

CASE NO.

6219

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.



BEFORE THE  
NEW MEXICO OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO  
MAY 3, 1978

EXAMINER HEARING

-----)  
)  
IN THE MATTER OF: )  
)

Application of H. N. G. )  
Oil Company for compulsory )  
pooling, Eddy County, New )  
Mexico. )  
-----)

Case 6219

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Division:

Lynn Teschendorf, Esq.  
Legal Counsel for the Division

For the Applicant:

Tom Kellahin, Esq.  
Attorney at Law  
500 Don Gaspar  
Santa Fe, New Mexico

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\* \* \* \* \*

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MR. NUTTER: The hearing will come to order. The first case this afternoon is Case No. 6219.

MS. TESCHENDORF: Case 6219. Application of H.N.G. Oil Company, for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, appearing on behalf of the Applicant and I have one witness.

RAYMOND PARKER

the witness herein, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A I'm Raymond Parker, land man consultant with H.N.G. Oil Company, Midland, Texas.

Q Mr. Parker, have you previously testified before the Commission in regards to force pooling cases?

A Yes, sir.

Q And have you put together the force pooling case for H.N.G. with regards to this application?

A Yes, sir.

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

MR. NUTTER: Yes, they are. I would like to call attention to a correction on this case. This case was advertised as H. and G. Oil Company and it should correctly be H.N.G. Those are the initials of Houston Natural Gas.

MR. PARKER: Right.

MR. NUTTER: H. N. G. Oil Company then.

Q (By Mr. Kellahin) Mr. Parker, would you refer to what I have marked as Exhibit No. 1 and identify it and tell us what H.N.G. is seeking to accomplish?

A We're seeking to pool the north half of Section 9, 24-28, we're building a morrow test well around 13,000. All interests within that half section are committed to us either by farm out or under working interest unit with the exception of one five acre tract, whose mineral owners last known was Howard D. Henry and wife, Katy H. Henry, who retained the minerals is a deed dated 1-21-39, were last heard of in Los Angeles, California in 1939. We have made diligent efforts to locate these people, we are unsuccessful.

Q At the time the application was filed there

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was another interest owner by the name of Thomas Connell listed on the application. What, if anything, has transpired with regards to Mr. Connell's interests?

A Mr. Connell has agreed to farm out to H.N.G. his lease hold interest, retaining an override with a back unit payout. He has executed an operating agreement covering the north half of Section 9.

Q Let me show you what I have marked as Exhibit No. 2 and ask you to identify it?

A That's a plat of other wells drilled in the area as well as the proration unit for the north half of 9, showing the location of our proposed test well.

Q What is the approximate location?

A It is 1980 from the east line and 990 from the north line of Section 9, 24 south, 28 east.

Q And the north half of Section 9 will be dedicated to the proration unit for the subject well?

A Yes, sir.

Q Let me show you what I have marked as Exhibit 3 and have you identify it?

A That's the AFE for this particular well in the amount of, Camelia Well \$1,115,950.

Q Has that been submitted to and accepted by

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other, all other working interest owners in this project?

A It has been submitted to all other working interest owners. They have either the right to participate or go non-consent under the operating agreement.

Q With regards to the operating agreement, Mr. Parker, what is provided in there with regards to the costs of supervision while drilling and after drilling, with regards to this well?

A For the drilling well rate, \$1,978; producing well rate, \$263.

Q Those figures have been accepted by all the working interest owners in this project?

A Yes, sir.

Q And would you ask the Commission that those figures be used in working out assessments against the Henry's, with regards to this case?

A Yes, sir.

Q Do you have an opinion to express with regards to the risk factor involved in drilling this well, Mr. Parker?

A We think the risk factor should be 200 percent.

Q Have you identified on Exhibit No. 2 the location of an offset morrow production?

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A Yes, sir.

Q And where are those wells located?

A One well in the east half of Section 8 which is known as the H.N.G. Ogden well. A well on the east half of Section 5 which is our Valdez Well. A well in the south half of 9 known as our Wood well 1-9. A dry hole drilled by Amaoil in the south half of Section 16. A recently completed producer in the south half of Section 15 by Amaoil. And their Will Lake Well No. 1 located in Section 22.

Q Are any of those morrow wells the subject of force pooling applications before the Commission?

A Yes, sir. Our Woods Well No. 1-9 in the south half of Section 9.

Q What was the risk factor assigned to the drilling of that well?

A 200 percent.

Q In your opinion, Mr. Parker, will approval of this application be in the best interest of conservation and the prevention of waste and the protection of correlative rights?

A Yes, sir.

Q Were Exhibits 1, 2 and 3 compiled by you

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directly or under your direction and supervision?

A Yes, sir, under my supervision.

MR. KELLAMIN: We move the introduction of Exhibits 1, 2 and 3.

MR. NUTTER: H.N.G.'s Exhibits 1 through 3 will be admitted in evidence.

(WHEREUPON, Applicant's Exhibit Nos. 1, 2 and 3 admitted into the evidence.)

MR. KELLAMIN: That concludes my examination.

MR. NUTTER: Mr. Parker, this Mr. Henry and his wife, Katy, you said their last known address was in Los Angeles, California back in 1939. Do they own this land in fee?

MR. PARKER: They own the minerals. They conveyed the surface and retained the minerals under this five acres.

MR. NUTTER: The taxes have been paid on the land and someone else has the surface.

MR. PARKER: This is true.

MR. NUTTER: So the only thing that is missing now is the ownership of the minerals.

MR. PARKER: The five acres of minerals, that's right.

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MR. NUTTER: The County Clerk has no record?

MR. PARKER: None whatsoever.

MR. NUTTER: They don't have to pay taxes on a mineral estate?

MR. PARKER: No, sir.

MR. NUTTER: Has anybody ever heard, as far as you've been able to determine, has anybody heard anything of them since they went to California in '39?

MR. PARKER: No, sir. Not one thing. We have checked the records of the Los Angeles County Court House, et cetera, for death certificates and we cannot find anything.

MR. NUTTER: So what you're seeking here would be to force pool them as 5/320th working interest owner in the well?

MR. PARKER: Yes, sir.

MR. NUTTER: And presumably their share of the proceeds from the well after payout would be put in escrow?

MR. PARKER: Right.

MR. NUTTER: And possibly later to the estate?

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MR. PARKER: Right.

MR. NUTTER: Now, you mentioned 1978 while drilling and 263 while proceeding are your combined fixed rates, that's per month is it?

MR. PARKER: That's per month. These have not been accelerated as of April as the accountants normally do. These date back to our original operating agreement for Ogden Well and we remain on those charges.

MR. NUTTER: Now, you say that in the force pooling proceedings for the well in the south half of 9, that H.N.G. was awarded 200 percent risk factor?

MR. PARKER: Yes, sir.

MR. NUTTER: There's less risk here now then there was then?

MR. PARKER: I think we need to have a geologist testify as to the risk at the morrow. As an example, our well in Section--our Valdez Well in Section 5 is very marginal. The Ogden Well is somewhat better and we have no production history yet on our 9-1 Well in the south half.

But the morrow channels are such are so unpredictable that we could move one location either way and you would drill yourself a dry hole.

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MR. NUTTER: What was the potential on the Valdez Well?

MR. PARKER: The Valdez---in the Atoka Limestone it calculated open flow of 790 MCF of gas.

MR. NUTTER: How about the morrow?

MR. PARKER: No morrow.

MR. NUTTER: No morrow. Now this Ogden Well, what about it? The one in Section 8.

MR. PARKER: The Ogden Well was completed with a calculated open flow of 1.5 million per day.

MR. NUTTER: Was that from the morrow?

MR. PARKER: That's from the morrow.

MR. NUTTER: Okay. Now do you have a test on this well, your Wood No. 1 in the bottom half of 9?

MR. PARKER: It was calculated open flow of 3.5 million per day from the morrow.

MR. NUTTER: And how about the well down here in Section 15?

MR. PARKER: Section 15, this is a recent well drilled by Amaoil No. 3, it was completed for a calculated open flow of 9.8 million.

MR. NUTTER: They get better the farther south you go?

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MR. PARKER: That's right.

MR. NUTTER: And it was a morrow well?

MR. PARKER: Yes, sir.

MR. NUTTER: Then of course, the one in Section 22, a discovery well I think, the exhibit here indicates that it made 34.9 million from the Atoka. Did it have any morrow in it?

MR. PARKER: I think it was completed from the Atoka and I do not know about the morrow.

MR. NUTTER: But this exhibit indicates it's an Atoka discovery?

MR. PARKER: Yes, it is.

MR. NUTTER: Are there any other questions of Mr. Parker? You may be excused.

MR. KELLAHIN: I have a geological witness in this case. He has not been sworn.

STEWART MARTIN

the witness herein, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

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A I'm Stewart Martin, Vice President of H.N.G. Oil Company exploration of Midland, Texas.

Q Mr. Martin, are you a geologist?

A Yes, sir.

Q Have you testified as an expert witness before the Commission in the capacity as a geologist at previous hearings?

A Yes, sir.

Q Have you made a study of and are you familiar with the facts surrounding this particular application?

A Yes, sir.

MR. KELLAHIN: I tender Mr. Martin as an expert witness.

MR. NUTTER: He is qualified.

Q (By Mr. Kellahin) Mr. Martin, let me direct your attention specifically to the question of a risk factor to be assigned to the drilling of this particular morrow well and ask you, what, in your opinion, would be an appropriate risk factor to be assigned?

A 200 percent.

Q Upon what do you base that?

A The Valdez Well that we drilled in the

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east half of Section 5 had no morrow sand which was productive of gas, TSTM on a production test that we completed in the Atoka Limestone. And Section 2, to the east, just off this plat there's a sub-commercial well, Phillips, that's making 300 MCF per day and Section 11 just east off this plat, the Amaoil No. 1 CNB is make about three-quarters of a million, has no production reported since October because of no gas contract.

The well in Section 16 tested gas and water in the morrow which is south of Section 9. The well in Section 22, the Atoka sand discovery, as mentioned before in previous testimony, has some gas in the morrow but it was non-commercial. They never could complete any morrow. And it's still producing 2.2 million per day from the Atoka Sandstone.

The well Section 15 has not gone on production. It's waiting on a gas contract.

The H.N.C. Woods Comm 9 No. 1 in the south half of 9 should go on gas sale probably this Friday with El Paso Natural, so we have no history on that.

As I see it, the morrow sand is a high risk factor in this area.

MR. KELLAHIN: That concludes my examination.

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Mr. Martin.

MR. NUTTER: How about the Wood 1-9, did it have any Atoka, Mr. Martin?

MR. MARTIN: No, sir. It had a very thin--- maybe two or three feet, but no porosity in it.

MR. NUTTER: With respect to this area here, where is the Delta Culbero?

MR. MARTIN: It's about six miles to the northeast of Section 23 of 23 south, 28.

MR. NUTTER: It's on up here to the northeast?

MR. MARTIN: About six miles, to the northeast. As you know, that offset well had very little, if any of that good sand in it, just has very little gas cap.

MR. NUTTER: The well that was originally projected as a relief well?

MR. MARTIN: Right. And they're drilling in the morrow at the present time.

MR. NUTTER: You don't know yet whether they've got a well in the morrow or not?

MR. MARTIN: No. They did make a drill stem test and had 275 MCF here, about ten days ago. Then

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this Mobile Pardue Well up in Section 31 in that same township was dry in the morrow.

MR. NUTTER: Are there any further questions of Mr. Martin? You may be excused. Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: Nothing further.

MR. NUTTER: Does anyone have anything they wish to offer in Case No. 6219?

We will take the case under advisement.

(WHEREUPON, hearing was concluded.)

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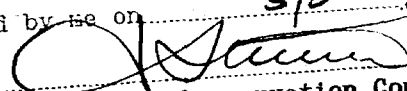


REPORTER'S CERTIFICATE

I, BETTY J. LANPHERE, CSR-RPR with offices in Santa Fe, New Mexico, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me stenographically and reduced to typewritten transcript by me or under my supervision.

DATED at Santa Fe, New Mexico, this twenty-ninth day of May, 1978.

BETTY J. LANPHERE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 6219 heard by me on 5/3, 1978.  
 Examiner  
New Mexico Oil Conservation Commission

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Dockets Nos. 18-78 and 19-78 are tentatively set for hearing on May 17 and June 7, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 3, 1978

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

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

CASE 6211: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Eureka Oil Company and all other interested parties to appear and show cause why the Cora B. Moore Well No. 1 located in Unit L of Section 10, Township 29 North, Range 24 East, Colfax County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6212: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Clay-Neill and all other interested parties to appear and show cause why the State Well No. 1 located in Unit C of Section 9, Township 19 North, Range 30 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6200: (Continued & Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Astro-Tex Oil Corp., American Employers' Insurance Co., and all other interested parties to appear and show cause why the Cain Well No. 2 located in Unit J of Section 22, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6201: (Continued & Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Paul Haskins and all other interested parties to appear and show cause why the Federal "17" Well No. 1 located in Unit P of Section 17, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division approved plugging program.

CASE 6199: (Continued & Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Marion B. Edmonds and O. A. Peters and all other interested parties to appear and show cause why the Edmonds & Peters Federal Well No. 1 located in Unit M of Section 3, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6213: Application of Morris R. Antweil for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Rio Well No. 2 at a point 660 feet from the North and West lines of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, the N/2 of said Section 29 to be dedicated to the well.

CASE 6214: Application of Morris R. Antweil for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled at a point 660 feet from the North line and 1980 feet from the East line of Section 8, Township 12 South, Range 32 East, Lea County, New Mexico, the E/2 of said Section 8 to be dedicated to the well.

CASE 6215: Application of Texas Oil & Gas Corporation for a non-standard unit and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard proration unit comprising the N/2 of Section 29, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be located at an unorthodox location 660 feet from the North and West lines of said Section 29.

CASE 6216: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to and including the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 21 South, Range 22 East, Eddy County, New Mexico, to be dedicated to applicant's Stinking Draw Unit Well No. 1 to be located at an unorthodox location 1383 feet from the South line and 695 feet from the East line of said Section 10. 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 6217: Application of Holly Energy, Inc., for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McIntyre B Well No. 4 to be located 1300 feet from the South line and 330 feet from the West line of Section 20, Township 17 South, Range 30 East, Eddy County, New Mexico.

CASE 6218: Application of Inxco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Tequilla Unit Area comprising 4,826 acres, more or less, of State, Federal, and Fee lands in Townships 23 and 24 South, Ranges 22 and 23 East, Eddy County, New Mexico.

CASE 6219: Application of H & G Oil Co., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 28 East, West Malaga-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 6221: Application of Sun Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Teas Federal Well No. 1 to be located 1980 feet from the North and West lines of Section 24, Township 20 South, Range 33 East, Teas Pennsylvanian Gas Pool, Lea County, New Mexico, the N/2 of said Section 24 to be dedicated to the well.

CASE 6220: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, extending, and redesignating certain pools in Chaves, Lea, and Eddy Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the North Eidson-Strawn Pool. The discovery well is the Sabine Production Company North Eidson Fee Well No. 1 located in Unit M of Section 34, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM  
Section 34: W/2

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Hume-Devonian Pool. The discovery well is the W. A. Moncrief, Jr. State "8" Well No. 1 located in Unit G of Section 8, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 8: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Hume-Morrow Gas Pool. The discovery well is the Mewbourne Oil Company State "E" Com Well No. 1 located in Unit L of Section 6, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 6: S/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Lusk-Wolfcamp Pool. The discovery well is the Petroleum Development Corporation Pedco Gulf Federal Com Well No. 1 located in Unit I of Section 33, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 33: SE/4

(e) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Mississippian production and designated as the Mescalero Sands-Mississippian Gas Pool. The discovery well is the Petroleum Development Corporation Hudson Federal Well No. 1 located in Unit M of Section 27, Township 12 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM  
Section 27: W/2

(f) EXTEND the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM  
Section 26: All  
Section 35: All



- (g) EXTEND the Artesia Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 2: S/2 SW/4 and SW/4 SE/4

- (h) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 28: E/2 NW/4  
Section 33: NE/4  
Section 34: W/2 NW/4

- (i) EXTEND the Box Canyon Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM  
Section 23: N/2

- (j) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 4: All

- (k) EXTEND the Fren-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM  
Section 14: S/2, S/2 N/2, N/2 NE/4 & NE/4 NW/4  
Section 15: S/2 & S/2 N/2  
Section 23: All  
Section 26: N/2  
Section 27: N/2  
Section 28: N/2 & N/2 S/2

- (l) EXTEND the Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM  
Section 2: All

- (m) EXTEND the Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM  
Section 29: W/2 SE/4, E/2 SW/4 & SW/4 SW/4  
Section 30: SE/4 SE/4  
Section 31: E/2 E/2  
Section 32: N/2 NW/4 & NW/4 NE/4

- (n) EXTEND the West Kemnitz-Lower Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM  
Section 32: NE/4

- (o) EXTEND the Langlie Mattix Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 31: NW/4

- (p) EXTEND the Little Box Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM  
Section 12: S/2

- (q) EXTEND the South Loco Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 20: W/2

- (r) EXTEND the Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 10: All



- (s) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 3: E/2

- (t) EXTEND the West Malaga-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM  
Section 9: S/2

- (u) EXTEND the South Millman-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 19: N/2  
Section 20: N/2

- (v) EXTEND the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 29: SE/4 SE/4  
Section 32: NE/4 NE/4

- (w) EXTEND the Revelation-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM  
Section 10: W/2

- (x) EXTEND the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM  
Section 22: NE/4

- (y) REDESIGNATE the West Scarborough Yates Pool in Lea County, New Mexico as the Comanche Stateline-Yates Pool and EXTEND the Comanche Stateline-Yates Pool to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 23: S/2

- (z) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM  
Section 19: E/2  
Section 20: W/2

- (aa) EXTEND the Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 36: SE/4

- (bb) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM  
Section 16: N/2  
Section 17: N/2

- (cc) EXTEND the White City Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM  
Section 11: All

- (dd) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 28: S/2

- (ee) EXTEND the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 36: N/2



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6219  
Order No. R-5727

APPLICATION OF HNG OIL CO. FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 3, 1978,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of May, 1978, the Division Director,  
having considered the testimony, the record, and the recommenda-  
tions of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, HNG Oil Co., seeks an order  
pooling all mineral interests in the Morrow formation underlying  
the N/2 of Section 9, Township 24 South, Range 28 East, NMPM,  
West Malaga-Morrow Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes  
to drill a well at a standard location thereon.

(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.



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Case No. 6219  
Order No. R-5727

(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 \$1978.00 per month while drilling and \$263.00 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 July 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,



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Case No. 6219  
Order No. R-5727

in the Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 28 East, NMPM, West Malaga-Morrow Gas Pool, 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.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 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 Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That HNG Oil Co. 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 Division 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 Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well;



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Case No. 6219

Order No. R-5727

that if no objection to the actual well costs is received by the Division and the Division 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 Division 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 \$1978.00 per month while drilling and \$263.00 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



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Case No. 6219

Order No. R-5727

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.

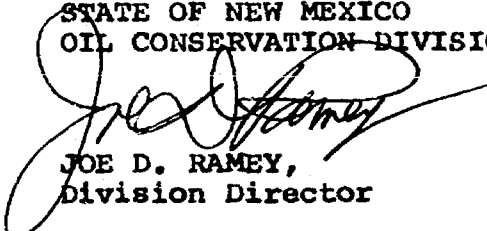
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

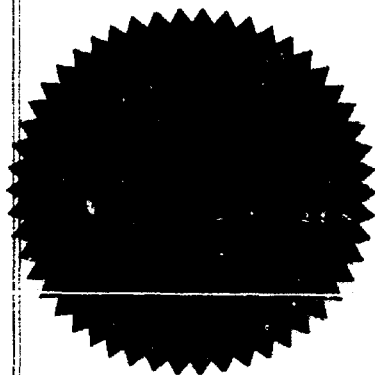
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said 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 Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Division Director



dr/



Case 6219

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 982-4515  
AREA CODE 505

April 17, 1978

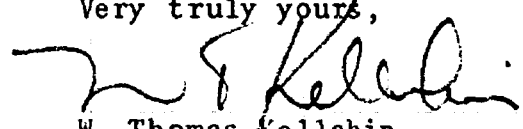
Mr. Joe Ramey  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: HNG Oil Company

Dear Mr. Ramey:

Please find enclosed on behalf of HNG Oil Company  
an application for compulsory pooling Eddy County, New  
Mexico, which Mr. Nutter has set for hearing on May 3,  
1978.

Very truly yours,

  
W. Thomas Kellahin

CC: Mr. Raymond Parker

WTKkfm

Enclosure



Case 6217

13 1978

BEFORE THE  
ENERGY AND MINERAL DEPARTMENT  
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF HNG OIL COMPANY FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now HNG Oil Company and applies to the Oil  
Conservation Commission of New Mexico for an order pooling  
all oil and gas mineral interests, whatever they may be, in  
the N/2 of Section 9, Township 24 South, Range 28 East,  
N.M.P.M., Eddy County, New Mexico, insofar as the Pennsylvanian  
formation underlies said tract, and in support thereof would  
show the Commission:

1. Applicant proposes to drill a well to the Pennsylvanian  
formation at an orthodox location, dedicating the above-  
described 320 acre tract to the well.

2. Applicant has obtained leases, or participation in  
the drilling of the well from all interest owners in said 320  
acre unit with the exception of the following persons, whose  
interest, names and addresses, to the best of applicant's  
information and belief, are as follows:

*address  
unknown*

Howard D. Henry and Katie H. Henry of  
Los Angeles, California (no other address available)  
Owners of a five acre tract consisting of the  
W/2SW/4SW/4NE/4 of said Section 9

*HNG has  
secured a  
farmout  
from Mr  
Connell*

Thomas Connell  
538 Whitney Bank Building  
New Orleans, Louisiana 70113  
Owner of a 40 acre federal lease consisting of the  
NW/4NW/4

3. Applicant has made diligent effort to obtain the parti-



Case 6219

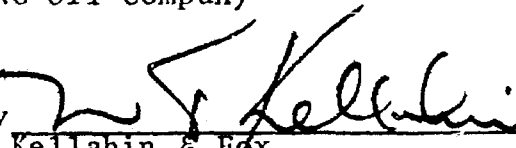
cipation of said nonconsenting parties in the drilling of the proposed well, or, in the alternative, obtain a lease or farmout from them, but has been unable to do so. Applicant has made diligent effort to locate and contact Howard D. and Katie H. Henry but has been unable to find any address for them other than that shown above.

WHEREFORE applicant prays the Commission to compulsory pool all of the mineral interests to the Pennsylvanian formation underlying the above tract, designating applicant as operator, and making provision in such order for applicant to recover out of production its costs of drilling, completing and equipping the proposed well, with costs of supervision while drilling, together with provisions for recovery of the costs of operation, including costs of supervision, upon completion of the well, and for a risk factor of 200% for the risk assumed in drilling the well, and for such other and further relief as proper.

Respectfully submitted,

HNG Oil Company

By

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

ATTORNEYS FOR APPLICANT



EDDY COUNTY, NEW MEXICO

T-24-S, R-28-E  
N/2 of Section 9

1. W/2 SW/4 SW/4 NE/4

Mineral Owner --- Howard D. Henry, et ux, Katie H. Henry

Last known to be in Los Angeles, California  
in 1939. Unable to locate.

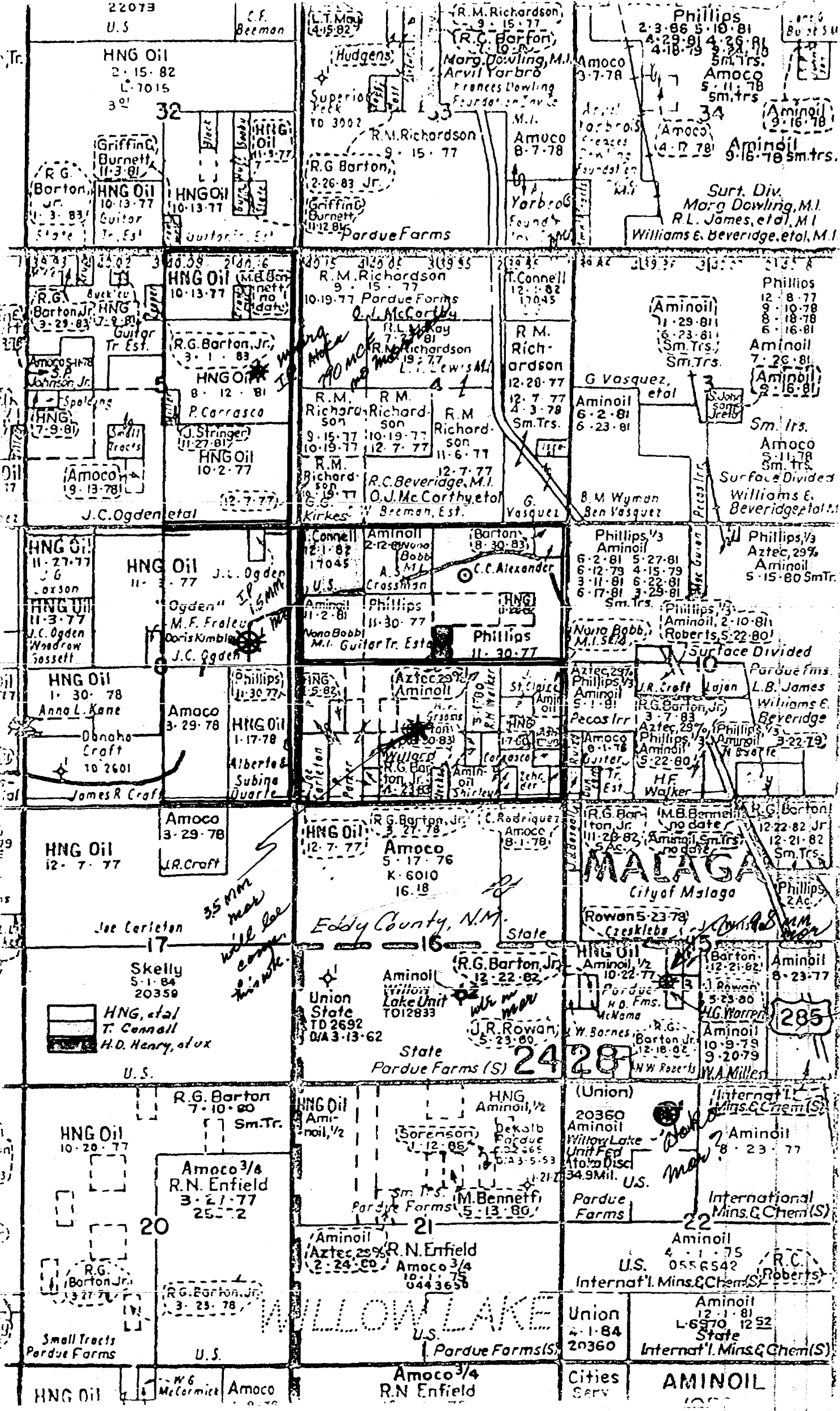
2. NW/4 NW/4

\* Leasehold Owner --- Thomas Connell, 538 Whitney Building,  
New Orleans, Louisiana 70113.  
Terms of proposed farmout and/or purchase  
of lease by assignment not acceptable.

\*A mutually acceptable trade has been made covering this interest.

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
HNS EXHIBIT NO. 1  
CASE NO. 6219







DRILLING OR WORKOVER AFE



AFE NO. \_\_\_\_\_

- ☐ WILDCAT  
☐ DRILLING  
☐ COMPLETION  
☐ RE-ENTRY

- ☒ DEVELOPMENT  
☒ DRILLING  
☒ COMPLETION  
☐ RE-ENTRY

- ☐ WORKOVER  
☐ SAME ZONE  
☐ NEW ZONE  
☐ P & A

LSE. NO. \_\_\_\_\_

HNG W.I. \_\_\_\_\_

HNG EST. COST \_\_\_\_\_

AFE DATE \_\_\_\_\_

LEASE & WELL NO.	Woods "9" COM #2	DEPTH & FORM	13,000' Morrow
LOCATION, 990' FNL & 1980' FEL, Sec. 9, T-24-S, R-28-E			
COUNTY & STATE	Eddy County, New Mexico	FIELD	West Malaga
OPERATOR	HNG Oil Company	SPUD DATE	4-25-78

INTANGIBLE WELL COST				
	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1	Access, Location & Roads	30,000		30,000
2	Rig Move	65,000		65,000
3	Footage Cost			
4	Day Work Cost 60 days @ 4050	243,000		243,000
5	Bits & Reamers	52,500		52,500
6	Fuel	36,000		36,000
7	Water	3,500		3,500
8	Mud & Chemicals	50,000	3,000	53,000
9	Cementing & Service	30,000	3,500	33,500
10	Coring			
11	Surveying & Testing	25,000		25,000
12	Mud Logging	10,000		10,000
13	Perforating		3,500	3,500
14	Stimulation		30,000	30,000
15	Transportation	5,000	5,000	10,000
16	Drilling Overhead & Supervision	7,500	2,000	9,500
17	Equipment Rental	9,000	5,000	14,000
18	Completion Rig 7 days @ 4050		28,350	28,350
19	Other Drilling Expense	10,000		10,000
20	Contingencies (10% of Intangibles)	57,650	8,035	65,685
21				
22				
23	TOTAL INTANGIBLES	634,150	88,385	722,535

TANGIBLE WELL COST				
24	40' Of 20" Conductor Casing	1,500		1,500
25	450' Of 13-3/8" Surface Casing	5,500		5,500
26	2,500' Of 9-5/8" Intermediate Casing	26,250		26,250
27	10,500' Of 7" Intermediate Casing	137,750		137,750
28	" Of " Intermediate Casing			
29	2,700' Of 4-1/2" Production Casing		27,500	27,500
30	" Of " Tie-Back Casing			
31	10,500' Of 2-7/8" Tubing		82,650	82,650
32	" Of " Tubing			
33	" Of " Tubing			
34	Liner Equipment		9,500	9,500
35	Wellhead Equipment	12,000	15,000	27,000
36	Producing Facilities, Tank Battery, Flowline		30,000	30,000
37	Packers & Other Subsurface Tools		10,000	10,000
38	Contingencies (10% of Tangibles)	18,300	17,465	35,765
39				
40				
41	TOTAL TANGIBLES	201,300	192,115	393,415
42	TOTAL WELL COST	835,450	280,500	1,115,950

HNG OIL COMPANY APPROVAL

By	Date	By	Date	By	Date	By	Date	By	Date
<i>[Signature]</i>	4/24/78	<i>[Signature]</i>	4/24/78	<i>[Signature]</i>	4/24/78	<i>[Signature]</i>	4/24/78	<i>[Signature]</i>	4/24/78

BEFORE EXAMINER NUTTER

JOINT OPERATOR APPROVAL

Oil Conservation Commission

File HNG EXHIBIT NO. 3 Date \_\_\_\_\_

CASE NO. 6219

AFE No. \_\_\_\_\_

Firm \_\_\_\_\_ By \_\_\_\_\_



DRAFT

dr/  
20

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

*[Signature]*  
CASE NO. 6219

Order No. R- 5727

*PLS*  
APPLICATION OF H ~~N~~ G OIL CO. FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

*[Signature]* *[Signature]*  
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 3,  
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of May, 19 78, the Division  
Director, 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 Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, H ~~N~~ G Oil Co.,  
seeks an order pooling all mineral interests in the Morrow  
formation underlying the N/2  
of Section 9, Township 24 South, Range 28 East  
NMPM, West Malaga-Morrow Gas Pool, Eddy County, New  
Mexico.



(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(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.



Case No.  
Order No. R-

(11) That \$1978.00 <sup>while drilling and \$263.00</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 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 July 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 Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 28 East, NMPM, West Malaga-Morrow Gas Pool, 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.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 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 Division for good cause shown.

per month while producing



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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That H N G Oil Co. 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 Division 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 Division 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 Division and the Division 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 Division 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. *while drilling and \$263.00 per month*

(9) That \$1978.00 per month *while producing are* 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 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 Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division 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 Division may deem necessary.

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



H & G Oil Co

Care  
6219

Compulsory pooling, Eddy

N/2 9-24S-28E

std loc. Morrow

Tom Kellakin

W. Madaga Morrow Gas Pool