

CASE 6302: AMOCO PRODUCTION COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO

CASE NO.

6302

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.



A. R. Reed
Division Operations
Superintendent

Nutter

Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

September 27, 1978

File: CGF(3)-4167-WF

Re: Williams Gas Com Well No. 1
Compulsory Pooling (Case No. 6302)
N/2 Section 25, T-23-S, R-28-E
Eddy County, New Mexico

*File
Case 6302*

WORKING INTEREST AND MINERAL INTEREST OWNERS

Reference our letter of August 23, 1978, File: CGF(4)-3522-WF, advising of a hearing before the Oil Conservation Division of the State of New Mexico Energy and Minerals Department in Santa Fe, New Mexico on August 30, 1978. As a result of that hearing, Order No. R-5813 was issued on September 20, 1978, pooling all mineral interests in the Pennsylvanian formation underlying the N/2, Section 25, T-23-S, R-28-E, Eddy County, New Mexico.

In compliance with Order No. R-5813, attached is an "Itemized Schedule of Estimated Well Costs." This is the same cost schedule furnished you by previous correspondence.

Yours very truly,

Original Signed
A.R. REED

HGA/tc
3/664

cc: New Mexico Department of Energy and Minerals
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501
Attention: Mr. Daniel S. Nutter

ADDRESS AND OWNERSHIP LIST
10 Acres - SE/4 SE/4 NW/4 Section 25
T-23-S, R-28-E
Eddy County, New Mexico

<u>Name and Address</u>	<u>Interest</u>
(1) Addie Swearingen 1100 Gemini Circle Portales, New Mexico 88130	1/2
Florence Swearingen Jamestown, Kansas 66948	1/32
Ruby Rogers Rural Route 4 Abilene, Kansas 67410	1/64
Marion L. Swearingen 6543 Lewelling Topeka, Kansas 66619	1/64
Pauline R. Swearingen 225 South Fern Wichita, Kansas 67213	1/64
Homer A. Swearingen 225 South Fern Wichita, Kansas 67213	3/64
Helen Joyce Hardgrave Box 514 Antlers, Oklahoma 74523	1/16
First National Bank of Topeka as Trustee for the Rita J. Evert Trust Box 88 Topeka, Kansas 66601	1/96
Vera Hadsell 3710 Northeast Kimbal Road Topeka, Kansas 66617	1/96
Howard Swearingen Jamestown, Kansas	1/96
(1) Leased to: J. H. Isbell 727 Midland Towers Bldg. Midland, Texas 79701	

Ralph Swearingen Jamestown, Kansas 66948	1/96
Glen Swearingen Courtland, Kansas 66939	1/96
Donald S. Johnson Jamestown, Kansas 66948	1/192
Sheryl A. Collins Jamestown, Kansas 66948	1/192
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Stella P. Herrell 1003 Lynda Lane Arlington, Texas 76103	1/80
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Georgia B. Lafferty Rural Route 2, Box 50A Peculiar, Missouri 64078	1/64
Louise M. Richardson 1916 Norwood Independence, Missouri 64052	1/64
Ernest L. Redford 111 Nara Vista, N. W. Albuquerque, N.M. 87107	1/64
Edna Mae Watt 400 Holland Drive Broderick, California 95605	
Charline Watson Box 1424 Ronca City, Oklahoma 74601	1/48

Mayme White 600 Meadow Lane Tonkawa, Oklahoma 74653	1/48
Harrie L. Perry, Jr. 514 AE, 5102 Galley Road Colorado Springs, Colorado 80915	1/48
Virginia Collier P. O. Box 418 Fletcher, Oklahoma 73541	1/80
Elizabeth Major 2407 Crockett Street Amarillo, Texas 79100	1/80
Robert Collier Box 449 Fletcher, Oklahoma 73541	1/80
Nelson Collier 1605 Bixby Ardmore, Oklahoma 73401	1/80
James A. Collier, Jr. P. O. Box 22124 Memphis, Tennessee 38122	1/80
Maddox Energy Corporation Suite 702 2525 Stemmons Freeway Dallas, TX 75207	1/8

HGA/tc
3/1672

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. 6302
Order No. R-5813

APPLICATION OF AMOCO PRODUCTION
COMPANY 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 August 30, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of September, 1978, 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, Amoco Production Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a non-standard location, thereon, said location having previously been approved.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$2000.00 per month while drilling and \$279.00 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 November 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 Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a non-standard location thereon, said location having previously been approved.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 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 Amoco Production Company 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.

(9) That \$2000.00 per month while drilling and \$279.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-5-

Case No. 6302
Order No. R-5813

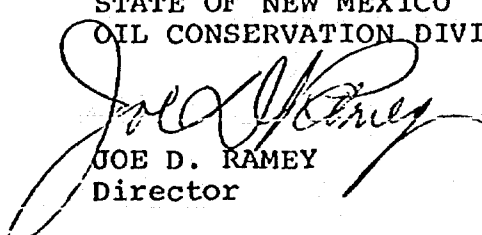
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately 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 30 days from the date such funds are first deposited with said escrow agent.

(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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

fd/

ITEMIZED SCHEDULE OF ESTIMATED WELL COSTS

Location 560' FNL & 1980' FWL, Sec 25, Zone of Compl. Morrow Depth 13,300
T-23-S, R-28-E, Eddy Co., New Mexico

<u>INTANGIBLES</u>	<u>PRODUCER</u>	<u>DRY HOLE</u>
Drilling Cost (Footage) _____ Ft. @ <u>MIRU & RD</u>	40,000	40,000
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>4100</u>	369,000	369,000
Cable Tools or Comp. Unit _____ Days @ \$ _____ Comp.	15,000	-
Surveys _____	45,000	45,000
Mud _____ (OIL _____) _____	125,000	125,000
Stimulations, Size _____	20,000	-
Roads & Bridges _____ Grading _____	15,000	15,000
<u>OTHER:</u>	629,000	594,000
Coring Equipment _____		
Perforating _____ Shots _____	5,000	-
Scratchers and Centralizers _____		
Company Labor _____	45,000	42,000
Contract Labor _____		
Fuel and Water _____	20,000	18,000
Digging Pits _____ Filling Pits _____	4,000	4,000
Trucking _____	15,000	12,000
Cementing Services _____		
Cement for Casing _____ Sacks _____	65,000	55,000
Guide Shoes, Float Shoes and Collars _____		
Bits and Reamers _____	50,000	50,000
Drill Stem Tests <u>5</u> No. Tests _____	15,000	15,000
Miscellaneous _____	50,000	45,000



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

A. R. Reed
Division Operations
Superintendent

September 1, 1978

File: CGF(4)-3533-WF

Re: Williams Gas Com Well No. 1
Section 25, T-23-S, R-28-E,
Eddy County, New Mexico

*File
Case 6302*

Mineral Interest Owners
Address List Attached

Gentlemen:

Reference is made to previous correspondence on the above subject ending with Amoco Production Company's letter of August 23, 1978, File: CGF(4)-3522-WF, advising of our plans to drill the Williams Gas Com Well No. 1 on the NW/4 of Section 25, T-23-S, R-28-E, Eddy County, New Mexico. Also, by previous letter of August 7, 1978, File: CGF(4)-3435-WF, we had requested your approval to either join Amoco as a working interest owner in the drilling of this well or agreeing to lease your interest to Amoco. We furnished a "Well Authorization" form which included estimated drilling costs for the subject well.

We now feel that you might desire a more detailed cost estimate for this drilling and therefore are furnishing for your information a copy of our worksheet which provides a more detailed cost for drilling this well. This data is being furnished to all concerned for information purposes only.

Yours very truly,

A. R. Reed
WJW/tc
5/7554

Attachment

bcc: Mr. D. S. Nutter
New Mexico Department of Energy & Minerals
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

BN: Attached are three (3) copies of Amoco's Exhibits No. 3 and 4,
Case No. 6302.

ADDRESS AND OWNERSHIP LIST
10 Acres - SE/4 SE/4 NW/4 Section 25
T-23-S, R-28-E
Eddy County, New Mexico

<u>Name and Address</u>	<u>Interest</u>
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Florence Swearingen Jamestown, Kansas 66948	1/32
Ruby Rogers Rural Route 4 Abilene, Texas 67410	1/64
Marion L. Swearingen 6543 Lewelling Topeka, Kansas 66619	1/64
Pauline R. Swearingen 229 South Fern Wichita, Kansas 67213	1/64
Homer A. Swearingen 229 South Fern Wichita, Kansas 67213	3/64
Helen Joyce Hardgrave Box 514 Antlers, Oklahoma 74523	1/16
First National Bank of Topeka as Trustee for the Rita J. Evert Trust Box 88 Topeka, Kansas 66601	1/96
Vera Hadsell 3710 Northeast Kimbal Road Topeka, Kansas 66617	1/96
Howard Swearingen Jamestown, Kansas 66948	1/96
(1) Leased to: J. H. Isbell 727 Midland Towers Bldg. Midland, TX 79701	BEFORE EXAMINER NUTTER Oil Conservation Commission <u>Amoco Exhibit No. 4</u> Case No. <u>6302</u>

Ralph Swearingen Jamestown, Kansas 66948	1/96
Glen Swearingen Curtland, Kansas 66939	1/96
Donald S. Johnson Jamestown, Kansas 66948	1/192
Sheryl A. Collins Jamestown, Kansas 66948	1/192
Flora Jane Hopkins 2149 San Anseline Avenue Long Beach, California 90815	1/80
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Louise M. Richardson 1916 Norwood Independence, Missouri 64052	1/64
Ernest L. Redford 111 Nara Vista, N.W. Albuquerque, N.M. 87107	1/64
Edna Mae Watt 400 Holland Drive Broderick, California 95605	1/64
Charline Watson Box 1424 Ponca City, Oklahoma 74601	1/48

BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
CASE NO. 6302

Mayme White 600 Meadow Lane Tonkawa, Oklahoma 74653	1/48
Harrie L. Perry, Jr. 514 AE, 5102 Galley Road Colorado Springs, Colorado 80915	1/48
Virginia Lee Collier P. O. Box 418 Fletcher, Oklahoma 73541	1/80
Elizabeth Major 2407 Crockett Street Amarillo, Texas 79100	1/80
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Nelson Collier 1605 Bixby Ardmore, Oklahoma 73401	1/80
James A. Collier, Jr. P. O. Box 22124 Memphis, Tennessee 38122	1/80

WJW/ym

BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
CASE NO. 6302

ADDRESS AND OWNERSHIP LIST
10 Acres - SE/4 SE/4 NW/4 Section 25
T-23-S, R-28-E
Eddy County, New Mexico

<u>Name and Address</u>	<u>Interest</u>
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Address and Ownership List

Page 2

8/31/78

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BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
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WJW/ym

BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
CASE NO. 6302

ADDRESS AND OWNERSHIP LIST
10 Acres - SE/4 SE/4 NW/4 Section 25
T-23-S, R-28-E
Eddy County, New Mexico

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BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
Case No. 6302

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WJW/ym

BEFORE EXAMINER NUTTER
Oil Conservation Commission
Amoco Exhibit No. 4
CASE NO. 6302

Location Eddy (So. Caliche Bluff Area) Offset To Pardee Farms #1 Zone of Compl. Morrow Depth 13300

INTANGIBLES	PRODUCER	DRY HOLE
Drilling Cost (Footage) _____ Ft. @ <u>MIRVXR0</u>	<u>40000</u>	<u>40000</u>
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>4100</u>	<u>369000</u>	<u>369000</u>
Cable Tools or Comp. Unit _____ Days @ \$ <u>Comp</u>	<u>15000</u>	—
Surveys _____	<u>45000</u>	<u>45000</u>
_____ (OIL _____)	<u>125000</u>	<u>125000</u>
Stimulations, Size _____	<u>20000</u>	—
Roads & Bridges _____ Grading _____	<u>15000</u>	<u>15000</u>
OTHER: _____	<u>629000</u>	<u>594000</u>
Coring Equipment _____	—	—
Perforating _____	<u>5000</u>	—
Scratchers and Centralizers _____	—	—
Company Labor _____	<u>45000</u>	<u>42000</u>
Contract Labor _____	—	—
Fuel and Water _____	<u>20000</u>	<u>18000</u>
Digging Pits _____ Filling Pits _____	<u>4000</u>	<u>4000</u>
Trucking _____	<u>15000</u>	<u>12000</u>
Cementing Services _____	—	—
Cement for Casing _____ Sacks _____	<u>65000</u>	<u>55000</u>
Guide Shoes, Float Shoes and Collars _____	—	—
Bits and Reamers _____	<u>50000</u>	<u>50000</u>
Drill Stem Tests - <u>5</u> No. Tests _____	<u>15000</u>	<u>15000</u>
Miscellaneous _____	<u>50000</u>	<u>45000</u>
_____ (<u>Reverts - DP - DR's - HP BOPC #1500/day</u>)	<u>80000</u>	<u>80000</u>
Total Other	<u>349000</u>	<u>321000</u>
Total Intangibles	<u>977000</u>	<u>915000</u>
WELL EQUIPMENT - TANGIBLES		
Casing - Surface - Size <u>16</u> Ft. <u>400</u>	<u>8000</u>	<u>8000</u>
Casing - Intermediate - Size <u>10 3/4</u> Ft. <u>3000</u>	<u>37000</u>	<u>37000</u>
Casing - Oil String - Size <u>7 7/8</u> Ft. <u>11500</u>	<u>162000</u>	<u>152000</u>
Tubing - Size <u>2 7/8</u> 5" LWR <u>2000'</u> (<u>11300-13300</u>)	<u>24000</u>	—
_____ Ft. <u>1500'</u>	<u>50100</u>	—
Wellhead _____	<u>40000</u>	—
Total Well Equipment	<u>277000</u>	<u>201200</u>
Totals	<u>1200000</u>	<u>1123000</u>

YSD TO Pardee Farms (cost # 21)

Report cost of Pardee Farms #1 Dringalls

8/28 7/5/78

22.00 1/78

EDDY Offset To Pardee Farms #1
 Location (So. Calabasas Bluff Area) Zone of Compl. Morrow Depth 13300

INTANGIBLES	PRODUCER	DRY HOLE
Drilling Cost (Footage) _____ Ft. @ <u>MORROW</u>	40000	40000
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>4100</u>	369000	369000
Cable Tools or Comp. Unit _____ Days @ \$ <u>Comp</u>	15000	—
Surveys _____	45000	45000
_____ (OIL _____)	125000	125000
Stimulations, Size _____	20000	—
Roads & Bridges _____ Grading _____	15000	15000
OTHER: _____	629000	594000
Coring Equipment _____	—	—
Perforating _____	5000	—
Scratchers and Centralizers _____	—	—
Company Labor _____	45000	42000
Contract Labor _____	—	—
Fuel and Water _____	20000	18000
Digging Pits _____ Filling Pits _____	4000	4000
Trucking _____	15000	12000
Cementing Services _____	—	—
Cement for Casing _____ Sacks _____	65000	55000
Guide Shoes, Float Shoes and Collars _____	—	—
Bits and Reamers _____	50000	50000
Drill Stem Tests _____ <u>5</u> No. Tests	15000	15000
Miscellaneous _____	50000	45000
(Rentals - DP - DC's - HP 20% @ 1500/day)	70000	70000
Total Other	369000	321000
Total Intangibles	977000	915000
WELL EQUIPMENT - TANGIBLES		
Casing - Surface - Size <u>16</u> Ft. <u>400</u>	7500	7500
Casing - Intermediate - Size <u>10 1/2</u> Ft. <u>2000</u>	27000	27000
Casing - Oil String - Size <u>7 7/8</u> Ft. <u>11500</u>	112500	132500
Tubing - Size <u>2 1/2</u> S" I.N.C. <u>2000'</u> (<u>11300-13300</u>) Ft. <u>13300</u>	50100	—
Wellhead _____	40000	—
Total Well Equipment	377000	207500
Totals	1300000	1122500
<u>150 TO Pardee Farms (Cost 20)</u>	—	—

Updated Cost of Pardee Farms #1 Intangibles
 12/11/78

7/5/78

FDDY Location (San Calixto Bluff Area) Offset To Ardue Farms #1 Zone of Compl. Morroco Depth 13300

PRINCIPLES	PRODUCER	DRY HOLE
Drilling Cost (Footage) _____ Ft. @ <u>MIRVRO</u>	<u>40000</u>	<u>40000</u>
Day Work & Drill Pipe Rental <u>90</u> Days @ \$ <u>4100</u>	<u>369000</u>	<u>369000</u>
Cable Tools or Comp. Unit _____ Days @ \$ <u>Comp</u>	<u>15000</u>	—
Surveys _____	<u>45000</u>	<u>45000</u>
_____ (OIL _____)	<u>125000</u>	<u>125000</u>
Stimulations, Size _____	<u>20000</u>	—
Roads & Bridges _____ Grading _____	<u>15000</u>	<u>15000</u>
OTHER: BEFORE EXAMINER NUTTER OIL CONSERVATION COMMISSION	<u>629000</u>	<u>594000</u>
Coring Equipment <u>Amoco</u> EXHIBIT NO. <u>3</u>		
Perforating <u>CADNO.</u> <u>6302</u>	<u>5000</u>	—
Scratchers and Centralizers _____		
Company Labor _____	<u>45000</u>	<u>42000</u>
Contract Labor _____		
Fuel and Water _____	<u>20000</u>	<u>18000</u>
Digging Pits _____ Filling Pits _____	<u>4000</u>	<u>4000</u>
Trucking _____	<u>15000</u>	<u>12000</u>
Cementing Services _____		
Cement for Casing _____ Sacks _____	<u>65000</u>	<u>55000</u>
Guide Shoes, Float Shoes and Collars _____		
Bits and Reamers _____	<u>50000</u>	<u>50000</u>
Drill Stem Tests _____ <u>5</u> No. Tests _____	<u>15000</u>	<u>13000</u>
Miscellaneous _____	<u>50000</u>	<u>45000</u>
(Rentals - DP - DC's - HP 2000' @ 1500/day)	<u>90000</u>	<u>90000</u>
Total Other	<u>349000</u>	<u>321000</u>
Total Intangibles	<u>977000</u>	<u>915000</u>
WELL EQUIPMENT - TANGIBLES		
Casing - Surface - Size <u>16</u> Ft. <u>400</u>	<u>8500</u>	<u>8500</u>
Casing - Intermediate - Size <u>10 1/2</u> Ft. <u>3000</u>	<u>27000</u>	<u>27000</u>
Casing - Oil String - Size <u>7 1/2</u> Ft. <u>11500</u>	<u>112500</u>	<u>152500</u>
Tubing - Size <u>2 1/2</u> S" LNK 2000' (11300-13300) Ft. <u>13300</u>	<u>24000</u> <u>50100</u>	—
Wellhead _____	<u>40000</u>	—
Total Well Equipment	<u>377500</u>	<u>207200</u>
Totals	<u>1700300</u>	<u>1173200</u>

Ardue Farms #1, 4/15/78
 7/5/78

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
30 August 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Com-) CASE
pany for compulsory pooling, Eddy) 6302
County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Guy Buell, Esq.
AMOCO PRODUCTION COMPANY
Post Office Box 3092
Houston, Texas 77001

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1 MR. NUTTER: Case 6302. Call now Case Number
2 6302.

3 MS. TESCHENDORF: Case 6302. Application of
4 Amoco Production Company for compulsory pooling, Lea County,
5 New Mexico.

6 MR. BUELL: May it please the Examiner, for the
7 Applicant, Amoco Production Company, my name is Guy Buell.

8 We have two witnesses, Mr. Examiner. Would you
9 like to swear them simultaneously?

10 MR. NUTTER: Yes, please.

11 (Witnesses sworn.)

12 MR. BUELL: We call first Mr. Allen.

13
14 J. C. ALLEN

15 being called as a witness and having been duly sworn upon
16 his oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. BUELL:

20 Q Mr. Allen, would you state your name, by whom
21 you're employed, and in what capacity? And at what location,
22 please, sir?

23 A Yes, sir. My name is James Allen. I am a staff
24 engineer with Amoco Production Company in Houston, Texas.

25 Q Mr. Allen, you've testified before this body on

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1 previous occasions, have you not?

2 A. Yes, sir.

3 Q Your qualifications as a petroleum engineer are
4 a matter of public record?

5 A. Yes, sir.

6 MR. BUELL: Any questions, Mr. Examiner?

7 MR. NUTTER: No questions about Mr. Alien, but
8 we're wondering if Mr. Buell has an appearance here.

9 MR. BUELL: I'm supposed to be certified, Mr.
10 Examiner, by Atwood and Malone. Syliva, Charlie Malone's
11 secretary, assured me that it would be in your file this
12 morning when I appeared.

13 MR. NUTTER: Don't have it.

14 MR. BUELL: Mike, would you mind entering an
15 appearance with me? I assure you I'll take great pains not
16 to embarrass you. It would be a temporary appearance in that
17 I'm sure Sylvia will come through and it's on its way.

18 MR. CAMPBELL: All right, Mr. Examiner, on behalf
19 of Amoco I would enter an appearance of Michael Campbell of
20 Campbell, Bingaman, and Black, and would ask recognition of
21 the Examiner for Mr. Buell to conduct the questions of the
22 witnesses.

23 MR. NUTTER: All right, Mr. Buell is now quali-
24 fied. Mr. Allen is already qualified.

25 Okay, please proceed.

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1 Q (Mr. Buell continuing.) Mr. Allen, in connection
2 with your testimony here today, look first, please, at what
3 has been identified as Applicant's Exhibit One. What is that
4 exhibit?

5 A Exhibit Number One is a map of a portion of an
6 area in Eddy County, New Mexico, which Amoco refers to as
7 the Teledyne area.

8 Q All right, sir, how have you highlighted the
9 particular 320 acres that we're interested in today?

10 A That is outlined in red in the north half of
11 Section 25.

12 Q All right, sir. Have you showed the approximate
13 location of the test well that we propose to drill on this
14 320-acre unit?

15 A Yes, sir, it's identified by a small red dot.

16 Q And for the record, would you locate it precisely
17 please?

18 A That proposed well, the Williams Gas Com is
19 located 560 feet from the north line and 1980 feet from
20 the west line.

21 Q Now this well is a proposed test of the Penn
22 formation, is it not?

23 A That is correct.

24 Q What is the total projected depth, do you know?

25 A I believe the projected depth is 13,300 feet.

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1 MR. NUTTER: How many feet did you say from the
2 north line?

3 A. 560.

4 MR. NUTTER: That wouldn't be a standard location,
5 Mr. ---

6 MR. BUELL: I'm going into that next, Mr. Examiner.

7 MR. NUTTER: Okay, let's hear what you have to
8 say.

9 Q. (Mr. Buell continuing.) The total depth of
10 13,300 should take it through the Morrow, should it not?

11 A. Yes, sir.

12 Q. Mr. Allen, as the Examiner has noted, this is
13 a 100 feet off of an orthodox location pattern. Why is
14 that?

15 A. This well is located 100 feet from the standard
16 or orthodox location due to a concrete irrigation canal
17 which runs generally in a south-southwest/north-northeast
18 direction through the 330 foot square which would be an ortho-
19 dox location.

20 Q. Is there currently pending before this commission
21 a request for administrative approval of this 100-foot off
22 pattern location because of topo reasons?

23 A. Yes, sir.

24 Q. Is it your information that most, if not all, of
25 the offsetting operators have already advised the Commission

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1 they have no objection to this 100-foot variation?

2 A. It's my understanding that two of the four have
3 so notified them.

4 MR. BUELL: Off the record.

5 (There followed a discussion off
6 the record.)

7 MR. NUTTER: How many feet from the west line
8 was it?

9 A. 1980.

10 MR. BUELL: We just had to move it 100 feet to
11 the north, Mr. Examiner.

12 Q (Mr. Buell continuing.) Mr. Allen, we're going
13 to have a later witness that will testify in detail as to
14 the ownership in this 320-acre unit, but roughly, how much
15 acreage does Amoco control?

16 A. 270 acres.

17 Q And who is the next largest acreage holder?

18 A. Maddox Energy Company with 40 acres.

19 Q And I believe that's --- that 40 acres is all in
20 the northwest quarter of Section 25 and is kind of in the
21 shape of an upside-down "L".

22 A. Yes, sir.

23 Q I notice a tract identified as W. Swearingen.
24 How many acres are in that tract?

25 A. That's ten acres, sir, being the southeast south-

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1 east of the northwest quarter of Section 25.

2 Q Is it your information that Maddox Energy Com-
3 pany has agreed to participate in the drilling of this well?

4 A Yes, sir, it's my understanding that they have
5 executed our AFE.

6 Q All right, sir, now looking to the northwest of
7 our proposed location, I see a large red dot that's super-
8 imposed over a gas well symbol. Would you identify that
9 well, please?

10 A Yes, sir, this is the Delta Drilling Company
11 South Calibre Bluff Well No. 1, which was a discovery well
12 in this area after a blowout.

13 Q And it is a little over a mile northwest of our
14 proposed location.

15 A That is correct.

16 Q Has this well indicated a tremendous ability
17 and capacity to produce gas?

18 A Yes, it has. To the best of our knowledge,
19 the cumulative production is already exceeded approximately
20 6 Bcf. The well is capable of delivering 18 to 20 million
21 a day.

22 Q All right, sir, now I notice a little nearer
23 our proposed location another large red dot superimposed
24 over a gas well symbol. Would you identify that well,
25 please?

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1 A. Yes, sir, this is the Amoco Pardue Farms Well
2 No. 1.

3 Q. What formation is that well completed in?

4 A. It's completed in the Strawn Formation.

5 Q. Is there a possibility that both the producing
6 wells that are shown on this exhibit are producing from the
7 same common gas pool?

8 A. Yes, there is. We believe that the Delta well
9 blew out just as it encountered the top of the Atoka; however
10 being a blowout, it could be producing from both or either
11 zone.

12 Q. Is there a good possibility that this common
13 pool would extend into the north half of Section 25 where
14 our proposed unit is located?

15 A. Yes, sir, we believe there is a very strong
16 possibility.

17 Q. What about the Amoco Pardue Farms, is it another
18 excellent producer?

19 A. Yes, sir, it's a very prolific well. It went
20 on the line on the 21st of July selling between 16 to 18
21 million cubic feet a day at about 3800 pounds flowing tubing
22 pressure.

23 Q. 3800 pounds flowing tubing pressure?

24 A. That's correct.

25 Q. So it is an excellent well.

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1 A. Yes, sir.

2 Q. With producing characteristics of that type,
3 does that give you as an engineer any indication as to the
4 permeability of the reservoir from which these two wells
5 are producing?

6 A. It indicates that we have very good permeability
7 in this area in the Strawn.

8 Q. And in these circumstances with excellent perme-
9 ability if the pool does extend into the north half of
10 Section 25, if that unit is not developed could drainage
11 occur?

12 A. Yes, sir, in my opinion it could.

13 Q. In your opinion as an engineer should a well be
14 drilled in the north half of 25 as quickly as possible to
15 preclude the drainage of gas from that unit and therefore
16 violate correlative rights?

17 A. Yes, sir.

18 Q. Now, do you have any other questions -- or let
19 me ask you this. In view of the necessity to get going in
20 the north half of Section 25, do you have any idea as to
21 when Amoco will have a rig available with which to drill
22 a test well?

23 A. Yes, we will -- we do have a rig drilling now
24 in Section 17, 23 South, 29 East, which will be available
25 within the next two weeks for drilling this well.

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1 Q And it's Amoco's intention to move that rig to
2 this location?

3 A That is correct.

4 Q In view of the drainage that could occur, is it
5 Amoco's intention if that rig becomes available prior to
6 the Commission acting on our application here today, that
7 we will commence a well even if the Commission hasn't acted?

8 A Yes, sir, it is.

9 Q All right, sir, any other comments on Exhibit
10 One?

11 A No, sir.

12 Q Turn then, if you would, to what has been ident-
13 ified as our Exhibit Number Two. What is that exhibit?

14 A Exhibit Number Two is an itemized schedule of
15 anticipated costs to drill Williams Gas Com Well No. 1.
16 This cost figure has been furnished to all prospective --
17 all parties concerned in this well.

18 Q Mr. Allen, the data on this exhibit are more or
19 less self-explanatory. You might state for the record the
20 cost that we predict, or estimate, for a dry hole as well
21 as a producer.

22 A Yes, sir, the anticipated cost to drill a dry
23 hole were 1.123 million and 1.3 million for a producing gas
24 well.

25 Q Mr. Allen, do you have available to you what

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1 Amoco's cost for supervision will be with respect to both
2 while the well is drilling and then if it is a producer,
3 subsequent to production?

4 A. I believe that we will request \$2,790 per month
5 while drilling; \$279 per month while producing.

6 Q. All right, sir. Do you have a recommendation to
7 the Commission as to who should be the operator of this well?

8 A. Yes, sir, I recommend that Amoco be designated
9 operator being the majority interest holder in this area.

10 Q. Mr. Allen, I'm going to recommend to the Com-
11 mission that in the order they leave an option open to those
12 interests that are not yet committed to participate, the
13 option to either join or lease until November 1, 1978. Do
14 you have any engineering objection to that recommendation?

15 A. No, sir, none whatsoever.

16 Q. If we get the rig over the hole, say, in two
17 weeks, by November 1, '78 will it be deep enough that we
18 would in effect giving anyone a free ride or a free peek at
19 our objective depth?

20 A. No, sir.

21 Q. Do you have anything else you'd like to add at
22 this time, Mr. Allen?

23 A. No, sir, I don't.

24 MR. BUELL: May it please the Examiner, that's
25 all we have by way of direct of Mr. Allen. I would like to

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1 formally offer our exhibits, One and Two.

2 MR. NUTTER: Amoco's exhibits One and Two will
3 be admitted in evidence.

4
5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Allen, you mentioned that you would suggest
8 a combined rate of \$2790 per month --- per day --- per month
9 while drilling and \$279 per month while producing.

10 That's a factor of 10-to-1. Are you aware that
11 the Commission normally has restricted that to no more than
12 5-to-1?

13 A No, sir, I am not -- have not been aware of that.
14 This is a figure which is generated out of our accounting
15 department based primarily on depth figures which they're
16 familiar with. The only -- the only instances which I have
17 noted, or have looked at, forced pooling in this area, was
18 a factor of 10-to-1, so I was not aware that it was less.

19 Q I realize that some companies do use a figure
20 of 10-to-1 over producing rates, or drilling rates.

21 Also, it appears that your authorization tabula-
22 tion here, Mr. Allen, is not very detailed. I wonder if you
23 could furnish us with a more detailed breakdown of what
24 these various costs are? You mentioned that you're going to
25 run so many feet of various sized casing but you don't say

1 what the cost per foot is or what --- how the total \$282,000
2 would be allocated among the various casing sizes.

3 A. Mr. Examiner, I have a detailed worksheet showing
4 how each one of these items were arrived at and I will be
5 glad to have this reproduced and furnished to you.

6 Q. I think that would be appropriate as an exhibit.
7 I think, also, that that should be sent to the offset oper-
8 ators or to the -- to the other interested parties in this
9 well. Who is being pooled here, Mr. Buell?

10 MR. BUELL: We'll cover that with our next wit-
11 ness, Mr. Examiner. In the little 10-acre tract, the Swearingen
12 tract, that we were talking about, there are 31 individual
13 owners in that tract.

14 MR. NUTTER: And they would be working interest
15 owners?

16 MR. BUELL: I think right now they're going
17 through the agonies of decision as to whether to become for
18 the first time in their lives an oil and gas operator as a
19 working interest owner, or to execute a lease. One of them
20 has executed a lease. That lessee has indicated to us that
21 he will either join or farm out to us. So there are a total
22 of 32 interests in that small tract. We have indications
23 from two of them, the lessor and the lessee of a small
24 acreage, that they will either join or farm out. We've had
25 indications from some of the remaining 30 that I was going

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1 to cover in --- with our next witness. And that's the reason
2 I made the recommendation I did to you, Mr. Examiner, that
3 we keep their option open to either join or lease until
4 November 1, '78, because as inexperienced persons, they are
5 having a tough time making up their mind.

6 MR. NUTTER: Now this November the 1st might be
7 adequate if you were able to move a rig on the well right
8 away. That would give them some time in which to make up
9 their minds. But supposing you can't get the well started
10 for some little period of time, there's a delay in getting
11 the rig, you should lose this rig for some reason or another
12 that's on the other hole?

13 MR. BUELL: But they'd still have the same
14 period of time, Mr. Examiner, to decide. Admittedly, if
15 we're delayed in getting the rig on, the well wouldn't be
16 drilling, but I assure you, we're going to get a rig on as
17 quickly as possible. The reason I recommend is --- the
18 November 1, '78, we anticipate it will take approximately
19 three months to drill this well to total depth, and we
20 figured, or I figured, by November 1 of '78 that it wouldn't
21 be deep enough that in effect it would be giving anyone a
22 free ride, which I don't think is fair.

23 But I'd certainly have no objection to November
24 the 15th, '78, or just so long as the well wouldn't be at
25 total depth.

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1 MR. NUTTER: Normally, of course, the order of
2 the Commission provides that after the date of entry of the
3 order and within thirty days prior to commencement of the
4 well, you would furnish all the proposed working interest
5 owners with a cost estimate of what it's going to cost.
6 Then they have thirty days after that in which to either
7 join or ---

8 MR. BUELL: Yes, sir.

9 MR. NUTTER: --- not join.

10 MR. BUELL: I have never seen an order of yours
11 where you gave them the option of leasing. You give them
12 the option of joining or being carried at a risk penalty.

13 MR. NUTTER: Right.

14 MR. BUELL: I'd like to give these people, since
15 they are inexperienced in the oil and gas business, the
16 opportunity to lease if they would like. I guess they could
17 do that whether the order provides for that or not.

18 MR. NUTTER: I kind of hate to tie it to one
19 specific date, too, November 1st.

20 MR. BUELL: I just don't want to give any of
21 them a free peek. With experienced oil people, like Maddox
22 Energy Company, they immediately decided to join. It was
23 no problem for them. But these inexperience people, as you
24 can imagine, Mr. Examiner, are having an agonizing time
25 deciding.

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1 MR. NUTTER: Now, aside from the Swearingen
2 tract and the Maddox tract, there are three other tracts,
3 and I presume Amoco is the sole working interest owner in
4 these other tracts.

5 MR. BUELL: Yes, sir.

6 MR. NUTTER: So you're only talking about
7 Maddox and they have joined.

8 MR. BUELL: They have not executed an operating
9 agreement. They have executed the AFE, the authorization
10 to drill a well, and we're currently preparing an operating
11 agreement.

12 MR. NUTTER: Well, then they haven't approved
13 this \$279 and \$2790 for combined fixed rates, either, then.
14 It would be in the operating agreement.

15 MR. BUELL: It would be in the operating agree-
16 ment. So to that extent you're right, in that it is being
17 completed almost this minute, Mr. Examiner.

18 But those are our standard charges.

19 MR. NUTTER: Okay, now you're going to give
20 us a breakdown on the cost thing, are you not?

21 A. Yes, sir, I am. I'll give you a detailed copy
22 of that, although we have furnished this AFE.

23 MR. BUELL: Let me have it. Why I don't have
24 this identified as our Exhibit Number Three, Mr. Examiner,
25 and then ask for authority to withdraw it from file so we

1 can make a copy so we'll have an identical copy.

2 MR. NUTTER: Let's see if that's the type of
3 information that I'm looking for.

4 Yeah, I think this is the type of information
5 we want. The information that's on here adds up to the
6 figures that were put on Exhibit ---

7 A. Yes, sir, it does.

8 Q. Okay, fine. That is Exhibit Three, then.

9 MR. BUELL: Yes, identified as Exhibit Three.
10 And ask for permission to withdraw it and make a copy so
11 we'll have an identical copy.

12 As you can tell, Mr. Examiner, from a look ---
13 did you identify that as our Exhibit Three?

14 A. No, we need to stamp it.

15 MR. BUELL: Our Exhibit Number Two is a company
16 form and that is normally as much detail as we go into when
17 we forward that out to other possible working interest
18 owners. I could see why you would like a more detailed
19 accounting. We'll certainly be happy to furnish it.

20 May I ask Mr. Allen one more question before
21 he's excused that I overlooked?

22

23 REDIRECT EXAMINATION

24 BY MR. BUELL:

25 Q. Mr. Allen, do you a recommendation to the Com-

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1 mission with regard to the risk penalty percentage?

2 A. Yes, sir, I think just the inured risk involved
3 in drilling a deep well, that we should ask for a 200 per-
4 cent effective penalty in this case.

5 MR. BUELL: May it please the Examiner, again,
6 that does complete my direct of Mr. Allen.

7 MR. NUTTER: Are there any further questions
8 of Mr. Allen? He may be excused.

9 MR. BUELL: Now, shall we call Mr. Sams, Mr.
10 Examiner.

11 And may I formally offer Exhibit Three into
12 the record, Mr. Examiner?

13 MR. NUTTER: Exhibit Three will be admitted in
14 evidence.

15 MR. BUELL: And may I now withdraw it so we
16 can make a copy? Thank you, Mr. Examiner.

17
18 P. LOURCEY SAMS
19 being called as a witness and having been duly sworn upon
20 his oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. BUELL:

24 Q Mr. Sams, would you state your complete name,
25 by whom you're employed, and in what capacity, and at what

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 968-3404
Santa Fe, New Mexico 87501

1 location, please?

2 A. P. Lourcey Sams. I'm employed by Amoco Production
3 Company as a land man in Houston, Texas.

4 Q. Mr. Sams, in your capacity as a land man with
5 Amoco, have you been involved in the negotiations and the
6 background in the attempt to form voluntarily the north
7 half of 25 as a unit for the purpose of drilling a deep
8 test?

9 A. Yes, sir.

10 MR. BUELL: Any questions as to Mr. Sams' qual-
11 ifications in this particular area?

12 MR. NUTTER: No, he's qualified. I don't know
13 how to spell his name.

14 MR. BUELL: S-A-M-S.

15 A. Right.

16 MR. NUTTER: Thank you.

17 MR. BUELL: And his given name, I can't spell
18 it.

19 A. It's L-O-U-R-C-E-Y.

20 Q. Mr. Sams, I've already given most of your testi-
21 mony in my dialogue with the Examiner, but let's very briefly
22 run over it.

23 The acreage ownerships that we previously out-
24 lined, are they correct? Amoco, 270 acres, Maddox Energy
25 Company, 40 acres, and the Swearingen interests, 10 acres?

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Santa Fe, New Mexico 87501

1 A. Yes, sir, that's --- that's true.

2 Q. All right, sir. Maddox Energy Company has ex-
3 ecuted what we call the AFE and what has been identified as
4 our Exhibit Number Two, has it not?

5 A. Yes, sir, they have.

6 Q. Is that common practice among the experienced
7 operators that when they execute that AFE, or authorization
8 for expenditure, that they certainly intend to join and
9 participate in the drilling of the test well?

10 A. Yes, sir.

11 Q. And are you currently having prepared an oper-
12 ating agreement for purposes of circulating to all the
13 working interest owners?

14 A. One is being prepared.

15 Q. All right, sir. Now, I briefly outlined for
16 the Examiner the number of owners in what I will call the
17 Swearingen tract. Was I correct in my numbers?

18 A. Yes. There are thirty-one mineral interest
19 owners and one leasehold owner, which makes a total of
20 thirty-two in the 10-acre tract.

21 Q. Now, you have contacted all of those owners and
22 have made an offer to them to join and participate in drilling
23 the well as well as an offer if they would prefer, that you
24 would take a lease of their interest?

25 A. Yes, I have.

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Santa Fe, New Mexico 87501

1 Q I believe I also pointed out to the Examiner
2 that there are thirty remaining after the one that has be-
3 come a lessor and his lessee has been taken care of in that
4 his lessee has stated that he'll either join or farm out to
5 Amoco.

6 A That is correct.

7 Q All right, sir. Now, with respect to the other
8 thirty, let's have a status report on them.

9 A Ten of the other thirty have indicated they
10 will lease to Amoco, and an additional ten have indicated
11 that they will join in the drilling of the well.

12 Q Become working interest owners and operators in
13 a deep gas bid.

14 A Yes, sir, that is correct.

15 Q And ten that you've had no indication from at
16 all.

17 A Yes, sir.

18 Q All right, sir. Let me ask you this, Mr. Sams,
19 based on your knowledge of these individuals that own an
20 interest in the Swearingen tract. Have I described them
21 correctly, that they're not experienced oil and gas operators
22 and that they're agonizing over their decision as to what
23 to do?

24 A Yes, sir, you have.

25 Q Now do you feel that under those circumstances

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1 that the recommendation I have made to the Examiner to hold
2 the option open to them for a longer period of time than
3 normal would be a fair and equitable thing to do in this
4 situation?

5 A. I feel it would, yes, sir.

6 MR. BUELL: May it please the Examiner, that's
7 all I have by way of direct of Mr. Sams.

8
9 CROSS EXAMINATION

10 BY MR. NUTTER:

11 Q. Mr. Sams, we did not receive with the application
12 a list of these people who are the subject of the hearing
13 today. Do you have that list with you and could you offer
14 that as an exhibit; also, the percentage of ownership or
15 percentage of interest that they have in the total tract?

16 A. Yes, sir, I do have one, I do have a list which
17 I can -- one of which I have marked on somewhat, so you
18 will have to ignore my markings, but I will --

19 MR. BUELL: Let me see what those markings are.

20 A. -- have it retyped for you and submit it as an
21 exhibit, if you wish.

22 MR. BUELL: Mr. Examiner, this does seem to
23 contain the information that you requested. If you would
24 glance at it and make sure that it does, we can have a
25 clean copy of that prepared.

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1 Q Now, Mr. Sams, when you state that here that
2 Addie Swearingen has a one-half interest, you mean a one-
3 half interest in that 10-acre tract?

4 A Yes, sir, that is correct.

5 Q Okay. Now, if you would just recopy this list
6 and send it in as an exhibit.

7 A I will do so.

8 Q In this hearing.

9 A Yes, sir.

10 MR. BUELL: May it be our exhibit Four, Mr.
11 Examiner?

12 MR. NUTTER: That will be identified as Exhibit
13 Four. It's offered now and withdrawn also.

14 MR. BUELL: Right.

15 MR. NUTTER: Exhibit Four will be admitted in
16 evidence, without the little markings.

17 MR. BUELL: Mr. Examiner, unless you have some-
18 thing else, I haven't thought of, and I hope you haven't,
19 that's all we have.

20 MR. NUTTER: Are there any questions of Mr.
21 Sams? He may be excused.

22 And you have nothing further, Mr. Buell?

23 MR. BUELL: No, Mr. Examiner, I do not. That's
24 all that we have to offer at this time.

25 MR. NUTTER: Does anyone have anything they wish

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to offer in Case Number 6302?

We'll take the case under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

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I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 968-3404
Santa Fe, New Mexico 87501

Sally Walton Boyd CSR

Sally Walton Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6302 heard by me on 8/30 1978.

[Signature], Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

JERRY APODACA
 GOVERNOR

NICK FRANKLIN
 SECRETARY

September 22, 1978

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87501
 (505) 827-2434

Re: CASE NO. 6302
 ORDER NO. R-5813

Mr. Guy Buell
 Attorney
 Amoco Production Company
 P. O. Box 3092
 Houston, Texas 77001

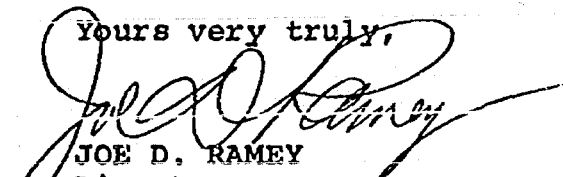
Applicant:

Amoco Production Company

Dear Sir:

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

Yours very truly,


 JOE D. RAMEY
 Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
 Artesia OCC x
 Aztec OCC

Other _____

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. 6302
Order No. R-5813

APPLICATION OF AMOCO PRODUCTION
COMPANY 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 August 30, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of September, 1978, 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, Amoco Production Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a non-standard location, thereon, said location having previously been approved.
- (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.

+2-

Case No. 6302

Order No. R-5813

(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 \$2000.00 per month while drilling and \$279.00 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 November 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

+3-

Case No. 6302
Order No. R-5813

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a non-standard location thereon, said location having previously been approved.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November 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 Amoco Production Company 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.

(9) That \$2000.00 per month while drilling and \$279.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-5-

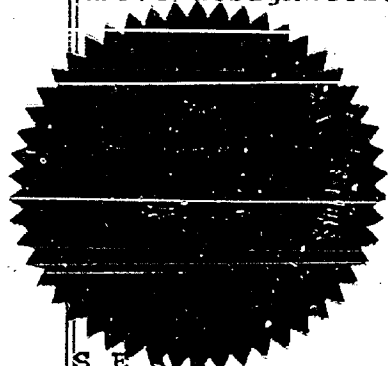
Case No. 6302
Order No. R-5813

(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 immediately 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 30 days from the date such funds are first deposited with said escrow agent.

(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
JOE D. RAMEY
Director

fd/



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

AUG 28 1978

J. M. Brown
Division Engineering
Manager

August 4, 1978

File: TBM-986.51NM-4221

Case 6302

Re: Application for Hearing
Compulsory Pooling
N/2 Section 25, T-23-S, R28-E
Eddy County, New Mexico

New Mexico Department of Energy and Minerals (3)
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Attention: Mr. J. D. Ramey

Gentlemen:

Amoco Production Company requests a hearing for compulsory pooling of all mineral interests in the Pennsylvanian Formation underlying the N/2 Section 25, T-23-S, R-28-E, Eddy County, New Mexico, to be dedicated to a well to be drilled 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 cost and charges for supervision and a charge for risk involved in drilling said well. Amoco will ask to be designated operator of the well.

Please place this item on the Examiner's Hearing Docket of August 30, 1978. A map of the area is attached. Please direct any questions to either Mr. J. C. Allen (713/652-5497) or Mr. J. E. Pease (713/652-5461).

Yours very truly,

JCA:fjc
5/445
Attachment



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

J. M. Brown
Division Engineering
Manager

August 4, 1978

Case 6302

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Attachment



Amoco Production Company
500 Jefferson Building
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August 4, 1978

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Yours very truly,



JCA:fjc
5/445
Attachment

Dockets Nos. 29-78 and 30-78 are tentatively set for hearing on September 13 and 27, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 30, 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 6298: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 1105 of the Division Rules and Regulations to require the filing of two copies of all well logs instead of one.
- CASE 6312: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-1670-T, Rule 2(A), Blanco Mesaverde Pool, San Juan and Rio Arriba Counties, New Mexico, to provide that the initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- CASE 6299: Application of Wm. G. Ross for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause seeks approval for its South Lea Unit Area comprising 1,753 acres, more or less, of state land in Township 21 South, Range 34 East, Lea County, New Mexico.
- CASE 6300: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Atoka and Morrow production in the wellbore of its Parkway West Unit Well No. 1, located in Unit C of Section 28, Township 19 South, Range 29 East, Parkway West (Atoka) Field, Eddy County, New Mexico.
- CASE 6301: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Strawn and Morrow production in the wellbore of its Superior Federal Well No. 4, located in Unit I of Section 5, Township 20 South, Range 29 East, East Burton Flat Field, Eddy County, New Mexico.
- CASE 6302: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6303: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Indian Hills State Com. Well No. 2 to be drilled 660 feet from the South line and 660 feet from the East line of Section 36, Township 20 South, Range 24 East, Eddy County, New Mexico, to test the Morrow formation, the S/2 of said Section 36 to be dedicated to the well.
- CASE 6304: Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the S/2 NE/4 of Section 26, Township 24 South, Range 36 East, Lea County, New Mexico, to form an 80-acre non-standard proration unit 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 6305: Application of Flag-Redfern Oil Company for two unorthodox locations and two non-standard oil proration units, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 61.14-acre non-standard unit comprising Unit K and Lot 3 of Section 16, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, to be dedicated to a well to be drilled 2130 feet from the South line and 2873 feet from the West line of said Section 16; also a 60.43-acre unit comprising Unit N and Lot 4 of said Section 16 to be dedicated to a well to be drilled 810 feet from the South line and 2850 feet from the West line of the section.
- CASE 6306: Application of Texaco Inc. for an unorthodox location, permission to inject water, and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Vacuum Unit Well No. 139 to be located 85 feet from the South line and 958 feet from the East line of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, and directionally drilled to a 109' square bottom hole target location with the center of the target being 60 feet from the South line and 1310 feet from the East line of said Section 36, and approval to inject water into the San Andres formation in said well.

- CASE 6307: Application of Exxon Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Wantz-Ablo production in the wellbore of its P. F. Hardison B Well No. 10, located in Unit A of Section 34, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6308: Application of Petroleum Corporation of Texas for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 8, Township 8 South, Range 37 East, Roosevelt 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 6309: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox locations of its Jicarilla 468 Well No. 1, located in the NW/4 of Section 32, Township 28 North, Range 3 West and its Jicarilla 446 Well No. 1, located in the SE/4 of Section 8, Township 27 North, Range 3 West, Rio Arriba County, New Mexico, as off-pattern wells in said pool.
- CASE 6310: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox location of its Jicarilla 101 Well No. 7, to be located in the SE/4 SE/4 of Section 12, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, as an off-pattern well in said pool.
- CASE 6311: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico:
- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Nacimiento production and designated as the Arch-Nacimiento Pool. The discovery well is El Paso Natural Gas Company San Juan 32-9 Unit Well No. 84 located in Unit N of Section 14, Township 31 North, Range 10 West, NMPM. Said pool would comprise:
- TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM
Section 14: SW/4
- (b) EXTEND the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:
- TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM
Section 5: SE/4
- (c) EXTEND the Blanco-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:
- TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
Section 35: SE/4
Section 36: S/2
- TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 32: NE/4 and S/2
- TOWNSHIP 32 NORTH, RANGE 11 WEST, NMPM
Section 30: N/2
- TOWNSHIP 32 NORTH, RANGE 12 WEST, NMPM
Section 24: E/2
Section 25: S/2
Section 26: SE/4
Section 36: N/2
- (d) EXTEND the South Blanco-Pictured Cliffs Pool in Rio Arriba, San Juan, and Sandoval Counties, New Mexico, to include therein:
- TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 3: SW/4
Section 4: S/2
Section 10: N/2
Section 11: NW/4

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM
Section 2: SE/4
Section 11: NE/4

- (e) EXTEND the Cha Cha-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM
Section 25: W/2 NW/4

- (f) EXTEND the Chacon-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 3 WEST, NMPM
Section 2: W/2

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 4: NE/4
Section 27: W/2
Section 28: E/2
Section 34: NW/4 and SE/4
Section 35: SW/4

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM
Section 29: SW/4
Section 30: S/2 (partial)
Section 31: NW/4 (partial)
Section 32: E/2
Section 33: W/2 and SE/4

- (g) EXTEND the Choza Mesa-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 4 WEST, NMPM
Section 15: N/2 and SW/4
Section 22: W/2

- (h) EXTEND the Dufers Point Gallup-Dakota Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM
Section 12: E/2

- (i) EXTEND the South Gallegos-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM
Section 14: NE/4

- (j) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM
Section 1: N/2

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM
Section 30: SE/4
Section 32: SW/4

- (k) EXTEND the Mount Nebo-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPM
Section 28: S/2
Section 33: NW/4

- (l) EXTEND the Otero-Chacra Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM
Section 18: N/2

(m) EXTEND the Rusty-Chacra Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 24: SE/4
Section 27: NE/4

(n) EXTEND the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Section 2: NW/4

(o) EXTEND the Tocito Dome-Pennsylvanian D Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
Section 14: SW/4
Section 23: W/2

(p) EXTEND the WAW-Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM
Section 2: NE/4
Section 4: All
Section 5: SE/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM
Section 27: SW/4

Docket No. 27-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6289: (Continued from August 9, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6222: (Rehearing) (Continued from August 9, 1978, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

ATWOOD, MALONE, MANN & COOTER
A PROFESSIONAL ASSOCIATION
LAWYERS

JEFF D. ATWOOD [1883-1960]
ROSS L. MALONE [1910-1974]

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

SEP 5 1978

CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
BRIAN W. COPPLE

RANDAL W. ROBERTS

August 28, 1978

Mr. Joe D. Ramey
Secretary-Director
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

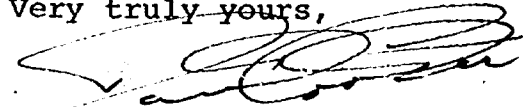
RE: Examiner Hearing August 30, 1978
Case No. 6302

Dear Mr. Ramey:

We would appreciate your filing the enclosed
Entry of Appearance for Amoco Production Company in Case
No. 6302.

Thank you and with regards, I am,

Very truly yours,



Charles F. Malone

CFM:Sgs
Enc.

cc: Guy Buell, Esquire
w/enc.

SEP 5 1970

BEFORE THE OIL CONSERVATION DIVISION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
of AMOCO PRODUCTION COMPANY FOR)
COMPULSORY POOLING, NORTH HALF OF)
SECTION 25, TOWNSHIP 23 SOUTH,) Case No. 6302
RANGE 28 EAST, EDDY COUNTY, NEW)
MEXICO)

ENTRY OF APPEARANCE

The undersigned hereby enter appearance herein in
behalf of AMOCO PRODUCTION COMPANY, with Guy Guell of Houston,
Texas.

ATWOOD, MALONE, MANN & COOTER, P.A.

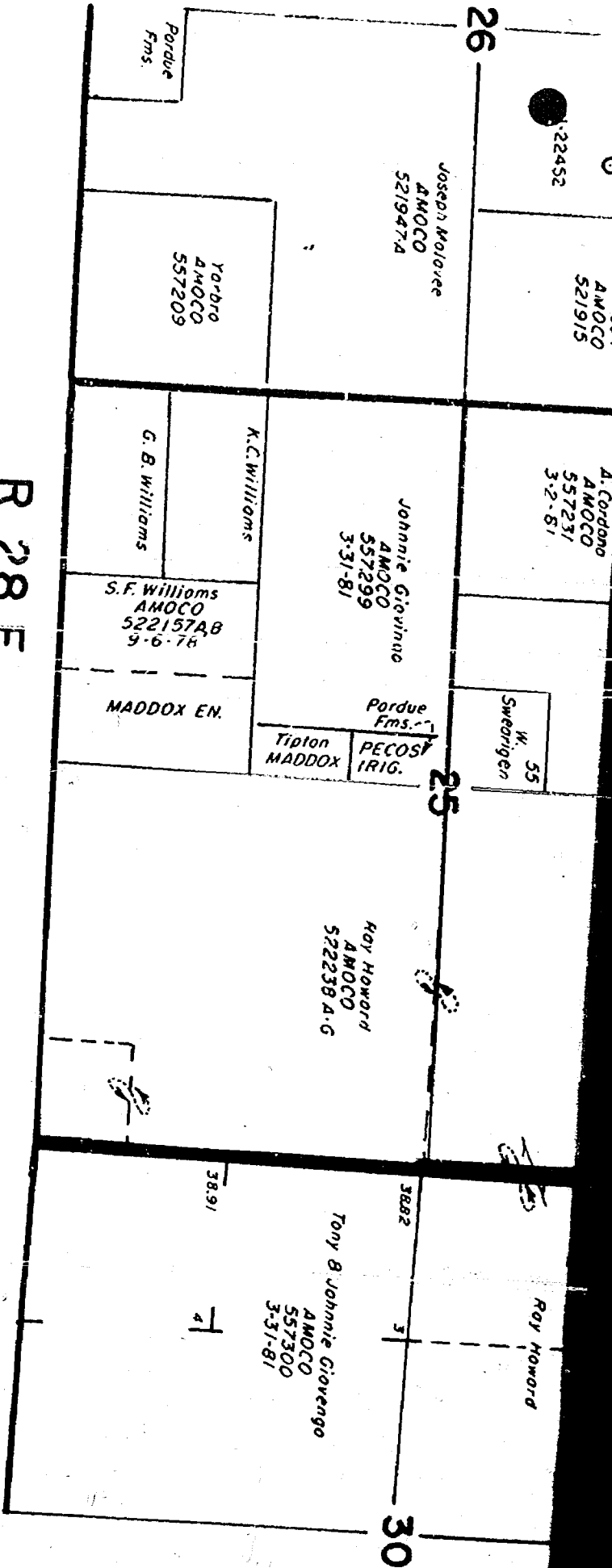
By 

Post Office Drawer 700
Roswell, New Mexico 88201

Attorneys for Amoco Production
Company

Exhibits 1 and 2
Complete Set

71



BEFORE EXAMINER NUTTER
 OIL CONVEYANCE COMMISSION
 AMOCO EXHIBIT NO. 1
 CASE NO. 6302

AMOCO PRODUCTION CO
 HOUSTON DIVISION
 TELEDYNE AREA
 EDDY CO., NEW MEXICO
 SCALE: 1" = 1000'

J. L. Reed
AMOCO
3-22-91

Sam O. Bell
AMOCO
DELTA DRLG.

C. Coriasco
DELTA DRLG. 1/2
AMOCO
10-19-81

U.S. Potash Co.
AMOCO
2-30-79

U.S. Potash Co.
GULF
10-84

U.S. Potash Co.
AMOCO
3-14-79

A. H. Conditson
AMOCO
DELTA DRLG.

S. Cutbert Bluff

John R. Joyce, II
AMOCO
521936 A,B,F
3-30-81

23

Joyce

D. Bronlley, Jr.

24

AMOCO
557264
4-30-83

AMOCO
557263
3-30-83

S. F. Williams
AMOCO
521919 A,B
4-3-81

John R. Joyce II
AMOCO
Pl. 521936 A,B,F
3-30-81

R. Joyce, I

John R. Joyce II
AMOCO
Pl. 521936
3-30-81

S. F. Williams
AMOCO
521919 A,B
1980 4-4-81

Pardue Farms

W.I.

Allen Tipton, et al
MADDOX ENERGY CO.

ROY HOWARD
AMOCO
522238 F,G

38.29

38.37

38.46

38.55

38.64

38.73

19

D.S. Harroun, et al
U.S. Potash Co.

T
23

Amoco Production Company

Well Authorization

(Controller's Dept. Use Only)
 Flac (L/U) OC CD INT

Flac (Well) No.	Basic CD	H-Z Sub	Comb. C-D	Horizon Code	Regulatory Field Code
Operating Field Code					Type Loc. Cd.

Operator Amoco
 Drill Recompleta Multiple Completion Development well
 Cancel Supplement No. Exploratory Well- Oil Gas

Type Of Test _____
 Lease Name Williams Gas Com. Well No. 1 Field Teledyne Area
 Land Property No. _____ County Eddy State New Mexico Operating Area Levelland
 Location: 560' FNL x 1980' FWL, Sec 25, T-23-S, R-28-E Special Contractual Provisions _____

Geological Province: Name _____ Item No. _____
 Depth 13,300' Formation Morrow Spacing Pattern-Acres/Well 320(N/2)
 Oil Outlet _____ Gas Outlet _____
 Location Meets State Regulations Field Rules Exception Required Estimated Allow/Cal. Day _____ BOD _____ MCFD Prorated Nonprorated
 Amoco's Interest: Before Royalty _____ After Royalty _____ Other Working Interests _____

Lease Exp. Date _____ Must Commence Operations Spud By _____, 19____
 Quarter To Start _____ Quarter To Complete _____ Time Req'd To Meet Land Requirements _____
 Federal Lease Or Unit Executive Order 11246 Is Is Not Applicable Exploration Authority No. _____ Contract No. _____

Data On Offset Or Nearby Wells

Company Lease And Well.....	Potential Test	Latest Test	Potential Test	Latest Test
Pay Formation, Thickness, And Prod. Interval.....				
Cumulative Prod. <input type="checkbox"/> Oil-BBLS. <input type="checkbox"/> Gas-MMCF				
Date.....				
Allowable/Cal. Day <input type="checkbox"/> BBLS. <input type="checkbox"/> MCF				
Prod. - Oil - Water - Gas				
Hours - Choke - Gas/Oil Ratio.....				
Producing Method And Pressures.....				

Drilling Intangibles	Cost Estimates	
	Estimated Gross Dry Hole	Estimated Gross Producer
Drilling Cost _____ Feet @ \$ _____ Per Foot <u>MIRU x RD</u>	\$ 40,000	\$ 40,000
Day work <u>90</u> Days @ \$ <u>4,100</u> Per Day Compl. <u>15,000</u>	369,000	384,000
Location \$ <u>15,000</u> Surveys \$ <u>45,000</u> Mud \$ <u>125,000</u> Stimulation \$ <u>20,000</u> Other \$ <u>349,000*</u>	506,000	554,000
* includes 5 DST'S	915,000	978,000
Total Drilling Intangibles		
Well Equipment - Tangibles		
Casing And Tubing <u>400' - 16"; 3000' - 10 3/4"; 11,500' - 7 5/8"; 2000' - 5" liner;</u>	208,200	282,300
Wellhead, Etc. <u>13,300' - 2 7/8"</u>	40,000	40,000
Total Well Equipment - Tangibles		
	208,200	322,300

Remarks	Net-Dry Hole	Net-Producer	Total	Total
	\$ 947,700	\$ 1,097,128	1,123,200	1,300,300
Total This Request				
Previous Estimate				
Total To-Date Estimate				

Notice To Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation. Nonoperator By _____ Date _____

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Amoco EXHIBIT NO. 2
 CASE NO. 6302

(3) That the applicant has the right to drill and proposes to drill a well ^{non-} at a standard location, thereon, said location having previously been approved.

(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.

While drilling and \$279.00 per month while producing

(11) That \$2,000.00 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 November 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 Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, NMPM, [redacted], 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, said location having previously been approved.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 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 Amoco Production Company 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

-5-
Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. *while drilling and \$200.00 per month while producing are*

(9) That \$2000.00 per month [^]is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision 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.

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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 ^{immediately} 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 ³⁰ ~~20~~ days from the date ^{such funds are first deposited with said escrow agent.} ~~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.