

y. CASE 5983: YATES PET. CORP. FOR THE
AMENDMENT OF ORDER NO. R-5445, EDDY *ion*
COUNTY, NEW MEXICO

~~Continued to~~

~~September 28~~

~~April 1961~~

Continued to November 16

Case Number

5983

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 16, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpora-) CASE
tion for the amendment of Order No.) 5983
R-5445, 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 Lynn Teschendorf, Esq.
Conservation Commission: Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: A. J. Losee, Esq.
LOSEE & CARSON
Attorneys at Law
300 American Home Building
Artesia, New Mexico

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1 MR. STAMETS: Call next case, Case 5983.

2 MS. TESCHENDORF: Case 5983, application of Yates
3 Petroleum Corporation for the amendment of Order No.
4 R-5445, Eddy County, New Mexico.

5 MR. LOSEE: A. J. Losee, appearing on behalf of the
6 applicant and I have one witness, Mr. Book, who was sworn in the
7 preceding case.

8 MR. STAMETS: The record will show that Mr. Book
9 is still sworn and is still considered qualified.

10
11 GERALD W. BOOK

12 was called as a witness by the applicant, and having been
13 first duly sworn, testified upon his oath as follows, to-wit:

14
15 DIRECT EXAMINATION

16 BY MR. LOSEE:

17 Q You are Jerry Book and you live in Artesia and are
18 employed as a geologist by Yates Petroleum Corporation?

19 A Yes, I am.

20 Q Would you explain the purpose of the application in
21 this case, Case 5893?

22 A The purpose of this case is to amend the Order No.
23 R-5445 to provide for a two hundred percent risk factor for
24 the drilling of the unit well rather than twenty percent.

25 Q Now, the north half of Section 19 was pooled by this

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1 Order No. R-5445 was it not?

2 A. Yes, sir.

3 MR. LOSEE: We would ask the Examiner to take
4 administrative notice of the exhibits and testimony in Case 5445
5 except to the extent we desire to contradict them here.

6 MR. STAMETS: The acreage that was pooled is the
7 north half of 19, 20 South, 25 East?

8 MR. LOSEE: Yes, sir.

9 Q. (Mr. Losee continuing.) Mr. Book, would you refer
10 to what has been marked as Exhibit One and explain what is
11 shown by this exhibit?

12 A. Exhibit One is a map of the Cemetary Morrow Gas
13 Field showing well locations which have penetrated the Morrow
14 formation or deeper.

15 The dotted contours display the Morrow Clastic
16 structure in the area.

17 The solid contour lines are isopach contours of the
18 Morrow production as of July 1977, using a contour interval
19 of one half billion cubic feet.

20 Wells colored in red are Morrow gas wells. Morrow
21 is the only commercial production -- commercially productive
22 zone in the area.

23 Double circled wells are Morrow gas wells which have
24 or will pay out at a dollar forty-two per M.C.F. with a well
25 completion cost of four hundred and twenty thousand dollars

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1 and at a seventy-five percent revenue interest.

2 In the area from Section 27, 20 South, -- Township
3 20 South, Range 25 East and West, on this map there are
4 thirty-seven wells and only ten of these wells will pay
5 out.

6 Q Okay. That's using a dollar forty-two?

7 A That's using a dollar forty-two.

8 Q Would you please refer to what has been marked as
9 Exhibit Two and identify the exhibit?

10 A Exhibit Two is a copy of the portion of the Yates
11 Petroleum's Moore FQ log, porosity logs, and the zones shown
12 are productive or possible productive zones present in the
13 well.

14 The Wolfcamp and Cisco zones have not been tested
15 but production history of other wells in the area indicate
16 these zones will be uncommercial.

17 The Morrow Clastic zone has been perforated and it
18 has produced one hundred and sixty-four thousand two hundred
19 fourteen M.C.F., that is as of July 31, 1977.

20 It has been calculated to have had two hundred and
21 fifty-six thousand three hundred M.C.F. of gas in place.
22 Remaining recoverable reserves is fifty-eight thousand four
23 hundred thirty-six M.C.F.

24 These reserves are based on bottom hole pressure
25 data.

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1 Q Mr. Book, this well has been on production for
2 several months and I am sure Yates has some revenue calculations
3 and made some sales from the well.

4 Would you explain what these sales and this actual
5 revenue calculations reflect?

6 A Okay. The cumulative production mentioned was
7 produced on emergency sales at two twenty-five per M.C.F.

8 One hundred percent net revenues from these sales
9 was three hundred fifty-nine thousand two hundred and eighty-
10 three dollars.

11 After the emergency sales the contract was re-
12 negotiated and the well is now producing gas sold at a dollar
13 forty-six per M.C.F.

14 Multiplying the dollar forty-six times the calculated
15 remaining recoverable reserves of fifty-eight thousand four
16 hundred thirty-six M.C.F. a net -- a one hundred percent net
17 revenue of eighty-five thousand three hundred twenty will
18 be obtained.

19 The sum of these numbers -- of this number and the
20 previous sales give the projected one hundred percent revenue
21 of four hundred forty-four thousand six hundred and three
22 dollars.

23 To figure pay out of the well an eighty-five percent
24 revenue interest will be used. Eighty-five percent of four
25 hundred forty-four thousand six hundred and three dollars

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1 is three hundred seventy-seven thousand nine hundred thirteen
2 dollars.

3 The well cost as of 7/31/77, was four hundred and
4 three thousand two hundred dollars and this leaves twenty-
5 five thousand two hundred eighty-seven dollars to be recovered
6 after the Morrow reserves are depleted.

7 Q So, the sum of this testimony is that this Moore
8 FQ well will not pay out?

9 A Yes.

10 Q Would you explain to the Examiner why you wish the
11 order amended which provides for a twenty percent risk factor
12 to provide for a two hundred percent risk factor?

13 A I feel that I have shown that Morrow gas wells in the
14 area need a two hundred percent risk factor.

15 Yates Petroleum does not want to set a precedent
16 for accepting twenty percent.

17 Q So that based on your showing that ten out of
18 thirty-seven wells will pay out in this area, it is your
19 opinion that two hundred percent is a fair risk factor?

20 A Yes, I do.

21 Q Were Exhibits One and Two prepared by you?

22 A Yes.

23 MR. LOSEE: I move their introduction.

24 MR. STAMETS: These exhibits will be admitted.

25 MR. LOSEE: I have nothing further at this time.

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CROSS EXAMINATION

1
2 BY MR. STAMETS:

3 Q Mr. Book, are you aware of any instances where the
4 Commission has assigned or amended a risk factor after
5 completion of the well and in its period of production?

6 A I am not.

7 Q You indicated that you didn't wish to establish
8 anything less than two hundred percent as a fair risk factor
9 for the Morrow wells.

10 To your knowledge are there other wells which have
11 been drilled to the Morrow, not necessarily Yates wells, but
12 other wells by other companies which have had risk factors
13 less than two hundred percent?

14 A I am not familiar with any.

15 Q Okay. The records of the Commission would show that
16 would they not?

17 A I am familiar most with just the Yates Petroleum
18 wells. So, other than their wells that risk factors have been
19 established on I am not sure of.

20 Q If the records showed that risk factors have been
21 established at various percentages between zero to two hundred
22 percent, that would be indicative that the Commission
23 establishes risk factors as requested under varying conditions
24 would it not?

25 A Yes.

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1 Q. What's the purpose of the risk factor?

2 A. It is to compensate the operator for drilling the
 3 well and taking the risk whereas somebody in the unit has not
 4 taken the risk to drill the well, for expenses to do so, and
 5 he should be benefit.

6 Q. Compensate the operator for taking the risk? When
 7 does the operator take the risk?

8 A. When he drills a well because there is always a risk
 9 that the well will be dry and therefore he is paying all of the
 10 money to drill a dry hole.

11 Q. Okay. At what point -- is there a point where you
 12 have more risk than at another point in the life of a well?

13 Is it more risky before you ever put a whole in the
 14 ground or not?

15 A. Well, the risk is higher before you start the well
 16 because the risk is on completion because getting the well
 17 back, although you have a zone of production, there is always
 18 the risk that you will lose that production. But the risk
 19 is higher before you start a well. You don't have the production
 20 to start with.

21 Q. Did Yates Petroleum drill this well after the twenty
 22 percent risk factor was assigned?

23 A. No, it was --

24 Q. It was already drilled and completed at the time that
 25 the twenty percent risk factor was assigned?

1 A. Yes.

2 Q. At the time of the original order those other parties
3 under this well who would have a working interest were given
4 a thirty-day period of time in which they would decide to
5 choose to join in the drilling of the well or paying their
6 well costs, is that not true?

7 MR. LOSEE: No, the application was filed and amended
8 and as a result of the time Yates had not even started.

9 MR. STAMETS: The time had not started.

10 MR. LOSEE: I am sorry to answer it for him.

11 MR. STAMETS: That's fine because that goes ahead
12 and answers the rest of my question.

13 Q. (Mr. Stamets continuing.) Would it not be proper
14 upon the assignment of any other risk factor besides the
15 twenty percent to also grant them the normal thirty-day period
16 of time in which to decide whether or not they chose to
17 pay their share of the well costs?

18 A. Yes.

19 Q. Okay. Now, you indicated that there is some
20 potential production in the Cisco Canyon zone. Do you have
21 anything to indicate to you the extent of that production and
22 the likelihood that your total well costs will be paid back?

23 A. If I can find Exhibit Number Two -- Exhibit Number
24 Two, it shows the Cisco Canyon zone and this zone does
25 correlate to the Dagger Draw Upper Penn which is located in

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1 the northeast of Township 20 South, 24 East. From a four-
2 well cumulative production, the history of those wells would
3 indicate that we don't really have much of a chance -- we
4 are also down dip from these wells and they produce a lot of
5 water.

6 So, we will probably produce as much water or more
7 water and probably less hydrocarbons than those wells. We
8 are in an unfavorable position to those wells.

9 Q That tends to lower, in your estimation, the
10 possibility of ever paying this well out?

11 A Right.

12 Q No matter what risk factor we would assign it doesn't
13 look like to you that Yates is going to get their money back?

14 A That's true. But it is the principal.

15 MR. STAMETS: Okay. Any other questions of this
16 witness? He may be excused. Anything further in this case?

17 MR. LOSEE: Nothing further, Mr. Stamets.

18 MR. STAMETS: The case will be taken under advise-
19 ment. The hearing is in recess until one-fifteen.

20 (THEREUPON, the witness was excused and
21 the case was concluded.)
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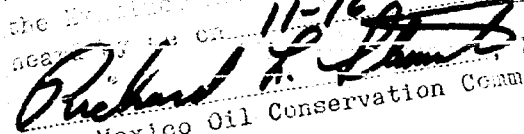
REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the hearing of case No. **5983**,
held on **11-16-97**, 19**97**.

Richard F. Lamm, Examiner
New Mexico Oil Conservation Commission

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
12 October, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpora-
tion for the Amendment of Order No.
R-5445, Eddy County, New Mexico.

CASE
5983

BEFORE: Richard L. Stamets.

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

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MR. STAMETS: Case Number 5983.

MS. TESCHENDORF: Case 5983. Application of Yates
Petroleum Corporation for the amendment of Order Number
R-5445, Eddy County, New Mexico.

The Applicant has requested that this case be
continued to the November 16th hearing.

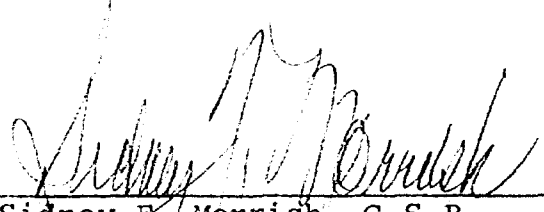
MR. STAMETS: Case 5983 will be so continued.

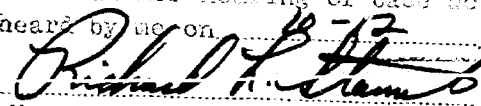
(Hearing concluded.)

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Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5883
heard by me on 8-7-77, 1977
, Examiner
New Mexico Oil Conservation Commission

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Phone (505) 982-9212

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
28 September, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation
for the amendment of Order No. R-5445, Eddy
County, New Mexico.

CASE
5983

BEFORE: Daniel S. Nutter

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

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1 MR. NUTTER: Case 5983.

2 MS. TESCHENDORF: Case 5983. Application of Yates
3 Petroleum Corporation for the amendment of Order Number
4 R-5445, Eddy County, New Mexico.

5 The applicant has requested that this case be con-
6 tinued to the October 12th Examiner Hearing.

7 MR. NUTTER: Case Number 5983 will be continued
8 to the Examiner Hearing scheduled to be held at this same
9 place at 9:00 o'clock a. m. on October 12th, 1977.

10 (Hearing concluded.)
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and ability.

Sally Walton Boyd
Sally Walton Boyd, C. S. R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the further hearing of case No. 5783
heard by me on 9/28, 1977.

[Signature], Examiner
New Mexico Oil Conservation Commission

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Phone (505) 982-9212

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 14, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. CASE 5983

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

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1 MR. STAMETS: Call the next case, Number 5983.

2 MS. TESCHENDORF: Case 5983, application of Yates
3 Petroleum Corporation for the amendment of Order Number R-5445,
4 Eddy County, New Mexico.

5 The applicant has requested that this be continued
6 until the September 28th Examiner Hearing.

7 MR. STAMETS: Case 5983 will be so continued.


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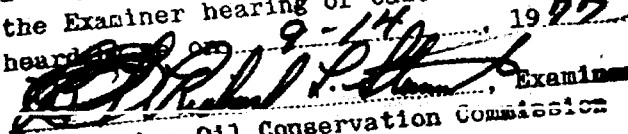
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was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill
and ability.


Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5983.
heard on 9-14-1997

New Mexico Oil Conservation Commission

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
20 July 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor-
poration for the amendment of Order
No. R-5445, Eddy County, New Mexico.)

CASE
5983

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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1 MR. STAMETS: We'll call at this time Case 5983.

2 MS. TESCHENDORF: Case 5983. Application of Yates
3 Petroleum Corporation for the amendment of Order 5445, Eddy
4 County, New Mexico.

5 The applicant in the case has requested that we
6 continue the hearing to the September 14th Examiner Hearing.

7 MR. STAMETS: Case 5983 will be so continued.
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of the said proceedings to the best of my knowledge, skill,
and ability.

Sally Walton Boyd
Sally Walton Boyd, C. S. R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5983
heard by me on 7-20-72, 1972
Richard L. Ham, Examiner
New Mexico Oil Conservation Commission

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. 5983
Order No. R-5445-A

APPLICATION OF YATES PETROLEUM
CORPORATION FOR THE AMENDMENT
OF ORDER NO. R-5445, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of December, 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, Yates Petroleum Corporation, seeks the amendment of Commission Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent, as set out in Order No. (7) of said Order.
- (3) That the evidence presented established that a risk factor of 200 percent is appropriate.
- (4) That Commission Order No. R-5445 should be amended to provide for a 200 percent risk factor.
- (5) That after the effective date of this order 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.
- (6) 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.

-2-
Case No. 5983
Order No. R-5445-A

IT IS THEREFORE ORDERED:

(1) That Order No. (7) of Commission Order No. R-5445 is hereby amended to read in its entirety as follows:

(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 and available actual 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 and available actual well costs is furnished to him.

(2) That Orders (3) and (4) of said Order No. R-5445 are hereby superseded.

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated and available actual well costs.

(4) That within 30 days from the date the schedule of estimated and available actual 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 and available actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) 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. KAMEY, Member & Secretary

S
jr/

CASE 6061: (Continued from October 12, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Stinking Draw Unit Area comprising 2,881 acres, more or less, of Federal and State lands in Township 21 South, Range 22 East, Eddy County, New Mexico.

CASE 5983: (Continued from October 12, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6072: (Continued from October 26, 1977, Examiner Hearing)

Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Canyon production for its Travis Deep Unit Well No. 2, located in Unit G of Section 13, Township 18 South, Range 28 East, Eddy County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6086: 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 E/2 of Section 21, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. 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 6087: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Ralph Nix "IT" Well No. 1 to be located 660 feet from the South line and 990 feet from the East line of Section 13, Township 20 South, Range 24 East, Eddy County, New Mexico, the S/2 of said Section 13 to be dedicated to the well.

CASE 6088: Application of Yates Petroleum Corporation for a dual completion, downhole commingling, and salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of East Eagle Creek Atoka-Morrow, Eagle Creek-Strawn and Eagle Creek Permo-Penn production in the wellbore of its Mitchell "IN" Well No. 2 located in Unit I of Section 23, Township 17 South, Range 25 East, Eddy County, New Mexico, and to dually complete said well in such a manner as to permit disposal of produced salt water into the Devonian formation thru tubing and production of the aforesaid commingled zones thru the casing-tubing annulus.

CASE 5981: (Continued from October 12, 1977, Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6076: (Continued from October 26, 1977, Examiner Hearing)

Application of E. L. Latham, Jr., Roy G. Barton, Jr., and R. L. Foree for a gas well curtailment and gas pool prorationing, Chaves County, New Mexico. Applicants, in the above-styled cause, seek an order temporarily shutting in, or limiting production from the La Rue and Muncy Nola Well No. 1, located in Unit O of Section 8, Township 14 South, Range 28 East, Sams Ranch Grayburg Gas Pool, Chaves County, New Mexico. Applicants further request that the Commission institute gas prorationing in said pool retroactively to date of first production and direct the gas purchaser(s) in said pool to take ratably from all wells in said pool.



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
D. W. HARPER
SEC. TREAS.

January 25, 1978

✓ CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Miss Anna E. Durham
203 Spence, Apt. 5
Kerville, Texas 78028

*Can 5983
R-5445-A*
ALL

Re: Moore "FQ" #1
Township 20 South, Range 25 East, N.M.P.M.
Section 19: N $\frac{1}{2}$
Eddy County, New Mexico

Dear Miss Durham:

By order of the New Mexico Oil Conservation Commission dated December 27, 1977, all mineral interests, whatever they may be in the Morrow formation underlying the N $\frac{1}{2}$ of Section 19, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, have been pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the Yates Petroleum Corporation Moore "FQ" #1 well.

Enclosed is a schedule of estimated well costs and also an invoice for the actual costs incurred. As provided for in said order, you have thirty (30) days to pay your share of the estimated well costs, being 5 acres/320 acres X \$404,448.93, or \$6,319.51. If not paid within thirty (30) days, Yates shall withhold your share of the actual well costs plus an additional 200 percent (200%) thereof as a reasonable charge for the risk involved in the drilling of the well. For your reference, also enclosed are copies of Order Nos. R-5445, Case No. 5932; and R-5445-A, Case No. 5983, pooling your interest.

Very truly yours,

Jack W. McCaw
Land Department

Scott E. Wilson

By: Scott E. Wilson

SEW/mak
Enclosures

✓ cc: Oil Conservation Commission
Mr. Jerome D. Matkins

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. 5983
Order No. R-5445-A

APPLICATION OF YATES PETROLEUM
CORPORATION FOR THE AMENDMENT
OF ORDER NO. R-5445, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of December, 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, Yates Petroleum Corporation, seeks the amendment of Commission Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent, as set out in Order No. (7) of said Order.

(3) That the evidence presented established that a risk factor of 200 percent is appropriate.

(4) That Commission Order No. R-5445 should be amended to provide for a 200 percent risk factor.

(5) That after the effective date of this order 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.

(6) 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.

IT IS THEREFORE ORDERED:

(1) That Order No. (7) of Commission Order No. R-5445 is hereby amended to read in its entirety as follows:

(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 and available actual 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 and available actual well costs is furnished to him.

(2) That Orders (3) and (4) of said Order No. R-5445 are hereby superseded.

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated and available actual well costs.

(4) That within 30 days from the date the schedule of estimated and available actual 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 and available actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) 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
jr/

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. 5932
Order No. R-5445

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this 8th day of June, 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, Yates Petroleum Corporation, seeks
an order pooling all mineral interests in the Morrow formation
underlying the N/2 of Section 19, Township 20 South, Range 25 East,
NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and has drilled
its Moore "FQ" Well No. 1 at a standard location in Unit F of
said Section 19.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 20 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 \$1500.00 per month while drilling and \$210.00 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the Yates Petroleum Corporation Moore "FQ" Well No. 1 at a standard location in Unit F of said Section 19.

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

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

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

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

- (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, 20 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 \$1500.00 per month while drilling and \$210.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a 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
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

TO Anna F. Durham

ARTESIA, NEW MEXICO 88210

DATE 1/25/78

Yates Petroleum Corporation

Bryan Printers & Stationers

Invoice #9994

WE HAVE charged YOUR ACCOUNT AS FOLLOWS:

Charges on Moore FQ #1:

Intangible Drilling Cost	\$252,513.43
Tangible Equipment	148,652.94
Operating Expense thru 9/77	<u>3,282.56</u>

\$404,448.93

YOUR SHARE	1.5625%	\$ 6,319.51
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AUTHORITY FOR EXPENDITURE
Yates Petroleum Corporation

Estimated Cost to Drill,
Complete & Equip

Moore "FQ" #1
3ENW, Sec. 19-20S-25E
Cemetery, Eddy Co., N.M.

	<u>Dry Hole</u>	<u>Completion</u>
Staking Permit & Legal Feed	\$ 600	\$ 600
Location, Right-of-Way & Surface Damages	\$ 3,900	\$ 5,200
Drilling: Footage, 9500' @ \$13.60	\$129,200	\$129,200
Daywork, 5 days @ \$3000	\$ 15,000	\$ 15,000
Water, Mud & Additived, Pit Lining	\$ 33,000	\$ 34,000
Cementing, Tools & Services	\$ 8,900	\$ 12,500
Electric Logs & Perforating	\$ 10,000	\$ 13,000
Mug Logging Unit	\$ 4,000	\$ 4,000
Drill Stem Testing	\$ 4,200	\$ 4,200
Tool Rentals, Trucking, Welding	\$ 4,000	\$ 5,000
Supervision & Overhead	\$ 3,100	\$ 4,000
Completion Unit, 7 days @ \$600	\$ -	\$ 4,200
Stimulation	\$ -	\$ 13,500
Contingency	\$ 8,100	\$ 10,600
<u>TOTAL INTANGIBLES</u>	<u>\$224,000</u>	<u>\$255,000</u>
Xmas Tree	\$ 2,100	\$ 9,000
Casing: 13 3/8" 48#, 262' @ \$16.04	\$ 4,200	\$ 4,200
8 5/8" 24#, 3200' @ \$8.32	\$ 26,600	\$ 26,600
5 1/2" 15.5-17#, 9500' @ \$5.96	\$ -	\$ 56,600
Tubing: 2 7/8" 6.5# K-55, 9400' @ \$2.92	\$ -	\$ 27,400
Packer & Special Equipment	\$ -	\$ 1,600
Contingency	\$ 3,100	\$ 7,600
<u>TOTAL TANGIBLES</u>	<u>\$ 36,000</u>	<u>\$133,000</u>
Tanks 2-210 bbl Welded w/ Stair & Walkway	\$ -	\$ 6,500
Heater-Separator & Flowlines	\$ -	\$ 17,000
Trucking, Fences, Misc. Valves & Fittings	\$ -	\$ 4,500
Construction Costs & Misc.	\$ -	\$ 4,000
<u>TOTAL LEASE EQUIPMENT</u>	<u>\$ -</u>	<u>\$ 32,000</u>
<u>TOTAL TO DRILL, COMPLETE & EQUIP</u>	<u>\$260,000</u>	<u>\$420,000</u>

Approval of this AFE constitutes approval of the operator's option to charge the joint account with tubular goods from operator's warehouse stock at the rates stated above, unless the non-operator gives notification on this form of his intent to furnish his proportionate share in kind.

Approved

YATES PETROLEUM CORPORATION

By Eddie L. Buckner Date 2-6-76 32.812500%

FRANKLIN, ASTON & FAIR, LTD

_____ Date _____ 21.875000%

JOHN A. YATES

By _____ Date _____ 10.937500%

S. P. YATES

By _____ Date _____ 10.937500%

MYCO INDUSTRIES, INC.

By _____ Date _____ 5.468750%

(Cont'd)

AFE

YPC

Moore "FQ" #1

Approved

FRANK YATES

By _____ Date _____

2.734375%

MARTIN YATES III

By _____ Date _____

2.734375%

J. HIRAM MOORE, et al, TRUSTEES

By _____ Date _____

6.250000%

By _____ Date _____

By _____ Date _____

By _____ Date _____

RICHARD L. MOORE

By _____ Date _____

2.083334%

MICHAEL H. MOORE

By _____ Date _____

2.083333%

STEPHEN S. MOORE

By _____ Date _____

2.083333%



DEPOSITED WITH
STATE TREASURER
OF NEW MEXICO

STATE TREASURER FOR OIL CONS.COMM.	
AGENCY Current School Fund	
DATE October 13, 1977	
CASH	
CURRENCY	
CHECKS	Losee & Carson Case 5983
	5 40
TOTAL	5 40
CODE CLASSIFICATION	AMOUNT
04-335.0 80613.0	5.40

FOR STATE TREASURER'S USE ONLY
Case 5983

OFFICIAL RECEIPT ONLY WHEN VALIDATED. SUBMIT DEPOSIT SLIP IN QUADRUPLICATE
WITH YOUR DEPOSIT. INCLUDE AN ADDING MACHINE TAPE LISTING CHECK AMOUNTS.

Edward M. Murphy
STATE TREASURER

5400

PD 902260 7700 13

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON

LAW OFFICES
LOSEE & CARSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

11 October 1977

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

Dear Ms. Teschendorf:

Please dismiss Case No. 6062, styled Application of Yates Exploration Company for force pooling its Plains Radio No. 1 Well in Chaves County, New Mexico. I have previously asked that you dismiss Case Nos. 6063 and 6064.

Please continue the cases from the October 26, 1977 hearing, being Nos. 5983 and 6061 until the November 16, 1977 hearing, and we will try to be up there with everything.

Enclosed, please find our check in the amount of \$5.40 as the transcript fee for continuing Case No. 5983. Thank you.

Yours truly,

LOSEE & CARSON, P.A.


Joel M. Carson

JMC:pv
Enclosure

cc: Mr. Harvey E. Yates, Jr.

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON

LAW OFFICES
LOSEE & CARSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

03 1977

II
AREA CODE 505
746-3508

29 September 1977

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

Re: Application of Yates Petroleum Corporation,
Case No. 6021

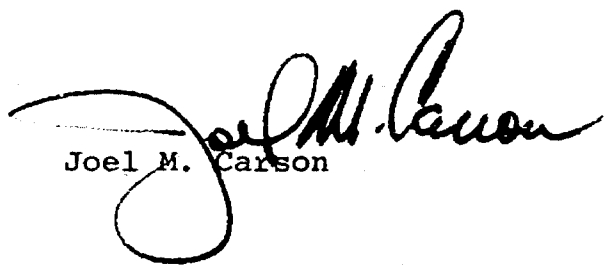
should be 5983

Dear Dan:

This letter will confirm our telephone conversation of the other day in which I asked that the above numbered hearing be continued until October 12, 1977.

Yours truly,

LOSEE & CARSON, P.A.


Joel M. Carson

JMC:bjm

cc: Yates Petroleum Corporation

CASE 5981: (Continued from September 14, 1977, Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6061: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Stinking Draw Unit Area comprising 2,881 acres, more or less, of Federal and State lands in Township 21 South, Range 22 East, Eddy County, New Mexico.

CASE 5983: (Continued from September 28, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6062: Application of Yates Exploration Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the SW/4 NW/4 of Section 27, Township 9 South, Range 28 East, Chaves County, New Mexico, to be dedicated to applicant's Plains Radio Well No. 1 located in the center of said tract. 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 6063: Application of Texas Oil & Gas 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 28, Township 19 South, Range 25 East, Eddy County, New Mexico, to be dedicated to applicant's Boyd South Gas Unit Well No. 1 to be located in Unit G of said Section 28. 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 6064: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 29, Township 19 South, Range 28 East, Eddy County, New Mexico, to be dedicated to applicant's Exxon State Com B Well No. 1 located in Unit G of said Section 29. 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 5757: (Reopened)

In the matter of Case 5757 being reopened pursuant to the provisions of Order No. R-5296 which order established temporary special pool rules for the Maljamar-Pennsylvanian Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 6047: (Continued from September 28, 1977, Examiner Hearing)

Application of Continental Oil Company for capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a capacity allowable for its Pearl "B" Wells Nos. 5 and 6, located in Units M and O, respectively, of Section 25, Township 17 South, Range 32 East, and its Pearl "B" Well No. 7 located in Unit M of Section 30, Township 17 South, Range 33 East, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.

CASE 6043: (Continued from September 28, 1977, Examiner Hearing)

Application of V-F Petroleum Inc., for an unorthodox oil well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 330 feet from the South line and 2310 feet from the East line of Section 29, Township 8 South, Range 38 East, North Sawyer-Devonian Pool, Roosevelt County, New Mexico.

Dockets Nos. 31-77 and 32-77 are tentatively set for hearing on October 12 and 26, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 28, 1977

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

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

- CASE 6048: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Saguaro Oil Company and all other interested parties to appear and show cause why the Moran State Well No. 1 located in Unit A of Section 36, Township 18 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6049: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Douglas Kenaston, Mints-Kenaston Drilling Co., and all other interested parties to appear and show cause why the Masden-Selby Well No. 1 located in Unit I of Section 21, Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6050: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit J. Felix Hickman and all other interested parties to appear and show cause why the Malco State Com Well No. 1 located in Unit G of Section 16, Township 26 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6051: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit B. G. West and N. W. McIntosh and all other interested parties to appear and show cause why the Rollins and Dodgen Well No. 2 located in Unit D of Section 28, Township 13 North, Range 3 West, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6052: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Western Energy Corporation and all other interested parties to appear and show cause why the Ute Well No. 2 located in Unit O of Section 23, Township 31 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6053: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Noel Reynolds and all other interested parties to appear and show cause why the Torreon Water Well No. 1 located in Unit J of Section 28, Township 18 North, Range 3 West, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6054: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit John F. Staver and all other interested parties to appear and show cause why the Paperthin Well No. 1 located in Unit F of Section 26, Township 19 North, Range 5 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6055: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Han-San, Inc., and all other interested parties to appear and show cause why the Grevey Well No. 4 located in Unit E of Section 26, Township 26 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6056: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Julius Chodorow, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Ute Well No. 1 located in Unit F of Section 20, Township 31 North, Range 15 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 6021: (Readvertised)
- Application of Yates Petroleum Corporation for salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the interval from 963 feet to 1560 feet in its Federal HJ Well No. 1 located in Unit A of Section 31, Township 6 South, Range 26 East, Linda-San Andres Pool, Chaves County, New Mexico.

CASE 5983: (Continued from September 14, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

Dockets Nos. 30-77 and 31-77 are tentatively set for hearing on September 28 and October 12, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 14, 1977

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for October, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6016: (Continued from August 31, 1977 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Land Oil Company, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Garner Well No. 1 located in Unit D of Section 23, Township 14 South, Range 25 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5931: (Continued from July 6, 1977 Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 5983: (Continued from July 20, 1977 Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6024: Application of Read & Stevens, Inc., for two unorthodox gas well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its R & J Federal Well No. 1 located in the center of Unit A of Section 20, Township 12 South, Range 31 East, and its Jackson Well No. 1, located in the center of Unit I of Section 25, Township 12 South, Range 30 East, Southeast Chaves-Queen Gas Area, Chaves County, New Mexico, the E/2 of said Section 20 and the S/2 of said Section 25, respectively, to be dedicated to the wells.

CASE 6025: Application of Roger C. Hanks for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, retroactive to August 22, 1977.

CASE 6026: Application of William G. Rabe and Alice P. Rabe for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6027: Application of Great Lakes Chemical Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6028: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Luzon Unit Area comprising 5117 acres, more or less, of Federal and fee lands in Township 24 South, Ranges 35 and 36 East, Lea County, New Mexico.

CASE 6029: Application of Phillips Petroleum Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tubb, Drinkard, East Brunson-McKee, and East Brunson-Ellenburger production in the wellbore of its Sims Well No. 6 located in Unit M of Section 24, Township 22 South, Range 37 East, Lea County, New Mexico.

A. J. LOSEE
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AREA CODE 505
746-3508

18 July 1977

Ms. Lynn Teschendorf, Attorney
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5983, Application of Yates
Petroleum Corporation for Amendment
Order R-5445

Dear Ms. Teschendorf:

In accordance with our telephone conversation of this date, I understand the above case has been continued until the September 14, 1977 examiner hearing.

Very truly yours,

LOSEE & CARSON, P.A.



A. J. Losee

AJL:jw

cc: Mr. Jack McCaw

Dockets Nos. 25-77 and 26-77 are tentatively set for hearing on August 3 and August 17, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 20, 1977

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

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

- ALLOWABLE:** (1) Consideration of the allowable production of gas for August, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5982:** Application of Sam H. Snoddy for directional drilling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of two 14,000-foot Morrow gas wells in Unit P of Section 25, Township 20 South, Range 32 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, one of which would be vertically drilled to a depth of 4000 feet from a surface location 660 feet from the South line and 760 feet from the East line of said Section 25, then directionally drilled in a North-Northwesterly direction and bottomed in the approximate center of the NE/4 of said Section 25, the N/2 of the section being dedicated to the well; the other well would be vertically drilled to a depth of 4000 feet from a surface location 760 feet from the South line and 660 feet from the East line of said Section 25, then directionally drilled in a West-Northwesterly direction and bottomed in the approximate center of the SW/4 of said Section 25, which would be a 160-acre non-standard unit for said well.
- CASE 5983:** Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.
- CASE 5984:** Application of Morris R. Antwell for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in and underlying the N/2 of Section 20, Township 18 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. 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 5985:** Application of Orla Petco, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its B. K. Morrison Well No. 1 to be located 1980 feet from the South line and 660 feet from the West line of Section 5, Township 19 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 5 to be dedicated to the well.
- CASE 5986:** Application of J. Gregory Merrion for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Devils Fork-Gallup and Mesaverde production in the wellbore of his Edna Well No. 2 located in Unit O of Section 7, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5987:** Application of Getty Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup, Mesaverde, and Dakota production in the wellbore of its C. W. Roberts Well No. 5, located in Unit F of Section 17, Township 25 North, Range 3 West, Rio Arriba County, New Mexico. Applicant also seeks approval for the reopening of its C. W. Roberts Wells Nos. 3 and 4 and its Lydia Rentz Well No. 4 to commingle Dakota, Mesaverde, and possibly Gallup production within the wellbores of the above-described wells located in Units O, M, and A of Sections 18, 17, and 19, respectively, of the same township.
- CASE 5988:** Application of Continental Oil Company for three unorthodox locations, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2-A of the Blanco-Mesaverde Gas Pool Rules, to permit the drilling of its AXI Apache "N" Wells Nos. 12 and 14 in the NW/4 of Sections 11 and 1, respectively, and its AXI Apache "O" Well No. 10 in the SE/4 of Section 3, all in Township 25 North, Range 4 West, Rio Arriba County, New Mexico. Each of said wells is the first Mesaverde well on its proration unit.

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JOEL M. CARSON
CHAD DICKERSON

AREA CODE 505
746-3508

21 June 1977

JUN 23 1977

OIL CONSERVATION COMMISSION

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

Re: Case No. 5932, Force Pooling Order R-5445

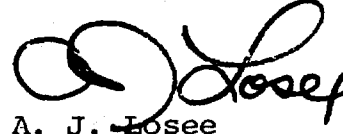
Dear Mr. Ramey:

Enclosed, please find original and two copies of Application of Yates Petroleum Corporation for an amendment to Order R-5445 or for a rehearing.

We ask that you grant a hearing to amend Order R-5445, or grant a rehearing, and give us notice of such setting.

Very truly yours,

LOSEE & CARSON, P.A.



A. J. Losee

AJL:jw
Enclosures

cc w/enclosure: Yates Petroleum Corporation

JUN 28 1977

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF YATES PETROLEUM CORPORATION :
FOR COMPULSORY POOLING, EDDY : CASE NO. 5932
COUNTY, NEW MEXICO :

APPLICATION

Applicant, by its attorneys, respectfully states:

1. That on June 8, 1977, the Oil Conservation Commission of New Mexico ("Commission") entered its Order No. R-5445 to which reference is here made, pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 20 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, dedicated to applicant's Moore "FQ" Well No. 1.

2. That Order No. R-5445 is erroneous as follows:

(A) Contrary to Finding (8), 20% is not a reasonable charge for the risk involved in drilling the well, and 200% is a reasonable charge for the risk involved in drilling the well.

(B) Contrary to Order (7) (B), applicant should have been permitted to recover as a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner.

3. That by Order (13), the Commission retained jurisdiction for the entry of such further orders as may be necessary.

WHEREFORE, applicant prays:

A. That Order R-5445 be amended to permit applicant to recover as a charge for the risk involved in drilling the Moore "FQ" No. 1 Well, 200% of reasonable well costs, and that notice of a hearing thereon be given as required by law.

B. Or, in the alternative, that the Commission grant a rehearing and upon rehearing enter an order pooling all mineral interests underlying the N/2 of said Section 19 and, among other things, permitting applicant to recover as a charge for the risk involved in the drilling of the Moore "FQ" No. 1 Well, 200% of the 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; and

C. For such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

A. J. Losee

LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

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.

5983

Order No. R-

5445-17

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County,
New Mexico

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on Nov. 16,
19 77, at Santa Fe, New Mexico, before Examiner R. L. Stanets

NOW, on this _____ day of _____, 19____, 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, Yates Petroleum
Corporation, ^{Commission} seeks the amendment of Order No. R-5445 to
provide for a 200 percent risk factor for drilling the unit well rather than 20 percent,
as set out in Order No. (7) of said Order.

(3) That the evidence presented established
that a risk factor of 200 percent is appropriate.

(4) That Commission Order No. ~~R-5445~~ R-5445
should be amended to provide for
a 200 percent risk factor.

Case NO. 5932
Order No. R-5445

after the effective date of
this order.

(5) 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.

(6) 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.

It is Therefore Ordered:

(1) That Order^{NO} (7) Commission Order No. R-5445 is hereby amended to read in its entirety as follows:

(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. *and available actual*
- (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. *and available actual*

(2) That Orders (3) and (4) of said Order No R-5445 are hereby superseded.

(3) That within 30 days after the effective date of this order, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

and available actual

(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) jurisdiction