

CASE 6045: BURLESON & HUFF FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO

*Handwritten signature*

Case Number

6045

Application

Transcripts.

Small Exhibits

ETC.

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

IN THE MATTER OF:

Application of Burleson & Huff for ) CASE  
compulsory pooling, Lea County, New ) 6045  
Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant: Tom Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico 87501

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

I N D E X

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The Witness, Jack Huff

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Nutter 11

E X H I B I T S

Applicant Exhibit 1, Plat 11

Applicant Exhibit 2, Plat 11

Applicant Exhibit 3, Map 11

Applicant Exhibit 4, Plat 11

Applicant Exhibit 5, Document 11

Applicant Exhibit 6, Letter 11

Applicant Exhibit 7, Letter 11

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1 MR. NUTTER: We'll call now Case Number 6045.

2 MS. TESCHENDORF: Case 6045. Application of Burleson  
3 and Huff for compulsory pooling, Lea County, New Mexico.

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

7 (Witness sworn.)

8  
9 JACK HUFF

10 being called as a witness and being duly sworn upon his oath,  
11 testified as follows, to-wit:

12  
13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Would you please state your name, by whom you're  
16 employed, and in what capacity?

17 A Jack Huff, co-owner of Burleson and Huff.

18 Q Mr. Huff, have you previously testified before the  
19 Commission?

20 A Yes, I have.

21 Q In what capacity, sir?

22 A As an operator.

23 Q And have your qualifications as an operator been  
24 accepted and made a matter of record?

25 A Yes, they have.

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1 Q Have you studied and are you familiar with the facts  
2 surrounding this particular application?

3 A Yes, I am.

4 MR. KELLAHIN: If the Examiner please, are the  
5 witness' qualifications acceptable?

6 MR. NUTTER: Yes, they are.

7 Q (Mr. Kellahin continuing.) Mr. Huff, would you  
8 please refer to what we have marked as Exhibit Number 1,  
9 identify it, and explain to the Examiner what you are seeking?

10 A Exhibit Number 1 is a land plat, which has our  
11 location outlined -- well, our location shown on the plat  
12 and our acreage outlined in red, it being the northwest  
13 quarter of Section 12, Township 21 South, Range 36 East, in  
14 Lea County.

15 We propose to drill a well, test the Queen formation  
16 in the northwest quarter of Section 12. The well will be in  
17 the Eumont Gas Pool. We ask for compulsory pooling of one  
18 mineral interest which is unleased, under the south half of  
19 the northwest quarter of Section 12, and we ask that our  
20 proration unit be designated as the northwest quarter of  
21 Section 12 in the event we recover gas in the Queen formation.

22 A At the time the application was filed, how many  
23 interest owners had not consented to join in the drilling  
24 of the well?

25 A Only two, the one we propose to force pool now and

1 Amoco Production Company.

2 Q And since filing the application, what, if any,  
3 correspondence have you had with Amoco?

4 A I received a telephone call just before I left yes-  
5 terday saying that they would farm out to us the north half  
6 of the northwest quarter of Section 12, which is their acreage  
7 and I was advised that they would send a telegram to that ef-  
8 fect to the Commission, and also, one our office, and I as-  
9 sume that the Commission has received such a telegram.

10 MR. NUTTER: Yes, we have, from Amoco.

11 Q What is the name of the other party that has not  
12 joined in the drilling of this well?

13 A It's Mrs. Thelma Henson and she owns a 23829 over  
14 160-million unleased mineral interest under the south half  
15 of the northwest quarter of Section 12, which I believe  
16 decimally is .0014893.

17 MR. NUTTER: Would you give me her name, again,  
18 please?

19 A Mrs. Thelma Henson, H-E-N-S-O-N.

20 MR. NUTTER: Thelma?

21 A Yes, sir.

22 MR. NUTTER: Now what was her interest again?

23 A 23829 over 160-million.

24 Q What's the percentage?

25 A And the decimal is .0014893.

1 MR. NUTTER: Now, you got to read that a little  
2 slower.

3 A .0014893.

4 MR. NUTTER: Now, that would be the interest in  
5 the entire 160 or that's her interest in that 80?

6 A That's her interest in that 80. Well, it would be  
7 also the -- that would be the same decimal, although in this  
8 instance it is under that 80-acre tract.

9 MR. NUTTER: That's her inteerest in the --

10 A All right, her interest -- if the unit is approved,  
11 her interest would be one-half of that.

12 MR. NUTTER: One-half of that.

13 A Yes.

14 MR. NUTTER: This is her interest in the south half  
15 of the --

16 A Yes, sir.

17 MR. NUTTER: northwest quarter.

18 A Right.

19 MR. NUTTER: Okay, thank you.

20 Q (Mr. Kellahin continuing.) Please refer to Exhibit  
21 Number 2 and identify it.

22 A Exhibit Number 2 is a plat showing the location of  
23 our proposed well, being 1980 feet from the west line and  
24 660 feet from the north line of Section 12.

25 Q This unit is in the Eumont-Queen Gas Field, is it



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1 not?

2 A. Yes, it is.

3 Q And that field is based on 640 acres?

4 A. Yes, that's correct.

5 Q Have you previously obtained approval from the Com-  
6 mission for a nonstandard proration unit of 160 acres?

7 A This unit was previously approved in favor of Dal-  
8 port Oil Company as a nonstandard unit in the Eumont Gas Field

9 Q Do you have that Commission number?

10 A Yes. Administrative Order NSP-51, dated January 1,  
11 1955. And that was established for the Dalport Number 1  
12 McQuatters Well, situated in the southwest quarter of the  
13 northwest quarter of Section 12.

14 MR. NUTTER: How is that McQuatters spelled, Mr.  
15 Huff?

16 A Capital McQuatters, M-C-Q-U-A-T-T-E-R-S.

17 MR. NUTTER: Number 1?

18 A. Yes, sir.

19 MR. NUTTER: And that was in the southwest of the  
20 northwest?

21 A. Yes, sir.

22 MR. NUTTER: And has that well continued to pro-  
23 duce or is it --

24 A. No, sir, it was plugged about six months ago.

25 MR. NUTTER: Okay, thank you.

1 Q (Mr. Kellahin continuing.) Please refer to Exhibit  
2 3 and identify it.

3 A Exhibit 3 is a contoured map, contoured on top of  
4 the Queen Sand Formation. It's a geological map.

5 Q In your opinion, Mr. Huff, is the 160-acre unit  
6 reasonably productive from the Eumont-Queen Formation?

7 A Yes, sir, it is. We are surrounded by production  
8 from the Eumont-Queen Formation.

9 Q Please refer to Exhibit Number 4 and identify it.

10 A Exhibit Number 4 is a plat which shows the cumula-  
11 tive production of gas from the surrounding wells in the  
12 Eumont-Queen Gas Formation and also shows the latest pressures  
13 that were available to us.

14 Q What is the reason for the submitting of this ex-  
15 hibit?

16 A The reason we submit this exhibit is to show that  
17 there has been a lot of production from the surrounding  
18 acreage and that the pressures have dropped considerably,  
19 which leads us to believe that our chances of getting a de-  
20 cent well are lessened because of drainage from surrounding  
21 production.

22 Q Do you have an opinion with regards to the risk of  
23 drilling this well?

24 A Yes. I don't think the location, as such, is  
25 especially risky. In other words, I feel that we will obtain

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1 some kind of a gas well, but the risk is what quality of well  
2 we will obtain.

3 Q Do you have a percentage you would like to recom-  
4 mend to the Examiner with regards to the risk to be assigned  
5 to the drilling of this well?

6 A Yes, I would like to recommend a 200 percent risk  
7 factor.

8 Q Please refer to Exhibit Number 5 and identify it.

9 A Exhibit Number 5 is our estimated cost of drilling  
10 our McQuatters Well, totaling \$109,480. That would be drilled  
11 and completed.

12 Q Do you have a recommendation to the Examiner with  
13 regards to cost of supervision while drilling the well?

14 A Yes, we would ask for \$1000 per month for that  
15 supervision.

16 Q And for supervision charges after completion of the  
17 well? Do you have a recommendation?

18 A Yes, \$175.00 per month.

19 Q Please refer to Exhibit Number 6 and identify it.

20 A Exhibit Number 6 is a copy of a letter dated March  
21 11, 1977, addressed to Mrs. Henson, in which we refer to our  
22 earlier letter, dated December 16, 1976, when we asked her  
23 to grant us an oil and gas lease.

24 Q Without getting response, did you --

25 A No, we received no response from either of these

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1 two letters.

2 Q Exhibit Number 7?

3 A Is another letter to Mrs. Henson, dated August 19,  
 4 1977, referring to our latest letter to her in which we ask  
 5 her to join with us in the drilling in the event she did not  
 6 wish to lease to us. We received no answer to that letter,  
 7 either.

8 MR. NUTTER: Is she getting the letters, do you  
 9 know?

10 A Yes, I feel she must be because we obtained a recent  
 11 address for her from a bank in Oklahoma City; she lives in  
 12 Norman, Oklahoma, and the banker knew where she lived and  
 13 that she was alive.

14 MR. NUTTER: Now, are you sending these certified  
 15 mail or registered mail?

16 A No, just sent them out regular mail but --

17 MR. NUTTER: They didn't come back to you?

18 A They did not return to us, no. None of them.

19 MR. NUTTER: And you feel that you do have a good  
 20 address for her?

21 A Yes, sir, because this banker knew her personally.  
 22 He said it was a current address.

23 Q (Mr. Kellahin continuing.) In your opinion, Mr.  
 24 Huff, will approval of the application avoid the drilling of  
 25 unnecessary wells, protect correlative rights, and be in the

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1 best interests of conservation and the prevention of waste?

2 A. Yes, it will, particularly in view of the fact that  
 3 we are surrounded by production from other wells, which will  
 4 be draining this acreage.

5 Q Were Exhibits 1 through 7 compiled by you directly  
 6 or compiled under your direction and supervision?

7 A Yes, they were.

8 MR. KELLAHIN: We move the introduction of Exhibits  
 9 1 through 7.

10 MR. NUTTER: Applicant's Exhibits 1 through 7 will  
 11 be admitted in evidence.

12 Q I assume Burleson desires to be designated the  
 13 operator?

14 A Yes, they do.

15 MR. KELLAHIN: This concludes my examination of  
 16 Mr. Huff.

17

18 CROSS EXAMINATION

19 BY MR. NUTTER:

20 Q When would you expect to commence drilling of the  
 21 well, Mr. Huff?

22 A Sometime this year, within the next ninety days.

23 Q And the only interest outstanding here is this in-  
 24 terest of Mrs. Henson's?

25 A Yes, sir, and of course, we dismiss as to Amoco now,

1 although they were named in our application.

2 Q But everyone else now is agreeable to the well?

3 A Yes, sir.

4 MR. NUTTER: Are there any further questions of Mr.  
5 Huff? He may be excused. Does anyone have anything further  
6 in this case?

7 MS. TESCHENDORF: I have a telegram from Amoco  
8 which I'll read into the record. It was received by the Oil  
9 Commission on September 27th, 1977, it states that "Amoco  
10 management authorizes the farm-out of Amoco's leasehold in  
11 the north half of the northwest quarter, Section 12, Township  
12 21 South, Range 36 East, Lea County, in the Eumont-Queen  
13 Formation only, for the drilling and successful completion of  
14 3600 foot test on farm-out acreage with Amoco to retain a  
15 one-eighth overriding royalty interest in addition to existing  
16 burden and subject to execution of a mutually acceptable con-  
17 tract containing Amoco's standard language."

18 MR. NUTTER: Thank you. Do you have anything fur-  
19 ther, Mr. Kellahin?

20 MR. KELLAHIN: No, sir.

21 MR. NUTTER: If there's nothing further in Case  
22 Number 6045, we'll take the case under advisement.

23 (Hearing concluded.)  
24  
25

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, 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.

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

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I do hereby certify that the foregoing is  
a true and correct copy of the transcript in  
the case of 6045  
dated 9/28 1977  
heard by me on 9/28  
[Signature], Examiner  
New Mexico Oil Conservation Commission

## BURLESON &amp; HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683-4747

MIDLAND, TEXAS 79702

February 16, 1978

2/16/78  
RECEIVED  
FEBRUARY 16 1978

Nutter

J.H.

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

Re: Case No. 6045 Order No. R-5551, Burleson & Huff  
McQuatters # 1, NW/4 Sec. 12, T-21-S, R-36-E,  
Lea County, New Mexico

Gentlemen:

In accordance with the above Order, enclosed are the well costs for the above well. We will use the Lovington National Bank, Lovington, New Mexico for escrow agent. We are sending a copy of this letter and the costs to the working interest owner who was force pooled.

Yours very truly,

BURLESON &amp; HUFF

  
Jack Huff

JH/sw

copy: Mrs. Thelma Henson  
1207 Cruce  
Norman, Oklahoma 73069



## BURLESON &amp; HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683-4747

MIDLAND, TEXAS 79702

February 16, 1978

2/16/78  
BURLESON & HUFF

ACTUAL WELL COSTS - Burleson & Huff McQuatters # 1 - Located  
660' from the north and 1980' from the west lines of Section  
12, T-21-S, R-36-E, Lea County, New Mexico

Damages	\$ 1,000.00
Build location & road	2,782.50
Stake location	206.70
Anchors	234.76
Line pits	1,157.72
Drilling	36,530.49
8-5/8" & 4-1/2" casing	27,982.17
Supervision to run casing	647.88
Cement	6,542.87
Mud	2,769.11
Tubing head & misc.	1,373.46
Casinghead assembly	669.55
Fence	398.67
Acidize	1,079.36
Frac	14,422.00
Tool rental	336.29
Water	3,424.62
Log & perforate	1,671.70
Frac tank rental	156.00
Misc. valves, etc.	726.80
Completion unit	2,257.00
Supervision - drilling & completing	1,000.00
	<hr/>
	\$107,369.95



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. 6045  
Order No. R-5551

APPLICATION OF BURLESON & HUFF FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 28, 1977, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th 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, Burleson & Huff, seeks an order pooling all mineral interests underlying the NW/4 of Section 12, Township 21 South, Range 36 East, NMPM, to form a 160-acre non-standard gas proration unit, Eumont Gas Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location 660 feet from the North line and 1980 feet from the West line of said Section 12.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1000.00 per month while drilling and \$150.00 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 January 31, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

-3-  
Case No. 6045  
Order No. R-5551

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Queen formation underlying the NW/4 of Section 12, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, are hereby pooled to form a non-standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon 660 feet from the North line and 1980 feet from the West line of said Section 12.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of January, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of January, 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 Burleson & Huff are 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, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1000.00 while drilling and \$150.00 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. 6045  
Order No. R-5551

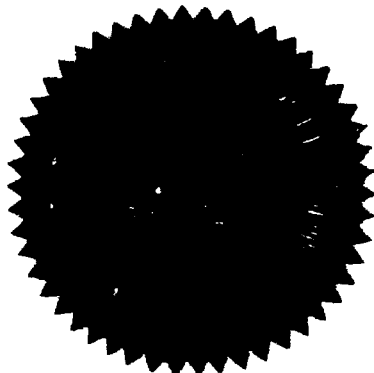
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

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

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

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

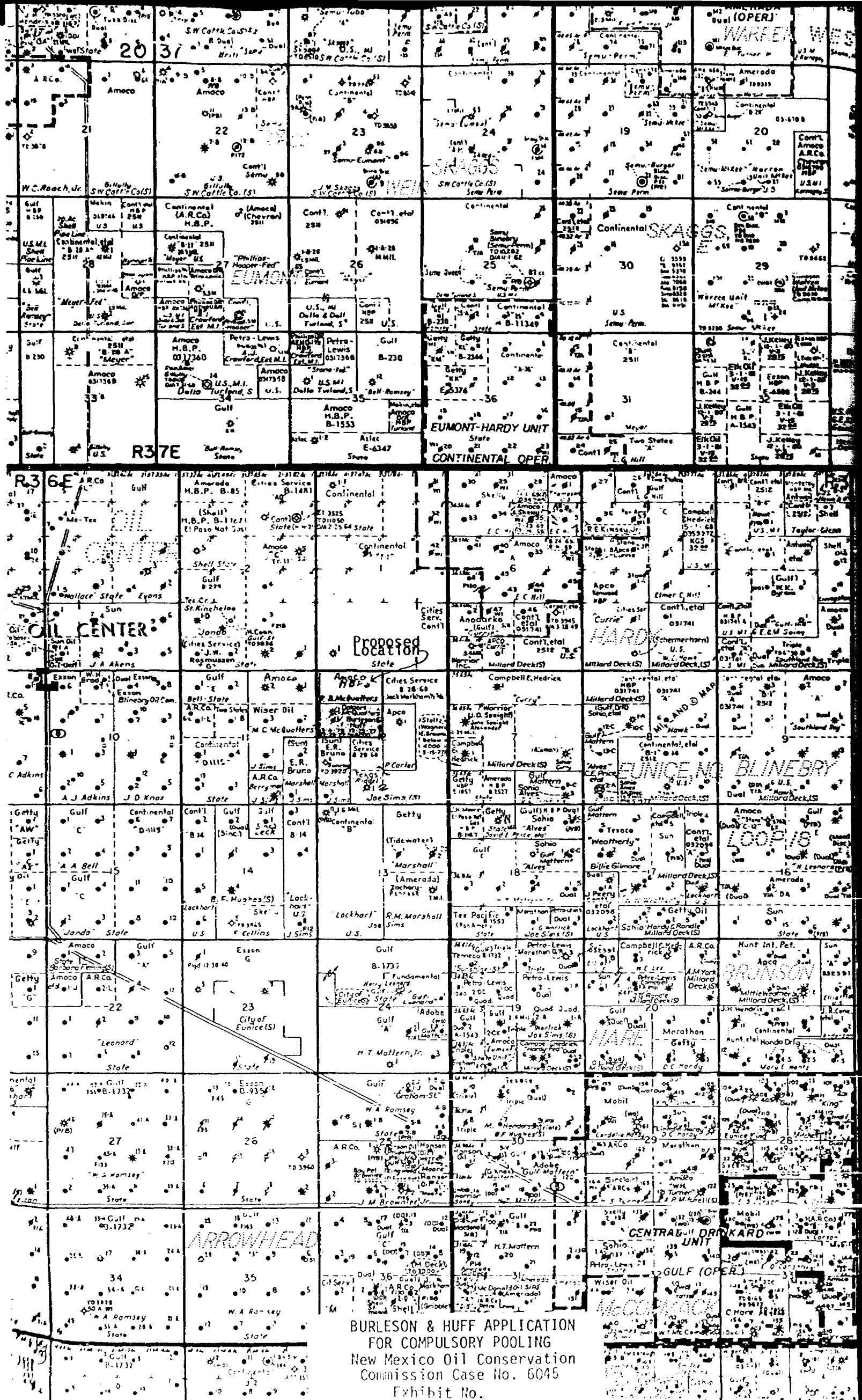
*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

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

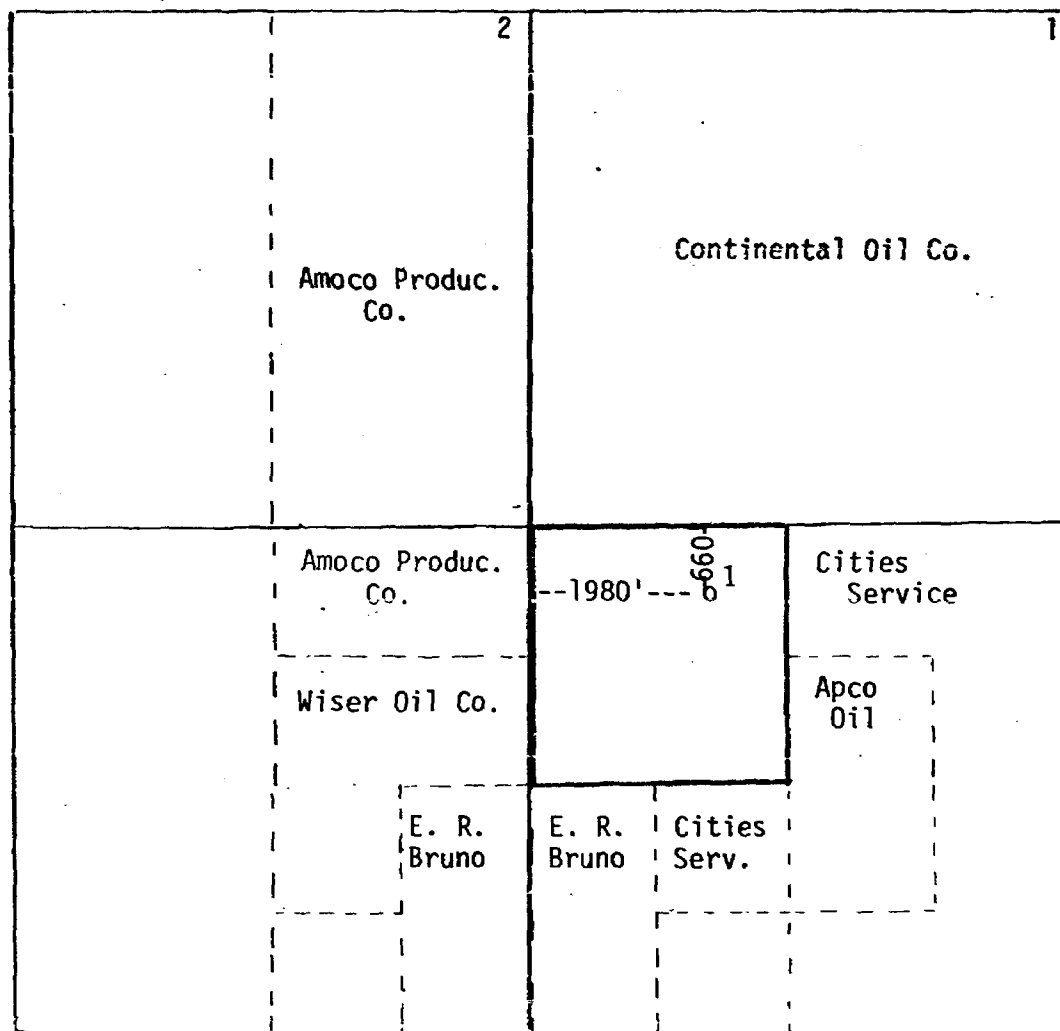
S E A L

dr/



BURLESON & HUFF APPLICATION  
FOR COMPULSORY POOLING  
New Mexico Oil Conservation  
Commission Case No. 6045  
Exhibit No.





BURLESON & HUFF McQUATTERS LEASE

NW/4 Section 12

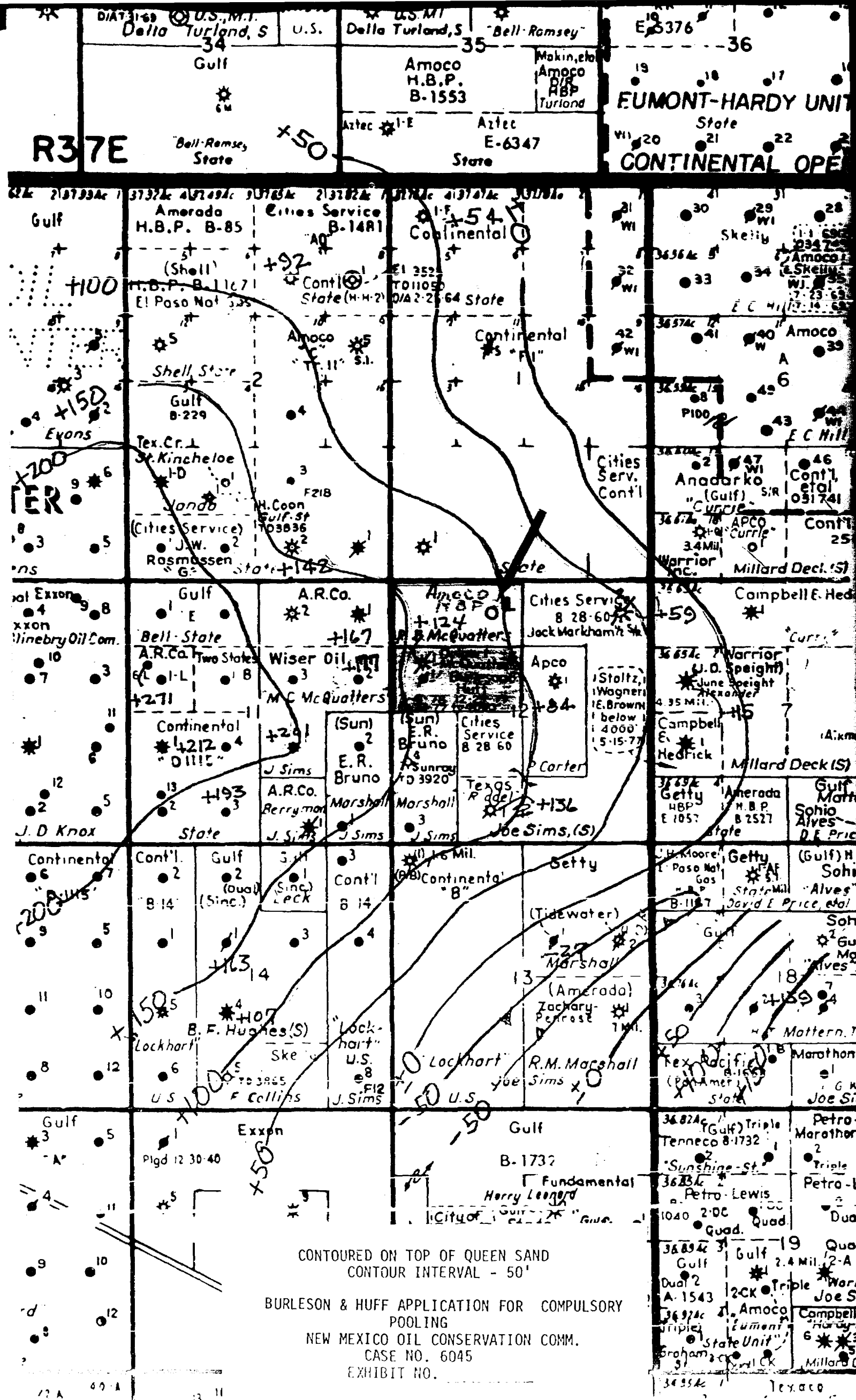
TOWNSHIP 21 SOUTH, RANGE 36 EAST

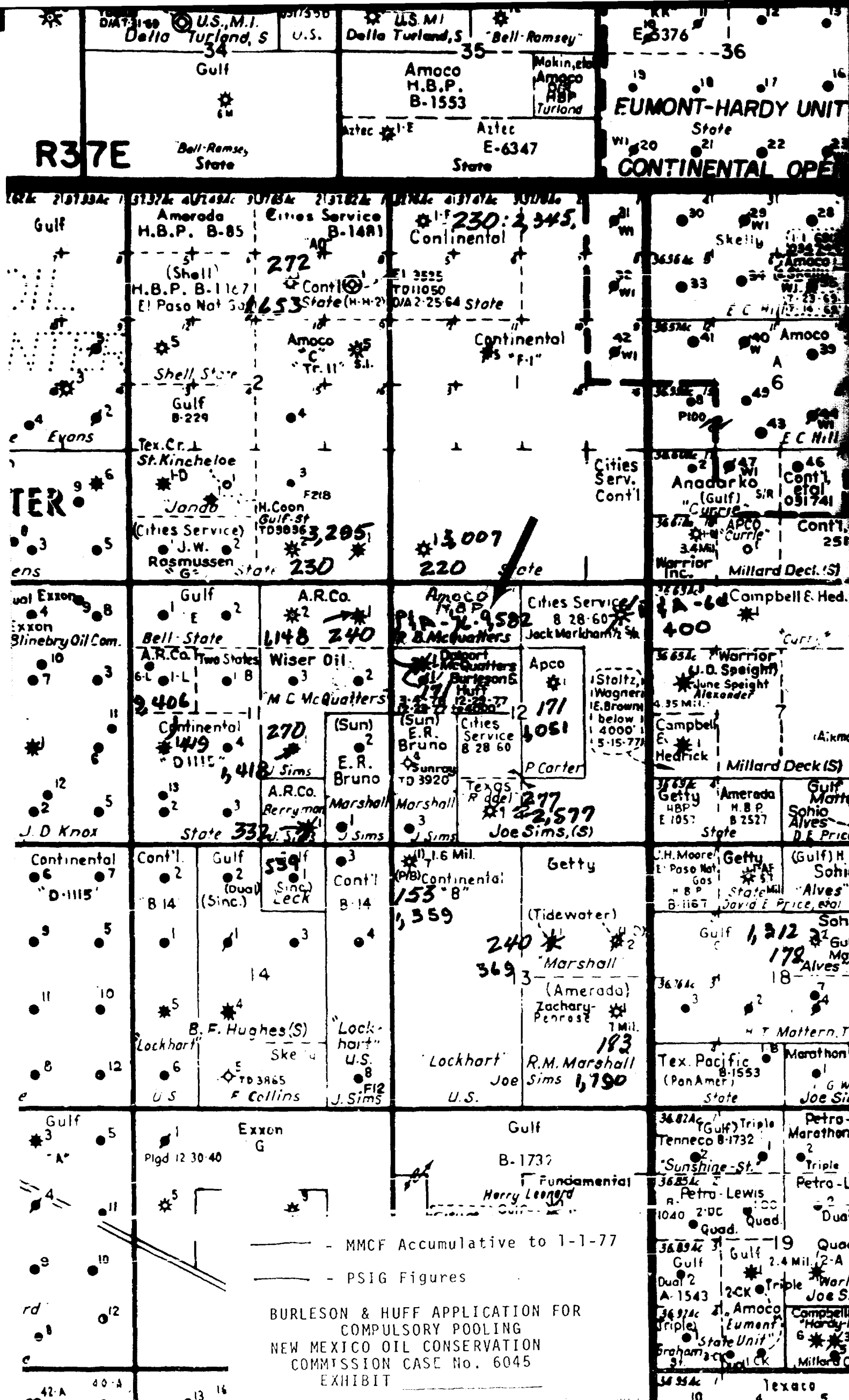
Lea County, New Mexico

Case No. 6045

Exhibit No.

*Burleson & Huff* 2  
6045





BURLESON & HUFF McQUATTERS LEASE

NW/4 Section 12

Township 21 South, Range 36 East

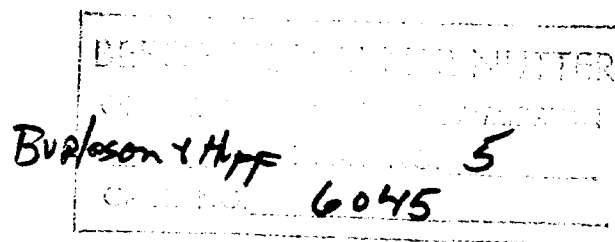
Lea County, New Mexico

Estimated Cost of drilling the McQuatters No. 1 Well:

Drilling	\$ 34,000.00
8-5/8" casing	6,000.00
4-1/2" casing	12,500.00
Tubing	7,000.00
Cement	5,000.00
Build pad & location	3,000.00
Line pit	700.00
Water	4,000.00
Log	4,500.00
Mud	6,000.00
Acid	1,000.00
Perforate	1,500.00
Completion costs	<u>10,000.00</u>
	\$ 95,200.00
15% contingency	<u>14,280.00</u>
TOTAL	\$109,480.00

Case No. 6045

Exhibit No. \_\_\_\_\_



March 11, 1977

Mrs. Thelma Henson  
1207 Cruce  
Norman, Oklahoma 73069

Re: S/2 NW/4 Sec. 12, T-21-S,  
R-36-E, Lea Co., New Mexico

Dear Mrs. Henson:

On December 16, 1976 we wrote you enclosing an oil and gas lease for your consideration covering your mineral interest under the above tract of land. We have not heard from you, and we are anxious to get everything completed so that we can start our well in the near future. If you received our prior letter we would appreciate it if you would let us know how you feel about granting us the lease.

If you should have any questions concerning the lease or our proposed well I would appreciate it if you would give me a collect call.

Hoping to hear from you soon, I remain

Yours vvery truly,

DURLESON & HUFF

Jack Huff

JH/sw

BEFORE EXAMINER NUTTER
OIL COMMISSION
Burke/Huff
CASE NO. 6045

August 19, 1977

Mrs. Thelma Henson  
1207 Cruce  
Norman, Oklahoma 73069

Re: S/2 NW/4 Sec. 12, T-21-S,  
R-36-E, Lea Co., New Mexico

Dear Mrs. Henson:

We have not heard from you since we sent you our latest letter of March 11, 1977 regarding a lease covering your mineral interest under the above tract of land. In the event you have misplaced the lease which we previously sent you we enclose a new lease for your consideration. The lease has the same terms as the lease we sent you earlier. If you are willing to grant us a lease would you please sign the lease and have your signature acknowledged before a notary public and return it to us as soon as possible.

In the event you do not wish to lease then we ask that you join with us in the drilling of the well which will cost approximately \$100,000.00 completed. Please let us know as soon as possible if you wish to join with us as we want to start the well in early November of this year. We will send you an operating agreement for you sign.

If you do not wish either to lease or to join with us then we would be left with no alternative except to take a forced pooling action which we hope will not be necessary. If you should have any questions would you please call me collect at the number shown on the letterhead. Hoping to hear from you soon, I remain

Yours very truly,

BURLESON & HUFF

Jack Huff

JH/sw

Enc:

Burleson & Huff 6045 7

IPMFEKA SANA  
1-827584C278 09/27/77  
TX AMOCO PROD HOU  
001 HOUSTON, TEXAS SEPTEMBER 27, 1977  
PMS NEW MEXICO OIL CONSERVATION COMMISSION  
STATE LAND OFFICE BLDG. #288  
SANTA FE, NEW MEXICO 87501

1977 SEP 27 PM 3:22

*Case*  
*No. 6045*  
*K*

ATTN: MR. RICHARD STAMETS

AMOCO MANAGEMENT AUTHORIZED A FARM OUT OF AMOCO'S LEASEHOLD IN N/2  
NW/4 SECTION 12, T-21-S, R-36-E LEA COUNTY AS TO EUMONT-QUEEN FORMATION  
ONLY, SUBJECT TO DRILLING AND SUCCESSFUL COMPLETION OF 3600' TEST ON  
FARMOUT ACREAGE WITH AMOCO TO RETAIN A 1/8 OVERRIDING ROYALTY INTEREST  
IN ADDITION TO EXISTING BURDENS AND SUBJECT TO EXECUTION OF A  
MUTUALLY ACCEPTABLE CONTRACT CONTAINING AMOCO'S STANDARD LANGUAGE.

J A ATKINSON  
AMOCO PRODUCTION COMPANY  
HOUSTON, TEXAS

1621 EST

IPMFEKA SANA

- CASE 6038: Application of W. Ridley Wheeler Estate for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in an undesignated San Andres reservoir by the injection of water into the San Andres formation thru the open-hole interval from 4800 feet to 4870 feet in its Markham Well No. 2, to be drilled 1980 feet from the South line and 25 feet from the East line of Section 28, Township 9 South, Range 35 East, Lea County, New Mexico.
- CASE 6039: Application of Gulf Oil Corporation for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of three Drinkard Pool wells on its Central Drinkard Unit in Township 21 South, Range 37 East, Lea County, New Mexico, as follows:
- Well No. 419, surface location 1631 feet from the South line and 260 feet from the West line of Section 28, to be bottomed approximately 1335 feet from South line and 15 feet from East line of Section 29; Well No. 421, surface location 1465 feet from North line and 1056 feet from East line of Section 32, to be bottomed approximately 1305 feet from North and East lines of Section 32; and Well No. 422, surface location 1155 feet from North line and 1000 feet from West line of Section 33, to be bottomed approximately 1305 feet from North line and 1335 feet from West line of Section 33.
- CASE 6040: Application of Gulf Oil Corporation for pool reclassification and a special GOR limit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the North Teague-Devonian Gas Pool in Sections 22 and 27, Township 23 South, Range 37 East, Lea County, New Mexico, as an oil pool and the consolidation of said pool with the Teague-Devonian Oil Pool in Sections 27, 34, and 35 of said Township. Applicant further requests a special gas-oil ratio limit for said Teague-Devonian Oil Pool of not more than 5000 to one.
- CASE 6041: Application of Gulf Oil Corporation for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Harry Leonard Well No. 12 located in Unit P of Section 22, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to a previously approved 480-acre multiple well non-standard proration unit.
- CASE 6042: Application of Gulf Oil Corporation 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 388.51-acre non-standard gas proration unit comprising the NW/4 and E/2 SW/4 of Section 6, and the NW/4 of Section 7, both in Township 22 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's R. T. Mattern Wells Nos. 6 and 3, at unorthodox locations in Unit N of Section 6 and Unit F of Section 7, respectively.
- VASE 6043: Application of V-F Petroleum Inc., for an unorthodox oil well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 330 feet from the South line and 2310 feet from the East line of Section 29, Township 8 South, Range 38 East, North Sawyer-Devonian Pool, Roosevelt County, New Mexico.
- CASE 6044: Application of Orla Petco for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to 3500 feet underlying the NE/4 NE/4 of Section 1, Township 23 South, Range 27 East, and also the NW/4 NE/4 of said Section, Eddy County, New Mexico, to form two 40-acre units, each 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 wells and the allocation of the costs 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 wells and a charge for risk involved in drilling said wells.
- CASE 6045: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the NW/4 of Section 12, Township 21 South, Range 36 East, Eumont Gas Pool, Lea 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 6046: Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 3, Township 22 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, 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 6045

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

TELEPHONE 982-4315  
AREA CODE 505

August 25, 1977

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

Re: Burleson & Huff

Dear Dan:

Please find enclosed our application on behalf of  
Burleson & Huff for Compulsory Pooling which we would  
appreciate being set for hearing on September 28th, 1977.

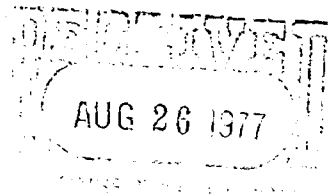
Very truly yours,

*W. Thomas Kellahin*  
W. Thomas Kellahin

CC: Mr. Jack Huff

WTK:kfm

Enclosure



BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF BURLESON & HUFF FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Burleson & Huff and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, underlying the NW/4 of Section 12, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, and for approval of an unorthodox well location, and in support thereof would show the Commission:

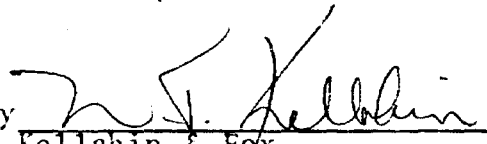
1. Applicant is the owner of the right to drill and develop the 160 acre tract composed of the NW/4 of Section 12, Township 21 South, Range 36 East at standard location within said Section 21.
2. Applicant has sought to obtain the cooperation of all parties.
3. In order to obtain their just and equitable share of the production underlying the above lands, Burleson and Huff need an order pooling the mineral interest involved.
4. Those who have not consented to join in the drilling of the well, with their addresses, to the best of applicant's information and belief, are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST</u>
Amoco Production Company	Box 3092 Houston, Texas 77001 Attn: Mr. Greg S. Allen	N/2NW/4

Mrs. Thelma Henson                      1207 Cruce                      a                      23829                      Interest  
Norman, Oklahoma                      73069                      160,000,000

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 all of the mineral interests underlying the NW/4 of Section 12, Township 21 South, Range 36 East. Applicant further prays that it be named operator of the well, and that the order make provision for applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling or recompleation of the well, and for such other and further relief as may be proper.

Respectfully submitted,  
BURLESON & HUFF

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

Attorneys for Applicant

DRAFT

lr/

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. 6045

Order No. R- 5551

APPLICATION OF BURLESON & HUFF FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 28, 1977  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        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, Burleson & Huff,  
seeks an order pooling all mineral interests       

       underlying the NW/4  
of Section 12, Township 21 South, Range 36 East,  
*to form a 160-acre non-standard gas proration unit,*  
NMPM, ~~XXXXXX~~ Eumont Gas Pool, Lea County, New  
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location 660 feet from the North Line.  
and 1980 feet from the West Line of said Section 12.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

Case No.  
Order No. R-

(11) That <sup>\$1000<sup>00</sup> per month while drilling and \$150.00 per month while producing</sup> per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 31, 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 Queen formation underlying the NW/4 of Section 12, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard <sup>non-</sup>160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon 660 feet from the North line and 1980 feet from the west line of said Section 12.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31<sup>st</sup> day of January, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31<sup>st</sup> day of January, 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.

Case No.  
Order No. R-

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

(2) That Burleson & Huff are ~~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, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1000.00 <sup>while drilling and \$150.00</sup> per month <sup>while producing</sup> ~~are~~ 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 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.



-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 Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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