and the other items to be carried out as discussed in Santa Fe. Mr. Hooper could contact me when he desired. No contact came from him so I wrote C & K prior to the well's completion, Feb. 26, 1976. (This is the second reference to enclosed letter).

I don't recall meeting Mr. Richardson in Santa Fe (or elsewhere). Although I made several phone calls to C & K, I was unable to even learn of Mr. Hooper until Nov. 8, 1976, two days prior the hearing. I was able to contact him by phone that day at Midland, Texas, after 4:30 p.m. I then phoned Mr. Kellihan in Santa Fe; Mr. Kellihan phoned Mr. Hooper, then myself after this time. Perhaps this is what Mr. Richardson means by "working into the night".

I believe C & K could stand straight without leaning backwards if they would shoulder the truth. I cannot understand Mr. Hooper's actions unless he has been so busy he let items slip his mind. As things presently stand, I am dissatisfied with C & K's fulfillment of commitments.

In connection with Mr. Richardson's comments on C & K's Carlsbad "7", W₂ 7, T-22S, R-27E, NMPM, Eddy County, New Mexico. I again state that although C & K have previously sent me mail and know my address, and have made phone calls to me, they did not use these means or personally contact me on this well. Possibly they contacted some of my kinfolks---dad, uncle, or cousin---but none are named Bill Taylor and all live elsewhere in the area. C & K did not contact me on this well!

The principle involved is more important than the money. If the NMOCC is given the responsibility, then they are the equalizer between the Davids and Goliaths. In the case of the W₂ 7-22S-27E well, it seems the Davids who cannot raise their share of well costs, or are unaware of the well, were stomped. 200% for this pool well effectively robs the poor to give to the rich. The people owning this property are mostly low income, many on welfare, hard pressed people. Someone failed. C & K will benefit.

I had not intended to contact the NMOCC further on this. I received Mr. Richardson's letter, and valuing truth more than wealth, have written. My statements are open to inspection.

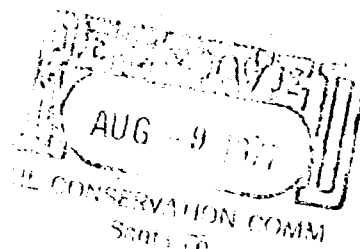
Sincerely,

Bill Taylor



Enclosures

Xerox Copies: C & K



512 Welshire
Carlsbad, NM 88220
August 1, 1977

C & K Petroleum, Inc.
G. C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Dear Mr. Tompson:

I have received New Mexico Oil Conservation Commission order #R-5451 designating C & K Petroleum, Inc. as operator of a proposed well on the W $\frac{1}{2}$ of Sec. 7, Township 22 South, Range 27 East, NMPM, Eddy County (which you designate as Carlsbad "7" # 1 well).

Enclosed is a check for \$408.23, the amount your AFE #00160 establishes as my share of estimated well costs. This complies with the forced pooling provision of the N.M.O.C.C. order #R-5451.

As the N.M.O.C.C. order is interpreted to me, I am obligated for payment upon your presentation of an AFE to myself and the N.M.O.C.C. within 30 days of your beginning drilling operations. Your AFE #00160 for which the check is payment is dated July 14, 1977. My payment of your AFE obligates you to begin drilling operations by August 14, 1977.

Sincerely,

Bill Taylor

Enclosure

132

BILL G. OR WANDA J. TAYLOR
512 WELSHIRE PH. 887-2570
CARLSBAD, NEW MEXICO 88220

PAY TO THE ORDER OF C+K Petroleum Corp. Aug 21 1977 95-108
408 23 XX

Four hundred, eight, and 23/100 DOLLARS

COMMERCIAL BANK and TRUST
CARLSBAD, NEW MEXICO 88220
Estimate Well Cost Share
MEMO NMOCC Order R-5451
C+K AFE 00160 dated 7/14/77
61:112201081: 64 525 30

Bill Taylor

REC'D

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

AUG 1 1977

AUG 9

P.O. BOX 819

ROSWELL, NEW MEXICO 88201

July 30, 1977

C & K Petroleum, Inc.

CONSERVATION
SANTA FEOFFICE 505 622-8801
HOME 505 622-7988Received 8/4/77
Bill TaylorIn Re: C & K Petroleum, Inc.
Carlsbad "13"-1 and "7"-1
Wells, Eddy County, N. M.Mrs. Daniel Lebow
Land Department
C & K Petroleum, Inc.
600 C & K Building
Midland, Texas 79701

Dear Mrs. Lebow,

I have received a copy of letter dated July 19th, 1977, addressed to Mr. Thompson from Bill Taylor in connection with your Carlsbad "13"-1 well, N $\frac{1}{2}$ Sec. 13, T-22-S, R-26-E, NMPM, and your Carlsbad "7"-1 well, W $\frac{1}{2}$ Sec. 7, T-22-S, R-27-E, NMPM, Eddy County, N. M. Since I have done some of the title work in connection with these proration units, you have requested my opinion, from a practical standpoint, as to how to deal with Mr. Taylor.

From 27 years experience in land work, primarily in connection with unitization, joint operations and formation of proration units, I can only advise you to quit wasting your time, efforts and legal expenses in attempting to satisfy Mr. Taylor.

(3) I was in Santa Fe at the time of the forced pooling hearing on the N $\frac{1}{2}$ Sec. 13, and if I remember correctly, Jason Kellahin and your Mr. Hooper worked into the night reaching an agreement with Mr. Taylor to the effect that if he were not force pooled with the maximum penalty, he would agree to your recovering his share of costs out of production plus only 20%. I believe that a written agreement to this effect was signed by Mr. Taylor. Consequently he was not force pooled and the O.C.C. should not even be bothered with Mr. Taylor. The O.C.C. is not an arbitration board as between citizens with a private contract.

(4) Consequently, unless your Agreement with Mr. Taylor specifically provides that he be furnished with all well information, production figures, and drilling and operating cost amounts, I would not send him any information. In other words, if you comply with your end of your Agreement with Mr. Taylor, your hands are clean and I would simply forget the matter.

(5) In connection with the Carlsbad "7"-1 well, I understand that Mr. Taylor did verbally agree to pay his share of well costs, and again avoided being force pooled. If such is the case, and he was not legally force pooled, with

the maximum penalty, then simply forget him. After you have recovered his share of well and operating costs out of production, you can start paying him his share of production, less operating costs, which of course includes reworking, new tubing, etc.

Since you have no agreement with Mr. Taylor as to this "7"-1 well, he is entitled to no information, well, expenses, production or whatever. He also cannot expect any information and won't be entitled to any until such time as he is "paid out". If he executes a Joint Operating Contract, then he will be entitled to all information, but will either pay his share of well costs when billed, or go "non-consent" and take the penalty provided for in the Operating Agreement, which I assume is a minimum of 300%.

I know that the entire C & K staff, and lawyers, have "leaned over backward" to "get along" with Mr. Taylor and as a result he has simply become a problem which I would ignore.

Since Mr. Taylor forwarded a copy of his letter to the O.C.C., I am doing the same with the specific intention of apologizing for any extra work that may have been caused by the copy of his letter being forwarded. If I am correct, Mr. Taylor managed to avoid being force pooled in both cases, consequently he is not covered by the O. C. C. orders, and the entire problem is between you and Mr. Taylor, and I should hope that the O. C. C., if they take any action at all, would simply advise Mr. Taylor that the problem is not within the jurisdiction of the O. C. C.

I would also suggest to Mr. Taylor that he engage a good Oil & Gas Lawyer, and I can recommend Don McCormick, Les Dow, or Jay Forbes there in Carlsbad, the Hinkle or Atwood firms in Roswell, or Jerry Losee in Artesia.

As mentioned above, I would pay no attention to Mr. Taylor's letter, quit spending your time and money in worrying with it, and if and when Mr. Taylor should bring some sort of suit for whatever he wants, then you can let your attorney handle the matter.

I should point out that my fees, your attorney fees, wages for brokers who have contacted Mr. Taylor, and other expenses incurred by you in trying to "get along" with Mr. Taylor are chargeable against the properties as operating expenses, and as a result, the longer you continue to spend money on Mr. Taylor, the longer will be the "payout".

I hope that this has answered your question, and I again apologize to the O. C. C. for Mr. Taylor attempting to involve them in matters over which they have no concern.

Yours very truly,

R. M. Richardson

Xerox Copy: M.M.O.C.C.
Bill Taylor

512 Welshire
Carlsbad, NM 88220
February 26, 1977

Mr. Ed. Hooper
C & K Petroleum, Inc.
P.O. Drawer 3546
Midland, Tx 79701

Dear Mr. Hooper:

When they are available, I would like to have a copy of the logs for the well discussed in NMOCC Case No. 5807 concerning the N/2 Sec. 13-22S-26E, NMPM, Eddy County, NM, if the costs are economical and feasible.


I attempted to contact you by phone November 12, 1976, to discuss various items. You were unavailable and I stated to your secretary my main reason was to follow up our discussions in Santa Fe and to ask if C & K had a preference between the 120% penalty and our paying our share of the well costs.

The other items of discussion would have been legal documents concerning our rights to gas in kind; forced pooling of only the Wolfcamp through the Pennsylvanian formations; and methods and timing of drilling costs payments. These were discussed with you and Mr. Jason Kellahan and you desired your legal division to carry through on further necessary legal steps.

I have not been contacted by your legal division so I am assuming the NMOCC Order No. R-5332 along with the statement into the Commission record at the hearing Nov. 10, 1976, of our right to gas in kind is adequate to C & K. I understand your desire that we each be bound by the NMOCC ruling was the reason you and Mr. Kellahan continued the hearing before the NMOCC rather than cancel it last Nov. 10 (1976).

If C & K needs further legal documents on any points we have discussed, please contact me. If no answer from C & K is received in the immediate future, I shall assume the statement into record of our rights to gas in kind and order No. R-5332 are all that are needed by each of us to legally bind us to our respective positions.

Sincerely,



Bill Taylor

RAYMOND A. LYNCH (1913-1971)
CLOVIS G. CHAPPELL
MARTIN L. ALLDAY
CHARLES C. ALDRIDGE
RANDALL LUNDY
KENNETH W. NORDEMAN
GARY G. WISENER
JAMES M. ALSUP
ROBERT A. SPEARS
WALTER M. HALL
DAVID W. CHILDRESS
TOM C. MC CALL
RONALD G. TEFTELLER
GEORGE D. GILLES

LYNCH, CHAPPELL, ALLDAY & ALDRIDGE

ATTORNEYS

201 WALL TOWERS EAST
MIDLAND, TEXAS 79701

March 16, 1977

Enc. 4
Paid 3/19/77
AREA CODE 915
883-3381

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

RE: NMOCC Order No. R-5332

Dear Mr. Taylor:

We are in receipt of your letter dated February 26, 1977, inquiring as to New Mexico Oil Conservation Commission Order No. R-5332.

As you will recall, on November 9, 1976, an agreement was entered into between yourself, Individually and for William A. Page, with C & K Petroleum, Inc., wherein C & K Petroleum, Inc., agreed that in presenting case No. 5807 to the New Mexico Oil Conservation Commission, that they would not seek a risk factor in excess of 120% for any well drilled. It was acknowledged by yourself at the time that you had received an A.F.E. representing estimated well costs and it was agreed that you would have thirty (30) days from November 9, 1976, in which to pay your proportionate share of any estimated well costs and thereby avoid payment of the 120% risk factor.

In view of the fact that your share of the estimated well costs were not paid within the thirty (30) day period, C & K Petroleum, Inc., is of the opinion that it is now bound by New Mexico Oil Conservation Commission Order No. R-5332 and the agreement entered into between yourself and C & K Petroleum, Inc., on November 9, 1976.

At such time as C & K Petroleum, Inc., has recouped its costs of drilling the well, plus the 120% penalty provision, plus supervision allowances as set out in said Order No. R-5332, you will be entitled to participate in production as a working interest owner and will have the right to take your gas in kind.

Mr. Bill Taylor
March 16, 1977
Page 2

At such time as this occurs, it will be necessary for C & K Petroleum, Inc., to enter into an appropriate operating agreement and gas balancing agreement with you in order to set forth the respective rights of the parties.

Should you need additional information, please contact me.

Yours very truly,



Tom C. McCall

TCM:lw

cc: Ms. Danie Lebow
C & K Petroleum, Inc.
600 C & K Petroleum Bldg.
Midland, Texas 79701

A G R E E M E N T

C & K Petroleum, Inc., is the applicant for compulsory pooling and a non-standard gas proration unit in Case No. 5807 before the New Mexico Oil Conservation Commission, Wednesday, November 10, 1976. Bill Taylor and William A. Page are owners of interests in the minerals underlying the proposed non-standard unit that would be affected by a pooling order.


Bill Taylor represents that he has the right to bind William A. Page, and E. W. Hooper, Exploration Manager for C & K Petroleum, Inc., represents that he has the right to enter into this agreement on behalf of C & K Petroleum, Inc.


C & K Petroleum, Inc., agrees that at the presentation of this case it will not seek a risk factor in excess of 120%, that is it will seek the right to recover its reasonable costs of drilling, completing and equipping the subject well, plus 120% of that amount as a risk factor for drilling the well, as provided by New Mexico statutes, and the rules and regulations of the Commission.

Bill Taylor acknowledges receipt of estimated well costs in the form of an A.F.E., given to him this date, and C & K Petroleum Inc., agrees that Bill Taylor shall have thirty days from this date in which to pay his share of estimated well costs in lieu of paying such share out of production, and thereby avoid payment of the 120% risk factor.

Bill Taylor shall have the right to take his gas in kind, after payout of the well, provided that he shall make connection at his own expense.

It is agreed that C & K Petroleum, Inc., does not seek compulsory pooling in this case of any formations other than Wolfcamp and Pennsylvanian formations, and does not seek pooling of any formations above the Wolfcamp.


BILL TAYLOR, for himself, and
for William A. Page


E. W. HOOPER, for C & K
Petroleum, Inc.

Dated: November 9, 1976

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 25, 1977

EXAMINER HEARING

IN THE MATTER OF:)
Application of C&K Petroleum, Inc.,) CASE
for compulsory pooling and an unorthodox) 5939
location, Eddy County, New Mexico.)

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:	Lynn Teschendorf, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & FOX Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

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

I N D E X

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EXHIBIT INDEX

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Phone (505) 982-9212

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21
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25

1 MR. STAMETS: We will call next Case 5939.

2 MS. TESCHENDORF: Case 5939, application of C&K
3 Petroleum, Inc., for compulsory pooling and an unorthodox
4 location, Eddy County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin & Fox,
6 Santa Fe, New Mexico appearing on behalf of the applicant
7 and I have one witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9
10 EARL GAERTNER

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

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Please state your name, by whom you are employed
17 and in what capacity?

18 A My name is Earl Gaertner, I'm employed as a
19 consultant for C&K Petroleum in Midland, Texas.

20 Q Have you previously testified, Mr. Gaertner, before
21 the Oil Conservation Commission and had your qualifications
22 as an expert witness accepted and made a matter of record?

23 A Yes.

24 MR. KELLAHIN: If the Examiner please, are the
25 witness' qualifications acceptable?

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825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: Mr. Gaertner, what kind of a consultant

2 MR. GAERTNER: Geological consultant.

3 MR. STAMETS: Okay, the witness is considered
4 qualified.

5 Q (Mr. Kellahin continuing.) Would you refer to what
6 has been marked as Exhibit Number One, identify it and tell
7 us what C&K Petroleum is seeking?

8 A Exhibit Number One is a land plat of the Carlsbad
9 area showing the location of a three hundred and twenty acre
10 unit, being the west half of Section 7, Township 22 South,
11 Range 27 East that we are presently communitizing for the
12 purpose of drilling an eleven thousand six hundred foot Morrow
13 sand test.

14 Q Do you propose to dedicate the west half of this
15 section to the well?

16 A That is correct.

17 Q And C&K Petroleum requests to be designated the
18 operator?

19 A That is correct.

20 Q Would you please refer to Exhibit Number Two and
21 identify it?

22 A Exhibit Number Two is a plat map showing the various
23 subdivisions in the west half of Section 7 and showing the
24 various interests that we are asking to be force pooled.
25 If you will look at the legend at the bottom you will see a

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Phone (505) 982-9212

1 series of boxes. The purple, of course, is Michael P. Grace's
2 acreage and is spread throughout the west half. The City of
3 Carlsbad is in green and, incidentally, the City of Carlsbad
4 asked to be force pooled. We talked to them and they felt
5 that this would be the best procedure as far as they are con-
6 cerned. Michael Grace, we have never been able to establish
7 any communication with him at all. All of our telephone calls
8 and correspondence goes unanswered.

9 Q What is the red color code?

10 A The red is various individual tract owners, in most
11 cases one individual or perhaps a series of individuals many of
12 whom we have contacted and are still in the process of attempting
13 to lease. Now, some of these individuals had already expressed
14 the fact that they will not lease and they desire to be
15 force pooled but we are going to continue to work with these
16 other individuals until the time we commence or even after we
17 commence the well to lease some of these people. Many of
18 these interests are out-of-state and difficult to get in
19 contact with or establish a working relationship with.

20 Q How many acres in this half section are owned by
21 Mr. Grace?

22 A Mr. Grace has, according to our compilation, twenty-
23 two point three acres. The City of Carlsbad ten point three
24 acres and these various individual tracts eleven point nine
25 acres.

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Phone (505) 982-9212

1 Q The application of C&K Petroleum in this case
2 indicates the names and addresses of all of these individuals.
3 Have you examined those names and addresses, Mr. Gaertner?

4 A Yes, sir.

5 Q And are they correct and current to the best of
6 your knowledge, information and belief?

7 A Yes, they are.

8 Q Please refer to Exhibit Number Three and identify
9 it?

10 A Exhibit Number Three is a location plat. Mr. John
11 Lewis, a professional surveyor located in Carlsbad, surveyed
12 this location in. It is an unorthodox location.

13 Q Exhibit Number Four.

14 A Exhibit Number Four is a series of letters sent to
15 offset operators indicating to them, of course, that we were
16 filing an unorthodox location and asking for an acceptance
17 from them. We have replies from all of the offset operators
18 except Mr. Grace. All were favorable.

19 Q Would you run through those offset operators for
20 me quickly, tell me who they are?

21 A All right. The first operator, of course, is Mr.
22 Grace; the second offset operator is Cities Service; the third
23 is Mr. R. C. Bennett, a local oil man there in Midland; Belco
24 Petroleum and Allen J. Antweil.

25 Q All right, sir. Would you refer to Exhibit Number

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Phone (505) 982-9212

1 Five and identify that for us?

2 A Exhibit Number Five is a copy of an aerial photograph
3 showing the west half of Section 7. I don't know, it is a
4 little hard perhaps to discern exactly what we are looking at
5 here but we attempted to stake an orthodox location. The
6 orthodox location would fall approximately where the Rose
7 Gravel Company is located so there is a tract of land that
8 appears black or dark gray on the photograph just to the
9 southwest of the Rose Gravel Company. We thought that we could
10 possibly get a location in at that point but when we went and
11 investigated the location we found that this was currently
12 being worked for the gravel and there was a road across there
13 and they were also using this as a backfill area so we were
14 not able to place the location.

15 Now, we've got the Dark Canyon drainage, of course,
16 facing us and although the Dark Canyon is dry most of the time,
17 maybe for years at a time, occasionally there is a severe
18 flood so we didn't want to go down in the bottom of the drain.

19 Q How have you located your proposed unorthodox
20 location on this plat?

21 A This was by on-site inspection and picking the best
22 feasible spot other than one that we had otherwise selected.
23 It is a flat area, it is above any possible flood area. It is
24 adjacent to a cemetery and well away from any houses.

25 Q How was that location identified on the plat?

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Phone (505) 982-9212

1 A The footage or -- well, the location is, of course,
2 just below --

3 Q The word "location" where it has the red X?

4 A Where it has the red X or the red cross.

5 Q What is the footage location?

6 A The footage, I believe is seven sixty from the south
7 line and six ninety from the west line of the section.

8 Q Please refer to Exhibit Number Six and identify it?

9 A Exhibit Number Six is a production map showing the
10 production to 1-1-77. The upper figure is the average monthly
11 production during the 1976 production year. The lower figures,
12 the first figure in parenthesis is the number of producing
13 months, total producing months and the second figure is the
14 cumulative production from the various wells in here.

15 Production, of course, varies all of the way from
16 marginal to good to very good with a number of dry holes
17 spotted over the map.

18 Q C&K recently had an application for a forced pooling
19 case approved by this Commission, where is that acreage?

20 A That would be the south half of Section 12.

21 Q What was the risk factor assigned to that well in
22 the south half of Section 12?

23 A Two hundred percent.

24 Q Continue with your testimony?

25 A The reason for showing the production map, upon closer

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1 inspection, of course, you will see that the production does
2 vary greatly. We feel reasonably secure in drilling this
3 location but our experience has been up in this area that some
4 of the best locations turn out to be the dry holes and some
5 that we think are the worst are the best and vice versa so we
6 feel like there is a certain amount of risk involved.

7 Q In your opinion, Mr. Gaertner, what is the percentage
8 risk involved in drilling a well at this location?

9 A Two hundred percent.

10 Q Upon what do you base that?

11 A Well, again, based on Morrow experience, and area
12 experience.

13 Q Is this the same exhibit that was presented in the
14 previous C&K Petroleum case where the south half of Section 12

15 A It has been revised since then. I think the previous
16 exhibit extended through the first five months of 1976 and
17 the first six months, this has been revised up to 1-1-77 now.

18 Q All right, sir, Exhibit Number Seven?

19 A Exhibit Number Seven is simply a structural map
20 based on a unit that I map on in the middle Morrow to just show
21 the structural configurations. I don't really think it has
22 much significance in that the Morrow is a stratigraphic play
23 anyway.

24 Q All right, Exhibit Number Eight?

25 A Exhibit Number Eight is a cross section along those

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1 lines we depicted on both of my structural maps and my produc-
2 tion map with the various producing sands colored in yellow.
3 The non-productive are the tight sands colored in green and I
4 have colored a few limestone units in in the blue. This is
5 simply to give you a visual presentation of how the productive
6 sands can vary from one well to another and how prevalent
7 some of the non-productive sands are also.

8 Q So would you identify Exhibit Number Nine for us?

9 A Exhibit Number Nine is an AFE prepared by Mr.
10 Thompson with C&K Petroleum. He estimates the cost of a dry
11 hole to be four hundred and thirty-two thousand dollars, a
12 completed well approximately six hundred and thirty-eight
13 thousand dollars. We feel that these are very realistic
14 figures, they are based on experience in the area.

15 In addition to that we are asking for seventeen
16 hundred and fifty dollars per month charges while drilling and
17 two hundred dollars a month on production.

18 Q What were those figures again, Mr. Gaertner?

19 A Seventeen hundred and fifty dollars per month and
20 two hundred dollars a month.

21 Q Seventeen fifty being the charges while drilling and
22 two hundred dollars a month after completion of the well?

23 A Right, on production and the production phase.

24 Q Were Exhibits One through Nine prepared by you
25 directly or under your direction and supervision?

1 A. Yes, they were, either directly or under my
2 supervision.

3 Q. In your opinion, Mr. Gaertner, will approval of this
4 application be in the best interests of conservation,
5 prevention of waste and the protection of correlative rights?

6 A. Yes, it will.

7 MR. KELLAHIN: If the Examiner please, we move the
8 introduction of Exhibits One through Nine.

9 MR. STAMETS: The exhibits will be admitted.

10 (THEREUPON, Applicant Exhibits One through
11 Nine were admitted into evidence.)

12 MR. KELLAHIN: That concludes our direct examination

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q. Mr. Gaertner, what efforts have been made to contact
16 all of these various individual owners that you show on
17 Exhibit Number Two and in the application in this case?

18 A. We have had a landman on the ground up there off and
19 on, not continuously, for the last three months and he has
20 contacted all of the resident people that live there in
21 Carlsbad and has corresponded with quite a number of people
22 that live in California, some of which we have been able to
23 lease, most of which we have not been able to but there has
24 been constant correspondence or contact going on, well, for
25 the last two and a half months. What we intend to do, of

1 course, is make one last big push or effort to get some of
2 these interests in.

3 MR. KELLAHIN: If the Examiner please, may we
4 provide you with copies of letters showing that we have made
5 at least one effort to communicate with all of the people
6 listed on the application. We have neglected to bring that
7 today but it's available.

8 A A lot of these have been personal contacts too that
9 we couldn't really substantiate except for me to tell you that
10 we have made these contacts and are continuing to make contacts

11 MR. STAMETS: Yes, the additions you suggested, Tom,
12 would be helpful for the record.

13 MR. KELLAHIN: Okay.

14 A We would like to have the acreage in because, of
15 course, it would add to our interest.

16 Q (Mr. Stamets continuing.) Okay, your target is all
17 in Pennsylvanian in this area, is that correct?

18 A Yes, of course, with the primary target being the
19 Morrow.

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

22 (THEREUPON, the witness was excused.)

23 MR. STAMETS: Is there anything further in this case?

24 MR. KELLAHIN: No, sir.

25 MR. STAMETS: The case will be taken under advisement.

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Phone (505) 982-9212

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
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. 5939
heard by me on 5-7-77, 1977.
Thomas J. Lam Examiner
New Mexico Oil Conservation Commission



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

July 19, 1977

*Stamets
Examiner*

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico 87501

Attention: Phil R. Lucero, Chairman

Re: Case No. 5939
Order No. R-5451
Carlsbad "7" #1 Well
W/2 Sec. 7, T-22-S, R-27-E,
NMPM, Eddy County, New Mexico

Gentlemen:

Pursuant to Order No. R-5451, enclosed find two copies of C & K Petroleum, Inc.'s itemized schedule of estimated well costs covering the captioned well. Copies of the same have also been mailed to the working interest owners.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Thompson

G. C. Thompson,
Manager of Production

GCT/meb

Right

C & K PETROLEUM, INC.

Address: Midland, Texas

A.F.E. No. 00160

AUTHORIZATION FOR EXPENDITURE

Date: July 14, 1977

Operator: C & K Petroleum, Inc.

Prospect: South Carlsbad State: New Mexico County/Parish: Eddy

Lease: Carlsbad "7" Well No: 1 Field: South Carlsbad

Location: 760' FSL & 690' FWL Sec. 7, T-22-S, R-27-E, NMPM

Proposed Depth: 12,000' Objective: Morrow Sands

Est. Spud Date: 7/11/77 Est. T.D. Date: 8/28/77 Est. Compl. Date: 9/15/77

Prepared by: G. C. Thompson

Approved by: L.C. Thompson

Land Dept. Approval 

Geologist Approval ESU

PURPOSE AND JUSTIFICATION FOR EXPENDITURE: To drill and complete

PARTICIPANTS AND COST DISTRIBUTION

[illegible]

PARTICIPANT APPROVAL

Approved for Expenditure this _____ day of _____ 19__.

Company _____ By: _____

Title: _____

C & K PETROLEUM, INC.
AUTHORITY FOR EXPENDITURE

Well Type: Development x

Date July 14, 1977

Exploration

Proposed Depth 12,000'

Prospect Name South Carlsbad

AFE No. 00160

Lease Carlsbad "7"

Well No. 1 Field South Carlsbad Property No.

Location 760' FSL & 690' FWL, Sec. 7, T-22-S, R-27-E

Proposed Spud Date 7/11/77

REASON FOR REQUEST To drill and complete

		Drilling	Completion	Total Cost		
	Sub	701	703	Producer	Revisions	Total Co Revised
INTANGIBLES						
Location Pits and Roads	091	6,000	1,500	7,500		
Water Supply	093	15,000	1,000	16,000		
Damages and Right of Way	095	2,000	-0-	2,000		
Rig Expense	097	200,000	8,000	208,000		
Drilling Bits	099	-0-	-0-	-0-		
Mud & Chemicals	103	43,000	-0-	43,000		
Tool & Equipment Rental	035	7,000	2,000	9,000		
Fuel & Power	105	20,000	-0-	20,000		
Cement & Cementing Services	107	18,000	10,000	28,000		
Formation Evaluation	110	26,000	-0-	26,000		
Perforating	117	-0-	3,500	3,500		
Stimulation	119	-0-	20,000	20,000		
Transportation	041	2,000	2,000	4,000		
Pipe Inspection & Testing	127	-0-	-0-	-0-		
Misc. Labor, Services & Supplies	073	2,000	1,000	3,000		
Overhead & Supervision	199	6,500	2,500	9,000		
Other & Contingencies	490	34,500	5,500	40,000		
	TOTAL INTANGIBLES	382,000	57,000	439,000 ✓		
TANGIBLES						
	Sub	702	704			
Casing	301	44,000	92,000	136,000		
Tubing	302	-0-	41,000	41,000		
Wellhead Equipment	307	3,100	15,300	18,400		
Packers & Anchors	309	-0-	3,000	3,000		
Auxilliary Casing Equip.	318	1,500	1,500	3,000		
Miscellaneous Equipment	320	4,400	15,200	19,600		
	TOTAL TANGIBLES	53,000	168,000	221,000 ✓		
	TOTAL WELL COST	435,000	225,000	660,000		
PLUGGING COST						
	Sub	708				
Clean-up Location	091	1,500				
Casing Pulling	197	5,000				
Other & Contingencies	490	500				
	TOTAL-PLUGGING	7,000				
	TOTAL DRY HOLE COST	442,000				

C & K PETROLEUM, INC.

Address: Midland, Texas

A.F.E. No. 00160

AUTHORIZATION FOR EXPENDITURE

Date: July 14, 1977

Operator: C & K Petroleum, Inc.

Prospect: South Carlsbad State: New Mexico County/Parish: Eddy

Lease: Carlsbad "7" Well No: 1 Field: South Carlsbad

Location: 760' FSL & 690' FWL Sec. 7, T-22-S, R-27-E, NMPM

Proposed Depth: 12,000' Objective: Morrow Sands

Est. Spud Date: 7/11/77 Est. T.D. Date: 8/28/77 Est. Compl. Date: 9/15/77

Prepared by: G. C. Tompson Approved by: *G. C. Tompson*

Land Dept. Approval [Signature] Geologist Approval [Signature]

PURPOSE AND JUSTIFICATION FOR EXPENDITURE: To drill and complete

PARTICIPANTS AND COST DISTRIBUTION

[illegible]

PARTICIPANT APPROVAL

Approved for Expenditure this _____ day of _____ 19__.

Company _____ By: _____

Title: _____

C & K PETROLEUM, INC.
AUTHORITY FOR EXPENDITURE

Well Type: Development x

Date July 14, 1977

Exploration

Proposed Depth 12,000'

Prospect Name South Carlsbad

AFE No. 00160

Lease Carlsbad "7"

Well No. 1 Field South Carlsbad Property No.

Location 760' FSL & 690' FWL, Sec. 7, T-22-S, R-27-E

Proposed Spud Date 7/11/77

REASON FOR REQUEST To drill and complete

		Drilling	Completion	Total Cost		
	Sub	701	703	Producer	Revisions	Total Co Revised
INTANGIBLES						
Location Pits and Roads	091	6,000	1,500	7,500		
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Damages and Right of Way	095	2,000	-0-	2,000		
Rig Expense	097	200,000	8,000	208,000		
Drilling Bits	099	-0-	-0-	-0-		
Mud & Chemicals	103	43,000	-0-	43,000		
Tool & Equipment Rental	035	7,000	2,000	9,000		
Fuel & Power	105	20,000	-0-	20,000		
Cement & Cementing Services	107	18,000	10,000	28,000		
Formation Evaluation	110	26,000	-0-	26,000		
Perforating	117	-0-	3,500	3,500		
Stimulation	119	-0-	20,000	20,000		
Transportation	041	2,000	2,000	4,000		
Pipe Inspection & Testing	127	-0-	-0-	-0-		
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TOTAL INTANGIBLES		382,000	57,000	439,000 ✓		
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Miscellaneous Equipment	320	4,400	15,200	19,600		
TOTAL TANGIBLES		53,000	168,000	221,000 ✓		
TOTAL WELL COST		435,000	225,000	660,000		
PLUGGING COST						
	Sub	708				
Clean-up Location	091	1,500				
Casing Pulling	197	5,000				
Other & Contingencies	490	500				
TOTAL-PLUGGING		7,000				
TOTAL DRY HOLE COST		442,000				

P. O. BOX 2088

July 11, 1977

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

C & K Petroleum, Inc.

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

Yours very truly,

JDR/ed

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other _____

We need a cover letter with
this order that says.

Please furnish the Commission with
a copy of the notice mailed
to non-consenting working
interest owners in accordance
with Order (3) and (4)
of Commission Order No
R-5451.

Put in cover letter to
attorney.

Change month on
first page of order

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. 5939
Order No. R-5451

APPLICATION OF C & K PETROLEUM,
INC., FOR COMPULSORY POOLING AND
AN UNORTHODOX LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of July, 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, C & K Petroleum, Inc., seeks an
order pooling all mineral interests in the Pennsylvanian
formation underlying the W/2 of Section 7, Township 22 South,
Range 27 East, NMPM, South Carlsbad Field, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes
to drill its Carlsbad "7" Well No. 1 at an unorthodox location
760 feet from the South line and 690 feet from the West line
of said Section 7.

(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

-2-

Case No. 5939
Order No. R-5451

in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit, and by authorizing the aforesaid unorthodox gas well location.

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

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$1750.00 per month while drilling and \$200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-3-

Case No. 5939
Order No. R-5451

(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 September 1, 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 Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the C & K Petroleum, Inc., Carlsbad "7" Well No. 1 to be drilled at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 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 C & K Petroleum, Inc. 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 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

-4-

Case No. 5939
Order No. R-5451

such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 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 \$1750.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator

-5-

Case No. 5939

Order No. R-5451

is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

dr/

OCC

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

June 23, 1977

JUN 24 1977

OFFICE 505 622-8801
HOME 505 622-7985

In Re: NMOCC Case No. 5939
W½ Sec. 7, T-22-S, R-27-E, NMPM
Eddy County, New Mexico

Mr. John C. Cook
Property Tax Department
Bataan Memorial Building
Santa Fe, New Mexico 87503

Dear Mr. Cook:

Please refer to your letter of June 6th, 1977, addressed to C & K Petroleum, Inc., in connection with the captioned NM Oil Conservation Commission case No. 5939.

Since I have done some of the work in connection with titles on the W½ Sec. 7, T-22-S, R-27-E, NMPM, I am taking the liberty of answering your letter for C & K.

I am quite sure that the property in question consists of scattered town lots within the San Jose or South San Jose subdivision within the City of Carlsbad that were deeded to the State for non-payment of taxes by the owners. I would guess that the total acreage involved will be maybe less than one acre.

I cannot give you a legal description of the lot, or lots, however it is assumed that the Eddy County Assessor will furnish you this information as requested. Some of the property may still be within the redemption period, however if I recall correctly, there are one or two lots that were deeded to the State over 10 years ago, and if so, these lots would clearly be State property.

C & K Petroleum will be more than happy to do whatever is necessary to make some sort of arrangement with the State as to the lots that are State property, and I assume that you could either sell the property by tax sale, or maybe have the Commissioner of Public Lands lease the property for Oil & Gas.

The lots that are still within the redemption period pose another problem, and all that can be done in this situation is locate the owner and redeem, however most of the lots are "covered up" with paving, sewer and water liens, and in some cases you will find judgment liens. I am not sure what liens and judgments are "cut off" by a tax sale, however they would still be in effect if the property were redeemed.

Mr. John C. Cook
June 23, 1977
Page 2

In other words, most of the owners would not redeem the property if we could find them, and the property, including minerals, is not worth the cost of finding the owners, redeeming, and paying judgments and liens.

NMOCC case No. 5939 is simply an effort to pool all mineral owners of any interest in the W $\frac{1}{2}$ of Sec. 7 into a 320 acre State prescribed proration unit for Pennsylvanian gas, and I would suppose that this same problem has arisen before.

In any event, from a legal standpoint, you have opened a real "can of worms" and after you have received a list of the property from the Eddy County Assessor, you might contact Oscar Jordan, attorney for the State Land Office.

I am sorry that it has taken so long to answer your letter. The letter was addressed to the Houston office of C & K; they did not know what to do with it, and it was forwarded to Midland; Midland did not know what to do with it, and it was forwarded to me, and I do not know what to do other than to advise that the problem is a real "mess."

I really would suggest that in this case your department simply submit to the forced pooling of the proration unit and be simply another unleased mineral owner within the proration unit. You might discuss this with both Mr. Jordan and Mr. Dan Nutter with the OCC.

C & K, and myself, will be glad to cooperate with you, and the State, in any way possible, however the well may be down and producing before anyone finds the answer. I might also mention that the amount of money with which you are concerned is practically zero, and it would cost the State and C & K many times more than the property is worth to take technical legal action, either through redemption, tax sales, or issuing an Oil and Gas Lease through the State Land Office.

Thank you and please advise if we can be of any further help, and I hope that this has helped answer your question.

Yours truly,

R. M. Richardson

RMR:skb

Xerox Copy: Oscar Jordan
Dan Nutter - OCC ✓
Eddy County Assessor
C & K Petroleum, Inc.



**PROPERTY
TAX
DEPARTMENT**

STATE
OF
NEW MEXICO

BATAAN MEMORIAL BUILDING • SANTA FE, NEW MEXICO • 87503 • PHONE (505) 827-2001

June 6, 1977

C & K Petroleum, Inc.
#2 Houston Center Suite #2828
Houston, Texas 77002

Re: Carlsbad "7" #1
W/2 Sec 7, T-22-S, R-27-E

Re: Case No. 5939 on the Docket of the New Mexico Oil Conservation
Commission

Gentlemen:

On May 20, 1977, we received Notice from the New Mexico Oil Conservation Commission that the Property Tax Department's name appeared as an interest owner in lands involved in the above-referenced case. The Tax Deed Division of this Department has been unable to determine precisely what interest the State of New Mexico has in the property which is the subject of case #5939, because of the absence of a reference to a tax deed number. I would appreciate it if you could advise as to the precise nature of the State's interest in the lands involved in case #5939. I am also referring a copy of this letter to the Eddy County Assessor and I request that the Assessor review the description shown with respect to case #5939 and advise this Department as to any information they may have with respect to a tax deed or property tax lien on the property.

Section 72-8-5 NMSA 1953 (repealed effective January 1, 1975, but applicable to taxes imposed prior to January 1, 1975), indicates that tax sale vests in the State of New Mexico, its grantees and assigns, subject to the right of redemption, the right to complete title to the property sold subject to certain easements. In the event the State does have a tax deed on the property involved in case #5939, the State would consider itself owner of all mineral rights and no extraction of minerals would be permitted absent agreement with the State of New Mexico.

Yours very truly,

John C. Cook
Property Tax Department
Assistant Attorney General
Bataan Memorial Building
Santa Fe, New Mexico 87503

JCC/es

cc: Gailen H. Hooper, Deputy Director

Lydia Fresquez, Manager
Tax Deed Division

Juanita S. Grubey
Eddy County Assessor
Eddy County Courthouse
Carlsbad, New Mexico 88220



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

June 21, 1977

Kellahin and Fox
Attorneys at Law
P. O. Box 1769
Santa Fe, New Mexico 87501

Attention: Mr. W. Thomas Kellahin

RE: NMOCC Case No. 5939
W/2, Section 7, T-22-S, R-27-E,
NMPM, Eddy County, New Mexico

Dear Mr. Kellahin:

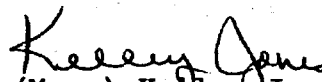
Reference is made to your letter of June 13, 1977 concerning the captioned.

Please find enclosed a Statement by Mr. Mike Roye with attachments for your further handling.

If there is anything further you need in this regard, please let us know.

Very truly yours,

C & K PETROLEUM, INC.


(Mrs.) Kelley Jones

KJ:vg
Enclosures



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

June 20, 1977

TO WHOM IT MAY CONCERN:

RE: Carlsbad "7" No. 1 Well
Section 7, T-22-S, R-27-E,
NMPM, Eddy County, New Mexico

I, Mike Roye, Independent Landman, employed by C & K Petroleum, Inc. for this purpose, spent the better part of 4 weeks during March, 1977, in Carlsbad, New Mexico attempting to personally contact the persons on the attached list concerning the captioned lands. Those not contacted were sent a letter along with a draft. Attached is a sample copy of the letter sent to those who were not located in Carlsbad, New Mexico.

During the month of April, 1977, follow-up telephone calls were made to the persons who had not yet signed a lease.

All of the persons on the attached list were either contact personally or by letter.


Mike Roye



POST OFFICE DRAWER 3546
600 C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-3311

C & K Petroleum, Inc. is presently acquiring mineral leases in the hopes of drilling a well in Section 7, T-22-S, R-27-E, in Eddy County, New Mexico. Your lot(s) are included within this 640 acres.

C & K is interested in leasing the minerals under your lot(s) for a period of five years. The lease form is included in this envelope. We would like to offer you a bonus consideration of \$50.00 for each lot you own. A bank draft is enclosed and is payable upon signing and notarizing the lease form.

Since each lot is approximately $1/5 - 1/4$ of an acre, this would be the equivalent of \$250.00 an acre. The five-year lease also provides for a $3/16$ royalty interest for the lessor.

C & K is not interested in the acquisition of your surface land for any purpose whatsoever. If you find the terms of the lease acceptable, the signatures and social security numbers of both you and your spouse are needed at the bottom of the lease. Your signatures must be witnessed by a notary public. Please return the lease c/o Michael W. Roye in the self-addressed envelope.

Should you have any questions, please do not hesitate to call myself or Danie Lebow "collect" at this number: (915) 683-3311.

Yours truly,

C & K PETROLEUM, INC.

Michael W. Roye

Michael W. Roye
Landman

MWR/ml
Encls.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
APPROVAL OF COMPULSORY POOLING
AND UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO

Case = 5939

A P P L I C A T I O N

Comes now C & K Petroleum, Inc. and applies to the Oil Conservation Commission of New Mexico for compulsory pooling and approval of an unorthodox well location, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the W/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Carlsbad No. 7 well, to be located 690 feet from the West line, and 760 feet from the South line of Section 7, an unorthodox well location, as a Pennsylvanian well.

2. All interest owners have agreed to the drilling of the proposed well with the exception of the following interest owners whose addresses are shown to the best of applicant's information and belief:

	<u>Acres Owned</u>
Michael P. Grace P. O. Box 1418 Carlsbad, New Mexico 88220	22.322
City of Carlsbad 101 N. Halagueno Carlsbad, New Mexico 88220 Attention: Claude F. Tabor	10.3012
Claude Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.2755

	<u>Acres Owned</u>
<i>Cities.</i> <i>Sever</i> Francisco Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.551
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2755
<i>C+K</i> Daniel Torres 507 S. Halagueno Carlsbad, New Mexico 88220	.7935
Balia Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.2755
Sylvia Hurd 804 S. Alameda Carlsbad, New Mexico 88220	.2755
Woman's Club P. O. Box 352 Carlsbad, New Mexico 88220	.1332
Lucio Munoz 416 N. Sabina Anaheim, Calif. 92805	.13
<i>Cities</i> Refugio Yturralde P. O. Box 1001 Carlsbad, New Mexico 88220	.2573
Manuel Calderon 5226 W. 5th Street Santa Ana, Calif. 92703	.1083
Manuel Morales 809 W. Lea Carlsbad, New Mexico 88220	.0916
Fidel Calderon 1317 W. McFadden Santa Ana, Calif. 92704	.0785
Gloria Calderon 610 W. Alverado Carlsbad, New Mexico 88220	.2573
Eva Calderon Quintela 611 W. Irvin Carlsbad, New Mexico 88220	.3866
Manuel Ruiz 708 Alverado Carlsbad, New Mexico 88220	.2573

Acres Owned

Roy Zuniza
811 W. Irvin
Carlsbad, New Mexico 88220

.2486

C+K ~~Celestina S. Ordunes~~
~~2903 San Jose~~
~~Carlsbad, New Mexico 88220~~

.2573

Santiago Muniz
609 W. Alverado
Carlsbad, New Mexico 88220

.2573

Leon Morales
993 Warden
San Leandro, Calif. 94577

.3860

*Cities
Service* ~~Domingo Lopez~~
~~801 W. Alverado~~
~~Carlsbad, New Mexico 88220~~

.2573

Rosa Franco Brown
803 W. Alverado
Carlsbad, New Mexico 88220

.2573

C+K ~~Ramon Calderon~~
~~1012 Pine~~
~~Santa Ana, Calif. 92703~~

.6143

Felix Briones, Jr.
804 Alamosa
Carlsbad, New Mexico 88220

.7148

*Have draft -
no lease
called!* ~~Frank Alverado~~
~~San Jose, California~~

.233

Alberto Moreno
3035 4th Street
Alpine, Texas 79830

.6058

Leonardo Castenado
(no address)

.1950

(Unknown)

.2640

Chano Mata
501 Diaz
Carlsbad, New Mexico 88220

.1980

Willie Mata
503 Diaz
Carlsbad, New Mexico 88220

.1980

Monsez Galindo
507 Diaz
Carlsbad, New Mexico 88220

.1980

Spanish Cemetery Association
Carlsbad, New Mexico 88220
Attention: Arturo Morales

.2586

	<u>Acres Owned</u>
(Unknown)	.1969
Enrique Munoz P. O. Box 1054 Carlsbad, New Mexico 88220	.2043
Eloise Morales San Lorenzo, California	.2312
Fernanda Galindo (no address)	.3620
Jenkins Furniture Store 1206 Mermod Carlsbad, New Mexico 88220	.1836
Alfredo F. Gonzales 813 W. Monterey Carlsbad, New Mexico 88220	.1836
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2741
Santiago Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.4820
Perfecto Lopez 1324 Luthy N.E. Albuquerque, New Mexico 87112	.1722
Zenaida M. Aguilar 1534 W. Magnolia San Bernadino, California 92411	.2884
(Unknown)	<u>.0637</u> 44.1932

3. Applicant has made diligent effort to obtain voluntary agreement to the drilling of the proposed well, and has been unable to obtain such agreement.

4. Applicant proposes the location of the well at 690 feet from the West line, and 760 feet from the South line to assure maximum distance from structures in the area, and for topographical reasons occasioned by established trees and fences.

WHEREFORE applicant prays that this application be set for hearing before the Commission's duly appointed examiner,

and that after notice and hearing as provided by law, the Commission enter its order pooling all of the mineral interests, whatever they may be underlying the proposed unit, together with provision for applicant to recover its necessary costs in drilling and equipping the well, charges for supervision, and operation, and for a risk factor for the risk assumed in drilling the well, as provided by law.

Respectfully submitted,

C & K PETROLEUM, INC.

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

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

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

Oil Conservation Commission

June 2, 1977

Santa Fe TELEPHONE 982-4315
AREA CODE 505

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

Re: NMOCC Case No. 5939
C & K Petroleum

R5451

Dear Dick:

Please find enclosed an affidavit submitted to show notice to all nonconsenting parties in the above referenced forced pooling case.

Very truly yours,

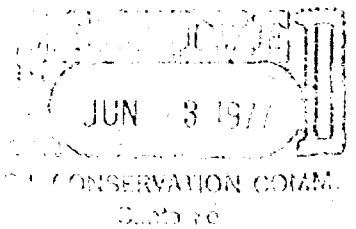
W. Thomas Kellahin
W. Thomas Kellahin

WTK:kfm

Enclosure

CC: Mrs. Kelly Jones

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION



IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM COMPANY FOR
FORCED POOLING, AND UNORTHODOX
WELL LOCATION, EDDY COUNTY,
NEW MEXICO

No. 5939

A F F I D A V I T

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

COMES NOW KATHLEEN MEDRANO, being first duly sworn
upon her oath, deposes and states:

1. That she is employed at the law firm of Kellahin
& Fox, Santa Fe, New Mexico.
2. That on May 18, 1977 she mailed the attached
notice of hearing incorporated herein as attachment "A"
to all those individuals and at those addresses as set forth
on the attached application marked attachment "B" and incor-
porated by reference.

Kathleen Medrano
Kathleen Medrano

SUBSCRIBED and sworn to before me this 2nd day of
June, 1977 by Kathleen Medrano.

Selma Aragon
Notary Public

My Commission Expires:

12-2-78


JUN - 3 1977
CONSERVATION COMM.

N O T I C E

Your name appears as an interest owner in lands involved in Case No. _____ as shown on the attached page from the New Mexico Oil Conservation Commission's Docket for Wednesday, May 25.

Hearing on this application will be at 9:00 A. M. Wednesday, May 25, 1977, at the Commission's hearing room, second floor, New Mexico State Land Office Building.

Attachment "A"

- CASE 5932: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to it's Moore "FQ" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5933: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to it's Hunter "FL" Well No. 1 located in Unit F of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5934: Application of HNG Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its El Paso Federal 29 Well No. 1 to be located 2427 feet from the North line and 904 feet from the West line of Section 29, Township 24 South, Range 27 East, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.
- CASE 5935: Application of Union Texas Petroleum for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Well Nos. 3 and 12 located at unorthodox locations in Units G and C of said Section 7, respectively.
- CASE 5936: Application of El Paso Natural Gas Company for a dual completion and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its San Juan 27-4 Unit Well No. 109 to be located at an unorthodox location 990 feet from the South line and 1840 feet from the East line of Section 23, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, to produce gas from the Tapacito-Pictured Cliffs and Blanco-Mesaverde Pools.
- ✓ CASE 5937: Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lusk-Morrow, East Lusk-Wolfcamp and East Lusk-Bone Springs production in the wellbore of its Shearn Federal Well No. 1, located in Unit L of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico.
- ✓ CASE 5938: Application of V-T Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Landreth State Well No. 1 to be drilled 330 feet from the South line and 1100 feet from the West line of Section 15, Township 10 South, Range 36 East, South Crossroads-Devonian Pool, Lea County, New Mexico, the S/2 SW/4 of said Section 15 to be dedicated to the well.
-  CASE 5939: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to it's Carlsbad Well No. 7 to be located at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- ✓ CASE 5940: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 6, Township 19 South, Range 32 East, Lea County, New Mexico, to be dedicated to it's Federal Well No. 6 to be located at an unorthodox location 600 feet from the South line and 2012 feet from the West line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

100-2-10270
JUN - 8 1971
OIL CONSERVATION COM.
S. B. L. P.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
APPROVAL OF COMPULSORY POOLING
AND UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO

5939

A P P L I C A T I O N

Comes now C & K Petroleum, Inc. and applies to the Oil Conservation Commission of New Mexico for compulsory pooling and approval of an unorthodox well location, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the W/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Carlsbad No. 7 well, to be located 690 feet from the West line, and 760 feet from the South line of Section 7, an unorthodox well location, as a Pennsylvanian well.

2. All interest owners have agreed to the drilling of the proposed well with the exception of the following interest owners whose addresses are shown to the best of applicant's information and belief:

	<u>Acres Owned</u>
Michael P. Grace P. O. Box 1418 Carlsbad, New Mexico 88220	<u>21.322</u>
City of Carlsbad 101 N. Halagueno Carlsbad, New Mexico 88220 Attention: Claude F. Tabor	10.3012
Claude Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.2755

get copies
of notice to non-consent

Attachment "B"

	<u>Acres Owned</u>
Francisco Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.551
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2755
Daniel Torres 507 S. Halagueno Carlsbad, New Mexico 88220	.7935
Balia Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.2755
Sylvia Hurd 804 S. Alameda Carlsbad, New Mexico 88220	.2755
Woman's Club P. O. Box 352 Carlsbad, New Mexico 88220	.1332
Lucio Munoz 416 N. Sabina Annaheim, Calif. 92805	.13
Refugio Yturralde P. O. Box 1001 Carlsbad, New Mexico 88220	.2573
Manuel Calderon 5226 W. 5th Street Santa Ana, Calif. 92703	.1083
Manuel Morales 809 W. Lea Carlsbad, New Mexico 88220	.0916
Fidel Calderon 1317 W. McFadden Santa Ana, Calif. 92704	.0785
Gloria Calderon 610 W. Alverado Carlsbad, New Mexico 88220	.2573
Eva Calderon Quintela 611 W. Irvin Carlsbad, New Mexico 88220	.3866
Manuel Ruiz 708 Alverado Carlsbad, New Mexico 88220	.2573

	<u>Acres Owned</u>
Roy Zuniza 811 W. Irvin Carlsbad, New Mexico 88220	.2486
Celestina S. Ordunes 2903 San Jose Carlsbad, New Mexico 88220	.2573
Santiago Muniz 609 W. Alverado Carlsbad, New Mexico 88220	.2573
Leon Morales 993 Warden San Leandro, Calif. 94577	.3860
Domingo Lopez 801 W. Alverado Carlsbad, New Mexico 88220	.2573
Rosa Franco Brown 803 W. Alverado Carlsbad, New Mexico 88220	.2573
Ramon Calderon 1012 Pine Santa Ana, Calif. 92703	.6143
Felix Briones, Jr. 804 Alamosa Carlsbad, New Mexico 88220	.7148
Frank Alverado San Jose, California	.233
Alberto Moreno 3035 4th Street Alpine, Texas 79830	.6058
Leonardo Castenado (no address)	.1950
(Unknown)	.2640
Chano Mata 501 Diaz Carlsbad, New Mexico 88220	.1980
Willie Mata 503 Diaz Carlsbad, New Mexico 88220	.1980
Monsez Galindo 507 Diaz Carlsbad, New Mexico 88220	.1980
Spanish Cemetery Association Carlsbad, New Mexico 88220 Attention: Arturo Morales	.2586

	<u>Acres Owned</u>
(Unknown)	.1969
Enrique Munoz P. O. Box 1054 Carlsbad, New Mexico 88220	.2043
Eloise Morales San Lorenzo, California	.2312
Fernanda Galindo (no address)	.3620
Jenkins Furniture Store 1206 Mermod Carlsbad, New Mexico 88220	.1836
Alfredo F. Gonzales 813 W. Monterey Carlsbad, New Mexico 88220	.1836
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2741
Santiago Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.4820
Perfecto Lopez 1324 Luthy N.E. Albuquerque, New Mexico 87112	.1722
Zenaida M. Aguilar 1534 W. Magnolia San Bernadino, California 92411	.2884
(Unknown)	.0637 <i>+ 11.9319</i>

3. Applicant has made diligent effort to obtain voluntary agreement to the drilling of the proposed well, and has been unable to obtain such agreement.

4. Applicant proposes the location of the well at 690 feet from the West line, and 760 feet from the South line to assure maximum distance from structures in the area, and for topographical reasons occasioned by established trees and fences.

WHEREFORE applicant prays that this application be set for hearing before the Commission's duly appointed examiner,

and that after notice and hearing as provided by law, the Commission enter its order pooling all of the mineral interests, whatever they may be underlying the proposed unit, together with provision for applicant to recover its necessary costs in drilling and equipping the well, charges for supervision, and operation, and for a risk factor for the risk assumed in drilling the well, as provided by law.

Respectfully submitted,

C & K PETROLEUM, INC.

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

N O T I C E

Your name appears as an interest owner in lands involved in Case No. 5939 as shown on the attached page from the New Mexico Oil Conservation Commission's Docket for Wednesday, May 25.

Hearing on this application will be at 9:00 A. M. Wednesday, May 25, 1977, at the Commission's hearing room, second floor, New Mexico State Land Office Building.

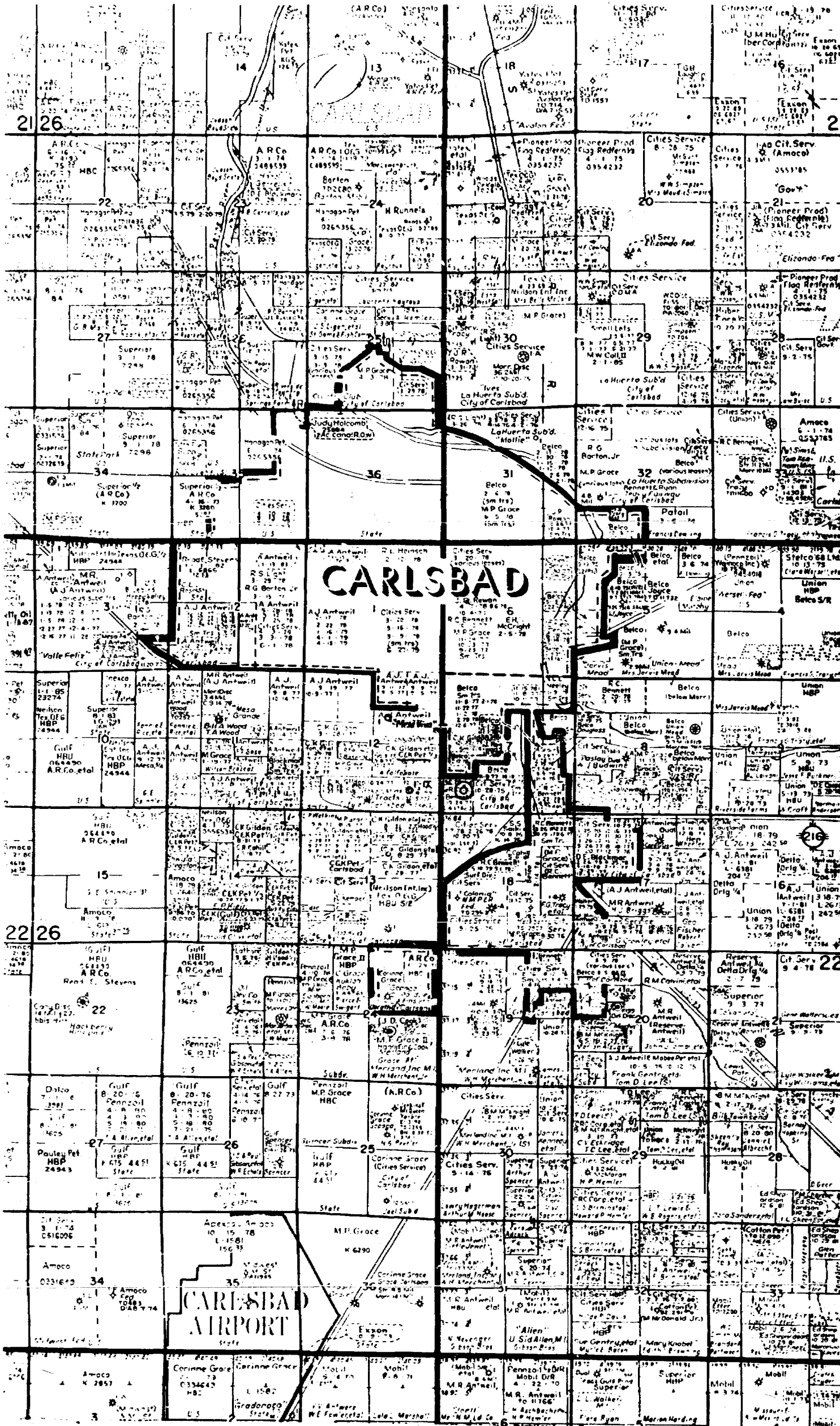
- CASE 5932: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to it's Moore "FQ" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5933: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to it's Hunter "FL" Well No. 1 located in Unit F of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5934: Application of HNG Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its El Paso Federal 29 Well No. 1 to be located 2427 feet from the North line and 904 feet from the West line of Section 29, Township 24 South, Range 27 East, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.
- CASE 5935: Application of Union Texas Petroleum for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, Eupont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Well Nos. 3 and 12 located at unorthodox locations in Units G and C of said Section 7, respectively.
- CASE 5936: Application of El Paso Natural Gas Company for a dual completion and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its San Juan 27-4 Unit Well No. 109 to be located at an unorthodox location 990 feet from the South line and 1840 feet from the East line of Section 23, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, to produce gas from the Tapacito-Pictured Cliffs and Blanco-Mesaverde Pools.
- ✓ CASE 5937: Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lusk-Morrow, East Lusk-Wolfcamp and East Lusk-Bone Springs production in the wellbore of its Shearn Federal Well No. 1, located in Unit L of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico.
- ✓ CASE 5938: Application of VST Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Landreth State Well No. 1 to be drilled 330 feet from the South line and 1100 feet from the West line of Section 15, Township 10 South, Range 36 East, South Crossroads-Devonian Pool, Lea County, New Mexico, the S/2 SW/4 of said Section 15 to be dedicated to the well.
- ✓ CASE 5939: Application of CNK Petroleum, Inc., for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, South Carlisle Field, Eddy County, New Mexico, to be dedicated to it's Carlisle Well No. 7 to be located at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- ✓ CASE 5940: Application of CNK Petroleum, Inc., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 6, Township 19 South, Range 32 East, Lea County, New Mexico, to be dedicated to it's Federal Well No. 6 to be located at an unorthodox location 600 feet from the South line and 2012 feet from the West line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

N O T I C E

Your name appears as an interest owner in lands involved in Case No. 5939 as shown on the attached page from the New Mexico Oil Conservation Commission's Docket for Wednesday, May 25.

Hearing on this application will be at 9:00 A. M. Wednesday, May 25, 1977, at the Commission's hearing room, second floor, New Mexico State Land Office Building.

- CASE 5932: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to its Moore "FQ" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
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CARLSBAD

CARLSBAD AIRPORT

REC'D

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

APR 28 1977

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

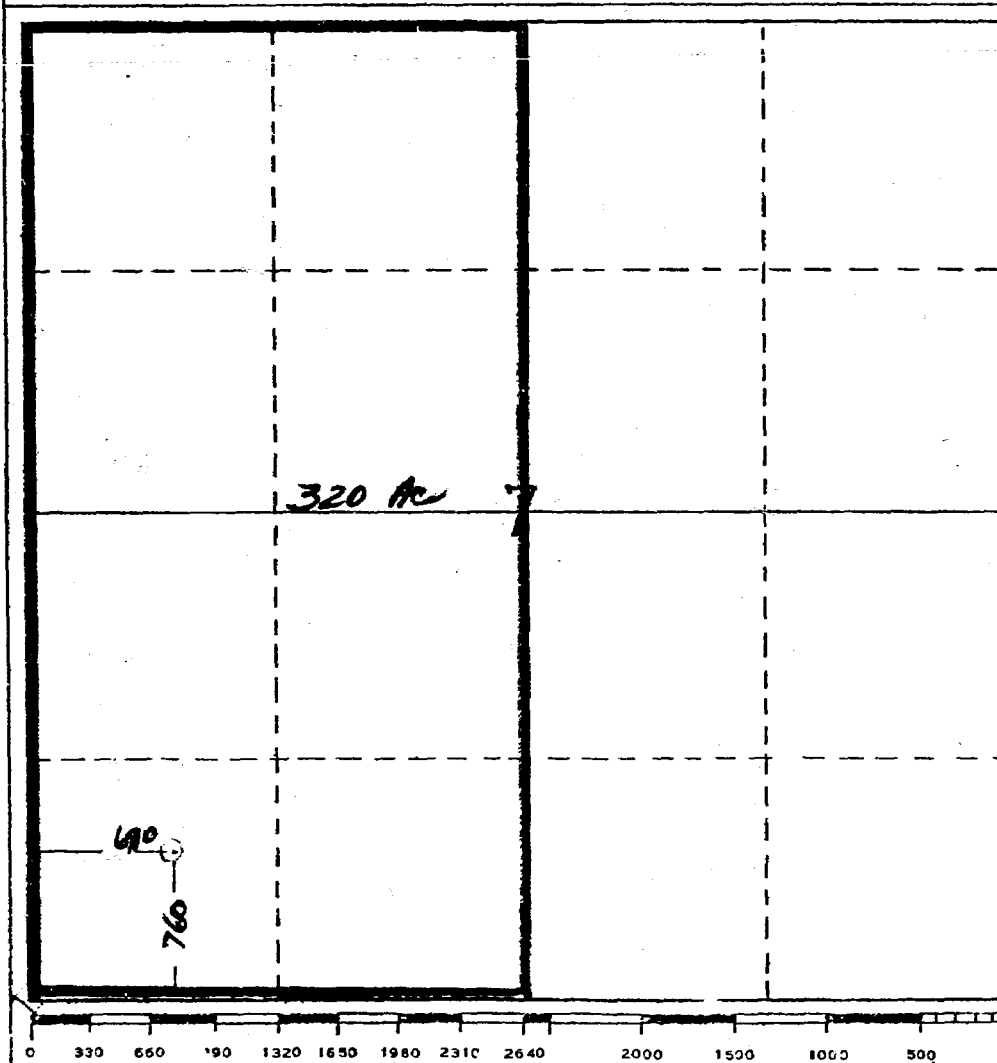
Operator C & K Petroleum, Inc.			Lease 11711		C & K Petroleum, Inc. No. 1	
Unit Letter	Section 7	Township 22 S	Range 27 E	County Eddy		
Actual Footage Location of Well: 690 feet from the West line and 760 feet from the South line						
Ground Level Elev: 3119	Producing Formation Morrow		Pool South Carlsbad		Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

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

If answer is "no," list the owners and tract descriptions which have actually 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, eliminating 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.

Name

D. E. Cooper

Position

Administrative Supervisor

Company

C & K Petroleum, Inc.

Date

May 10, 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.

April 27, 1977

Date Surveyed

John W. Lipp
Registered Professional Engineer
and/or Land Surveyor

Certificate No.



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

May 10, 1977

Mrs. Juanita Jones
Michael P. Grace
P.O. Box 1418
Carlsbad, New Mexico 88220

Re: Carlsbad "7" #1
Unorthodox Location
1690' FWL & 760' FSL,
Sec. 7, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill a Morrow test at the location indicated in the above reference. A physical check of the West half of Section 7, T-22-S, R-27-E will reveal that the possible well locations are very limited within the 320 acres due to the existing terrain, buildings, dwellings, and public and private roads. We have carefully examined the acreage to be dedicated to the well and have come to the conclusion that the above proposed location is the only feasible location on the lease.

We are enclosing a copy of the Well Location and Acreage Dedication Plat for your ready reference.

In the event you have no objections to this unorthodox location, it would be appreciated if you would so indicate in the space provided below. Your signature will serve as your waiver to any objection to this location.

Please return one signed copy of this letter to us for our future handling. We are enclosing a stamped, addressed envelope for your convenience.

Anything done to expedite the handling of this request will be appreciated.

Approved this _____ day of _____, 1977.

Signature: _____

Company: _____

Yours very truly,
C & K Petroleum, Inc.


D. E. Cooper
Administrative Supervisor

DEC/vb
Enclosures

No reply

5/28/87	EXAMINER STAMETS
OIL CONSERVATION COMMISSION	
C&K 584	EXHIBIT 4
CASE NO. 5739	
Submitted by _____	
Hearing Date _____	



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

May 10, 1977

Cities Service Oil Company
700 Midland National Bank Bldg.
Midland, Texas 79701

Re: Carlsbad "7" #1
Unorthodox Location
690' FWL & 760' FSL,
Sec. 7, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill a Morrow test at the location indicated in the above reference. A physical check of the West half of Section 7, T-22-S, R-27-E will reveal that the possible well locations are very limited within the 320 acres due to the existing terrain, buildings, dwellings, and public and private roads. We have carefully examined the acreage to be dedicated to the well and have come to the conclusion that the above proposed location is the only feasible location on the lease.

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Please return one signed copy of this letter to us for our future handling. We are enclosing a stamped, addressed envelope for your convenience.

Anything done to expedite the handling of this request will be appreciated.

Approved this 17 day of MAY, 1977.
Signature: [Signature] MANAGER PRODUCTION
SOUTHWEST REGION

Company: CITIES SERVICE OIL CO.

Yours very truly,
C & K Petroleum, Inc.

[Signature]
D. E. Cooper
Administrative Supervisor

DEC/vb
Enclosures



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

May 10, 1977

REC'D

MAY 19 1977

R. C. Bennett
102 Permian Building
Midland, Texas 79701

C & K Petroleum, Inc.

Re: Carlsbad "7" #1
Unorthodox Location
1690' FWL & 760' FSL,
Sec. 7, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill a Morrow test at the location indicated in the above reference. A physical check of the West half of Section 7, T-22-S, R-27-E will reveal that the possible well locations are very limited within the 320 acres due to the existing terrain, buildings, dwellings, and public and private roads. We have carefully examined the acreage to be dedicated to the well and have come to the conclusion that the above proposed location is the only feasible location on the lease.

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In the event you have no objections to this unorthodox location, it would be appreciated if you would so indicate in the space provided below. Your signature will serve as your waiver to any objection to this location.

Please return one signed copy of this letter to us for our future handling. We are enclosing a stamped, addressed envelope for your convenience.

Anything done to expedite the handling of this request will be appreciated.

Approved this 10 day of May, 1977.

Signature:

L. C. Dymally

Company:

by Kay Brockman, Secretary

Yours very truly,
C & K Petroleum, Inc.

D. E. Cooper
D. E. Cooper
Administrative Supervisor

DEC/vb
Enclosures



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

May 10, 1977

Belco Petroleum Corp.
412 Petroleum Building
Midland, Texas 79701

Re: Carlsbad "7" #1
Unorthodox Location
690' FWL & 760' FSL,
Sec. 7, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill a Morrow test at the location indicated in the above reference. A physical check of the West half of Section 7, T-22-S, R-27-E will reveal that the possible well locations are very limited within the 320 acres due to the existing terrain, buildings, dwellings, and public and private roads. We have carefully examined the acreage to be dedicated to the well and have come to the conclusion that the above proposed location is the only feasible location on the lease.

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In the event you have no objections to this unorthodox location, it would be appreciated if you would so indicate in the space provided below. Your signature will serve as your waiver to any objection to this location.

Please return one signed copy of this letter to us for our future handling. We are enclosing a stamped, addressed envelope for your convenience.

Anything done to expedite the handling of this request will be appreciated.

Approved this 13 day of May, 1977.

Signature: Dean C. Brundage

Company: Belco Petroleum Corporation

Yours very truly,
C & K Petroleum, Inc.


D. E. Cooper
Administrative Supervisor

DEC/vb
Enclosures



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

May 10, 1977

Alan J. Antweil

~~A. T. Antweil~~

P.O. Box 2010

Hobbs, New Mexico 88240

REC'D

MAY 13 1977

C & K Petroleum, Inc.

Re: Carlsbad "7" #1
Unorthodox Location
690' FWL & 760' FSL,
Sec. 7, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill a Morrow test at the location indicated in the above reference. A physical check of the West half of Section 7, T-22-S, R-27-E will reveal that the possible well locations are very limited within the 320 acres due to the existing terrain, buildings, dwellings, and public and private roads. We have carefully examined the acreage to be dedicated to the well and have come to the conclusion that the above proposed location is the only feasible location on the lease.

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In the event you have no objections to this unorthodox location, it would be appreciated if you would so indicate in the space provided below. Your signature will serve as your waiver to any objection to this location.

Please return one signed copy of this letter to us for our future handling. We are enclosing a stamped, addressed envelope for your convenience.

Anything done to expedite the handling of this request will be appreciated.

Approved this 12th day of May, 1977.

Signature: *M. Williams*

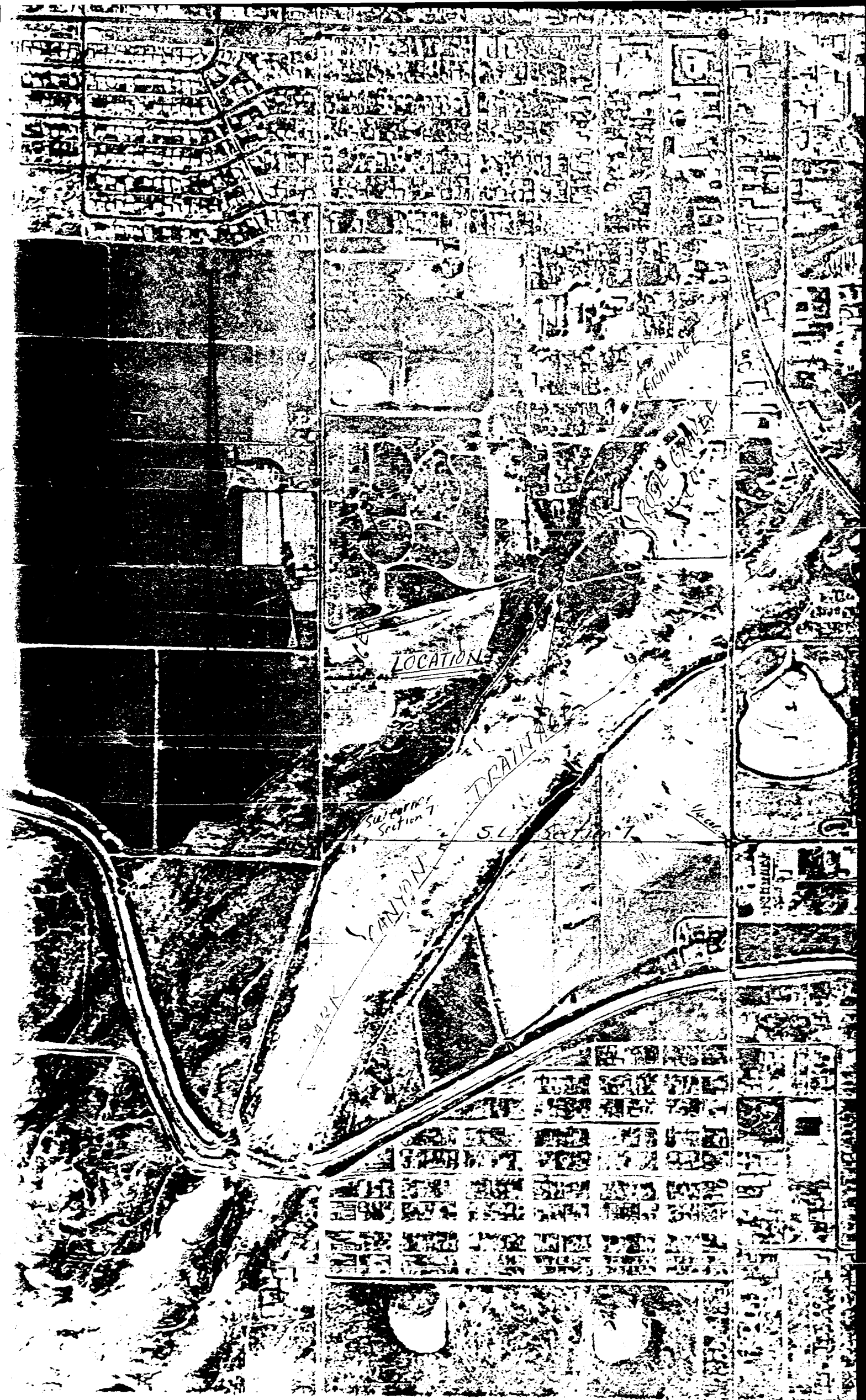
Company: *Alan J. Antweil & Morris R. Antweil*

Yours very truly,
C & K Petroleum, Inc.

D. E. Cooper
D. E. Cooper
Administrative Supervisor

DEC/vb
Enclosures

Correct Location:
690' FWL & 760' FSL



A.F.E. No. 00160

Date: May 18, 1977

Land Dept. Approval (51) Geologist Approval [Signature]

PURPOSE AND JUSTIFICATION FOR EXPENDITURE: To drill and complete

[illegible]

By: BERNARD HANSEN STAMETS
Title: CHIEF OF POLICE IN COMMISSION
C & K 9
CASE NO. 5939
Signed: _____
Hearing Date: _____

C & K PETROLEUM, INC.
AUTHORITY FOR EXPENDITURE

Well Type: Development X

Date May 18, 1977

Exploration

Proposed Depth 12,000

Prospect Name South Carlsbad

AFE No. 00160

Lease Carlsbad "7"

Well No. 1

Field S. Carlsbad

Property No.

Location 760' FSL & 690' FWL Sec. 7, T-22-S, R-27-E

Proposed Spud Date 7/11/77

REASON FOR REQUEST To drill and complete

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Revi
Location Pits and Roads	091	9,400	1,500	7,900		
Water Supply	093	15,000	1,000	16,000		
Damages and Right of Way	095	2,500		5,500		
Rig Expense	097	196,500	8,000	204,500		
Drilling Bits	099					
Mud & Chemicals	103	43,000		43,000		
Tool & Equipment Rental	035	7,000	2,000	9,000		
Fuel & Power	105	20,300		20,300		
Cement & Cementing Services	107	16,000	10,250	26,250		
Formation Evaluation	110	26,000		26,000		
Perforating	117		3,500	3,500		
Stimulation	119		12,000	12,000		
Transportation	041	2,000	2,000	4,000		
Pipe Inspection & Testing	127					
Misc. Labor, Services & Supplies	073	2,000	1,000	3,000		
Overhead & Supervision	199	3,000	1,500	4,500		
Other & Contingencies	490	34,300	4,250	38,550		
TOTAL INTANGIBLES		377,000	47,000	424,000		
TANGIBLES	Sub	702	704			
Casing	301	44,000	92,000	136,000		
Tubing	302		41,000	41,000		
Wellhead Equipment	307	5,000	7,500	12,500		
Jackers & Anchors	309		2,900	2,900		
Auxiliary Casing Equip.	318	900	1,000	1,900		
Miscellaneous Equipment	320	5,100	14,600	19,700		
TOTAL TANGIBLES		55,000	159,000	214,000		
TOTAL WELL COST		432,000	206,000	638,000		
PLUGGING COST	Sub	708				
Break-up Location	091	1,500				
Casing Pulling	197	5,000				
Other & Contingencies	490	500				
TOTAL-PLUGGING		7,000				
TOTAL DRY HOLE COST		439,000				

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5939

Order No. R-5451

APPLICATION OF C & K PETROLEUM, INC.,
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 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, C & K Petroleum, Inc.,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 7, Township 22 South, Range 27 East,
NMPM, South Carlsbad Field, Eddy County, New
Mexico.

-2-
Case No.
Order No. R-

Well No. 1

(3) That the applicant has the right to drill and proposes to drill ~~its Carlsbad Well No. 7~~ *to be located* at an unorthodox location ~~760 feet from the South line and 690 feet from the West line of said Section 7.~~

(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, *and by authorizing the aforesaid unorthodox gas well location.*

(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 *200 percent* thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$200.00 per month
while producing

(11) That \$1750.00 per month should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 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 Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to well no. 1 the C & K Petroleum, Inc., ~~applicant~~ Carlsbad well no. 7 to be drilled at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 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.

Case No.
Order No. R-

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 C & K Petroleum, Inc. 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 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

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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 \$200.00 per month while producing are*

(9) That \$1750.00 per month *is* hereby fixed as *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.

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(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.

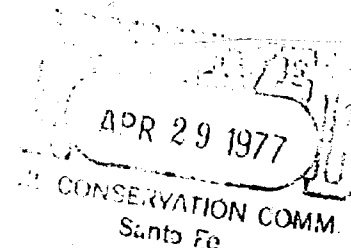
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

- CASE 5932: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico, to be dedicated to its Moore "FQ" Well No. 1 located in Unit F of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5933: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Hunter "FL" Well No. 1 located in Unit F of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5934: Application of HNG Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its El Paso Federal 29 Well No. 1 to be located 2427 feet from the North line and 904 feet from the West line of Section 29, Township 24 South, Range 27 East, Eddy County, New Mexico, the W/2 of said Section 29 to be dedicated to the well.
- CASE 5935: Application of Union Texas Petroleum for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre, non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Well Nos. 3 and 12 located at unorthodox locations in Units G and C of said Section 7, respectively.
- CASE 5936: Application of El Paso Natural Gas Company for a dual completion and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its San Juan 27-4 Unit Well No. 109 to be located at an unorthodox location 990 feet from the South line and 1840 feet from the East line of Section 23, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, to produce gas from the Tapacito-Pictured Cliffs and Blanco-Mesaverde Pools.
- CASE 5937: Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lusk-Morrow, East Lusk-Wolfcamp and East Lusk-Bone Springs production in the wellbore of its Shearn Federal Well No. 1, located in Unit L of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico.
- CASE 5938: Application of V-F Petroleum, Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Landreth State Well No. 1 to be drilled 330 feet from the South line and 1100 feet from the West line of Section 15, Township 10 South, Range 36 East, South Crossroads-Devonian Pool, Lea County, New Mexico, the S/2 SW/4 of said Section 15 to be dedicated to the well.
- CASE 5939: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 7, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to its Carlsbad Well No. 7 to be located at an unorthodox location 760 feet from the South line and 690 feet from the West line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5940: Application of C&K Petroleum, Inc., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 6, Township 19 South, Range 32 East, Lea County, New Mexico, to be dedicated to its Federal Well No. 6 to be located at an unorthodox location 600 feet from the South line and 2012 feet from the West line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
APPROVAL OF COMPULSORY POOLING
AND UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO



A P P L I C A T I O N

Comes now C & K Petroleum, Inc. and applies to the Oil Conservation Commission of New Mexico for compulsory pooling and approval of an unorthodox well location, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the W/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Carlsbad No. 7 well, to be located 690 feet from the West line, and 760 feet from the South line of Section 7, an unorthodox well location, as a Pennsylvanian well.

2. All interest owners have agreed to the drilling of the proposed well with the exception of the following interest owners whose addresses are shown to the best of applicant's information and belief:

	<u>Acres Owned</u>
Michael P. Grace P. O. Box 1418 Carlsbad, New Mexico 88220	22.322
City of Carlsbad 101 N. Halagueno Carlsbad, New Mexico 88220 Attention: Claude F. Tabor	10.3012
Claude Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.2755

	<u>Acres Owned</u>
Francisco Fernandez 701 S. Halagueno Carlsbad, New Mexico 88220	.551
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2755
Daniel Torres 507 S. Halagueno Carlsbad, New Mexico 88220	.7935
Balia Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.2755
Sylvia Hurd 804 S. Alameda Carlsbad, New Mexico 88220	.2755
Woman's Club P. O. Box 352 Carlsbad, New Mexico 88220	.1352
Lucio Munoz 416 N. Sabina Anaheim, Calif. 92805	.13
Refugio Yturralde P. O. Box 1001 Carlsbad, New Mexico 88220	.2573
Manuel Calderon 5226 W. 5th Street Santa Ana, Calif. 92703	.1083
Manuel Morales 809 W. Lea Carlsbad, New Mexico 88220	.0916
Fidel Calderon 1317 W. McFadden Santa Ana, Calif. 92704	.0785
Gloria Calderon 610 W. Alverado Carlsbad, New Mexico 88220	.2573
Eva Calderon Quintela 611 W. Irvin Carlsbad, New Mexico 88220	.3866
Manuel Ruiz 708 Alverado Carlsbad, New Mexico 88220	.2573

	<u>Acres Owned</u>
Roy Zuniza 811 W. Irvin Carlsbad, New Mexico 88220	.2486
Celestina S. Ordunes 2903 San Jose Carlsbad, New Mexico 88220	.2573
Santiago Muniz 609 W. Alverado Carlsbad, New Mexico 88220	.2573
Leon Morales 993 Warden San Leandro, Calif. 94577	.3860
Domingo Lopez 801 W. Alverado Carlsbad, New Mexico 88220	.2573
Rosa Franco Brown 803 W. Alverado Carlsbad, New Mexico 88220	.2573
Ramon Calderon 1012 Pine Santa Ana, Calif. 92703	.6143
Felix Briones, Jr. 804 Alamosa Carlsbad, New Mexico 88220	.7148
Frank Alverado San Jose, California	.233
Alberto Moreno 3035 4th Street Alpine, Texas 79830	.6058
Leonardo Castenado (no address)	.1950
(Unknown)	.2640
Chano Mata 501 Diaz Carlsbad, New Mexico 88220	.1980
Willie Mata 503 Diaz Carlsbad, New Mexico 88220	.1980
Monsez Galindo 507 Diaz Carlsbad, New Mexico 88220	.1980
Spanish Cemetery Association Carlsbad, New Mexico 88220 Attention: Arturo Morales	.2586

	<u>Acres Owned</u>
(Unknown)	.1969
Enrique Munoz P. O. Box 1054 Carlsbad, New Mexico 88220	.2043
Eloise Morales San Lorenzo, California	.2312
Fernanda Galindo (no address)	.3620
Jenkins Furniture Store 1206 Mermod Carlsbad, New Mexico 88220	.1836
Alfredo F. Gonzales 813 W. Monterey Carlsbad, New Mexico 88220	.1836
State of New Mexico Property Tax Department Bataan Memorial Building Santa Fe, New Mexico 87501	.2741
Santiago Granger 936 Standpipe Road Carlsbad, New Mexico 88220	.4820
Perfecto Lopez 1324 Luthy N.E. Albuquerque, New Mexico 87112	.1722
Zenaida M. Aguilar 1534 W. Magnolia San Bernadino, California 92411	.2884
(Unknown)	.0637

3. Applicant has made diligent effort to obtain voluntary agreement to the drilling of the proposed well, and has been unable to obtain such agreement.

4. Applicant proposes the location of the well at 690 feet from the West line, and 760 feet from the South line to assure maximum distance from structures in the area, and for topographical reasons occasioned by established trees and fences.

WHEREFORE applicant prays that this application be set for hearing before the Commission's duly appointed examiner,

and that after notice and hearing as provided by law, the Commission enter its order pooling all of the mineral interests, whatever they may be underlying the proposed unit, together with provision for applicant to recover its necessary costs in drilling and equipping the well, charges for supervision, and operation, and for a risk factor for the risk assumed in drilling the well, as provided by law.

Respectfully submitted,

C & K PETROLEUM, INC.

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant