

Case Number

60009

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 10, 1977  
COMMISSION HEARING

IN THE MATTER OF:

Application of Morris R. Antweil for  
compulsory pooling, Eddy County, New  
Mexico; and Application of Yates  
Petroleum Corporation for compulsory  
pooling, Eddy County, New Mexico.

CASES  
6009 and  
6078  
CONSOLIDATED

BEFORE: Joe D. Ramey, Secretary-Director  
Phil R. Lucero, Member  
Emery C. Arnold, Member

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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Conservation Commission

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I N D E X

	<u>Page</u>
1. Appearances	1
2. The Witness, Mr. R. M. Williams	
Direct Examination by Mr. Carr	6
Cross Examination by Mr. Kellahin	14
Redirect Examination by Mr. Carr	24
Recross Examination by Mr. Kellahin	25
Redirect Examination by Mr. Carr	29
Cross Examination by Mr. Stamets	30
Witness Excused	30
2. The Witness, Mr. Allen Antweil	
Direct Examination by Mr. Carr	30
Cross Examination by Mr. Kellahin	37
Witness Excused	41
4. The Witness, Mr. Johnnie M. Morgan	
Direct Examination by Mr. Kellahin	41
Cross Examination by Mr. Carr	47
Witness Excused	49
5. The Witness, Mr. Jack McCaw	
Direct Examination by Mr. Kellahin	49
Cross Examination by Mr. Carr	51
Witness Excused	52
6. Closing Statement by Mr. Carr	52
7. Closing Statement by Mr. Kellahin	56

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INDEX CONTINUED

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Page

8. Reporter's Certificate

60

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EXHIBIT INDEX

	<u>Page</u>
1	
2	
3	Antweil's Exhibit No. 1, Form C-101 8
4	Antweil's Exhibit No. 2, Map 8
5	Antweil's Exhibit No. 3, A.F.E. 9
6	Antweil's Exhibit No. 4, Land Map 9
7	Antweil's Exhibit No. 5, Letters 12
8	Exhibits No. 1 thru No. 5 Admitted 14
9	Yates' Exhibit No. 1, A.F.E. 42
10	Yates' Exhibit No. 2 and No. 6, A.F.E. 16
11	Yates' Exhibit No. 3, Letters 59
12	Yates' Exhibit No. 4, Letters 59
13	Exhibits No. 1 thru No. 4 Admitted 59
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

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1 MR. RAMEY: The hearing will come to order. In  
2 the other case, I have a telegram from the Northwest Pipeline  
3 Corporation, K. C. Bowman, "We have a letter addressed to  
4 the Commission in the mail opposing Tenneco's application  
5 for the designation of these two wells as Chacra.

6 Call Case 6009, application of Morris R. Antweil  
7 for compulsory pooling, and Case 6078, application of Yates  
8 Petroleum Corporation for compulsory pooling and these cases  
9 are being heard de novo.

10 Would you have any objection of consolidating these  
11 two cases, counselors?

12 MR. KELLAHIN: Mr. Ramey, I was getting ready to  
13 so move, to consolidate the two cases for purpose of  
14 testimony.

15 MR. RAMEY: It is my understanding that these two  
16 cases involve the same acreage. Call for appearances?

17 MR. CARR: William F. Carr, Catron, Catron & Sawtell  
18 appearing on behalf of the Applicant, Morris R. Antweil.

19 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,  
20 appearing on behalf of Yates Petroleum Corporation.

21 MR. RAMEY: I assume you have witnesses?

22 MR. KELLAHIN: Yes, sir.

23 MR. CARR: I have two witnesses.

24 MR. RAMEY: I will ask all of the witnesses to stand  
25 at this time and be sworn.

(THEREUPON, the witnesses were sworn.)

MR. CARR: I understand that the cases have just been consolidated and separate orders will be issued?

MR. RAMEY: Yes, sir.

MR. CARR: Then, I will proceed unless you want to --

MR. KELLAHIN: May we incorporate the record of the previous hearing on Morris Antweil's application into the record of this case?

MR. CARR: I have no objection to that.

MR. RAMEY: All right, it will be incorporated.

MR. CARR: Some of what we intend to present today will be repetitive and I would call Mr. Bob Williams.

R. M. WILLIAMS

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you tell us your name and place of residence?

A I am R. M. Williams from Hobbs, New Mexico.

Q Mr. Williams, by whom are you employed?

A Morris R. Antweil.

Q In what capacity?

A As an engineer.

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1 Q Have you previously testified before the Commission  
 2 and had your credentials accepted and made a matter of  
 3 record?

4 A Yes, I have.

5 Q Are you familiar with the application in this case?

6 A Yes.

7 MR. CARR: Are the witness' credentials acceptable?

8 MR. RAMEY: Yes, they are.

9 Q (Mr. Carr continuing.) Briefly state what the  
 10 applicant seeks in this case?

11 A The applicant has requested the compulsory pooling  
 12 of the south half of Section 29, Township 18 South, Range 25  
 13 East, of Eddy County, New Mexico, to be dedicated to a well  
 14 to be drilled at a standard location thereon.

15 Also, the consideration of the cost of drilling and  
 16 completing such well and the allocation of the costs thereof  
 17 as well as the actual operating costs and charges for  
 18 supervision and also to be considered the designation of the  
 19 applicant as the operator of the well and a charge for risk  
 20 involved in drilling of said well.

21 Q Mr. Williams, have you prepared or has there been  
 22 prepared under your direction and supervision certain exhibits  
 23 for introduction in this case?

24 A Yes, there has.

25 Q Will you please refer to what has been marked as

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1 Exhibit Number One and explain what it is and what it shows?

2 A. Exhibit Number One is the Form C-101, Application  
 3 to Drill, and it is submitted primarily to show the proposed  
 4 casing and cementing program for a well to be drilled on the  
 5 proposed unit.

6 Q. Refer to what has been marked as Exhibit Two and  
 7 explain what it is and what it shows.

8 A. Exhibit Two shows the proposed gas proration unit  
 9 and three hundred and twenty acres in the south half of  
 10 Section 29, 18 South, 25 East.

11 It shows the working interest ownership in that  
 12 three hundred and twenty acres with Antweil, et al, holding  
 13 one hundred and sixty acres for fifty percent and Yates  
 14 Petroleum Corporation, et al, holding one hundred and sixty  
 15 acres for fifty percent.

16 Q. You are speaking here today for the owners of fifty  
 17 percent of the working interests in this well, is that  
 18 correct?

19 A. That's correct.

20 Q. How much of the working interest has been committed  
 21 to the unit?

22 A. The fifty percent of Antweil, et al.

23 Q. Do you anticipate the joinder of any other working  
 24 interest owners?

25 A. No, not at this point.

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1 Q I would ask you to refer to what has been marked  
2 as Exhibit Number Three and explain to the Commission what  
3 it is and what it shows?

4 A Exhibit Number Three is our A.F.E. cost estimate  
5 for the proposed well indicating the proposed estimated  
6 total cost of three hundred and eighty-five thousand dollars.

7 This is in range with our recent experience in the  
8 area. Our No. 1, Penasco Well to the north of this location  
9 cost three hundred and sixty-one thousand dollars, complete.

10 The No. 1 Rio Well in the north half of Section 29  
11 cost us three hundred and seventy-three thousand dollars,  
12 complete.

13 Q This figure includes both the cost of drilling and  
14 completing the well, is that correct?

15 A That's correct.

16 Q Please refer to what has been marked as Exhibit Number  
17 Four and explain to the Commission what it is and what it  
18 shows?

19 A Exhibit Number Four is a land map of the area under  
20 consideration.

21 On this map I have indicated the proposed proration  
22 unit to be compulsory pooled and outlined that with a red  
23 line being the south half of Section 29, approximately in the  
24 center of the map.

25 It indicates the proposed well with a red dot. It shows

1 the successful Morrow completions in the area which are  
2 colored orange.

3 There are four successful, or apparently successful,  
4 Morrow completions in the immediate area of the proposed  
5 well and you might notice that there are four successful  
6 Morrow completions within several miles to the south which  
7 constitutes the Boyd Field.

8 Also, indicated with a blue dot are the dry or  
9 non-economic Morrow tests that have been drilled in this  
10 area.

11 Q Mr. Williams, have you made calculations as to the  
12 risk you are assuming in drilling this well?

13 A We consider the drilling and the development of the  
14 Morrow gas sand that any well will carry a fairly high degree  
15 of risk.

16 I think the real measure of risk involved or the  
17 consideration and the risk involved in this particular well  
18 if the requested proration unit is pooled if one of the parties  
19 then would refuse to join in the drilling of that well their  
20 reason, obviously, is that they consider the risk to be very  
21 high.

22 Q Mr. Williams, what risk factors were set on similar  
23 wells in the area?

24 A In a couple of wells in the area there, there has  
25 been compulsory pooling the south half of Section 20, 18, 25,

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1 and it was compulsory pooled with our No. 1 Penasco Well  
2 and was awarded a risk factor of two hundred percent.

3 Also, the north half of Section 20 was compulsory  
4 pooled for the drilling of our No. 1 La Comma Well and a two  
5 hundred percent risk factor was awarded.

6 Q In your opinion is the proposed location better or  
7 worse from a structural point of view than those in the area  
8 with a two hundred percent risk factor?

9 A Of course, our No. 1 Penasco Well was really the  
10 discovery of this particular Morrow gas production and would  
11 be considered a wildcat.

12 The No. 1 La Comma Well was an offset to an excellent  
13 well, excellent completion, and was awarded the risk factor  
14 of two hundred percent.

15 I would not consider this location to appear at this  
16 point to appear any better than the No. 1 La Comma appeared  
17 at the time we were preparing to drill it.

18 In conjunction with the evaluation of that risk it  
19 may be pointed out that the Bennett and Ryan well in Section 32,  
20 south of the proposed proration unit is completed from a  
21 different sand stringer than the -- than our Penasco well  
22 and our Rio well and the apparent productive interval in the  
23 Gulf well in Section 19 of 18, 25.

24 The primary sand that we would be drilling for, the  
25 sand that we have in our Penasco well, was not developed in

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1 the Bennett-Ryan well in Section 32.

2 Q Do you have a recommendation to make to the Commission  
3 as to what risk factor should be set on this well?

4 A We would request a two hundred percent risk penalty  
5 factor.

6 Q Do you have a recommendation to make to the Commission  
7 as to the overhead and administration costs for drilling and  
8 producing the well, if in fact, it is a producing well?

9 A Yes. We would request overhead charges of fifteen  
10 hundred dollars per month for a drilling well and two hundred  
11 and twenty-five dollars a month for a producing well.

12 Q Are the recommendations in line with what is being  
13 charged by other operators in the area?

14 A Yes, they are.

15 Q I would ask you to refer to what has been marked as  
16 Exhibit Number Five and explain what it is and what it shows?

17 A Exhibit Number Five is the four-page exhibit and  
18 it consists of the correspondence between Yates and Morris  
19 Antweil in regard to the well in the south half of Section 29.

20 Q Would you go through those?

21 A The first page of the exhibit is a letter dated July  
22 14, from Yates to Antweil, proposing their drilling of a well  
23 in the south half of Section 29, and including their A.F.E.  
24 cost estimate which was four hundred and twenty-five thousand  
25 dollars.

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1 The second page is our letter of July 26, to Yates  
2 Petroleum Corporation, where we proposed to drill a Morrow  
3 test in the south half of Section 29 and requested that Yates  
4 join us in the drilling and indicated that in the event that  
5 all of the working interests could not be joined the proposed  
6 drilling that we had requested a compulsory pooling hearing.

7 Also, with this letter we rejected their A.F.E.,  
8 their proposal to drill, as unapproved by us because of the  
9 forty thousand dollars difference in the estimated costs.

10 The third page is the letter of August 8th from our  
11 letter to Yates Petroleum and notified them of the docketing  
12 of the initial hearing of Case 6009 and enclosed with that  
13 was our A.F.E. cost estimate. Again, requesting their joinder  
14 in the well.

15 The final page is Yates Petroleum's letter of August  
16 22nd which they propose, again, that Antweil join them as  
17 the operator of the proposed well. They felt that they were  
18 entitled to operate said well and they would request this  
19 de novo hearing.

20 Q Mr. Williams, does Morris R. Antweil request to be  
21 designated operator of this well?

22 A Yes, he does.

23 Q In your opinion will the granting of this application  
24 be in the best interest of conservation and the prevention of  
25 waste and the protection of correlative rights?

1 A. Yes.

2 Q. Do you have anything further to add to your testimony?

3 A. No, I don't.

4 Q. Were Exhibits One through Five prepared either by  
5 you or under your direction and supervision?

6 A. One through Four were prepared by me or under my  
7 direction and Exhibit Five is copies of correspondence from  
8 Yates to us and from us to Yates. The letters from Antweil  
9 were written and signed by me.

10 MR. CARR: At this time I would offer Antweil's  
11 Exhibits One through Five.

12 MR. RAMEY: They will be admitted. Are there any  
13 questions from the witness at this time?

14 MR. KELLAHIN: If the Commission please.

15  
16 CROSS EXAMINATION

17 BY MR. KELLAHIN:

18 Q. Mr. Williams, I would like to refer you to the hearing  
19 that we had on the seventeenth of August 1977, and go over  
20 with you some of the testimony at that hearing and see if  
21 you and I can agree where we disagree.

22 First of all, in reviewing your testimony from that  
23 hearing, Mr. Williams, I found a statement by you that you  
24 concluded with me in response to a question that both Morris  
25 R. Antweil and Yates Petroleum Corporation were competent

1 operators?

2 A. Yes, we would agree with that.

3 Q. So, we can't decide this case based upon the fact  
4 that one operator may be more competent than the other? We  
5 can agree that either operator is equally competent to do  
6 this job?

7 A. We didn't make any contention otherwise.

8 Q. I understand, but the Commissioners did not hear that  
9 case and the Examiner did and rather than go through all of  
10 that testimony I thought that we could summarize it.

11 The next thing that we looked at was an item by item  
12 cost comparison of the A.F.E. that Antweil submitted and the  
13 A.F.E. that Yates submitted to you. Do you remember that  
14 testimony?

15 A. Yes.

16 Q. And your letter of July 26th that you just testified  
17 to indicated that the reason you rejected the Yates' A.F.E.  
18 was that it was some thirty thousand dollars more than the  
19 proposed Antweil A.F.E., is that not correct?

20 A. I believe it was forty.

21 Q. The dry hole estimate on the Yates A.F.E. was two  
22 hundred and seventy thousand and the one I have on Antweil was  
23 two hundred and forty thousand.

24 A. Okay, I was comparing the completed costs, I'm  
25 sorry. On the cost to the casing point, yes, apparently thirty

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1 thousand dollars differential and approximately forty thousand  
2 dollars differential on the cost to complete the well.

3 Q Okay. You told me at the hearing on August 17th that  
4 prior to your writing your letter on July 26th that you  
5 simply looked at the bottom line of the two A.F.E.'s and  
6 concluded that the Antweil estimate was more reasonable and  
7 that prior to writing the letter you did not make a line-by-line  
8 comparison of those entries.

9 That is correct, is it not?

10 A No, I think the total cost is the important item.

11 Q All right. Then, at that hearing we went through  
12 each of the items and you agreed with me that based upon the  
13 drilling of this particular well and depending on the drilling  
14 facts unknown to any of us it may be reasonable that the  
15 Antweil A.F.E. is correct and it may also be equally reasonable  
16 that the Yates' A.F.E. could be equally correct.

17 Is that not right?

18 A That's correct.

19 Q So, we simply cannot decide this case based upon  
20 looking strictly at which operator believes his cost to be  
21 the least?

22 A Our costs have been substantiated with our cost  
23 experience in the immediate area. We feel, firmly, that we  
24 can drill and complete the well for three hundred and eighty-  
25 five thousand dollars.

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1           Yates, apparently, submitted the A.F.E. and feels  
2 that it will cost four hundred and twenty-five thousand  
3 dollars.

4           We consider that to be a forty thousand dollar cost  
5 differential.

6           Q     I understand that. In comparing the A.F.E. at the  
7 previous hearing we looked at those line entries in which there  
8 was a significant difference between the Antweil and the  
9 Yates' A.F.E., did we not?

10          A     Yes. You inquired as to several of the specific  
11 costs comparisons.

12          Q     All right. Now, let's look at those costs. On the  
13 Yates' A.F.E. they had estimated --

14          A     Is this a part of our record?

15          Q     Yes, sir, it is your Exhibit --

16          A     I don't have a copy of it --

17          Q     I believe it was attached to the July 14th letter.

18          A     Not what I submitted to the Commission, no.

19                MR. RAMEY: We do not have a copy of it, the A.F.E.

20                MR. KELLAHIN: I thought it was attached to your  
21 letter, I apologize.

22                May I simply introduce out of order Yates' Exhibit  
23 Number Six which we will authenticate and submit into evidence  
24 with our witness?

25                MR. CARR: No objection.

Q (Mr. Kellahin continuing.) Let's run down the comparison, Mr. Williams, of the two A.F.E.'s and first of all, there is a drilling footage rate and Yates has indicated a charge of fourteen dollars and twenty cents as an estimate and you have a charge of twelve dollars and seventy-five cents as an estimate.

I assume your rate is based upon the fact that a rig would be available, already, in the area?

A. At the time we made the A.F.E. it was. Because of the delays that we have encountered because of the hearings the rig is no longer at our call.

When this is concluded we still think that our estimated costs will be reasonable.

Q Do you believe your cost will exceed the twelve dollars and seventy-five cents?

A. I have no reason to believe it will exceed that at this point, no.

Q Okay. Let's look at the day work. The next entry on there by way of comparison shows that Yates estimated that it may take six days and I believe a comparison of yours will show five days, a difference of one day is it not?

A. Let's see, you have your day work -- okay -- all in one spot and I have mine -- five to six, that's right.

Q Five to six. That's depending upon the problems, if any, encountered in the drilling of the well and either

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1 estimate by either operator could be equally correct?

2 A. That's right. Might not even get the well drilled.

3 Q. I agree. Let's look at the entry with regards to  
 4 water and mud used. Yates estimated that it may take thirty-  
 5 seven thousand dollars and you have indicated an entry of  
 6 thirty thousand dollars and, again, you will agree with me  
 7 will you not that either one, depending upon the circumstances,  
 8 could be equally reasonable?

9 A. Yes.

10 Q. All right.

11 A. You could spend a considerable sum of money if you  
 12 wish.

13 Q. Okay. Let's compare the entry under cementing. You  
 14 have the Yates entry at thirteen thousand five hundred dollars  
 15 and we have the Antweil entry at ten thousand eight hundred  
 16 dollars and, again, depending upon the volume of cement that  
 17 is required either one of those figures could be reasonable?

18 A. Yeah. I didn't add ours up. Is that what ours  
 19 adds up to?

20 Q. Yes, sir, it does.

21 A. I think the cost of cementing in all probability  
 22 will be a fairly firm figure and possibly you provided to bring  
 23 the cement on the production string up further than we thought  
 24 necessary.

25 But that figure should be -- should be able to



1 estimate it fairly close.

2 Q All right. Let's look at the drill stem test.  
3 Yates' estimated three and you have estimated two. Again, it  
4 is not unreasonable to assume there there may be two or  
5 three, is that true?

6 A That's true. From our experience in the area we  
7 would expect two.

8 Q All right, and if Yates elected to run only two, then  
9 the cost would be the same would it not?

10 A Probably.

11 Q Let's look at the entry under the cost of the well  
12 head and the Yates well head is for a new well head for  
13 eleven thousand seven hundred dollars and you propose a used  
14 well head for a total cost, I believe, of eight thousand  
15 dollars.

16 If you bought a new well head, then, your cost would  
17 be in line with Yates would it not?

18 A I haven't priced ~~it~~ lately but I imagine that it  
19 would be, yes, or in that neighborhood, at least.

20 I find it awfully hard to wear out a well head.

21 Q All right. Let's look at the production casing.  
22 There is a difference in price on the production casing that  
23 I attribute to the fact that Yates is going to buy new  
24 production casing and you propose to use used production casing.

25 In either situation that may be reasonable and

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1 prudent for either operator might it not?

2 A. Correct.

3 Q. And the same thing applies to the tubing. Yates  
4 proposes to buy new tubing and you propose to use used  
5 tubing?

6 A. Correct.

7 Q. All right. If the well required stimulation, and  
8 it may not, we don't know do we?

9 A. No.

10 Q. If it is stimulated Yates estimates it may cost  
11 sixteen thousand dollars to stimulate it and you propose  
12 eight thousand dollars and depending on the circumstances  
13 either one of those figures could be reasonable could it  
14 not?

15 A. Correct.

16 Q. And we look at the tank battery and Yates has  
17 proposed ninety-five hundred dollars for a tank battery and you  
18 don't have a figure down there -- but if tanks are required  
19 then that figure used by Yates is not unreasonable is it?

20 A. I consider that that may be somewhat unreasonable  
21 to have that much tanking for all the more condensate that  
22 we have seen in that area -- you have about a year's storage  
23 there.

24 Q. You have indicated that Yates proposes to use a  
25 used well head, used production casing, and used tubing.

1 What is going to be the source of that used  
2 equipment?

3 A. Did you say that Yates was going to use it?

4 Q. I am sorry, --

5 A. We will sell it to them.

6 Q. I am sure you would. Antweil proposes to use the  
7 used equipment and what will be the source of your used  
8 equipment?

9 A. Hobbs Pipe and Supply.

10 Q. And who owns Hobbs Pipe and Supply?

11 A. Morris R. Antweil.

12 Q. I have lost track of which exhibit it was but I want  
13 to refer you to Mr. Scott Wilson's letter on behalf of the  
14 Yates Petroleum Corporation dated July 14th, 1977.

15 Do you have that in front of you?

16 A. That is the first page of our Exhibit Five.

17 Q. All right, sir. If we can't decide this case based  
18 upon who is the better operator, Mr. Williams, or on the  
19 question of one A.F.E. being more unreasonable than the  
20 other perhaps we can conclude this case based upon which  
21 operator desired to drill a well at this particular location  
22 first.

23 Is it not a fact that representatives or employees  
24 of Yates Petroleum Company contacted representatives of  
25 Morris Antweil first with regard to the drilling of this

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1 acreage?

2 A. I can't testify to that.

3 Q. All right.

4 A. It was my understanding that in a discussion with  
5 our people, with either Scott Wilson or Jack McCall, the  
6 subject of the well in the south half of Section 29 and  
7 subsequent to a well in the north half arose and who was  
8 going to operate it was discussed on the fourteenth of July.

9 Q. Okay. You don't have any specific recollection as to  
10 which operator proposed to the other that they drill the  
11 well?

12 A. It was my understanding that our people contacted  
13 Yates on that date.

14 Q. Okay. What is the ownership interest of Morris R.  
15 Antweil in this particular south half of Section 29?

16 A. Morris R. Antweil?

17 Q. Yes, sir.

18 A. None.

19 Q. All right. How do you attribute the fifty percent  
20 working interest to him?

21 A. Morris R. Antweil is the operator for the owners  
22 of that lease. They constitute fifty percent of the acreage  
23 within the proposed unit.

24 Q. Okay. Do you have a breakdown of what those interests  
25 are, Mr. Williams?

1 A. I do but I am not certain that it is significant.

2 Q Oh, I think it is, Mr. Williams. Could you supply  
3 that information for us?

4 A. Do you want me to read it or do you want me to  
5 submit it?

6 MR. CARR: It will suffice just to read it, sir.

7 A. As to the one hundred and sixty acres that we  
8 propose to include in the unit, the Moran Company has  
9 fifteen percent; Allen J. Antweil, six point five percent;  
10 D.A.&F. Well Servicing Company, five percent; S. D. Stead,  
11 five percent; Murry M. Cash, five percent; Harvey E. Yates  
12 and Company, five percent; Smith-Collins, two and a half  
13 percent; Mike Tinley, one point two-five percent; Jack  
14 Daniels, one point two-five percent; H. W. Smith, point five  
15 percent; R. M. Williams, point five percent; Jim L. Sharp,  
16 point five percent; Paul L. Silverman, point five percent;  
17 Berry L. Antweil, point five percent; Mark R. Antweil, point  
18 five percent; J. F. McDonald, point two-five percent;  
19 Jimmy J. Reynolds, point one two-five percent; Denny B.  
20 Hedspeth, point one two-five percent -- I am sorry, my  
21 initial description of what those were was incorrect.

22 The percentages that I have just read will total  
23 the fifty percent and that would be these parties ownership  
24 in the entire proposed well rather than in the lease as  
25 I designated.

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1 Their ownership in the one hundred and sixty  
2 acres would be twice that.

3 Q I understand. What was the ownership attributable  
4 to Morris R. Antweil?

5 A Zero.

6 Q And you attributed the six point five percent to  
7 Allen Antweil, was it not?

8 A Correct, six point five percent of the proposed  
9 well.

10 MR. KELLAHIN: All right, I got it. That concludes  
11 my examination of Mr. Williams. Thank you.

12 MR. RAMEY: Any other questions of the witness?  
13 Mr. Carr?

14  
15 REDIRECT EXAMINATION

16 BY MR. CARR:

17 Q Mr. Williams, while you have been employed by Morris  
18 R. Antweil you have drilled other wells in the immediate  
19 area of the proposed location have you not?

20 A Yes, we have drilled four previous Morrow tests in  
21 the immediate area.

22 Q Barring some unforeseen circumstance do your actual  
23 costs closely approximate the costs set out in your A.F.E.?

24 A Yes. Our actual costs are our Penasco and Rio wells  
25 which are completed wells and are producing somewhat less

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1 than our estimated cost of this well and they were estimated  
 2 at approximately the same at the time that they were drilled.

3 Q Now, in regard to the differences between the  
 4 Antweil A.F.E. and the Yates A.F.E., no matter how reasonable  
 5 any particular decision may be is it not fair to say that the  
 6 Yates proposal will cost more than the Antweil proposal?

7 A The total estimated cost is forty thousand dollars  
 8 more and we consider that to be significant.

9 Q When you drill this well who will pay the costs?

10 A It would depend on whether there was joinder obtained  
 11 from Yates or not subsequent to an order being issued.

12 If it was compulsory pooled and their interest was  
 13 carried, then, the Antweil group would carry the full cost.

14 Q Would each of the individuals you named when you  
 15 set out the percentages of the ownership interest in the  
 16 Antweil group, will each of those individuals pay their  
 17 proportional share of the cost of drilling the well?

18 A Yes, they would, and their proportionate share of  
 19 the cost of carrying Yates' interest in the event that they  
 20 declined to join.

21 Q And you are here today as a representative of all  
 22 of these people?

23 A Correct.

24 MR. CARR: I have no further questions of this  
 25 witness.

1 MR. KELLAHIN: I have another question.

2 MR. RAMEY: Mr. Kellahin.

3

4 RE CROSS EXAMINATION

5 BY MR. KELLAHIN:

6 Q In light of that last statement, Mr. Williams, are  
7 you willing to guarantee to Yates that the actual cost of this  
8 well will not exceed the A.F.E.?

9 A No.

10 Q What figures would you like to increase before you  
11 make such guarantees?

12 A We would never make a guarantee.

13 Q Okay. Morris R. Antweil since filing their original  
14 forced pooling application has always been ready, willing  
15 and able to immediately commence the drilling of this  
16 well?

17 A Now, the situation would depend on the availability  
18 of the rig. I think that at the time we applied --

19 MR. CARR: I think that question is certainly  
20 irrelevant. The question is not if they are immediately  
21 ready. We would certainly be willing to stipulate for the  
22 record that we are prepared to commence the drilling of the  
23 well within the time of the standard compulsory pooling order.

24 MR. KELLAHIN: I think it is very relevant that the  
25 operator that is prepared to undertake the drilling of this

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1 well without further delay and I think it is further a  
2 significant factor in terms which of these operators ought  
3 to be granted the privilege of drilling it.

4 MR. RAMEY: It seems to me, gentlemen, that the  
5 Commission puts a time limit on the completion of the well  
6 on its order and I wonder if that wouldn't be sufficient to  
7 answer the question?

8 Q (Mr. Kellahin continuing.) All right. Let me ask  
9 you this question, what period of time would you like in the  
10 Commission order if Morris R. Antweil is designated the  
11 operator in which to commence the drilling of the well?

12 A I think ninety days is the normal consideration.  
13 We do not have a rig readily available to us at this point  
14 but we think we could get one in ninety days.

15 Q Did you ever express to employees of Yates Company  
16 that Antweil is not prepared to drill this well?

17 A I think the last we discussed this well with them  
18 we expressed some concern.

19 Q What was that concern you expressed?

20 A The performance of the surrounding wells.

21 Q Which are those wells? Was there not a plat  
22 introduced showing the location of the subject property?

23 A We have got one.

24 Q Which of the offsetting wells gives you concern, Mr.

25 Williams?

1 A. The well to the north, the No. 1 Rio.

2 Q. Is that in the north half of Section 29?

3 A. Yes, and the well to the south, the Bennett-Ryan  
4 completion in Section 32.

5 Q. Okay. Both of those wells were drilled by whom?

6 A. Well, they were not both drilled by the same  
7 party.

8 Q. Who drilled them?

9 A. The Rio well was drilled by Morris R. Antweil. The  
10 well in Section 32 was drilled under the name of Bennett  
11 and Ryan.

12 Q. Okay. Let me ask you again, did you ever express  
13 an opinion to the employees of Yates that Antweil was not  
14 prepared to drill this well?

15 A. As I have answered before, we expressed our concern  
16 of the performance of our Rio well and the desire to see  
17 the initial performance of the Bennett and Ryan well at this  
18 point.

19 I understand that their well will be on the pipeline  
20 within the next week.

21 Q. Okay. So, you are talking in terms of another week  
22 before you would be in a position to determine the drilling  
23 of this particular well?

24 A. No, I didn't say that. I said that the well would  
25 be on production in a week.

1 Q How much more time would you require?

2 A We would like to see how it performs.

3 Q For how long?

4 A Depending on how it performs. If it performs very  
5 poorly you could probably evaluate it in a few days.

6 If it performed extremely well you could probably  
7 evaluate it in a few days.

8 If it is intermediate you would like to see a little  
9 more history on it.

10 MR. KELLAHIN: No further questions.

11 A But I am sure we would be able to evaluate it by  
12 the time we got a rig.

13 MR. RAMEY: Mr. Carr?

14

15

REDIRECT EXAMINATION

16 BY MR. CARR:

17 Q Mr. Williams, if the application of Morris R. Antweil  
18 is granted are you prepared to drill this well in the south  
19 half of this section within the time allowed by the order  
20 of the Commission?

21 A That's our intention.

22 Q That is a yes answer?

23 A Yes.

24 MR. CARR: That's all.

25 MR. RAMEY: Mr. Stamets?

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CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Williams, even though Morris R. Antweil is not an owner of the acreage in this proposed proration unit, does Morris R. Antweil have the right to drill?

A Yes. He is the operator for the parties that have acquired an interest in this lease.

MR. STAMETS: Thanks. That's all.

MR. RAMEY: Any other questions of the witness?

He may be excused.

(THEREUPON, the witness was excused.)

MR. CARR: I'll call Mr. Allen Antweil.

ALLEN ANTWEIL

was called on behalf of the applicants, and having been first duly sworn, testified upon his oath as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q State your name and place of residence, please?

A Allen Antweil, Hobbs, New Mexico.

Q By whom are you employed?

A By myself and Morris R. Antweil and Hobbs Pipe and Supply Company.

Q And in what capacity do you serve?

1 A. General Manager.

2 Q. Have you previously testified before this  
3 Commission and had your credentials accepted?

4 A. Yes, sir.

5 Q. Are you familiar with the application in this  
6 case?

7 A. Yes.

8 MR. CARR: Are the witness' credentials acceptable?

9 MR. RAMEY: They are acceptable.

10 Q. (Mr. Carr continuing.) Will you please summarize  
11 for the Commission the efforts made to obtain voluntary  
12 communitization of the acreage you are seeking the Commission  
13 to pool here today?

14 A. Yes, sir. On July the 14th, I called Jack McCaw,  
15 who is present today for Yates and told him that I understood  
16 that there was a location staked in the south half of 29.

17 My people told me upon returning to Hobbs that the  
18 Yates had staked a well in the south half of 29.

19 He said, yes, that they were going to drill a well.  
20 I said that it was certainly our intention to drill a well  
21 in the south half of 29, also, and we want to be the operator.

22 He said, "Well, we want to drill a well in the  
23 south half of 29."

24 So, we talked about that in general-friendly terms  
25 for a little while and he said, "Well, maybe you ought to

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1 talk to Mr. Yates, S. P. Yates."

2 I said, "Fine."

3 And Mr. Yates got on the phone and he and I discussed  
4 it in the same manner and I said that we would like to drill  
5 the well and he said that they would like to drill the  
6 well.

7 He said that he felt like it was only fair that they  
8 be the operators since we had already drilled several wells  
9 in there and it was in their backyard.

10 I said that we had drilled several wells in there and  
11 it was equally in our backyard as theirs and that we would  
12 like to be the operator.

13 That was the general input of the conversation.  
14 That is about where the conversation ended. The next day we  
15 received a letter from the Yates Company with -- I think it  
16 was Scott Wilson's letter -- dated the 14th.

17 Q You received a letter and was there anything attached  
18 did you say?

19 A Yes, I think there was the A.F.E. and we talked about  
20 the A.F.E. and it was considerably higher than ours and we  
21 felt that we could drill the well cheaper and that was  
22 sufficient reason for us to be the operator.

23 So, I authorized my people to go ahead and find out  
24 when the next docket came up and file for a forced pooling  
25 so that we could be the operator.

1 Q Mr. Antweil, as you have been drilling wells in  
2 this particular area you have undoubtedly had to obtain  
3 either voluntary or forced joinder in these units from the  
4 Yates?

5 A Every time.

6 Q What sort of experience have you encountered?

7 A The same experience as this.

8 Q If I could direct your attention to the Penasco  
9 well, what experience have you had there?

10 A We have had to force pool them in that well.

11 Q Did they join, then?

12 A No, sir, they did not. We got a two hundred percent  
13 penalty and their acreage went into the well and we drilled  
14 a well and when it pays out why they will come back in for  
15 their interest after the penalty.

16 Q How about the Rio well?

17 A The Rio well we had to force pool them again and  
18 they chose to join before the thirty days after the order  
19 was issued -- before the hearing, excuse me, I take that  
20 back, that they chose to join before the hearing.

21 Q What about the La Comma?

22 A I think they just joined that well, also. I think  
23 we had to put it on the docket. I really don't remember.

24 Q All right, that's fine. So, in the past you have  
25 not been able to get voluntary commitment of acreage to a

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1 drilling unit from them?

2 A. Only after we submitted a forced pooling order to  
3 the Commission.

4 Q. Mr. Antweil, you have heard the discussions here  
5 today about how Antweil proposed to complete the well and I  
6 am talking about used tubing and used casing and material?

7 A. Yes, I was here when Yates took exception to our  
8 running used material on the August 17th hearing.

9 Q. Why do you use this type of tubing?

10 A. Because it is cheaper.

11 Q. Can you, across the board, complete wells for less  
12 by using this type of material?

13 A. Yes, sir.

14 Q. Now, do you increase your risk by using this used  
15 material?

16 A. No, sir, I don't think so.

17 Q. Do you test the tubing and the casing and other  
18 materials?

19 A. Yes, sir.

20 Q. How do you do that?

21 A. It is a test that you perform on new or used pipe --  
22 we test it more than the pressure testing that they put on  
23 new pipe.

24 Q. What percent of the yield?

25 A. We test it to eighty percent of yield.



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1 Q Do you also check the diameter?

2 A Yes, sir.

3 Q Now, you have drilled a number of wells in south-  
 4 eastern New Mexico and have you used used tubing and casing  
 5 in a number of these?

6 A In everyone that we have ever been the operator  
 7 on unless we didn't have the material.

8 Q Have you ever encountered a problem because you were  
 9 using used casing?

10 A No, sir.

11 Q Now, Hobbs Pipe and Supply just does not serve  
 12 Morris R. Antweil, is that correct?

13 A No, sir.

14 Q You sell to other individuals?

15 A Yes, sir.

16 Q Have you ever received a complaint from anyone  
 17 because the materials you sold them failed or were not adequate  
 18 for the job?

19 A No, sir.

20 Q Do you plan to get this material from Hobbs Pipe  
 21 and Supply?

22 A Yes, sir, and make a profit -- that's our business.

23 Q Will it be at a competitive price?

24 A Yes, sir.

25 Q You are not a novice to the area I understand from

1 your testimony here today?

2 A. No, sir, I have been in this business for over  
3 twenty-eight years.

4 Q. Do you operate other wells in the immediate area?

5 A. Yes, sir.

6 Q. Where, exactly, are these?

7 A. Well, we operate the Penasco well, the Incus well,  
8 and we drilled the La Comma and we operate the Rio all in  
9 the immediate area four miles south of Artesia.

10 Q. Did you complete the well in the north half, I  
11 believe that is the Rio?

12 A. Yes, sir.

13 Q. In the same fashion that you propose to complete the  
14 well that would be drilled if your application is granted  
15 here today?

16 A. Yes, sir.

17 Q. If you were required to use new tubing and casing  
18 what do you think would be the affect on your drilling of  
19 the well?

20 A. I think it would cost more.

21 Q. Do you think you would have a better well when you  
22 would have completed it?

23 A. No.

24 MR. CARRR: I have nothing further, Mr. Ramey.

25 MR. RAMEY: Mr. Kellahin?

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CROSS EXAMINATION

2 BY MR. KELLAHIN:

3 Q Mr. Antweil, counsel has asked you some questions  
4 with regard to the Rio well and the La Comma well, both,  
5 subject to forced pooling applications before this  
6 Commission?

7 A Yes, sir.

8 Q I would like to direct your attention to the Rio  
9 No. 1 Well in the north half of Section 29 and show you a  
10 letter dated May 3rd, 1977, written on your letterhead  
11 showing a demand upon Yates Petroleum Company for this acreage.

12 Are you aware of this letter?

13 A Yes, sir.

14 Q All right. You can see by the contents of that  
15 letter that your employees or your agents docketed the O.C.C.  
16 force pooling application before you gave Yates any written  
17 opportunity to voluntarily join you in that, is that not  
18 true?

19 A I really don't remember the exact circumstances  
20 surrounding that well. That's a long time ago.

21 Q The letter seems to speak for itself, does it not?

22 A Yes, sir.

23 Q All right. You took the same procedure in the La  
24 Comma No. 1 Well located in the north half of Section 20.

25 I show you a letter dated the twenty-ninth of June

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1 1977, and the contents of that letter, Mr. Antweil, appears  
2 that your employees or agents docketed the O.C.C. forced  
3 pooling application before you gave Yates any opportunity to  
4 voluntarily join your acreage, is that not true?

5 A. I really don't remember the exact circumstances of that  
6 well. The letter is certainly evident that it was our  
7 intention to drill the well and if they would like to join  
8 they could and I don't know anything in the record that it is  
9 necessary unless you want to drill a well and if the people  
10 want to join they can join by signing the A.F.E.

11 If you have one acre you can request to be the  
12 operator as far as the statutes go and ask that you be  
13 designated the operator and give everybody the opportunity to  
14 join.

15 So, I don't see anything wrong with that, Mr.  
16 Kellahin.

17 Q. Well, I do, Mr. Antweil.

18 MR. CARR: Are you testifying, Mr. Kellahin?

19 MR. KELLAHIN: No.

20 Q. (Mr. Kellahin continuing.) It appears, Mr. Antweil,  
21 that you never had any desire at good faith to attempt to  
22 reach a voluntary agreement --

23 MR. CARR: I object to the question. There is no  
24 foundation for reaching that kind of a conclusion. If Mr.  
25 Kellahin would like to testify he should hire an attorney and

1 take the stand.

2 MR. LUCERO: Mr. Kellahin, is there an element of  
3 good faith -- where does it enter into the issue here?

4 MR. KELLAHIN: I believe the statute requires that  
5 prior to forced pooling that the designated operator make  
6 some reaonsable effort to voluntarily join the remaining  
7 acreage.

8 MR. CARR: I would be glad to read the section of  
9 the statutes which is Section 64-3-14 (c):

10 "When two or more separately owned tracts of land  
11 are embraced within a spacing or proration unit, or where  
12 there are owners of royalty interests or undivided interests  
13 in oil and gas minerals which are separately owned or any  
14 combination thereof, embraced within such spacing or proration  
15 unit, the owner or owners thereof may validly pool their  
16 interests and develop their lands as a unit. Where, however,  
17 such owner or owners have not agreed to pool their interests,  
18 and where one such separate owner, or owners, who has the  
19 right to drill has drilled or proposes to drill a well on  
20 said unit to a common source of supply, the Commission, to  
21 avoid the drilling of unnecessary wells or to protect  
22 correlative rights, or to prevent waste, shall pool all or  
23 any part of such lands or interest or both in the spacing or  
24 proration unit as a unit."

25 I see no requirement for any sort of good faith or

1 any time requirement or any sort of effort before or after  
2 an application is filed.

3 I would further submit in response to this point  
4 that once an application is filed there is still an extended  
5 period of time within which an individual who is being forced  
6 pooled -- within which they may voluntarily come in and join  
7 the unit.

8 MR. KELLAHIN: I think the point is relevant in  
9 that Mr. Antweil has testified that everytime he does business  
10 with Yates he has to force pool them -- in response to this  
11 letter of July 26, 1997; in the telephone conversation between  
12 them on the fourteenth of July -- he simply indicates that  
13 this pattern of operation is his only ability to do business  
14 with Yates is to force pool them.

15 I am simply contending that that is not the case.  
16 That it is the practice to file the application and then  
17 see if he can work out an effort to reach an agreement. So,  
18 I think I have made my point.

19 MR. CARR: May it please the Commission, I would  
20 submit that no matter how these two individuals do business  
21 that it doesn't fall within the scope of this hearing nor  
22 arises under the statute which I have quoted to you.

23 MR. RAMEY: I think the point has been made.

24 MR. KELLAHIN: I have no further questions of Mr.  
25 Antweil.

1 MR. RAMEY: Does anyone have any questions of Mr.  
2 Antweil?

3 He may be excused.

4 (THEREUPON, the witness was excused.)

5 MR. RAMEY: Anything further, Mr. Carr?

6 MR. CARR: That concludes my direct.

7 MR. RAMEY: Let's take about a fifteen minute  
8 recess.

9 (THEREUPON, the hearing was in recess.)  
10

11 MR. RAMEY: The hearing will come to order. Mr.  
12 Kellahin?

13  
14 JOHNNIE M. MORGAN

15 was called as a witness by the protestants, and having been  
16 first duly sworn, testified upon his oath as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Would you please state your name and by whom you  
21 are employed and in what capacity?

22 A My name is Johnnie M. Morgan and I am employed by  
23 Yates Petroleum Corporation as production engineer.

24 Q Mr. Morgan, have you previously testified before the  
25 Commission as a production engineer and had your qualifications

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1 accepted and made a matter of record?

2 A. Yes, sir, I have.

3 Q. Have you made a study of and are you familiar with  
 4 the facts surrounding this particular application by Yates?

5 A. Yes, sir, I am.

6 MR. KELLAHIN: If the Commission, please, are the  
 7 witness' qualifications acceptable?

8 MR. RAMEY: Yes, they are acceptable.

9 Q. (Mr. Kellahin continuing.) Mr. Morgan, I show you  
 10 what I have marked as Yates' Exhibit Number One, which is  
 11 the A.F.E., and ask you to identify it and explain what  
 12 information it contains?

13 A. Exhibit Number One is a A.F.E. written by Yates  
 14 Petroleum Corporation which is the estimated cost to drill,  
 15 complete and equip a Morrow test well, the subject well, which  
 16 would be the Antweil I.K. State No. 1, in the south half  
 17 of Section 29 of 18 South, 25 East.

18 Q. Does Yates Petroleum Corporation desire to be  
 19 designated the operator of that acreage?

20 A. Yes, sir, they do.

21 Q. You heard Mr. Williams' testimony on behalf of  
 22 Morris R. Antweil did you not?

23 A. Yes, sir, I did.

24 Q. Are you in agreement with Mr. Williams with regards  
 25 to the risk factor that ought to be assessed in this particular



1 matter?

2 A. Yes, sir.

3 Q. He indicated a risk factor of two hundred percent?

4 A. Yes, sir, that's correct.

5 Q. In your opinion regardless of which applicant is  
6 designated the operator, you believe that the two hundred  
7 percent risk factor be a fair and reasonable charge?

8 A. Yes, sir, I would say that.

9 Q. I refer you to Mr. Williams' testimony with regards  
10 to the normal charges for cost and supervision while drilling  
11 and after drilling the well.

12 I believe Mr. Williams' testimony was that during  
13 the drilling the cost of supervision was fifteen hundred  
14 dollars a month.

15 In your opinion, Mr. Morgan, is that a fair and  
16 reasonable charge?

17 A. Yes, sir, I believe so.

18 Q. If Yates Petroleum Corporation is, in fact, designated  
19 the operator of this half section would you propose that  
20 fifteen hundred dollars be charged for supervision costs while  
21 drilling?

22 A. Yes, sir, I believe that is reasonable.

23 Q. And the other charge I think was two hundred and  
24 twenty-five dollars a month after drilling?

25 A. Yes, sir.

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1 Q In your opinion, Mr. Morgan, is that a fair and  
2 reasonable charge?

3 A Yes, sir, I believe it is.

4 Q Okay. Let me look to the subject matter of the  
5 A.F.E. and ask you if you have made a comparison of the  
6 Yates' A.F.E. with the Antweil's A.F.E.?

7 A Yes, sir. I have.

8 Q All right. You have got that comparison before you?

9 A Yes, sir, I have.

10 Q I don't know that we have had that marked as an  
11 exhibit and I will mark that as Yates' Exhibit Number Two  
12 and ask you how you prepared that exhibit?

13 A I simply compared the proposed A.F.E. with the  
14 proposed Morris R. Antweil A.F.E. and tried to compare apples  
15 and apples and oranges and oranges to decide which A.F.E.  
16 was more reasonable.

17 Q Based upon your experience, Mr. Morgan, can you  
18 express an opinion with regard to the reasonableness of  
19 equipping a well with used material, as proposed by Antweil?

20 A In my experience with Yates Petroleum or with a  
21 major oil company, or with other oil companies, I have never  
22 used used equipment.

23 Q What is the potential risk with used equipment, Mr.  
24 Morgan?

25 A I am not certain as to what the risk factor might

1 be. I would consider it to be somewhat higher, though.

2 MR. CARR: I don't believe the witness is qualified  
3 to testify with regard to the risk from his experience with  
4 used material since he has just admitted that he has never  
5 had any experience with used material.

6 MR. RAMEY: I think you are correct, Mr. Carr.

7 Q (Mr. Kellahin continuing.) In the -- have you made  
8 a cost comparison between the use of used tubing and casing  
9 and compared it to the cost of the new versus the used costs  
10 of casing and tubing?

11 A. Yes, sir, I have.

12 Q. Please go ahead --

13 A. I find that for the used well head his estimated  
14 cost to be eight thousand dollars and a new one is approximately  
15 twelve thousand dollars.

16 Five and a half inch production casing, the used  
17 casing will cost approximately forty-five thousand dollars and  
18 the five and a half inch production casing, proposed new by  
19 Yates, is forty-seven thousand two hundred dollars.

20 The tubing, two and three eighths inch tubing, the  
21 used tubing is fifteen thousand eight hundred dollars and  
22 the two and three eighths new tubing by Yates is seventeen  
23 thousand five hundred dollars.

24 Q. Have you made a study to determine whether the proposed  
25 prices for the used materials as suggested by Antweil in the

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1 A.F.E. are reasonable?

2 A. Yes, sir. In my opinion they are somewhat high.  
3 It has been my experience in using used equipment in the  
4 past --

5 MR. CARR: I would have to renew my objection. He  
6 has not had experience in using used materials based on his  
7 own admission.

8 A. Well, if I may clarify this. I have not used used  
9 equipment in the drilling of a new well but we have used  
10 used equipment in material transfers from one lease to another  
11 with production equipment whether it be tubing, pumping  
12 equipment or flow lines and things of this nature.

13 Our rule of thumb is this, that tubing that has  
14 been used and has been tested and drifted will be valued  
15 at approximately seventy-five percent of new.

16 Q (Mr. Kellahin continuing.) What is the percentage  
17 comparison between the new and used as suggested by Antweil?

18 A. The well head equipment is somewhat lower than  
19 seventy-five percent. The tubing and the production casing  
20 is higher.

21 Q Is Yates Petroleum Corporation prepared to commence  
22 the drilling of this well if they should be designated the  
23 operators?

24 A. Yes, sir, we are.

25 Q Mr. Williams indicated that a period of some ninety

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1 days after entry of the order be a reasonable time in which  
2 to commence the drilling of these wells.

3 Do you agree or disagree?

4 A. Yates will be prepared to drill the well within  
5 sixty days.

6 MR. KELLAHIN: I have no further questions of Mr.  
7 Morgan.

8 MR. RAMEY: Any questions of the witness? Mr.  
9 Carr?

10 MR. CARR: I have several.

11  
12 CROSS EXAMINATION

13 BY MR. CARR:

14 Q. Do your figures on casing costs include the  
15 transporting the casing to the well?

16 A. Yes, sir, they do.

17 Q. Now, you indicated that in your experience, such  
18 as it is --

19 MR. KELLAHIN: I would object to that comment.

20 Q. (Mr. Carr continuing.) I will rephrase the question.  
21 Based on your experience you indicated that the cost of used  
22 equipment should be approximately seventy-five percent of  
23 the new?

24 A. Yes, sir.

25 Q. Do you know what factors go into determining the

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1 cost of used?

2 A. The age and the condition of the equipment and the  
3 prior service of the equipment.

4 Q. Could it also include the demand for different types  
5 of casing as well as for tubing?

6 A. Yes, sir.

7 Q. So, it is not surprising that there is some  
8 fluctuation item by item?

9 A. I would not be surprised.

10 Q. Mr. Morgan, how long have you been employed by Yates?  
11 I just didn't hear that?

12 A. One year.

13 Q. Are you familiar with Yates' efforts in preparing  
14 their A.F.E.'s proposed in the drilling of other wells?

15 A. Yes, sir, I am.

16 Q. Based on your experience do the costs, barring  
17 unforeseen circumstances, do the costs usually come in fairly  
18 close to the A.F.E.?

19 A. Yes, sir.

20 Q. Would you guarantee that the costs of this well will  
21 not go over the A.F.E.?

22 A. No, sir, I won't.

23 MR. CARR: I have no further questions.

24 MR. RAMEY: Any other questions of the witness?

25 MR. KELLAHIN: No, sir.

1 MR. RAMEY: He may be excused.

2 (THEREUPON, the witness was excused.)

3  
4 JACK McCRAW

5 was called as a witness by the protestants, and having been  
6 first duly sworn, testified upon his oath as follows, to-wit:

7  
8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

10 Q Mr. McCaw, will you please state your name and by  
11 whom you are employed and in what capacity?

12 A Jack McCaw and I am employed by Yates Petroleum  
13 Corporation as a landman.

14 Q And your last name is spelled M-c-C-a-w.

15 A Yes, sir.

16 Q All right, sir. How long have you been employed by  
17 Yates Petroleum Corporation in that capacity?

18 A Twenty years.

19 Q Have you previously testified before the Commission  
20 in your capacity as a landman?

21 A I have.

22 Q And were your qualifications accepted and made a  
23 matter of record?

24 A Yes, sir.

25 MR. KELLAHIN: I ask the Commission to recognize Mr.

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1 McCaw as an expert regarding land matters.

2 MR. RAMEY: The Commission considers him qualified.

3 Q (Mr. Kellahin continuing.) Mr. McCaw, let me ask  
4 you with regard to the subject acreage, did you first contact  
5 Morris R. Antweil or his employees or representatives or did  
6 they first contact you with regards to the drilling of the  
7 subject well?

8 A We contacted them first.

9 Q When did that take place?

10 A July the 14th.

11 Q Will you relate for the benefit of the Commission  
12 to the best of your recollection the substance of that  
13 conversation and how it transpired?

14 A We prepared the A.F.E. and Scott Wilson had written  
15 the letter dated July 14th and that afternoon I was talking  
16 to Bob Williams and I told him that we were going to mail it  
17 that afternoon.

18 Q What, if any, response did Mr. Williams give you?

19 A I don't remember that he said anything.

20 Q After that conversation terminated what, if any,  
21 conversations did you have that day with representatives of  
22 Morris R. Antweil?

23 A Well, Mr. Allen called in about an hour.

24 Q In summary, what was the context of that conversation?

25 A Well, he insisted that he operate the well and that



1 we shouldn't operate it -- that he should.

2 Q Okay. What is the ownership interest that Yates  
3 Petroleum Corporation has in the south half of Section 29?

4 A Fifty percent.

5 Q Based upon your experience, Mr. McCaw, what is the  
6 custom and practice within the industry with regards to  
7 picking an operator for acreage to operate the well?

8 A In all instances that we are familiar with the  
9 largest owner usually operates it, if he wants to.

10 Q In terms of the south half of Section 29 who is the  
11 largest owner?

12 A Yates Petroleum Corporation.

13 MR. KELLAHIN: I have no further questions.

14 MR. RAMEY: Mr. Carr?

15

16 CROSS EXAMINATION

17 BY MR. CARR:

18 Q Mr. McCaw, I seem to have a question about what  
19 happened on the fourteenth of July.

20 It is your recollection that you called Antweil?

21 A I didn't say that I called. I said that I was  
22 talking to Bob. I don't remember who called who. All I know  
23 is that we were talking and I don't even remember what we  
24 discussed.

25 Q Okay. But there were discussions on that date?

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1 A. Yes, and I told him about this letter and the  
2 -- that the A.F.E. would be in the mail that afternoon.

3 Q. And it wouldn't be inconsistent with your recollections  
4 that there were two telephone calls from Antweil to you,  
5 your office, that day concerning this well?

6 A. Oh, there could have been a hundred.

7 Q. Okay, I just wanted to clarify -- there definitely  
8 was a discussion on July 14th concerning the drilling of  
9 this well and who was to be the operator?

10 A. Yes.

11 Q. That's all I just wanted to -- do you own fifty  
12 percent of this well?

13 A. Yates Petroleum Corporation does.

14 Q. You own or just represent?

15 A. Yates Petroleum Corporation and the stockholders of  
16 Yates Petroleum Corporation own fifty percent.

17 Q. How does this ownership interest figure break down,  
18 and your stockholders, could you give them to me?

19 A. Twenty-five percent is Yates Petroleum Corporation;  
20 and the other twenty-five percent is Yates Milling Company;  
21 Martin Yates, III; and John A Yates, who owns Yates Petroluem  
22 Corporation.

23 Q. But, in fact, you stand here representing fifty  
24 percent of the ownership?

25 A. Right.

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1 Q. Is that correct?

2 A. Right.

3 Q. What percent does Antweil represent here today?

4 A. Morris Antweil -- he says that he represents fifty  
 5 percent.

6 Q. Do you have any reason to believe that that isn't  
 7 true?

8 A. Not necessarily.

9 MR. CARR: Okay. I have nothing further.

10 MR. RAMEY: Any other questions of the witness? He  
 11 may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. RAMEY: Any other witnesses?

14 MR. KELLAHIN: No, sir, that completes our case.

15 MR. RAMEY: Any closing statements?

16 MR. CARR: This case originally came before an  
 17 Examiner of this Commission on the application of Antweil's to  
 18 force pool the south half of Section 29, Township 18 South,  
 19 Range 25 East. This case occurred on August 17th and Yates  
 20 appeared in opposition to that application and there was a  
 21 considerable amount of testimony at that time and the record  
 22 has been incorporated into this hearing.

23 But the one fact that stands out at that hearing  
 24 was that the Yates' A.F.E. was approximately forty thousand  
 25 dollars more than the Antweil's A.F.E.

1 An order was entered by this Commission granting  
2 Antweil's application and designating Antweil the operator  
3 and a de novo hearing was promptly called for by Yates and  
4 an application in their own right requesting that they be  
5 designated the operator.

6 Now, Yates is obviously displeased with the fact  
7 that Antweil sought a forced pooling order. But I think the  
8 testimony here today makes it absolutely clear that at least  
9 before Antweil even filed his application for forced pooling  
10 that there had been considerable discussion between his  
11 office and that of Yates concerning the drilling of the well  
12 and who would be designated operator.

13 Now, the past experience Antweil had indicated that  
14 when trying to put together a unit in this situation in which  
15 he was working with the Yates that you generally had to file  
16 a forced pooling application for serious negotiations to  
17 begin and they did just that in this case.

18 Now, Antweil complied with all of the statutes. He  
19 complied with the statute that I read earlier in all respects  
20 and he got the order that he was entitled to get after those  
21 proceedings.

22 Now, Yates has tried to put in some sort of notice  
23 or good faith requirement in this thing. We are not prepared  
24 to sit here and say that good faith has not been used on either  
25 side because we believe, in fact, that all actions have been

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1 conducted in a manner consistent with good faith.

2 But we do think that it is strange that Yates would  
3 try and read something into the rule, something which is not  
4 there and which, in fact, is full of pitfalls for the  
5 Commission should they start requiring some sort of a period  
6 before applications can be filed.

7 I think that the testimony here today shows that  
8 Antweil and Yates stand in the same position, each represents  
9 fifty percent of the working interests, each represents fifty  
10 percent of those who, if they join in the drilling of the  
11 well, will pay the cost of the drilling of the well.

12 Yates is obviously concerned with the type of pipe  
13 that will be used. But I believe the testimony will clearly  
14 show that the type of pipe proposed to be used on this well  
15 has been used in other wells in the area and has never, in  
16 fact, been a source of a problem.

17 That the pipe will be tested and that it will be  
18 tested for more than or to a greater extent than even new  
19 pipe is tested and that it will cost less.

20 Now, should this Commission decide to rule for Yates,  
21 I think you will be making a selection between competent  
22 operators and there is going to have to be some basis for  
23 the decision.

24 If it is on whether or not used or new tubing should  
25 be used in a well, I think that that is a dangerous position

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1 for the Commission to get into. I don't think that is the  
 2 kind of a decision the Commission wants to make.

3 I think the real question that is before you and  
 4 both sides have testified that when they drill a well how  
 5 close the well comes in at the A.F.E., barring some unforeseen  
 6 circumstances, and I think the real question before this  
 7 Commission is whether or not you are going to require the  
 8 working interest owners who are going to be paying the cost  
 9 of this well to pay forty thousand dollars additional money  
 10 for basically the same well.

11 Now, if you look at the Commission's standards for  
 12 a forced pooling order -- any forced pooling order that I can  
 13 find the fifth finding reads as follows:

14 "That to avoid the drilling of unnecessary wells and  
 15 to protect correlative rights and to afford to the owner of  
 16 each interest in said unit the opportunity to recover or  
 17 receive without unnecessary expense its just and fair share  
 18 of the gas in said pool and the subject application should  
 19 be approved."

20 And it continues -- and I would submit to you that  
 21 that finding couldn't be used if you found for Yates because  
 22 you would be requiring unnecessary expense.

23 Now, this Commission is charged, among other things,  
 24 to prevent waste. Waste can be defined as economic waste.  
 25 The drilling of unnecessary wells is economic waste.

1 Requiring the working interest owners to spend  
2 forty thousand dollars more, I submit to you is the same  
3 question, it is economic waste.

4 Antweil appeared before you once before and got the  
5 order they felt that they were entitled to and we contend here  
6 today that we are entitled to the same order.

7 MR. RAMEY: Thank you, Mr. Carr. Mr. Kellahin?

8 MR. KELLAHIN: If the Commission please, we have  
9 made some facetious remarks about this being a penny-flipping  
10 case and that all matters are reasonably equal, but to me  
11 that is not the case.

12 That you cannot flip a coin because the equities  
13 stand for Yates Petroleum Corporation.

14 The question before the Commission is not an easy  
15 one to resolve. We have agreed that either operator is  
16 a competent operator in this situation.

17 We have agreed that the risk factor is going to  
18 be about the same. The costs of supervision of the well  
19 are going to be approximately the same.

20 Mr. Carr places much emphasis on the difference of  
21 the A.F.E.'s. We have shown from Mr. Williams' testimony  
22 that those costs differences on the bottom lines don't mean  
23 much when you look at the individual entries. The difference  
24 is some ten percent.

25 We all know that A.F.E.'s are nothing but an estimate

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1 and that those costs will vary.

2           Whether it is prudent or not, the use of certain  
3 used equipment in the well, I don't think this is how this  
4 case should be decided. Mr. Carr has indicated that this  
5 is how to decide this case.

6           How do we do it? Well, you can do it one of two  
7 ways. Perhaps you can look to see which of the operators  
8 were first in time, if everything else is equal. The first  
9 in time is the guy who ought to get it.

10           Now, is that first in time with regards to the first  
11 man that made a telephone call and decided that I want to  
12 drill the well?

13           If that's the situation we believe that the testimony  
14 shows the first person to suggest the well was Yates. They  
15 staked the location and they prepared the A.F.E. and that  
16 they were in the process of submitting it to Antweil.

17           Telephone conversations took place and that is one  
18 way to decide.

19           Another way to decide it is to decide it on the basis  
20 of the guy gets to the Commission first -- it's a race -- the  
21 one that files his application first is the guy that wins.

22           I don't think any of those ways are the right way.  
23 I think you do it as Mr. McCaw suggested in his testimony.  
24 What is the custom and practice of the industry? You choose  
25 the operator that has the biggest ownership interest in the



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1 subject well.

2           Why do we do that? Practical consideration. The  
3 guy that has got the biggest ownership interest is the one  
4 that is going to try to make the best well -- he has got  
5 the biggest economic risk involved and he is going to be  
6 the more prudent.

7           We find that in our day-to-day operations. If you  
8 own ten or fifteen percent of something, of a particular  
9 business of proposition, you are not going to devote as much  
10 time to it as the situation where if you may own fifty or  
11 sixty percent. That's just human nature.

12           In this case Mr. Carr argues that they are both  
13 equal. That they are both in a fifty-fifty position. Such  
14 is not the case.

15           The statute requires that owners who have not agreed  
16 pool their interests and they come to the Commission for a  
17 forced pooling application.

18           It is our contention that Morris R. Antweil has  
19 failed to meet that burden of proof by the admissions of Mr.  
20 Williams who has indicated under cross examination in breaking  
21 down the ownership interests that Morris R. Antweil owns  
22 zero.

23           Zero to fifty percent indicates to me that a  
24 reasonable, rational, decision in this case designates the  
25 Yates Petroleum Corporation as the operator. Thank you.

1 MR. RAMEY: Thank you. Is there anything further  
2 in this case?

3 Did you offer your exhibits, Mr. Kellahin?

4 MR. KELLAHIN: I did not and I would like to do so  
5 at this time. I have Exhibits One and Two which were the  
6 A.F.E.'s and the comparison of the A.F.E. and then there were  
7 two more that were Antweil's letters of May 3, '77, and the  
8 June 29, 1977, letters which Mr. Antweil identified and  
9 may we have those submitted into evidence?

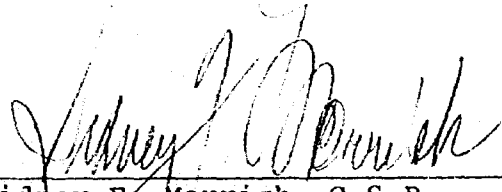
10 MR. RAMEY: Okay. I think the first letter was but  
11 I don't have the second one. They will be admitted.

12 The Commission will take the case under advisement  
13 and the hearing is adjourned.

14 (THEREUPON, the hearing was concluded.)  
15  
16  
17  
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REPORTER'S CERTIFICATE

1  
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
3 do hereby certify that the foregoing and attached Transcript  
4 of Hearing before the New Mexico Oil Conservation Commission  
5 was reported by me, and the same is a true and correct record  
6 of the said proceedings to the best of my knowledge, skill and  
7 ability.

8  
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12 Sidney F. Morrish, C.S.R.  
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# OIL CONSERVATION COMMISSION

DIRECTOR  
JOE D. RAMEY

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

LAND COMMISSIONER  
PHIL R. LUCERO  
October 20, 1977



STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. William F. Carr  
Catron, Catron & Sawtell  
Attorneys at Law  
Post Office Box 788  
Santa Fe, New Mexico 87501

Re: CASE NO. 6009  
ORDER NO. R-5546

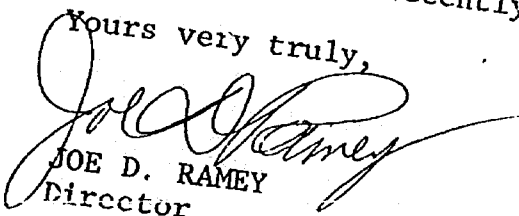
Applicant:

Morris R. Antweil

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC       

Other Tom Kellahin

Docket No. 35-77  
Dockets Nos. 37-77 and 38-77 are tentatively set for hearing on November 16 and 30, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - NOVEMBER 9, 1977  
OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 6077: Application of Bass Enterprises Production Company for a drilling permit in the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Big Eddy Unit Well No. 52 and its Rodke Federal Well No. 3 located, respectively, in Units I and F of Section 27, Township 20 South, Range 31 East, Eddy County, New Mexico, said location being within the boundaries of the Potash-Oil Area as defined by Commission Order No. R-111-A and having been objected to by the owners of potash leases in the area.

\*\*\*\*\*

Docket No. 36-77  
DOCKET: COMMISSION HEARING - THURSDAY - NOVEMBER 10, 1977  
OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 5994: (DE NOVO)

Application of Tenneco Oil Company for an exception to the provisions of Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Florance Well No. 29-A in Unit F of Section 25, and its North-east Blanco Unit Well No. 64 in Unit P of Section 24, both in Township 30 North, Range 8 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool.

Upon application of Tenneco Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6009: (DE NOVO)

Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, 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 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.

Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6078: 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 Wolfcamp and older formations underlying the S/2 of Section 29, 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.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
August 17, 1977

IN THE MATTER OF:

Application of Morris R. Antweil for  
compulsory pooling, Eddy County,  
New Mexico.

CASE  
6009

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 Morris R. Antweil:

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I N D E X

Page 2

	<u>Page</u>
1. Appearances	
2. The Witness, Mr. R. M. Williams	1
Direct Examination by Mr. Carr	
Cross Examination by Mr. Kellahin	3
Witness Excused	10
3. Reporter's Certificate	31
	32

EXHIBIT INDEX

Antweil's Exhibit No. 1, Form C-101	4
Antweil's Exhibit No. 2, Proposed Spacing	5
Antweil's Exhibit No. 3, A.F.E.	5
Antweil's Exhibit No. 4, Map	6
Antweil's Exhibit No. 5, Letter, July 26, 1977	8
Antweil's Exhibit No. 6, Letter, August 8, 1977	8
Antweil's Exhibits Admitted	9
Yates Exhibits Marked	12

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1 MR. STAMETS: Call next case, Case 6009.

2 MS. TESCHENDORF: Case 6009, application of Morris  
3 R. Antweil for compulsory pooling, Eddy County, New Mexico.

4 MR. CARR: Mr. Examiner, I am William F. Carr,  
5 Catron, Catron & Sawtell, Santa Fe, appearing on behalf of  
6 the applicant. I have one witness and six exhibits.

7 MR. KELLAHIN: If the Examiner please, I am Tom  
8 Kellahin, Kellahin & Fox, Santa Fe, New Mexico, appearing on  
9 behalf of Yates Petroleum Company and I have one witness to  
10 be sworn.

11 MR. STAMETS: I would like for all of the witnesses  
12 to stand and be sworn at the same time.

13 (THEREUPON, the witnesses were sworn.)

14  
15 R. M. WILLIAMS  
16 was called as a witness by the applicant, and having been  
17 first duly sworn, testified upon his oath as follows, to-wit:

18  
19 DIRECT EXAMINATION

20 BY MR. CARR:

21 Q Would you state your name and place of residence?

22 A R. M. Williams, Hobbs, New Mexico.

23 Q By whom are you employed and in what capacity?

24 A Morris R. Antweil as an engineer.

25 Q Have you previously testified before this Commission



1 and had your credentials accepted and made a matter of  
2 record?

3 A. Yes, I have.

4 Q. Are you familiar with the application in this  
5 case?

6 A. Yes, I am.

7 MR. CARR: Are the witness' credentials acceptable?

8 MR. STAMETS: They are..

9 Q. (Mr. Carr continuing.) State briefly what the  
10 applicant seeks in this case?

11 A. We have requested that the Commission pool the  
12 south half of Section 29, 18 South, 25 East, as to all depths  
13 for the purpose of drilling a nine thousand foot Morrow test.

14 Q. Have you prepared or has there been prepared under  
15 your direction and supervision certain exhibits for introduction  
16 in this case?

17 A. Yes, sir.

18 Q. Will you please refer to what has been marked as  
19 Exhibit Number One and explain what it is and what it shows?

20 A. Exhibit One is a New Mexico Oil Conservation Form  
21 C-101, and is an example of the form for the proposed well  
22 submitted primarily to show the casing cementing program that  
23 would be employed for a well on the proposed unit.

24 Q. Now, will you refer to what has been marked as  
25 Exhibit Number Two and explain what it is and what it shows?

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1 A. Exhibit Number Two shows the proposed gas spacing  
2 and proration unit and three hundred and twenty acres being  
3 the South half of Section 29, Township 18 South, Range 25  
4 East, in Eddy County and the working interest ownership in  
5 that three hundred and twenty acres is one hundred and sixty  
6 acres, is Antweil, or fifty percent of the proposed unit;  
7 and one hundred and sixty acres, is Yates Petroleum Corporation  
8 or fifty percent of the proposed unit.

9 Q Mr. Williams, what percent of the working interest  
10 has been committed to the unit?

11 A. Fifty percent, the Antweil interest, at the present  
12 time.

13 Q Do you anticipate that Yates will join the unit?

14 A. I do not know at this time. They have been requested  
15 to join us in the drilling.

16 Q Will you refer to what has been marked as Exhibit  
17 Number Three and explain what it is and what it shows?

18 A. Exhibit Three is our AFE Cost Estimate for the  
19 proposed well, Number One Rancho. We estimate the cost to the  
20 casing point of two hundred and forty thousand dollars.  
21 Estimate the cost of a completed Morrow gas producer of three  
22 hundred and eighty-five thousand dollars.

23 These costs are in keeping with out recent  
24 experience on our Number One Penasco drilled in Section 20 and  
25 our Number One Rio drilled in the north half of Section 29.

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1 Both wells are immediately north of the proposed location.

2 Q So, Antweil is the operator of the offset wells  
 3 to the proposed well?

4 A Yes, sir.

5 Q Would you refer to what has been marked as Exhibit  
 6 Number Four and explain what it is and what it shows?

7 A Exhibit Four is a map of the area. The proposed well  
 8 is designated in red, a red dot.

9 The proposed proration unit is outlined in red in  
 10 the south half of Section 29.

11 Successful Morrow completions in the area are marked  
 12 in orange. The dry or non-economic Morrow tests in the area  
 13 are marked with a blue dot.

14 In addition there are also some locations or  
 15 drilling Morrow tests in the area and these are marked with  
 16 an open circle.

17 Q Have you made any calculations as to what risk  
 18 Antweil will be assuming in drilling this well?

19 A The risk as we anticipate it is fairly high. From  
 20 looking at the map there has been a number of Morrow tests  
 21 drilled in the area and outside of our two wells, the Penasco  
 22 and the Rio, in the south half of Section 20 and the north  
 23 half of Section 29, both of 18, 25, and in the four wells  
 24 in the Boyd Field of Vaskins to the south, the Morrow has been  
 25 found or non-economic through this area.

1 The recent Bennett and Ryan well drilled in Section  
2 31 of 18, 25, which would be a southwest offset to the  
3 proposed well in the Morrow was non-productive. Bennett and  
4 Ryan are now drilling in the north half of Section 32 and  
5 the completion of that well will give some more geologic  
6 information for the proposed well.

7 Q In drilling any of the other wells in the area has  
8 Antweil come to the Commission seeking a compulsory pooling  
9 order?

10 A Yes, we have.

11 Q What risk factors have been set on other wells that  
12 are similar in the area?

13 A They were set at two hundred percent.

14 Q In your opinion is the proposed location better or  
15 worse from a structural point of view than those other wells  
16 in the area on which a two hundred percent risk factor was  
17 set?

18 A I would say it would be the same to poorer prospects  
19 and if the other working interest owner in the three hundred  
20 and twenty acres has recently drilled in the area and is  
21 familiar with the area and if they would fail to join us I  
22 think that this would be an indication that they consider the  
23 risk being high and undesirable for drilling a well.

24 Q Do you have a recommendation to make to the Commission  
25 as to what risk factors should be set on this well?

1 A. We would request two hundred percent.

2 Q. Now, do you have a recommendation to make to the  
3 Commission for overhead and administrative costs for drilling  
4 and producing the well if, in fact, it is a producing well?

5 A. Yes. In line with our other wells in the area we  
6 request, would request, fifteen hundred dollars overhead per  
7 month while drilling the well and two hundred and twenty-five  
8 dollars a month overhead for each producing well.

9 Q. Are these recommendations in line with what is being  
10 charged by other operators in the area?

11 A. Yes, sir.

12 Q. Now, will you refer to what has been marked as  
13 Exhibit Numbers Five and Six and explain what they are and  
14 what they show?

15 A. Exhibits Five and Six are our correspondence with  
16 Yates. Exhibit Five is a letter of July 26, at which time  
17 we declined to join Yates in their proposals to drill the  
18 south half of Section 29, at an estimated cost of four hundred  
19 and twenty-five thousand dollars and requested that they  
20 join us in the drilling of the proposed well at our anticipated  
21 cost of three hundred and eighty-five thousand dollars.

22 Exhibit Six is our letter of August the 8th and is  
23 a notification to Yates Petroleum of this hearing and we sent  
24 them a copy of our AFE cost estimate and requested, again,  
25 that they join us in the drilling.

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1 Q Does Morris R. Antweil request to be named the  
2 designated operator of this well?

3 A Yes, sir.

4 Q In your opinion will the granting of this application  
5 be in the best interest of conservation and the prevention  
6 of waste and the protection of correlative rights?

7 A Yes, sir.

8 Q Do you have anything further to add to your  
9 testimony?

10 A No, I think that's it.

11 Q Were your Exhibits One through Six prepared by you  
12 or under your direction and supervision or have you reviewed  
13 them and can testify from your own knowledge that they are  
14 accurate and correct?

15 A Yes, I prepared them.

16 MR. CARR: We would offer at this time Antweil's  
17 Exhibits One through Six.

18 MR. STAMETS: These exhibits will be admitted.

19 MR. CARR: I have nothing further on direct.

20 MR. STAMETS: Mr. Williams, on your Exhibit Number  
21 Five in the last paragraph there is a sentence that says,  
22 "We consider the anticipated cost to be excessive to our  
23 experience in the immediate area."

24 What was the anticipated cost submitted to you?

25 A They were four hundred and twenty-five thousand

1 dollars was the AFE amount submitted to us by Yates.

2 MR. STAMETS: Are there any other questions of the  
3 witness?

4 MR. KELLAHIN: If the Examiner please --

5  
6 CROSS EXAMINATION

7 BY MR. KELLAHIN:

8 Q Mr. Williams, you indicated that the Antweil interest  
9 in this south half of that section is a fifty percent interest  
10 did you not?

11 A Yes.

12 Q What will be the Antweil's percentage after payout?

13 A Our farm-out agreement in that section with Han-  
14 Ladd Oil Company provides for a fifty percent back-in after  
15 payout. So, our working interest after payout would be  
16 reduced to twenty-five percent and Han-Ladd would have twenty-  
17 five percent.

18 I would like to point out that in no way Han-Ladd  
19 shares any cost of drilling the well.

20 Q Does Antweil have any other partners in this percent-  
21 age of acreage besides Han-Ladd?

22 A Yes, we do.

23 Q Who are those partners, Mr. Williams?

24 A This is from memory --

25 Q Yes, sir.

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1 A. We have Moranco, Harvey E. Yates Company, DA&S --  
 2 Q. Say again?

3 A. DA&S, Smith-Collins, Murray Cash, SDD, Jack Daniels,  
 4 Mike Tinley --

5 Q. Do you know what percentage each one of those partners  
 6 hold in the south half of this section?

7 A. Of our acreage Harvey E. Yates has ten percent;  
 8 Moranco has thirty; DA&S has ten; Cash has ten; Steed has  
 9 ten; Collins has five; Daniels has two and a half; and Tinley  
 10 has two and a half.

11 Q. Mr. Williams, I believe your exhibits indicate a  
 12 letter dated July 26, 1977, on behalf of Antweil to Yates?

13 A. Yes.

14 Q. Let me see if I can find a copy of that letter --  
 15 in that letter you rejected a previous offer by Yates to have  
 16 you join Yates in the drilling of a well on this half section?  
 17 Is that correct?

18 A. Yes, sir.

19 Q. And the only reason you set for, in that letter, for  
 20 rejecting their request was that Yates' AFE you believe is  
 21 excessive?

22 A. Yes, sir.

23 Q. That is the only reason, is that correct?

24 A. That's correct.

25 Q. And do you consider Yates to be a competent operator?



1 A Yes, sir.

2 Q There is no other reason except for the fact that  
3 you believe the AFE to be excessive?

4 A Right.

5 Q All right, sir. Perhaps I should mark our exhibits  
6 first and then we could talk about the Yates exhibits and  
7 then everybody will have a copy.

8 I show you, Mr. Williams, what I have marked and  
9 intend to subsequently introduce as Yates Petroleum Corporation  
10 Exhibit Number Four. I show you that exhibit. It is a letter  
11 dated July 14, 1977, from Yates Petroleum Company.

12 You, in fact, received that letter didn't you, Mr.  
13 Williams?

14 A Yes, sir, we did.

15 Q Attached to that letter as an attachment is a copy  
16 of a proposed AFE by Yates Petroleum Corporation is there  
17 not?

18 A Yes.

19 Q And that is the AFE that you have felt was excessive  
20 and the reason that you submitted to them your counter-  
21 proposal, is that not correct?

22 A That's correct.

23 Q All right. Would you take that Yates exhibit, Number  
24 Four, and a copy of your proposed AFE for this particular  
25 well and show me those particular items which you believe to

1 be excessive?

2 A. It's not organized quite in the same manner. One  
3 item that stands out is the footage drilling costs.

4 Q. Let's talk about the footage drilling costs. Yates  
5 footage drilling cost, I believe, is fourteen dollars and  
6 twenty cents and Antweil's estimated drilling cost is twelve  
7 dollars and seventy-five cents?

8 A. That's right.

9 Q. And you believe that to be a significant difference?  
10 A. Yes.

11 Q. All right, sir, what else do you point to as reason  
12 for your estimation that the AFE is excessive?

13 A. It doesn't seem to be any one item but there is a  
14 little bit of difference all of the way through.

15 The main difference is the four hundred and twenty-  
16 five thousand dollars versus the three hundred and eighty-  
17 five thousand dollars.

18 There is an extra forty thousand dollars in there  
19 somewhere. It looks like approximately, what, twelve thousand  
20 of them was in drilling costs and there is a thousand here  
21 and a thousand there as you go through the rest of the way  
22 through it.

23 Q. I assume, then, in the writing of your letter of  
24 July 26, 1977, that you had made an analysis of each of the  
25 entries and determined in your own mind which of these costs

1 you felt were excessive and apparently you did not, sir, is  
2 that correct?

3 A. No.

4 Q. You simply looked at the bottom line --

5 A. Mainly was interested in the total cost.

6 Q. I see. In looking at your AFE, now, and I don't  
7 remember which exhibit that is and if you will turn to your  
8 proposed AFE, Mr. Williams, I want to ask you with regards  
9 to the production casing and the tubing.

10 I understand from your AFE that you proposed to  
11 install used production casing and used tubing in that  
12 particular well, is that not correct?

13 A. We don't have a definite proposal but that will  
14 probably be the case.

15 Q. Now, the fact that you have proposed used tubing and  
16 used production casing in your particular AFE and if you will  
17 note on the Yates AFE that they are proposing to use new  
18 production casing and tubing and that would account for the  
19 difference would it not?

20 A. A slight difference.

21 Q. I note there is a slight difference and is it not a  
22 custom and practice in the industry that used casing and tubing  
23 should be reduced by some fifty to seventy-five percent under  
24 the cost of the new -- I am sorry, I mis-spoke --

25 A. Are you buying or selling?

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1 Q I am buying, I am going to drill a well, or you  
2 are going to drill a well, and I want to buy this used tubing  
3 and casing to complete the well in the manner that you have  
4 suggested.

5 A It is just like all other items. It depends on what  
6 the market is at that time. Here a couple of years ago used  
7 material was bringing fifty percent more than new material.

8 Right now we judge these prices to be in line with  
9 what the market is for used material that has been drifted  
10 and tested and delivered to the location.

11 Q In your opinion as an expert witness is there a  
12 preference in using the used material over the new material?

13 A There is a differential in cost, yes.

14 Q Is there any differential in quality?

15 A If it is properly tested and inspected it will do an  
16 adequate job for these wells.

17 Q What will be the source of the used casing and tubing?  
18 Where do you intend to get it?

19 A Buy it from Hobbs Pipe and Supply.

20 Q Why have you selected Hobbs Pipe and Supply for the  
21 source of this equipment?

22 A They are close.

23 Q Sir?

24 A They are handy.

25 Q Is that the only reason?

1 A. We have continually bought our material from Hobbs  
2 Pipe and Supply since it is an allied company.

3 Q That's right, Antweil owns Hobbs Pipe and Supply,  
4 does it not?

5 A. That's correct.

6 Q Is that not the reason that Antweil desires to be  
7 designated the operator of this well?

8 A. Not that I know of.

9 Q All right. Have you examined what the price of the  
10 casing and tubing would be if you bought it from a disinterested  
11 third party and not from Hobbs Pipe and Supply?

12 A. I haven't myself, no, I didn't.

13 Q You have made no cost comparisons to find out  
14 whether Hobbs Pipe and Supply Company is competitive with  
15 other suppliers in the area?

16 A. I haven't at this time, no, sir.

17 Q All right, sir. Now, with regards to the Antweil  
18 AFE, Mr. Williams, are you in a position -- I know that there  
19 is a disagreement with the costs here -- and I want to know  
20 how sure you are of the Antweil costs.

21 I want to ask you if you are willing to guarantee to  
22 Yates that the actual costs of this well will not exceed the  
23 proposed AFE?

24 A. No, I won't guarantee that.

25 Q Why not?

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1 A. Because you don't know what you are going to  
2 encounter when you drill the well.

3 Q. All right. That same situation would also apply  
4 to Yates' AFE?

5 A. Yes, that's right. Theirs could be a lot more.

6 Q. And it also could be less?

7 A. But we have the experience of drilling two wells  
8 in the immediate area and the costs on those two wells have  
9 been actually less than three hundred and eighty-five  
10 thousand dollars.

11 Q. In fact, state-wide Yates Petroleum Company drills  
12 substantially more wells than Antweil don't they?

13 A. Oh, yeah.

14 Q. So, there is no question about the competency of  
15 operators is there?

16 A. No.

17 Q. What figures in your AFE, Mr. Williams, would you  
18 increase or that would be subject to the uncertainties of  
19 drilling the well? Which one of these costs would you expect  
20 to be increased?

21 A. The mud and water costs always are --

22 Q. That is sort of speculative, isn't it?

23 A. Speculative on what that will cost and --

24 Q. Excuse me, let me ask you a question. Yates' AFE  
25 says that they estimate that that will be thirty-seven thousand

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1 dollars and you have estimated that it will be thirty thousand  
 2 dollars and both figures are in the ball park are they not?

3 A. Correct.

4 Q. What else would be a figure that you would want to  
 5 look at very closely during the drilling of the well? Which  
 6 ones might fluctuate?

7 A. It's not a matter of looking at them very closely  
 8 but if you encounter a situation where you go on day-work  
 9 drilling then your costs for day-work drilling bids in the  
 10 associated fishing and rental tools and so forth would be far  
 11 in excess of what we have provided for contingencies.

12 Q. All right. Let's look at the day work and Yates has  
 13 proposed six days and Antweil has proposed four, or maybe  
 14 five it was, and either one of those figures are reasonable  
 15 are they not?

16 A. They are reasonable for making an estimate on the  
 17 well costs.

18 Q. And either one of those figures may not be enough if  
 19 difficulty is encountered?

20 A. That's right. You might not ever get the well  
 21 drilled.

22 Q. Which of these other figures might be subject to  
 23 change?

24 A. Well, if you encounter a situation where the drilling  
 25 takes much longer than you anticipated basically most of your

1 costs increase, not for equipment but for most all of your  
2 services, the costs will increase with increased time on  
3 the well.

4 Your cementing services on the thirteen and three-  
5 eighths and the eight and five-eighths inch casing can cost  
6 more than you expect depending on how much difficulty you  
7 have in circulating cement through the range of the casing.

8 Q All right. Let's look at the cement. Yates has  
9 proposed as the cementing to their best estimate it will cost  
10 thirteen thousand fivehundred dollars and Antweil has estimated  
11 that it would be ten thousand eight hundred dollars. If  
12 there is difficulty encountered or if there is not either one  
13 of those figures could be reasonable could they not?

14 A Yes, sir.

15 Q Let's look at some of the other entries on here. One  
16 of the entries is on stimulation and I assume is acid treatment  
17 of the well and Yates has proposed that their estimated cost  
18 in the event acid is needed would be sixteen thousand dollars  
19 and you have reserved a figure of eight thousand dollars?

20 A That's right.

21 Q So, no one really knows do they whether you will have  
22 to treat this well and how much?

23 A Oh, I think both Yates and Antweil have had some  
24 experience and know approximately what they have spent on this  
25 type of well in treatment.



1 We recently drilled two wells immediately north of  
2 this location and have some experience to base our costs on.  
3 I don't know what you base yours on.

4 Q Okay. Yates has proposed that a tank battery would  
5 cost approximately ninety-five hundred dollars and you have  
6 not reserved a cost for the tank batteries. Do you anticipate  
7 that tanks will be needed for this well?

8 A It's a possibility that we haven't anticipated.

9 Q All right. What would that cost be if you  
10 anticipated the need for tanks?

11 A Probably in the neighborhood of four to five thousand  
12 dollars.

13 Q Okay. We have talked about the cementing and the  
14 water and the mud and the drilling and the work days and that  
15 sort of thing.

16 Are there any other specific entries on your AFE  
17 that would be subject to change in the event you encountered  
18 unforeseen difficulties in the drilling of this well?

19 A Your well-service units expenditures depending on  
20 the difficulties that you have completing the well. This  
21 could run into more money.

22 Q All right. Specifically, let's look at the drill  
23 stem tests. How many drill stem tests has Antweil anticipated  
24 would be required for this well?

25 A We anticipated two.

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1 Q And Yates has estimated that that will be three  
 2 have they not? They have indicated three for a cost of  
 3 thirty-five hundred dollars and you have estimated two for  
 4 a cost of two thousand dollars?

5 A Correct.

6 Q Either one of those could be correct is that not  
 7 right, sir?

8 A Correct.

9 Q All right, sir. You have indicated to us that with  
 10 your past experience with the Penasco well and the Rio Number  
 11 One well that your estimated cost in this particular well  
 12 were in line.

13 Let's talk about those for a minute, Mr. Williams.  
 14 What was your estimated cost on the Penasco Number One well?

15 A Our estimated cost was, for the well complete, was  
 16 three hundred and seventy-five thousand dollars.

17 Q All right, sir, what were your actual costs?

18 A Our actual cost to date is three hundred and fifty-  
 19 four thousand one hundred and seventy dollars and seventy-  
 20 six cents.

21 Q You have indicated that that was the cost to date.  
 22 What, if any, costs have you had since then?

23 A We do anticipate approximately twenty-five thousand  
 24 dollars to install the surface producing equipment when the  
 25 pipeline connection is ready.

1 Q So, that is fairly close was it not, Mr. Williams,  
2 that it exceeds your AFE by maybe four or five thousand dollars?

3 A Correct.

4 Q All right, sir. While we are talking about this  
5 Penasco well what was the risk factor assigned by the O.C.C.  
6 in entering the forced pooling order?

7 A Two hundred percent.

8 Q Okay. Now, you on behalf of Antweil and Yates  
9 Petroleum Company had discussions about the drilling of that  
10 Penasco Number One well did you not?

11 A Yes, we asked Yates to join us in that well.

12 Q And they did not and you, in fact, forced pooled  
13 them did you not?

14 A Correct.

15 Q Let's look at this Rio Number One well in the north  
16 half of Section 29.

17 What was your AFE on that well?

18 A Our AFE was for -- I don't have a copy of that with  
19 me but I believe that it was for three hundred and eighty-  
20 five thousand. After our experience on this Penasco we  
21 increased the AFE estimate slightly.

22 Q All right, sir. What were your actual costs on  
23 this well?

24 A Our expenditures to date have been three hundred and  
25 thirty thousand dollars -- three hundred forty-eight point

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1 eight-one. Did I jumble that for you -- three hundred and  
 2 thirty thousand three hundred and forty-eight dollars and  
 3 eighty-one cents.

4 Q What additional costs do you expect?

5 A We anticipate that approximately twenty-five  
 6 thousand dollars worth of surface equipment and installation  
 7 and I roughly estimate that we may have five thousand dollars  
 8 of invoices that aren't in the office at this time which  
 9 would bring our total cost to about three hundred and sixty  
 10 thousand dollars on all of the major items that have been  
 11 billed and are included in this three hundred and thirty  
 12 thousand.

13 Q I would like to direct your attention to another  
 14 Antweil well, the Antweil Number One Dinkus well in Section  
 15 28, Township 18 South, Range 25 East, and ask you if you  
 16 recall what the AFE was on that well?

17 A I don't know.

18 Q Do you know what the actual costs have been on that  
 19 well to date?

20 A No, I don't.

21 Q Do you know what the current status of that well is?

22 A Yes.

23 Q What is it?

24 A It's a shut-in Atoka completion and we have been  
 25 testing a weak oil interval in the Cisco.

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1 Q How long have you been drilling that well?

2 A We finished drilling it a long time ago but we have  
 3 been testing and completing it for six or seven months or  
 4 so.

5 Q Mr. Williams, has Antweil ever been the operator  
 6 under a forced pooling order in which they do not have more  
 7 than a fifty percent controlling interest in the forced  
 8 pooling acreage?

9 A Yes.

10 Q Would you please tell me what forced pooling order  
 11 that was, which wells?

12 A I don't know the order number. We had a forced  
 13 pooling order in our Number One Stake well which is in the  
 14 north half of Section 17, Township 22 South, Range 27 East,  
 15 over in the Carlsbad area -- and you were going to ask me  
 16 what my percentage was?

17 Q Yes, sir?

18 A I don't have those exact numbers but Cities Service  
 19 had approximately forty percent and our group sixty percent  
 20 was divided between Delta Drilling Company and Antweil and  
 21 Reserve Oil and Gas. But we had maybe fifteen or twenty  
 22 percent of the total.

23 Q Okay. Let's go back to this Rio Number One well in  
 24 the north half of Section 29. That was the subject of a  
 25 forced pooling Commission case was it not, Mr. Williams?

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Page 25

1 A. Yes, sir.

2 Q And in that case, Mr. Williams, you had on behalf  
3 of Antweil docketed the O.C.C. forced pooling application  
4 before you gave Yates any opportunity to pool their acreage  
5 voluntarily, is that not true?

6 A. I think we wrote the Commission and Yates at the  
7 same time.

8 Q I show you, Mr. Williams, what I have marked as  
9 Yates Exhibit Number Five and ask you if you can identify  
10 that?

11 A. Yeah, that was our letter to Yates Petroleum.  
12 Q And that was dated May 3, 1977?

13 A. Requesting that they join us in the Number One Rio  
14 well.

15 Q In the second paragraph of that request you have  
16 indicated that you have also requested the New Mexico Oil  
17 Conservation Commission to docket for hearing on May 25th,  
18 some twenty-two days later, the forced pooling application  
19 for this particular acreage?

20 A. That's correct.

21 Q In your opinion, Mr. Williams, did you believe that  
22 that was a reasonable and fair period of time in which to  
23 provide Yates notice and an opportunity to voluntarily join  
24 you?

25 A. Besides that twenty-two days, Yates' timing to

1 voluntarily to join us would also be extended from the date  
2 of May the 25th until the date the order is issued which  
3 would be a variable time. Let's assume that it is ten days.

4 Then, from the time the order is issued the order  
5 will provide that Yates has another thirty days to voluntarily  
6 join and so in total they would have sixty days to voluntarily  
7 join. That ought to be adequate.

8 Q All right, sir. Let me ask you about the La Common  
9 Number One well in the north half of Section 20. That was the  
10 subject of an Oil Commission forced pooling application on  
11 behalf of Antweil was it not?

12 A That's correct.

13 Q In that case you docketed the O.C.C. forced pooling  
14 application before you gave Yates the opportunity to join  
15 the pool voluntarily --

16 MR. CARR: If it please the Examiner, I am going to  
17 object to --

18 MR. KELLAHIN: May I finish my question, please?

19 MR. KELLAHIN: I will repeat -- Mr. Williams, the  
20 question is that prior to that you had the O.C.C. application  
21 docketed -- prior to the time that you gave Yates any  
22 opportunity to pool their acreage voluntarily --

23 MR. CARR: I object to the entire line of questioning  
24 and we have been very patient in letting Mr. Kellahin fish all  
25 over the countryside this morning -- the question is

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1 irrelevant. The question here is whether or not we have an  
2 operator who is prepared to drill a well who cannot obviously  
3 reach a voluntary commitment of acreage so that he can put  
4 together a sufficient amount of acreage to drill the well.

5 Any questions as to when prior cases have been  
6 docketed are not relevant to any point before this Commission  
7 this morning.

8 MR. KELLAHIN: If it please the Examiner, they are  
9 quite relevant. They show that it has been the custom and  
10 practice of Antweil to not enter into a fair and open  
11 negotiations to voluntarily reach a commitment on acreage.

12 That instead it has been their custom and practice  
13 to simply indicate and send to Yates an ultimatum saying we  
14 have docketed the case, sign up or we will pool you.

15 That, I contend, is not sufficient. I contend that  
16 they have done it in the last two cases. I am contending that  
17 they are doing it in this case.

18 MR. CARR: I submit to you that what we have here is  
19 a situation where instead of entering into open negotiations  
20 with Mr. Antweil, Yates sits back and come rushing to the  
21 Commission because they are standing with a more expensive  
22 operation and are unwilling to come into negotiations with the  
23 Antweil people.

24 I would submit, again, and renew my objection that  
25 this entire line of questioning is irrelevant.

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1 MR. KELLAHIN: Well, I don't want to belabor it,  
2 Mr. Stamets, but you will note that the entire discussion about  
3 this case commenced with a letter from Yates to Antweil on  
4 the 14th of July. They were the first party to contact the  
5 other about voluntarily drilling this well.

6 In response, Antweil races to the Commission and  
7 files their application and we are here today.

8 It is our contention, first of all and I will get  
9 right to the point, that they have filed their case pre-  
10 maturely and it is going to be our contention that this  
11 application ought to be dismissed or that in the alternative  
12 we will move that a continuance be granted to Yates and that  
13 the matter be reset for a later hearing to give us sufficient  
14 and adequate opportunity to exhaust our remedies to insure  
15 that we can at least have a fair effort in getting a voluntary  
16 agreement.

17 MR. CARR: I notice that Mr. Kellahin, obviously,  
18 isn't trying to belabor anything here this morning. But it is  
19 very clear that he has no point that is in question before  
20 the Commission this morning.

21 The questions are simply, can we put this acreage  
22 together to drill a well. We obviously can't reach an  
23 agreement. I think that is one thing that certainly should be  
24 apparent to the Commission this morning.

25 We have come forward with a timely application. They

1 have a sufficient period of time to determine whether or not  
2 they are willing to join in the drilling of this well.

3 Instead of presenting testimony directed towards  
4 the questions before the Commission this morning they would  
5 like to come in and try Morris R. Antweil because Morris R.  
6 Antweil is running a more aggressive operation.

7 I, again, renew my objection that the entire line  
8 of testimony is irrelevant.

9 MR. STAMETS: Let's take about a ten minute break.  
10 (THEREUPON, the hearing was in recess.)

11 MR. STAMETS: The hearing will please come to order.  
12 Mr. Kellahin, the line of your questioning was to what point,  
13 what point were you attempting to make?

14 Were you attempting to tell the Examiner that since  
15 the applicant had not made attempt to obtain voluntary agreement  
16 prior to his application that the Commission should not consider  
17 that application?

18 MR. KELLAHIN: It was in the alternative. It was  
19 either that or continue the case and allow us a reasonable  
20 opportunity in which to exhaust an effort to reach a voluntary  
21 agreement.

22 Our contention is, simply, the letter of July 26, 1977,  
23 and it has been an insufficient period of time between then and  
24 the hearing to complete making that decision and to determine  
25 whether or not we want to accede to Mr. Antweil's request to

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1 be operator of this well or whether Mr. Yates will want to  
2 assert his rights to be the operator.

3 MR. STAMETS: Your contention is that there has not  
4 been sufficient time to consider this request?

5 MR. KELLAHIN: That is my position.

6 MR. STAMETS: It has been something like twenty days?

7 MR. KELLAHIN: I believe that that is approximately  
8 right, right, including the weekends, about twenty days.

9 MR. CARR: Mr. Examiner, I would like to point out  
10 that we will be glad to stipulate that Yates is familiar with  
11 the general area and should have information to make a  
12 prompt decision and if it is the Commission's desire I could  
13 call Mr. Allen Antweil who could testify to prior conversations  
14 with Jack McCollum of Yates Petroleum concerning this particular  
15 well.

16 I think, here again, that we are getting outside of  
17 the scope of the hearing.

18 MR. STAMETS: I will sustain the objection but you  
19 would still be allowed to put on some evidence during your  
20 portion of the hearing as to the reasonable amount of time in  
21 which to make -- a decision could be made.

22 MR. KELLAHIN: Well, to bring this matter to a  
23 conclusion, Mr. Examiner, we are totally unprepared to oppose  
24 the Antweil application in regards to the risk factor, the  
25 location of the well, and whether or not Mr. Antweil ought to

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Page 31

1 be the operator.

2 So, that there is no misunderstanding of what we  
3 intend to do, in light of your sustaining the objection we  
4 intend to file a request for a de novo hearing before the full  
5 Commission to have Yates designated the operator of this half  
6 section and we will litigate the matter of who, in the  
7 Commission's opinion, ought to be the operator of this  
8 property.

9 That's what my course of action will be and that's  
10 the way we intend to do it.

11 MR. STAMETS: Let's go off the record.  
12 (THEREUPON, a short discussion was held off  
13 the record.)

14 MR. STAMETS: Are there any other questions of the  
15 witness?

16 MR. KELLAHIN: In light of your ruling, no.

17 MR. STAMETS: Anyone else? The witness may be  
18 excused. Do you have anything further, Mr. Carr?

19 MR. CARR: Nothing further of this witness.

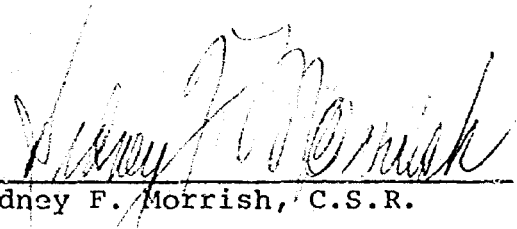
20 MR. STAMETS: Do you have anything you wish to present,  
21 Mr. Kellahin?

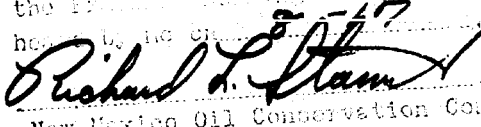
22 MR. KELLAHIN: No.

23 MR. STAMETS: The case will be taken under advisement.  
24 (THEREUPON, the witness was excused and the  
25 hearing was concluded.)

REPORTER'S CERTIFICATE

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

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a true and correct copy of the original  
the original is on file in the office of the  
New Mexico Oil Conservation Commission  
  
Richard L. Stam, Chairman  
New Mexico Oil Conservation Commission

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (305) 982-9212



## OIL CONSERVATION COMMISSION

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



DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO  
January 17, 1978

STATE GEOLOGIST  
EMERY C. ARNOLD

Re: CASE NO. 6009  
ORDER NO. R-5546-A  
Mr. William F. Carr  
Catron, Catron, & Sawtell  
Attorneys at Law  
P. O. Box 788  
Santa Fe, New Mexico

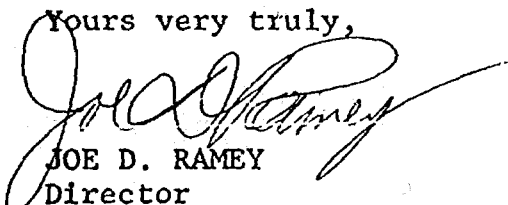
Applicant:

Morris R. Antweil

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC           

Other Tom Kellahin

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. 6009 DE NOVO  
Order No. R-5546-A

APPLICATION OF MORRIS R. ANTWEIL  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that due to typographical error, Order No. R-5546-A, dated December 27, 1977, does not correctly state the intended order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the two paragraphs immediately below Order (1) are hereby corrected to read as follows:

"PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of April, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of April, 1978, 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.

(2) That the correction set forth above shall be effective nunc pro tunc as of December 27, 1977.

DONE at Santa Fe, New Mexico, on this 17th day of January, 1978.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOL D. RAMEY, Member & Secretary

S  
jr/

CATRON, CATRON & SAWTELL

ATTORNEYS AND COUNSELORS AT LAW

THE PLAZA

SANTA FE, NEW MEXICO 87501

THOMAS B. CATRON, 1840-1921  
FLETCHER A. CATRON, 1890-1964

THOMAS B. CATRON, III  
JOHN S. CATRON  
WILLIAM A. SAWTELL, JR.  
FLETCHER R. CATRON

WILLIAM F. GARR  
W. ANTHONY SAWTELL

POST OFFICE BOX 780  
TELEPHONE 982-1947  
AREA CODE 505

December 28, 1977

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

Re: Oil Conservation Commission  
Case No. 6009 DE NOVO  
Order No. R 5546-A

Dear Mr. Ramey:

In reviewing the Commission's order granting the application of Morris R. Antweil for compulsory pooling, I see that Antweil has only until February 1, 1978, to commence drilling or this order becomes null and void of its own terms. I have discussed this matter with Alan Antweil and we feel that this imposes a deadline which will be impossible to meet for two reasons. First, Yates has 20 days within which to file an Application for Rehearing and the Commission has 10 days following that within which to grant this Application. If both of these take the maximum time allowed, Antweil will not know whether or not Order No. R 5546-A is final until 4 days prior to the date on which he must spud the well. Second, even if Yates announced today that it would not appeal this decision, it is not possible to obtain a rig prior to February 1 for drilling a well on this Unit.

At the hearing on November 10, we stated that we could drill the well within 90 days. Our position has not changed and we still believe that we can drill a well within 90 days of obtaining Commission approval of our application.

I, therefore, request that the time limitations for commencing drilling of a well on this Unit be amended in Order No. R 5546-A by deleting the reference to February 1, 1978, in Finding No. 17 and Order No. 1, and inserting in lieu thereof a provision providing for the



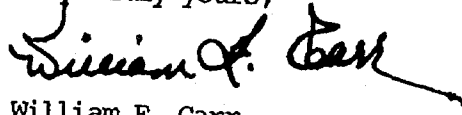
Mr. Joe D. Ramey

December 27, 1977  
Page 2

commencement of drilling on the Unit within 90 days from the entry of this Order.

Your attention to this request is appreciated.

Very truly yours,

  
William F. Carr

WFC/ss

cc: Mr. Alan Antweil



# OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER  
PHIL R. LUCERO



STATE GEOLOGIST  
EMERY C. ARNOLD

DH:OR  
JOE IAMEY

December 27, 1977

Mr. William F. Carr  
Catron, Catron & Sawtell  
Attorneys at Law  
P. O. Box 788  
Santa Fe, New Mexico

Re: CASE NO. 6009  
ORDER NO. R-5546-A

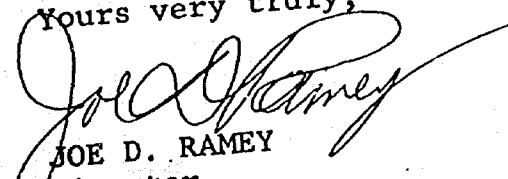
Applicant:

Morris R. Antweil

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC       

Other Tom Kellahin

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. 6009 DE NOVO  
Order No. R-5546-A

APPLICATION OF MORRIS R. ANTWEIL  
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 November 10, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as "the Commission."

NOW, on this 27th day of December, 1977, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Morris R. Antweil, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit K of said Section 29.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That on October 18, 1977, the Commission entered its Order No. R-5546 in Case No. 6009 which order pooled the above-described acreage and designated applicant the operator of the subject well and unit.

Case No. 6009 De Novo  
Order No. R-5546-A

(6) That on October 24, 1977, interest owner Yates Petroleum Corporation filed an application for hearing De Novo of Case No. 6009, and the matter was set for hearing before the Commission.

(7) That this matter came on for hearing De Novo on November 10, 1977.

(8) That the evidence presented at said hearing demonstrated the ability of applicant 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.

(9) That the subject application should therefore be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) That \$1500.00 per month while drilling and \$225.00 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.

-3-

Case No. 6009 De Novo  
Order No. R-5546-A

(16) 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.

(17) 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 February 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 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 a well to be drilled at a standard location in Unit K of said Section 29.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of February, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of February, 1978, 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 Morris R. Antweil 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 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 \$1500.00 per month while drilling and \$225.00 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.

-5-

Case No. 6009 De Novo  
Order No. R-5546-A

(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.

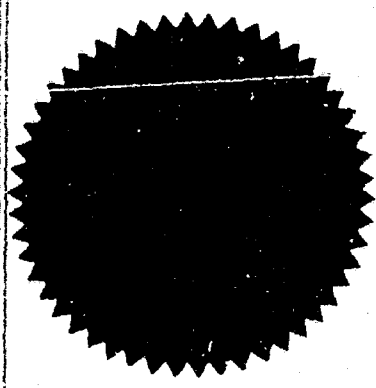
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

  
S E A L

jr/

Carr Antweil 2 witnesses

Kellohin Yates 3 "

Bob Williams

#1 C-101

#2 Working Interest

#3 Cost estimate of well

\$385,000

#1 Penasco to \$361,000

#1 Rio 373,000

Risk - 200%

Over head - \$1500 - Drilling

225 - Producing

#4 Plot

#5 Letters



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. 6009  
Order No. R-5546

APPLICATION OF MORRIS R. ANTWEIL  
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 August 17, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 18th day of October, 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, Morris R. Antweil, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit K of said Section 29.
- (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.

-2-

Case No. 6009

Order No. R-5546

(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 \$1500.00 per month while drilling and \$225.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before December 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 Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 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 a well to be drilled at a standard location in Unit K of said Section 29.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of December, 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 Morris R. Antweil 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 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 \$1500.00 per month while drilling and \$225.00 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.

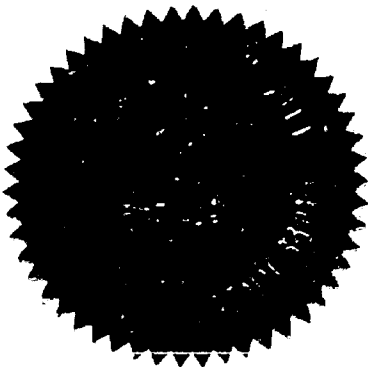
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said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

-5-

Case No. 6009  
Order No. R-5546

(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 herein-  
above 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/

279,000

90 days

Alan Antweil

Johnny Morgan - Prod. Engineer  
Y A

200%	Risk	200%	Risk
1500	Drilling	1500	
225	Supervision	225	

Csg & Tbg.

Well head	8000	12000
Csg	45000	47,200
Tbg	<u>15,800</u>	<u>17,500</u>
	68800	86,700

60 days for Drilling

Jack McCaw

NO. OF COPIES RECEIVED	
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FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

# NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101  
Revised 1-1-65

## EXAMPLE

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK			
1a. Type of Work		7. Unit Agreement Name	
b. Type of Well DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. Farm or Lease Name RANCHO	
2. Name of Operator MORRIS R. ANTWEIL		9. Well No. 1	
3. Address of Operator Box 2010 Hobbs, New Mexico 88240		10. Field and Pool, or Wildcat Undesignated Morrow	
4. Location of Well UNIT LETTER <u>K</u> LOCATED <u>1980</u> FEET FROM THE <u>South</u> LINE AND <u>1980</u> FEET FROM THE <u>West</u> LINE OF SEC. <u>29</u> TWP. <u>18-S</u> RGE. <u>25-E</u> NMPM		12. County Eddy	
19. Proposed Depth 9000'		19A. Formation Morrow	
20. Rotary or C.T. Rotary		21. Elevations (Show whether DF, RT, etc.)	
21A. Kind & Status Plug. Bond Blanket		21B. Drilling Contractor Moranco	
22. Approx. Date Work will start 1 October 1977			

23.

### PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	48#	300'	325 sx.	circ.
12-1/4" & 11"	8-5/8"	32#	1200'*	800 sx.	circ.
7-7/8"	5-1/2"	17#	9000'	450 sx.	6700' **

\* 8-5/8" casing to be set 100' below last water sand.

\*\* 5-1/2" cementing program will be designed to cover any interval having oil or gas show.

BOP Program: 1 - 12" x 900 Series double-ram  
1 - 12" x 900 Series Hydril

BEFORE THE OIL CONSERVATION COMMISSION	
BOP	Santa Fe, New Mexico
Case No. <u>6009</u>	Exhibit No. <u>1</u>
Submitted by <u>Antweil</u>	
Hearing Date <u>11/10/77</u>	

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signed \_\_\_\_\_ Title Agent Date August 16, 1977  
(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

Case No. 6009  
Exhibit No. 1

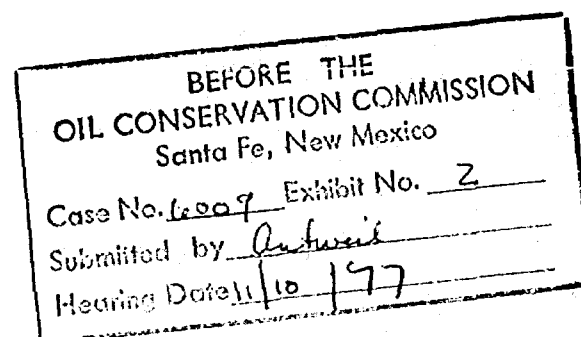
Case No. 6009  
EXHIBIT NO. 2

Proposed Gas Spacing and Proration Unit:

320 acres, being S/2 Section 29-T18S-R25E,  
N.M.P.M., Eddy County, New Mexico

WORKING INTEREST OWNERSHIP

Antweil et al	160 acres	50%
Yates Petroleum Corp. et al	<u>160</u> acres	<u>50%</u>
	320 acres	100%





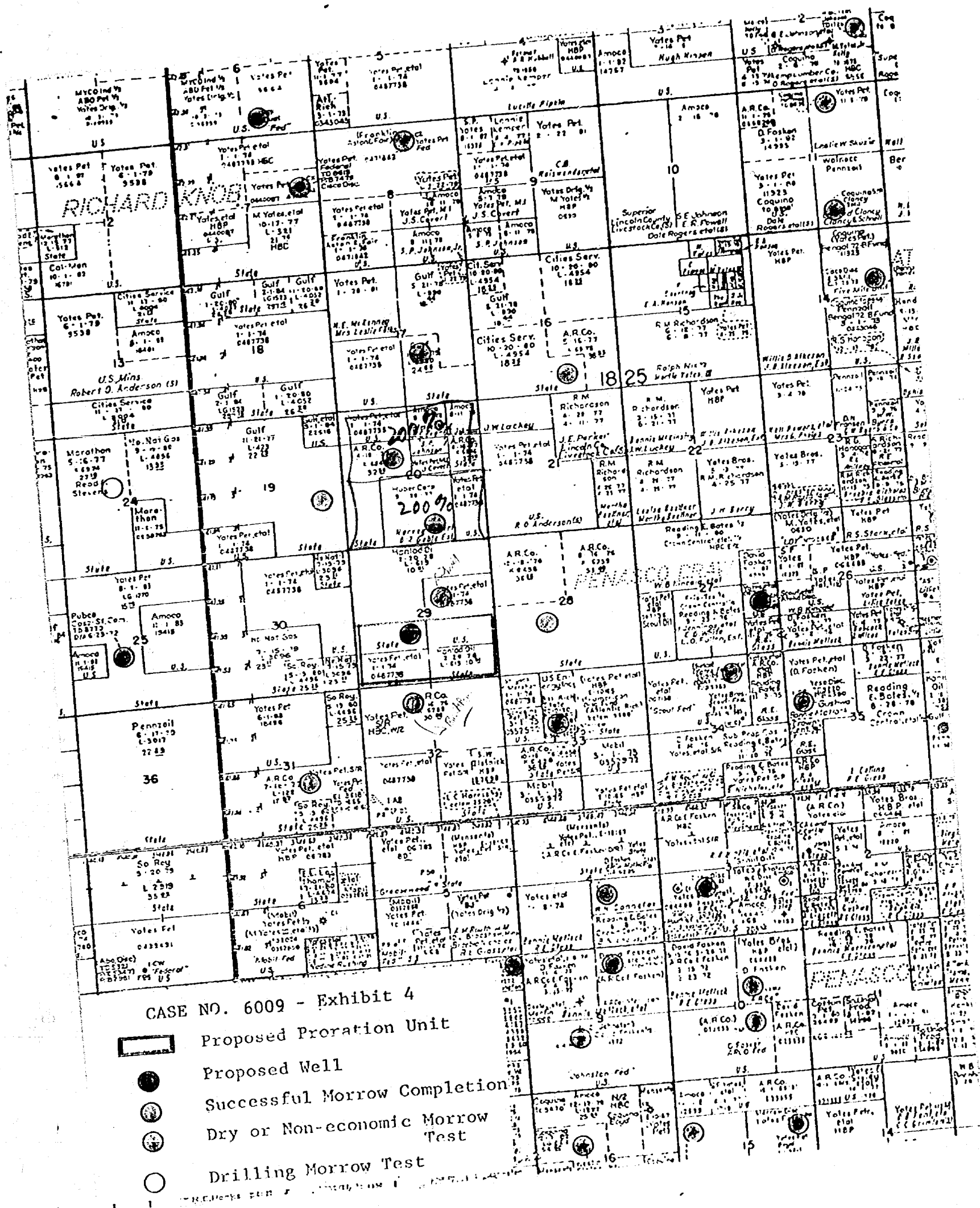
AFE COST ESTIMATE  
NO. 1 RANCHO  
S/2 Sec. 29-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		30,000.	30,000.
Surface Casing-300' 13-3/8" @ \$15.50/ft.	4,650.		4,650.
Cement & Service - 13-3/8" Casing		2,300	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,300.	20,300.
<b>COST TO CASING POINT</b>	<b>\$ 15,050.</b>	<b>\$224,950</b>	<b>\$240,000.</b>
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		16,360.	16,360.
<b>COMPLETION COST</b>	<b>\$ 86,840.</b>	<b>\$ 58,160.</b>	<b>\$145,000.</b>
<b>TOTAL AFE COST</b>	<b>\$101,890.</b>	<b>\$283,110.</b>	<b>\$385,000.</b>

**BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico**

Case No. 6009 Exhibit No. 3  
Submitted by Antwood  
Hearing Date 11/10/77

CASE NO. 6009  
EXHIBIT NO. 3





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

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

July 14, 1977

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 6009 Exhibit No. 5  
Submitted by Antweil  
Hearing Date 11/10/77

Mr. R. M. Williams  
C/O Morris R. Antweil  
P.O. Box 2010  
Hobbs, New Mexico 88240

Re: Antweil "IK" State No. 1  
T18S-R25E, Sec. 29: S/2  
Eddy County, New Mexico

Dear Sir:

Yates Petroleum Corporation hereby proposes the drilling of the captioned well. Enclosed for your consideration is an Authority For Expenditure for said well. If acceptable, please sign and return one copy at your earliest convenience.

Upon receipt of the signed Authority For Expenditure, we shall prepare an operating agreement for execution. Please inform us of the various parties involved and their percentage interest in the well.

Thank you.

Very truly yours,

*Scott E. Wilson*

Scott E. Wilson

SEW/kc  
Enclosures (2)

July 26, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
S/2 Sec. 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the S/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the S/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. Our records indicate that the acreage in the S/2 of Section 29 is held as follows:

Antweil	160 acres	50%
Yates	160 acres	50%

You are requested to join us in drilling the proposed well for a share proportionate to your acreage holding. We are requesting the New Mexico Oil Conservation Commission to docket a hearing on 17 August 1977 to consider compulsory pooling the S/2 of Section 29 in the event that all the working interest cannot be joined in our proposed drilling.

We are returning your AFE for the proposed Antweil "1K" State No. 1 unapproved. We consider the anticipated cost to be excessive to our experience in the immediate area. We have drilled Morrow tests in this area for \$235,000 to the casing point and completed the wells for a total cost of \$380,000. We will forward you our AFE in the near future, but you may assume the estimated costs will be approximately \$385,000, similar to our AFE on the No. 1 Rio.

Yours very truly,  
MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosure

August 8, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Antweil No. 1 Rancho  
S/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of New Mexico Oil Conservation Commission Docket No. 26-77 for Examiner Hearing 17 August 1977. Your attention is directed to Case No. 6009 covering the acreage to be dedicated to the captioned well.

As stated in our letter of 26 July 1977, you are requested to join us in the drilling of the proposed well for a share proportional to your acreage holding. Enclosed are two copies of our AFE Cost Estimate for the proposed well. Please indicate your agreement to join in the proposed drilling by signing and returning one copy of the AFE.

Yours very truly,

MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosures



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

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

August 22, 1977

Morris R. Antweil  
P. O. Box 2010  
Hobbs, New Mexico 88240

Attention: Mr. R. M. Williams

Re: Antweil "IK" State No. 1  
Township 18 South, Range 25 East, N.M.P.M.  
Section 29: S $\frac{1}{2}$   
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation hereby submits for your further consideration the same Authority for Expenditure for drilling the captioned well, previously transmitted by a letter dated July 14, 1977. Further, enclosed is an Operating Agreement dated August 22, 1977, for drilling said well. As the owner of a 50% working interest compared to your 10% working interest before payout, Yates has a much larger working interest at risk and therefore feels entitled to operate said well instead of Antweil.

In case you will not agree to Yates operating said well, this date we are requesting a denovo hearing before the full Oil Conservation Commission of Case 6009 heard before Mr. Richard L. Stamets, Examiner, on August 17, 1977.

Also, by a letter dated May 3, 1977, you stated an Operating Agreement would be sent for our approval for the drilling of the Rio No. 1. The Rio No. 1 has since been drilled and completed, and we have still not received an Operating Agreement. By a letter dated June 29, 1977, you stated an Operating Agreement would be sent for our approval for the drilling of the La Cama No. 1. We hope to receive an Operating Agreement for the La Cama No. 1 before it is drilled and completed. Some consideration from you in this matter will be appreciated.

If acceptable, please sign and return one copy of the Authority for Expenditure and Operating Agreement at your earliest convenience.

Very truly yours,

Jack W. McCaw  
Land Department

*Scott E. Wilson*

By: Scott E. Wilson

SEW/mak  
Enclosures  
cc: W. Thomas Kellahin  
Hanlad Oil Corporation

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

KELLAHIN and FOX  
ATTORNEYS AT LAW  
800 DON GASPAR AVENUE  
P. O. BOX 1769  
SANTA FE, NEW MEXICO 87501

OCT 21 1977

TELEPHONE 982-4318  
AREA CODE 505

October 21, 1977

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

Re: NMOCC Case No. 6009  
Order No. R-5546

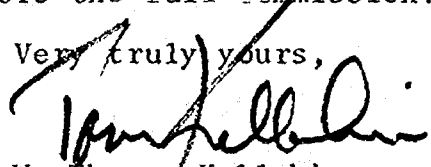
Dear Dan:

Please find enclosed my application for a hearing de novo on behalf of Yates Petroleum Corporation in the above referenced case.

I would appreciate if you would consolidate this hearing with the application I filed with you on August 19, 1977 for a forced pooling of the same acreage for Yates.

Both matters are to be set before the full Commission.

Very truly yours,

  
W. Thomas Kellahin

CC: Mr. Scott Wilson  
Mr. Bill Carr

WTK:kfm

Enclosure

SEP 21 1977

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF MORRIS R. ANTWEIL FOR COMPULSORY  
POOLING EDDY COUNTY, NEW MEXICO

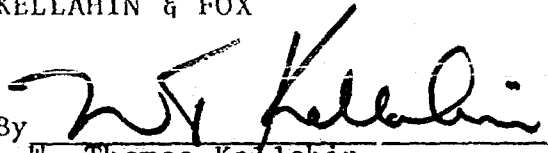
NMOCC Case No. 6009  
Order No. R-5546

APPLICATION FOR HEARING DE NOVO

Comes now Yates Petroleum Corporation, by and through  
its attorneys, Kellahin & Fox, and pursuant to Rule 1220  
of the Commission and applies for a hearing de novo in the  
above referenced case.

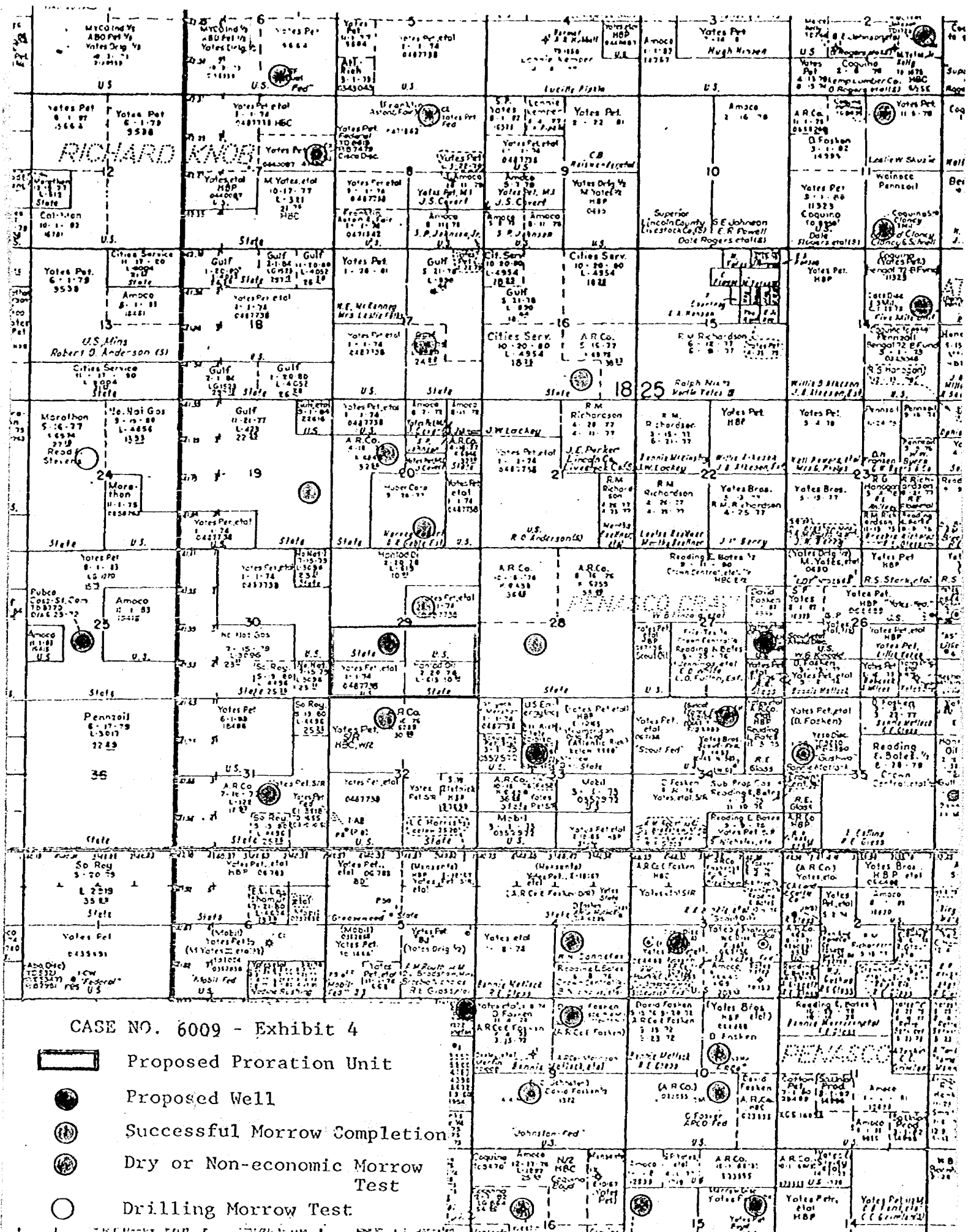
KELLAHIN & FOX

By

  
W. Thomas Kellahin  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicant





Docjet  
Eddy County, New Mexico  
is 1230 feet from the  
northwest corner of  
the pool, Lea County,

Morris R. Antweil  
OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240

RECEIVED JUN 30 1977

June 29, 1977

Yates Petroleum Corp.  
207 South 4th Street  
Artesia, New Mexico 88210  
ATTN: Jack McCaw

Amoco Production Co.  
Box 3092  
Houston, Texas 77001  
ATTN: Joe Durkee

REFERENCE: Drilling Proposal  
N/2 Section 20-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot  
Morrow test at a standard location in the N/2 of Section  
20-T18S-R25E, Eddy County, New Mexico. We propose to  
dedicate the N/2 of Section 20 as the 320-acre gas spacing  
and proration unit for the proposed well. Our records  
indicate that the acreage in the N/2 of Section 20 is held  
as follows:

Antweil	120 Acres	37.50%
Amoco	<del>84</del> 100 Acres	<del>31.25%</del> 25.
Yates	<del>120</del> 100-Acres	<del>31.25%</del> 37.50

You are requested to join us in drilling the proposed  
well for a share proportionate to your acreage holding, or  
farmout your acreage for a 1/16 override during payout with  
the option to convert the override to a 1/2 working interest  
after payout. We are requesting the New Mexico Oil Conservation  
Commission to docket a hearing on 20 July, 1977 to consider  
compulsory pooling the N/2 of Section 20 in the event that  
all the working interest cannot be joined in the proposed  
drilling.

We have a drilling committment to Atlantic Richfield  
Company in regard to our acreage and plan to meet that obli-  
gation by commencing drilling operations on the proposed well  
in August.

Yates Petroleum Corp.  
Amoco Production Co.  
June 29, 1977

-2

We will appreciate your prompt response in regard to the participation or farmout of your acreage. The necessary AFE and Operation Agreement or Farmout Agreement will be prepared and forwarded for your approval.

Yours very truly,

MORRIS R. ANTWEIL



R. M. Williams

RMW:crm

cc: Atlantic Richfield Co.  
P. O. Box 1610  
Midland, Texas 79701

ATTN: Karyn Zimmerman



207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE 748-3558

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

July 14, 1977

Mr. R. M. Williams  
C/O Morris R. Antweil  
P.O. Box 2010  
Hobbs, New Mexico 88240

Re: Antweil "IK" State No. 1  
T18S-R25E, Sec. 29: S/2  
Eddy County, New Mexico

Dear Sir:

Yates Petroleum Corporation hereby proposes the drilling of the captioned well. Enclosed for your consideration is an Authority For Expenditure for said well. If acceptable, please sign and return one copy at your earliest convenience.

Upon receipt of the signed Authority For Expenditure, we shall prepare an operating agreement for execution. Please inform us of the various parties involved and their percentage interest in the well.

Thank you.

Very truly yours,

*Scott E. Wilson*

Scott E. Wilson

SEW/kc  
Enclosures (2)

No. 5

July 26, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
S/2 Sec. 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the S/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the S/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. Our records indicate that the acreage in the S/2 of Section 29 is held as follows:

Antweil	160 acres	50%
Yates	160 acres	50%

You are requested to join us in drilling the proposed well for a share proportionate to your acreage holding. We are requesting the New Mexico Oil Conservation Commission to docket a hearing on 17 August 1977 to consider compulsory pooling the S/2 of Section 29 in the event that all the working interest cannot be joined in our proposed drilling.

We are returning your AFE for the proposed Antweil "1K" State No. 1 unapproved. We consider the anticipated cost to be excessive to our experience in the immediate area. We have drilled Morrow tests in this area for \$235,000 to the casing point and completed the wells for a total cost of \$380,000. We will forward you our AFE in the near future, but you may assume the estimated costs will be approximately \$385,000, similar to our AFE on the No. 1 Rio.

Yours very truly,  
MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosure

August 8, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Antweil No. 1 Rancho  
S/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of New Mexico Oil Conservation Commission Docket No. 26-77 for Examiner Hearing 17 August 1977. Your attention is directed to Case No. 6009 covering the acreage to be dedicated to the captioned well.

As stated in our letter of 26 July 1977, you are requested to join us in the drilling of the proposed well for a share proportional to your acreage holding. Enclosed are two copies of our AFE Cost Estimate for the proposed well. Please indicate your agreement to join in the proposed drilling by signing and returning one copy of the AFE.

Yours very truly,

MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosures



YATES BUILDING - 207 SOUTH 4TH ST.  
ARTESIA, NEW MEXICO - 88210

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

August 22, 1977

Morris R. Antweil  
P. O. Box 2010  
Hobbs, New Mexico 88240

Attention: Mr. R. M. Williams

Re: Antweil "IK" State No. 1  
Township 18 South, Range 25 East, N.M.P.M.  
Section 29: S $\frac{1}{2}$   
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation hereby submits for your further consideration the same Authority for Expenditure for drilling the captioned well, previously transmitted by a letter dated July 14, 1977. Further, enclosed is an Operating Agreement dated August 22, 1977, for drilling said well. As the owner of a 50% working interest compared to your 10% working interest before payout, Yates has a much larger working interest at risk and therefore feels entitled to operate said well instead of Antweil.

In case you will not agree to Yates operating said well, this date we are requesting a denovo hearing before the full Oil Conservation Commission of Case 6009 heard before Mr. Richard L. Stamets, Examiner, on August 17, 1977.

Also, by a letter dated May 3, 1977, you stated an Operating Agreement would be sent for our approval for the drilling of the Rio No. 1. The Rio No. 1 has since been drilled and completed, and we have still not received an Operating Agreement. By a letter dated June 29, 1977, you stated an Operating Agreement would be sent for our approval for the drilling of the La Cama No. 1. We hope to receive an Operating Agreement for the La Cama No. 1 before it is drilled and completed. Some consideration from you in this matter will be appreciated.

If acceptable, please sign and return one copy of the Authority for Expenditure and Operating Agreement at your earliest convenience.

Very truly yours,

Jack W. McCaw  
Land Department

*Scott E. Wilson*

By: Scott E. Wilson

SEW/mak  
Enclosures  
cc: W. Thomas Kellahin  
Hanlad Oil Corporation

Morris R. Antweil

RECEIVED MAY 4 1977

OIL OPERATOR

P. O. Box 8010

HOBBS, NEW MEXICO 88240

May 3, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
No. 1 Rio  
N/2 Section 29-T18S-R25E  
Eddy County, New Mexico

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
Case No. \_\_\_\_\_  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

Gentlemen:

Enclosed are two copies of our AFE cost estimate for the drilling and completion of the captioned well as a 9000-foot Morrow test at a standard location in the N/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the N/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. We request that you join us in drilling the proposed well for a share proportionate to your acreage holding in the N/2 of the section. Please execute and return one copy of the AFE to indicate your agreement to participate.

Antweil et al hold a farmout on 240 acres in the proposed unit, being the N/2 NE/4 and NW/4. Yates has 80 acres, being the S/2 NE/4. We have requested the New Mexico Oil Conservation Commission to docket a hearing on 25 May 1977 to consider compulsory pooling the N/2 of Section 29 in the event that all the working interest cannot be joined in the proposed drilling.

We have a commitment to commence drilling operations before 7 July 1977 and plan to meet that obligation by spudding the proposed well in June. We will appreciate your prompt response in regard to your participation with us in the proposed well. An Operating Agreement will be prepared and forwarded for your approval as soon as the participation is determined.

Yours very truly,

MORRIS R. ANTWEIL

*R M Williams*

R. M. Williams

5-13-77

One copy AFE  
re above captioned,  
executed by YPC, returned  
Enclosures *Ed.*



AFE COST ESTIMATE  
NO. 1 RANCHO  
S/2 Sec. 29-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		30,000.	30,000.
Surface Casing-300' 13-3/8" @ \$15.50/ft.	4,650.		4,650.
Cement & Service - 13-3/8" Casing		2,300	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,300.	20,300.
 COST TO CASING POINT	 \$ 15,050.	 \$224,950	 \$240,000.
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		16,360.	16,360.
 COMPLETION COST	 \$ 86,840.	 \$ 58,160.	 \$145,000.
 TOTAL AFE COST	 \$101,890.	 \$283,110.	 \$385,000.

CASE NO. 6009  
EXHIBIT NO. 3

Case No. 6009  
EXHIBIT NO. 2

Proposed Gas Spacing and Proration Unit:

320 acres, being S/2 Section 29-T18S-R25E,  
N.M.P.M., Eddy County, New Mexico

WORKING INTEREST OWNERSHIP

Antweil et al	160 acres	50%
Yates Petroleum Corp. et al	<u>160</u> acres	<u>50%</u>
	320 acres	100%

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101  
Revised 1-1-65

E X A M P L E

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK			
1a. Type of Work		7. Unit Agreement Name	
b. Type of Well DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. Farm or Lease Name RANCHO	
2. Name of Operator MORRIS R. ANTWEIL		9. Well No. 1	
3. Address of Operator Box 2010 Hobbs, New Mexico 88240		10. Field and Pool, or Wildcat Undesignated Morrow	
4. Location of Well UNIT LETTER <u>K</u> LOCATED <u>1980</u> FEET FROM THE <u>South</u> LINE AND <u>1980</u> FEET FROM THE <u>West</u> LINE OF SEC. <u>29</u> TWP. <u>18-S</u> RGE. <u>25-E</u> NMPM		12. County Eddy	
19. Proposed Depth 9000'		19A. Formation Morrow	
20. Rotary or C.T. Rotary		21. Elevations (Show whether DF, RT, etc.)	
21A. Kind & Status Plug. Bond Blanket		21B. Drilling Contractor Moranco	
22. Approx. Date Work will start 1 October 1977			

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	48#	300'	325 sx.	circ.
12-1/4" & 11"	8-5/8"	32#	1200'*	800 sx.	circ.
7-7/8"	5-1/2"	17#	9000'	450 sx.	6700' **

\* 8-5/8" casing to be set 100' below last water sand.

\*\* 5-1/2" cementing program will be designed to cover any interval having oil or gas show.

BOP Program: 1 - 12" x 900 Series double-ram BOP  
1 - 12" x 900 Series Hydril

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signed \_\_\_\_\_ Title Agent Date August 16, 1977  
(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

Case No. 6009  
Exhibit No. 1

RECEIVED AUG 9 1977

Morris R. Antweil

OIL OPERATOR

P. O. Box 2010

HOBBS, NEW MEXICO 88240

August 8, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Antweil No. 1 Rancho  
S/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of New Mexico Oil Conservation Commission Docket No. 26-77 for Examiner Hearing 17 August 1977. Your attention is directed to Case No. 6009 covering the acreage to be dedicated to the captioned well.

As stated in our letter of 26 July 1977, you are requested to join us in the drilling of the proposed well for a share proportional to your acreage holding. Enclosed are two copies of our AFE Cost Estimate for the proposed well. Please indicate your agreement to join in the proposed drilling by signing and returning one copy of the AFE.

Yours very truly,

MORRIS R. ANTWEIL

*R. M. Williams*

R. M. Williams

RMW:crm  
Enclosures

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
<i>Yates</i>	EXHIBIT NO. <u>1</u>
CASE NO. _____	
Submitted by _____	
Hearing Date _____	

Dockets Nos. 27-77 and 28-77 are tentatively set for hearing on August 31 and September 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 17, 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. Stanets, Examiner, or Daniel S. Nutter, Alternate Examiner:

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

CASE 6001: (Continued from August 3, 1977, Examiner Hearing)

Application of Mesa Petroleum Co. for an exception to Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Primo Well No. 1-A located in Unit D of Section 6, Township 31 North, Range 10 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.

CASE 6007: Application of Gulf Energy and Minerals Company for a non-standard proration unit, simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 600-acre non-standard proration unit comprising all of Section 4 except the NE/4 NW/4 thereof, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. F. Janda Wells Nos. 7 located in Unit K and Nos. 12 and 13, at unorthodox locations in Units O and P, respectively, of said Section 4.

CASE 6008: Application of Texaco Inc. for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Central Vacuum Unit Area, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, by the injection of water into the Grayburg-San Andres formation through 55 wells.

CASE 6009: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, 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 5992: (Readvertised)

Application of Burleson & Huff for compulsory pooling, a non-standard unit, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location. Also to be considered will be the cost of recompletion or of drilling and completing the unit 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 recompleting or drilling said well.

CASE 6010: Application of Manana Gas Inc. for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 30 North, Range 12 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 840 feet from the South line and 1400 feet from the West line of said Section 13. 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.

AFE COST ESTIMATE  
NO. 1 RANCHO  
S/2 Sec. 29-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		30,000.	30,000.
Surface Casing-300' 13-3/8" @ \$15.50/ft.	4,650.		4,650.
Cement & Service - 13-3/8" Casing		2,300	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,300.	20,300.
 COST TO CASING POINT	 \$ 15,050.	 \$224,950	 \$240,000.
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		16,360.	16,360.
 COMPLETION COST	 \$ 86,840.	 \$ 58,160.	 \$145,000.
 TOTAL AFE COST	 \$101,890.	 \$283,110.	 \$385,000.

APPROVAL:

By \_\_\_\_\_

Date \_\_\_\_\_

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

*V. A. T. O. S.* EXHIBIT NO. 2

CASE NO. \_\_\_\_\_

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

AFE COST ESTIMATE  
NO. 1 RANCHO  
S/2 Sec. 29-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		30,000.	30,000.
Surface Casing-300' 13-3/8" @ \$15.50/ft.	4,650.		4,650.
Cement & Service - 13-3/8" Casing		2,300	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
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Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,300.	20,300.
COST TO CASING POINT	\$ 15,050.	\$224,950	\$240,000.
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
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Well Service Unit - 10 days		7,000.	7,000.
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Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
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Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
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Transportation & Misc. Labor		5,000.	5,000.
Contingencies		16,360.	16,360.
COMPLETION COST	\$ 86,840.	\$ 58,160.	\$145,000.
TOTAL AFE COST	\$101,890.	\$283,110.	\$385,000.

APPROVAL:

\_\_\_\_\_

By \_\_\_\_\_

Date \_\_\_\_\_

Morris R. Antweil

OIL OPERATOR  
P. O. Box 2010  
HOBBS, NEW MEXICO 88240

July 26, 1977

RECEIVED JUL 23 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
S/2 Sec. 29-T18S-R25E  
Eddy County, New Mexico

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

Yates EXHIBIT NO. 3

CASE NO. \_\_\_\_\_

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the S/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the S/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. Our records indicate that the acreage in the S/2 of Section 29 is held as follows:

Antweil	160 acres	50%
Yates	160 acres	50%

You are requested to join us in drilling the proposed well for a share proportionate to your acreage holding. We are requesting the New Mexico Oil Conservation Commission to docket a hearing on 17 August 1977 to consider compulsory pooling the S/2 of Section 29 in the event that all the working interest cannot be joined in our proposed drilling.

We are returning your AFE for the proposed Antweil "1K" State No. 1 unapproved. We consider the anticipated cost to be excessive to our experience in the immediate area. We have drilled Morrow tests in this area for \$235,000 to the casing point and completed the wells for a total cost of \$380,000. We will forward you our AFE in the near future, but you may assume the estimated costs will be approximately \$385,000, similar to our AFE on the No. 1 Rio.

Yours very truly,

MORRIS R. ANTWEIL

*R. M. Williams*  
R. M. Williams

RMW:crm  
Enclosure



AUTHORITY FOR EXPENDITURE  
Yates Petroleum Corporation

Estimated Cost to Drill,  
Complete & Equip, 8900'  
Morrow Test

Antweil "IK" State No. 1  
S/2 Sec. 29-18S-25E  
Penasco Draw Morrow, Eddy Co.

	<u>Dry Hole</u>	<u>Completion</u>
Staking Permit & Legal Fees	\$ 300	\$ 300
Location, Right-of-Way & Surface Damages	\$ 5,500	\$ 6,500
Drilling: Footage, 8900' @ \$14.20	\$126,400	\$126,400
Daywork, 6 days @ \$3100	\$ 18,600	\$ 18,600
Water, Mud & Additives, Pit Lining	\$ 36,000	\$ 37,000
Cementing, Tools & Services, Temp. Surveys	\$ 9,300	\$ 13,500
Electric Logs & Perforating	\$ 16,000	\$ 21,000
Mud Logging Unit	\$ 5,600	\$ 5,600
Drill Stem Testing	\$ 3,500	\$ 3,500
Tool Rentals, Trucking & Welding	\$ 3,000	\$ 3,700
Supervision & Overhead	\$ 3,000	\$ 3,800
Completion Unit, 7 days @ \$660	\$ -	\$ 4,600
Stimulation	\$ -	\$ 16,000
Contingency	\$ 24,800	\$ 29,500
<u>TOTAL INTANGIBLES</u>	<u>\$252,000</u>	<u>\$290,000</u>
Xmas Tree	\$ 1,200	\$ 11,700
Casing: 13 3/8" 48# J-55, 400' @ \$13.89	\$ 5,600	\$ 5,600
8 5/8" 24# K-55, 1220' @ \$7.85	\$ 9,600	\$ 9,600
5 1/2" 15.5-17# K-55, 8900' @ \$5.30	\$ -	\$ 47,200
Tubing: 2 3/8" 4.7# J-55, 8700' @ \$2.01	\$ -	\$ 17,500
Packer & Special Equipment	\$ -	\$ 2,000
Contingency	\$ 1,600	\$ 6,400
<u>TOTAL TANGIBLES</u>	<u>\$ 18,000</u>	<u>\$100,000</u>
Tanks, 2- 210 bbl welded w/stair & walkway, & Fiberglass Tank	\$ -	\$ 9,500
Heater-Separator & Flowlines, Valves & Ftgs.	\$ -	\$ 19,500
Trucking, Fences, Construction Costs, Misc.	\$ -	\$ 6,000
<u>TOTAL LEASE EQUIPMENT</u>	<u>\$ -</u>	<u>\$ 35,000</u>
<u>TOTAL TO DRILL, COMPLETE &amp; EQUIP</u>	<u>\$270,000</u>	<u>\$425,000</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.

MORRIS R. ANTWEIL, ETAL (50.00000)

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

YATES PETROLEUM CORPORATION (25.00000)

By Edna M. Yates Date 7-14-77

YATES DRILLING COMPANY (8.33333)

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

MARTIN YATES, III (8.33333)

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

JOHN A. YATES (8.33334)

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



207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE 746-3838

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

July 14, 1977

Mr. R. M. Williams  
C/O Morris R. Antweil  
P.O. Box 2010  
Hobbs, New Mexico 88240

Re: Antweil "IK" State No. 1  
T18S-R25E, Sec. 29: S/2  
Eddy County, New Mexico

Dear Sir:

Yates Petroleum Corporation hereby proposes the drilling of the captioned well. Enclosed for your consideration is an Authority For Expenditure for said well. If acceptable, please sign and return one copy at your earliest convenience.

Upon receipt of the signed Authority For Expenditure, we shall prepare an operating agreement for execution. Please inform us of the various parties involved and their percentage interest in the well.

Thank you.

Very truly yours,

*Scott E. Wilson*

Scott E. Wilson

SEW/kc  
Enclosures (2)

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
<i>Yates</i>	EXHIBIT NO. <u>4</u>
CASE NO. _____	
Submitted by _____	
Hearing Date _____	

AUTHORITY FOR EXPENDITURE  
Yates Petroleum Corporation

Estimated Cost to Drill,  
Complete & Equip, 8900'  
Morrow Test

Antweil "IK" State No. 1  
S/2 Sec. 29-18S-25E  
Penasco Draw Morrow, Eddy Co.

	<u>Dry Hole</u>	<u>Completion</u>
Staking Permit & Legal Fees	\$ 300	\$ 300
Location, Right-of-Way & Surface Damages	\$ 5,500	\$ 6,500
Drilling: Footage, 8900' @ \$14.20	\$126,400	\$126,400
Daywork, 6 days @ \$3100	\$ 18,600	\$ 18,600
Water, Mud & Additives, Pit Lining	\$ 36,000	\$ 37,000
Cementing, Tools & Services, Temp. Surveys	\$ 9,300	\$ 13,500
Electric Logs & Perforating	\$ 16,000	\$ 21,000
Mud Logging Unit	\$ 5,600	\$ 5,600
Drill Stem Testing	\$ 3,500	\$ 3,500
Tool Rentals, Trucking & Welding	\$ 3,000	\$ 3,700
Supervision & Overhead	\$ 3,000	\$ 3,800
Completion Unit, 7 days @ \$660	\$ -	\$ 4,600
Stimulation	\$ -	\$ 16,000
Contingency	\$ 24,800	\$ 29,500
<u>TOTAL INTANGIBLES</u>	<u>\$252,000</u>	<u>\$290,000</u>
Xmas Tree	\$ 1,200	\$ 11,700
Casing: 13 3/8" 48# J-55, 400' @ \$13.89	\$ 5,600	\$ 5,600
8 5/8" 24# K-55, 1220' @ \$7.85	\$ 9,600	\$ 9,600
5 1/2" 15.5-17# K-55, 8900' @ \$5.30	\$ -	\$ 47,200
Tubing: 2 3/8" 4.7# J-55, 8700' @ \$2.01	\$ -	\$ 17,500
Packer & Special Equipment	\$ -	\$ 2,000
Contingency	\$ 1,600	\$ 6,400
<u>TOTAL TANGIBLES</u>	<u>\$ 18,000</u>	<u>\$100,000</u>
Tanks, 2- 210 bbl welded w/stair & walkway, & Fiberglass Tank	\$ -	\$ 9,500
Heater-Separator & Flowlines, Valves & Ftgs.	\$ -	\$ 19,500
Trucking, Fences, Construction Costs, Misc.	\$ -	\$ 6,000
<u>TOTAL LEASE EQUIPMENT</u>	<u>\$ -</u>	<u>\$ 35,000</u>
<u>TOTAL TO DRILL, COMPLETE &amp; EQUIP</u>	<u>\$270,000</u>	<u>\$425,000</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.

MORRIS R. ANTWEIL, ETAL (50.00000)

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

YATES PETROLEUM CORPORATION (25.00000)

By Eddy Co. Manager Date 7-14-77

YATES DRILLING COMPANY (8.33333)

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

MARTIN YATES, III (8.33333)

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

JOHN A. YATES (8.33334)

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

Morris R. Antweil

RECEIVED MAY 4 1977

OIL OPERATOR

P. O. Box 2010

HONDA, NEW MEXICO 88240

May 3, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
No. 1 Rio  
N/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed are two copies of our AFE cost estimate for the drilling and completion of the captioned well as a 9000-foot Morrow test at a standard location in the N/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the N/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. We request that you join us in drilling the proposed well for a share proportionate to your acreage holding in the N/2 of the section. Please execute and return one copy of the AFE to indicate your agreement to participate.

Antweil et al hold a farmout on 240 acres in the proposed unit, being the N/2 NE/4 and NW/4. Yates has 80 acres, being the S/2 NE/4. We have requested the New Mexico Oil Conservation Commission to docket a hearing on 25 May 1977 to consider compulsory pooling the N/2 of Section 29 in the event that all the working interest cannot be joined in the proposed drilling.

We have a commitment to commence drilling operations before 7 July 1977 and plan to meet that obligation by spudding the proposed well in June. We will appreciate your prompt response in regard to your participation with us in the proposed well. An Operating Agreement will be prepared and forwarded for your approval as soon as the participation is determined.

Yours very truly,

MORRIS R. ANTWEIL

*R M Williams*  
R. M. Williams

5-13-77

*One copy AFE  
re above captioned,  
presented by YPC, returned  
Enclosures*

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
*KAT* EXHIBIT NO. 5  
CASE NO. \_\_\_\_\_  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101  
Revised 1-1-65

E X A M P L E

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK			
1a. Type of Work		7. Unit Agreement Name	
b. Type of Well DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. Farm or Lease Name RANCHO	
2. Name of Operator MORRIS R. ANTWEIL		9. Well No. 1	
3. Address of Operator Box 2010 Hobbs, New Mexico 88240		10. Field and Pool, or Wildcat Undesignated Morrow	
4. Location of Well UNIT LETTER <u>K</u> LOCATED <u>1980</u> FEET FROM THE <u>South</u> LINE AND <u>1980</u> FEET FROM THE <u>West</u> LINE OF SEC. <u>29</u> TWP. <u>18-S</u> RGE. <u>25-E</u> NMPM		12. County Eddy	
19. Proposed Depth 9000'		19A. Formation Morrow	
20. Rotary or C.T. Rotary		21. Elevations (Show whether DF, RT, etc.)	
21A. Kind & Status Plug. Bond Blanket		21B. Drilling Contractor Moranco	
22. Approx. Date Work will start 1 October 1977			

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	48#	300'	325 sx.	circ.
12-1/4" & 11"	8-5/8"	32#	1200'*	800 sx.	circ.
7-7/8"	5-1/2"	17#	9000'	450 sx.	6700' **

\* 8-5/8" casing to be set 100' below last water sand.

\*\* 5-1/2" cementing program will be designed to cover any interval having oil or gas show.

BOP Program: 1 - 12" x 900 Series double-ram BOP  
1 - 12" x 900 Series Hydril

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTION, ZONE, AND PROPOSED NEW PRODUCTION. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signed \_\_\_\_\_ Title Agent

(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

Case No. 6009  
Exhibit No. 1

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
APP. EXHIBIT NO. 1  
CASE NO. 6009  
Submitted by R. W. Williams  
Hearing Date 17 Aug 77

Date August 16, 1977

Case No. 6009  
EXHIBIT NO. 2

Proposed Gas Spacing and Proration Unit:

320 acres, being S/2 Section 29-T18S-R25E,  
N.M.P.M., Eddy County, New Mexico

WORKING INTEREST OWNERSHIP

Antweil et al	160 acres	50%
Yates Petroleum Corp. et al	<u>160</u> acres	<u>50%</u>
	320 acres	100%

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

App. EXHIBIT NO. 2

CASE NO. 6009

Submitted by R. M. Williams

Hearing Date 17 Aug 77

AFE COST ESTIMATE  
NO. 1 RANCHO  
S/2 Sec. 29-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations - 4 days @ \$2900./day		11,600.	11,600.
Mud & Water		30,000.	30,000.
Surface Casing - 300' 13-3/8" @ \$15.50/ft.	4,650.		4,650.
Cement & Service - 13-3/8" Casing		2,300	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,300.	20,300.
 COST TO CASING POINT	 \$ 15,050.	 \$224,950	 \$240,000.
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		16,360.	16,360.
 COMPLETION COST	 \$ 86,840.	 \$ 58,160.	 \$145,000.
 TOTAL AFE COST	 \$101,890.	 \$283,110.	 \$385,000.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

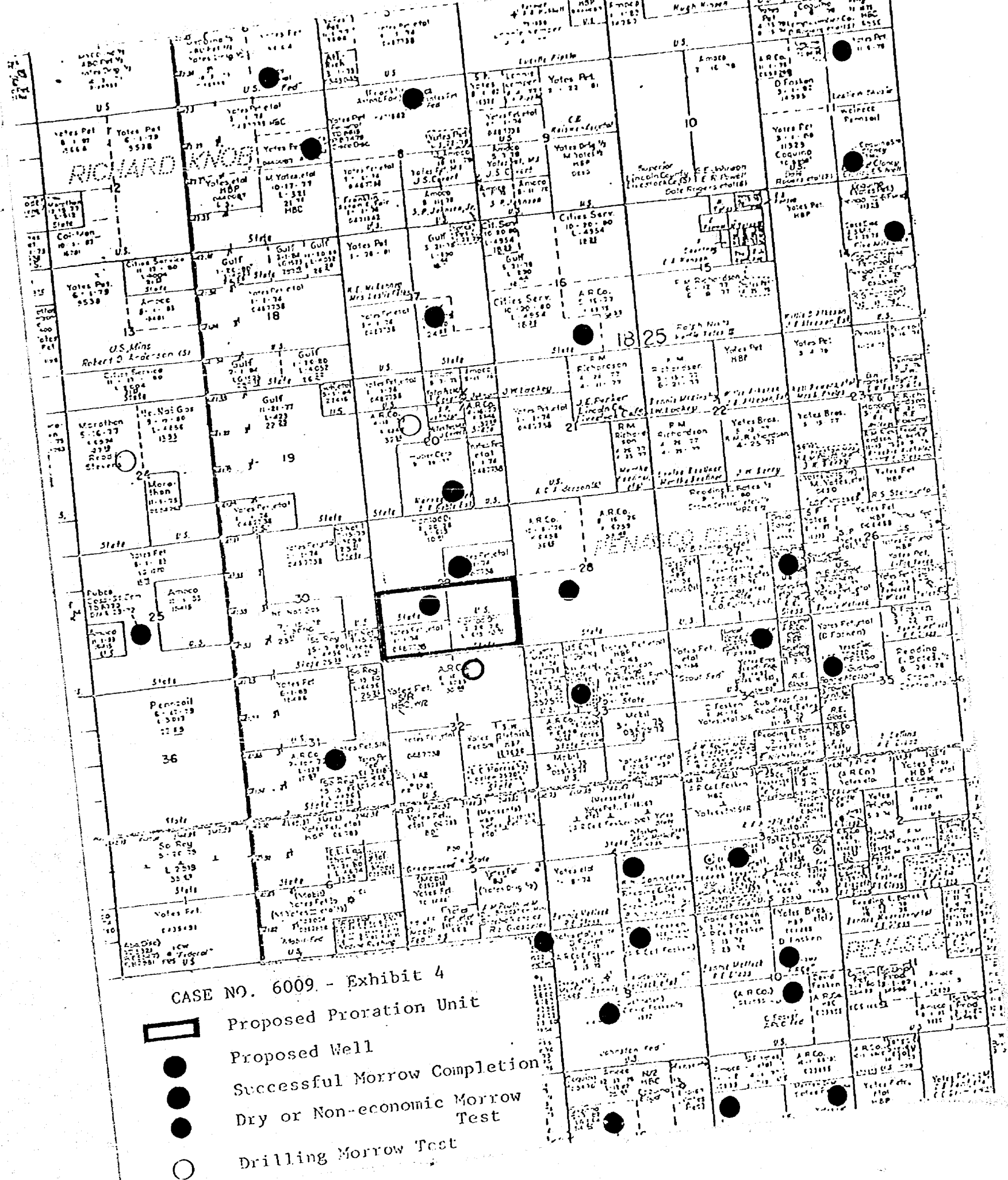
APP EXHIBIT NO. 3

CASE NO. 6009

Submitted by R. N. Williams

Hearing Date 17 Aug 77

CASE NO. 6009  
EXHIBIT NO. 3





July 26, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
S/2 Sec. 29-T18S-R25E  
Eddy County, New Mexico

BUREAU OF MINERAL RESOURCES  
OIL CONSERVATION COMMISSION

APP EXHIBIT NO. 5  
CASE NO. 6009  
Submitted by E. M. Williams  
Hearing Date 17 Aug 77

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the S/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the S/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. Our records indicate that the acreage in the S/2 of Section 29 is held as follows:

Antweil	160 acres	50%
Yates	160 acres	50%

You are requested to join us in drilling the proposed well for a share proportionate to your acreage holding. We are requesting the New Mexico Oil Conservation Commission to docket a hearing on 17 August 1977 to consider compulsory pooling the S/2 of Section 29 in the event that all the working interest cannot be joined in our proposed drilling.

We are returning your AFE for the proposed Antweil "1K" State No. 1 unapproved. We consider the anticipated cost to be excessive to our experience in the immediate area. We have drilled Morrow tests in this area for \$235,000 to the casing point and completed the wells for a total cost of \$380,000. We will forward you our AFE in the near future, but you may assume the estimated costs will be approximately \$385,000, similar to our AFE on the No. 1 Rio.

Yours very truly,

MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosure

Yates' AFE  
\$425,000

August 8, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Antweil No. 1 Rancho  
S/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of New Mexico Oil Conservation Commission Docket No. 26-77 for Examiner Hearing 17 August 1977. Your attention is directed to Case No. 6009 covering the acreage to be dedicated to the captioned well.

As stated in our letter of 26 July 1977, you are requested to join us in the drilling of the proposed well for a share proportional to your acreage holding. Enclosed are two copies of our AFE Cost Estimate for the proposed well. Please indicate your agreement to join in the proposed drilling by signing and returning one copy of the AFE.

Yours very truly,

MORRIS R. ANTWEIL

R. M. Williams

RMW:crm  
Enclosures

BEFORE EXAMINER STAFFETS  
OIL CONSERVATION COMMISSION  
APP EXHIBIT NO. 6  
CASE NO. 6009  
Submitted by R. M. Williams  
Hearing Date 17 Aug 77

Dockets Nos. 27-77 and 28-77 are tentatively set for hearing on August 31 and September 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 17, 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. Nutter, Alternate Examiner:

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

CASE 6001: (Continued from August 3, 1977, Examiner Hearing)

Application of Mesa Petroleum Co. for an exception to Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Primo Well No. 1-A located in Unit D of Section 6, Township 31 North, Range 10 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.

CASE 6007: Application of Gulf Energy and Minerals Company for a non-standard proration unit, simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 600-acre non-standard proration unit comprising all of Section 4, except the NE/4 NW/4 thereof, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. F. Janda Wells Nos. 7 located in Unit K and Nos. 12 and 13, at unorthodox locations in Units C and P, respectively, of said Section 4.

CASE 6008: Application of Texaco Inc. for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Central Vacuum Unit Area, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, by the injection of water into the Grayburg-San Andres formation through 55 wells.

CASE 6009: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, 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 5992: (Readvertised)

Application of Burleson & Huff for compulsory pooling, a non-standard unit, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location. Also to be considered will be the cost of recompletion or of drilling and completing the unit 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 recompleting or drilling said well.

CASE 6010: Application of Manana Gas Inc. for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 30 North, Range 12 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 840 feet from the South line and 1400 feet from the West line of said Section 13. 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 6011: Application of Tenneco Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin Dakota production in the wellbores of its Jicarilla "A" Well No. 1 in Unit L of Section 18, "B" Well No. 8 in Unit B of Section 15, "C" Wells Nos. 4, 5, 6, 7, and 8, located, respectively, in Units F and I of Section 24, F of Section 14, and M and E of Section 13, all in Township 26 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 6012: Application of Tenneco Oil Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Strawn formation through the perforated interval from 11,174 feet to 11,236 feet in its Jones Federal Well No. 1, located in Unit K of Section 23, Township 19 South, Range 31 East, Eddy County, New Mexico.
- CASE 6013: Application of HNG Oil Company for compulsory pooling, Eddy 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 9; Township 24 South, Range 28 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 6014: Application of Atlantic Richfield Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the South line and 330 feet from the West line of Section 6, Township 21 South, Range 27 East, Burton Flat-Morrow Gas Pool, Eddy County, New Mexico, the W/2 of said Section 6 to be dedicated to the well.
- CASE 6015: Application of Atlantic Richfield Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the South line and 660 feet from the East line of Section 32, Township 20 South, Range 27 East, Avalon-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 32 to be dedicated to the well.

CATRON, CATRON & SAWTELL

THOMAS B. CATRON, 1840-1921  
FLETCHER A. CATRON, 1890-1964

THOMAS B. CATRON, III  
JOHN S. CATRON  
WILLIAM A. SAWTELL, JR.  
FLETCHER R. CATRON

WILLIAM F. GARE  
W. ANTHONY SAWTELL

ATTORNEYS AND COUNSELORS AT LAW

THE PLAZA

SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 788

TELEPHONE 982-1947  
AREA CODE 505

July 26, 1977

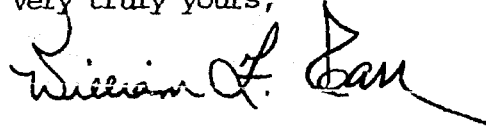
Oil Conservation Commission  
State of New Mexico  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Attn: Mr. Joe D. Ramey,  
State Petroleum Engineer

Gentlemen:

Enclosed herewith, in triplicate, is the application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Morris R. Antweil requests that this matter be set for the Examiner's hearing to be held on August 17, 1977.

Very truly yours,



William F. Carr

WFC/ss

Enclosures

cc: Mr. Bob Williams  
c/o Morris R. Antweil  
814 West Marland  
Hobbs, New Mexico 88240

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICA-  
TION OF MORRIS R. ANIWEIL  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE 6009

APPLICATION

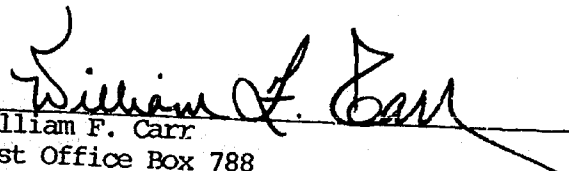
Comes now Morris R. Antweil, by his undersigned attorneys and, as provided by Section 65-3-14, New Mexico Statutes Annotated, 1953 Compilation, as amended, hereby makes application for an order pooling all of the mineral interests in and under the S/2 of Section 29, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 50% of the working interest in and under the S/2 of said Section 29, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referred to pooled unit to a well to be drilled at an orthodox location within the boundary of said pooled unit.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farm-out from the following operator:  
Yates Petroleum Corporation, 50% working interest.
4. Said pooling of interests and well completion will avoid the drilling of unnecessary wells, will protect correlative rights and prevent waste.
5. In order to permit applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests

should be pooled, and applicant should be designated as the operator of the well to be drilled.

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

Respectfully submitted,  
CATRON, CATRON & SAWTELL

By   
William F. Carr  
Post Office Box 788  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

DRAFT

dr/

*W*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

APPLICATION OF MORRIS R. ANTWEIL FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 6009

Order No. R- 5546

*Ma JJ*

BY THE COMMISSION:

ORDER OF THE COMMISSION

This cause came on for hearing at 9 a.m. on August 17, 1977  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of August, 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, Morris R. Antweil,  
seeks an order pooling all mineral interests in the Wolfcamp  
and Pennsylvanian formations underlying the S/2  
of Section 29, Township 18 South, Range 25 East,  
NMPM, Eddy County, New  
Mexico.



(3) That the applicant has the right to drill and proposes to drill a well at a standard location in unit K of said Section 29.

(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 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 \$1500 ~~per month~~ should be fixed as ~~reasonable~~ charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge, attributable to non-consenting working interest, and in addition thereto, operator should be authorized to withhold from production proportionate share of actual expenditures required for maintaining 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 December 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 Wolfcamp and Pennsylvanian formations underlying the S/2  
of Section 29, Township 18 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 a well to be drilled  
at a standard location thereon. is unit K of said Section 29.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> day of December, 1972, 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 Morris R. Antweil 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

-5-

Case No.

Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. \$1500.00 per month while drilling and \$225.00 per month while producing are

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

-6-

Case No.  
Order No. R-

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

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

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

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

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

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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. 6009 DE NOVO  
Order No. R-5546-A

APPLICATION OF MORRIS R. ANTWEIL  
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 November 10, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as "the Commission,"

NOW, on this December day of ~~November~~, 1977, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Morris R. Antweil, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit K of said Section 29.

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

(5) That on October 18, 1977, the Commission entered its Order No. R-5546 in Case No. 6009 which order pooled the above-described acreage and designated applicant the operator of the subject well and unit.

(6) That on October 24, 1977, interest owner Yates Petroleum Corporation filed an application for hearing De Novo of Case No. 6009, and the matter was set for hearing before the Commission.

-2-

Case No. 6009 De Novo  
Order No. R-5546-A

(7) That this matter came on for hearing De Novo on November 10, 1977.

(8) That the evidence presented at said hearing demonstrated the ability of applicant 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.

(9) That the subject application should therefore be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(11) 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.

(12) 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.

(13) 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.

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

Case No. 6009 De Novo  
Order No. R-5546-A

(15) That \$1500.00 per month while drilling and \$225.00 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.

(16) 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.

(17) 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 ~~December~~ February 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 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 a well to be drilled at a standard location in Unit K of said Section 29.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the <sup>first</sup> ~~1st~~ day of February, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test Wolfcamp and Pennsylvanian formations;

<sup>first</sup>  
PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the <sup>first</sup> ~~1st~~ day of ~~December, 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 Morris R. Antweil 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.

-5-

Case No. 6009 De Novo  
Order No. R-5546-A

(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 \$1500.00 per month while drilling and \$225.00 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

-6-

Case No. 6009 De Novo  
Order No. R-5546-A

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 ~~to~~ 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 ~~and~~ 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 . . . . .

Case No. 6009 DE NOVO  
Order No. R-5546-A

APPLICATION OF MORRIS R. ANTWEIL  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

~~ORDER~~ NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that due to typographical error, ~~Order~~ of Order No. R-5546-A, dated December 27, 1977, does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That the ~~place word February~~  
~~is hereby stricken~~ two paragraphs  
immediately below Order (1) are  
hereby corrected to read as follows:

PROVIDED HOWEVER

April

PROVIDED HOWEVER

April

(2) That the correction set forth above shall be effective nunc pro tunc as of December 27, 1977.

Done at Santa Fe etc.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 6009 DE NOVO  
Order No. R-5546-A

APPLICATION OF MORRIS R. ANTWEIL  
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 November 10, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as "the Commission."

NOW, on this 27th day of December, 1977, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Morris R. Antweil, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit K of said Section 29.

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

(5) That on October 18, 1977, the Commission entered its Order No. R-5546 in Case No. 6009 which order pooled the above-described acreage and designated applicant the operator of the subject well and unit.

(16) 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.

(17) 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 February 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 29, Township 18 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 a well to be drilled at a standard location in Unit K of said Section 29.

*April*  
PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of ~~February~~ 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test Wolfcamp and Pennsylvanian formations;

*April*  
PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of ~~February~~ 1978, 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 Morris R. Antweil 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-

Case No. 6009 De Novo  
Order No. R-5546-A

(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

jr/





(6) That on October 24, 1977, interest owner Yates Petroleum Corporation filed an application for hearing De Novo of Case No. 6009, and the matter was set for hearing before the Commission.

(7) That this matter came on for hearing De Novo on November 10, 1977.

(8) That the evidence presented at said hearing demonstrated the ability of applicant 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.

(9) That the subject application should therefore be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) That \$1500.00 per month while drilling and \$225.00 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.

(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 \$1500.00 per month while drilling and \$225.00 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.

