

CASE NO.

63/9

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

 IN THE MATTER OF:)
)
)

Application of Belco Petroleum Cor-)
 poration for an unorthodox well)
 location and compulsory pooling,)
 Eddy County, New Mexico.)

CASE
 6319

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
 Division:

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For the Applicant:

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LEE G. NERING

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MR. STAMETS: Call next Case 6319.

MS. TESCHENDORF: Case 6319. Application of Belco Petroleum Corporation for an unorthodox well location and compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, appearing on behalf of the Applicant, and I have two witnesses to be sworn.

MR. STAMETS: I'd like to have both of them stand and be sworn at this time.

(Witnesses sworn.)

LEE G. NERING

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Nering, would you please state your name, by whom you're employed, and in what capacity?

A My name is Lee Nering. I'm employed by Belco Petroleum Corporation in Houston, Texas, as an administrative geologist.

Q Mr. Nering, have you previously testified before the Oil Conservation Division and had your qualifications as an expert geologist accepted and made a matter of record?

A. Yes, that is correct.

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

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Nering as an expert.

MR. STAMETS: The witness is considered qualified.

Q. (Mr. Kellahin continuing.) Would you please refer to what has been marked as Exhibit Number One, identify it, and explain to us what Belco is seeking to accomplish?

A. Exhibit Number One is a repeat of an exhibit which was presented as Exhibit Number Eight in Case Number 5774 on the 29th of September, 1976. It was a case involving the unorthodox location of this well and forced pooling of the north half of Section 31, Township 21 South, Range 27 East, of Eddy County, New Mexico.

The Mollie No. 1 Well, and the well in subject, was a well; it is in existence; it was drilled to the Morrow formation, bottoming at 11,595 feet.

The well has since proven to be uneconomical and Belco has proposed to plug back into the Permian Wolfcamp level and as a result, we are requesting an unorthodox location, as well as forced pooling of the north half of Section 31, for pooling of the Wolfcamp should this well prove to be gas-bearing.

At this point Belco is unsure whether or not the Mollie No. 1 will become an oil well or a gas well. The reason for this is that the zone of interest has not given us sufficient indication to indicate whether or not oil will be the fluid or the fluid will be gas.

I have some other exhibits which will illustrate the relative concentration of these fluids in the area.

The Exhibit Number One illustrates the reasons why the Mollie No. 1 was an unorthodox location to begin with. This well is located immediately adjacent to the city limits of the City of Carlsbad, and the photogeology, which I am apologizing for the quality of, does not illustrate in exact details where all of the buildings and various activities are located, but I think the exhibit does illustrate the concentration of residences and orchards and the Pecos River, and the exhibit also illustrates the locations of what would have been the orthodox location in this area, and also the marginal area for the orthodox location in the 40-acres comprising the northwest of the northeast of Section 31, and I think it can be shown from this photo that this is an area of concentrated residential area, one of the better residential areas of the City of Carlsbad.

Our Mollie No. 1 location was chosen, as can be seen from the photo, in a cultivated area, comprising

a small area, and probably was the least of any that would disturb the culture and the agriculture in the immediate vicinity, which would have been seriously disrupted had we chosen an orthodox location at any of those provided within the 320.

Q Let me ask you a couple of questions about the current status of this well, Mr. Nering.

First of all, you have drilled through the Wolfcamp and have tested the Morrow zone and it is uneconomic, is that correct?

A Yes. The well has proven to be uneconomical and we have proposed to drill -- excuse me, to plug back into the Wolfcamp as a hope to create some type of production.

Q Although the -- you've not actually tested the Wolfcamp at this point?

A No. The only evidence on the Wolfcamp at this point is the fact that a later exhibit will illustrate where an intermediate casing point was set because the well kicked at that point, which is the zone that we're interested in and the zone was protected by the intermediate casing. There was gas circulated around in the mud.

Another exhibit will illustrate the proximity of gas production from the Wolfcamp which aren't particularly near, and the nearest oil production in the Wolfcamp.

Q Okay. So at this point you do not know whether the Wolfcamp was either economic or whether or not it would be capable of producing either gas or oil?

A That is correct.

Q Please refer to Exhibit Number Two and identify it.

A Exhibit Number Two is a Belco originated AFE, which describes the costs involved in the plug back operation and the equipment of the well should we complete it as a Wolfcamp well. It amounts to a total of \$135,000 as a completed well.

Q Please refer to Exhibit Number Three and identify it. Sorry, let me ask you some questions.

In reference to your AFE, Mr. Nering, let me ask you some questions about the -- your costs or anticipated costs while drilling and after completion.

A Based on our operating charges in this area, and Belco does operate a number of wells in this area, we're recommending that a supervisory cost of \$2000 a month while operating the well during the workover procedures be requested and that an operating cost of \$300 a month while the well is producing be approved.

Q I assume that you also desire to have Belco named the operator?

A Yes. I recommend that Belco be named the oper-

ator of the unit, whether it be 40-acre proration or 320-acre proration for gas.

Q Do you have a recommendation to the Examiner with regards to a risk factor to be assessed against the non-consenting parties?

A Yes. I think in view of evidence that I will present, that this is a reasonably high risk operation, and therefor, I'm requesting that a penalty factor of 200 percent be applied.

Q Now let me refer you to Exhibit Number Three and ask you to identify that.

A Exhibit Number Three is a four township area centering around the Mollie Com No. 1 and Exhibit Number Three illustrates the Wolfcamp completions shown in red and green colors in the vicinity. It can be noted that the bulk of the Wolfcamp completions are located from three to five miles east and from three to five miles south. There are no Wolfcamp completions, to the best of my knowledge, anywhere to the west or north at this time.

The color differentiation refers to gas for red and oil for green.

Q Would you refer to Exhibit Number Four and identify it?

A Exhibit Number Four is essentially the same map area as Exhibit Number Three with the addition that the gas

areas of the Wolfcamp completion, that is, the current Wolfcamp completions, are shaded in red. The oil area is shaded in green, and I think it illustrates that the -- the bulk of the production is gas located to the east, as previously mentioned. The oil production is the closest to the Mollie No. 1. This is the Cities Service No. 1 Simpson A No. 1 Well, located in the northeast quarter of Section 29 of Township 21 South, and 27 East, approximately one mile from the Mollie Com No. 1 proposed plugback.

In addition, Exhibit Number Four is a generalized structural map which illustrates the general geological features which consist of the rather narrow, perhaps canted-shaped syncline trending northeast as well as an anticline to the east of the syncline, also trending northeast, and it can be noted from the shading that the principal gas production is associated with the east flank of the anticlinal trend. The oil production appears to be associated with the synclinal area.

The Wolfcamp production is not necessarily related to any one single zone. The Wolfcamp, as is the Morrow, is a producing formation that produces from a number of levels and correlations between any individual producing zones is not apparent, if not impossible.

And the exhibit is simply to illustrate that the Mollie Com No. 1 is somewhat removed from the nearest

production and that nearest production, I might point out at this time, as shown by the symbol for the nearest oil well, that well has since been plugged. It's the, as I mentioned, the Cities Service Simpson 1-A Well, that had an exceptionally impressive initial potential of something like 1100 barrels a day of oil, and it produced, jestingly, four days, because the total production amounted to 4957 barrels of oil. The well was completed in 1974 and plugged in 1977. It does illustrate that the Wolfcamp, at least in this particular well, can be rather risky in terms of economical recovery.

I might return at this time to Exhibit Number Three, if I may. I did not mention that the Exhibit Number Three also illustrates the daily average gas production in terms of Mcf from each of the Wolfcamp gas completions and although there are one or two and perhaps three wells that are of moderate size, varying from 500 to 600 and almost 700 Mcf per day, that the majority of the Wolfcamp gas completions are of very low order.

Belco, in fact, operates one well, the Mead Com No. 2, located in Section 5 of -- Section 4 of Township 22 South, Range 27 East, currently producing at a rate of approximately 100 Mcf a day, and that is on compression.

Q I refer you to Exhibit Number Five and ask you to identify it.

A Exhibit Number Five is the New Mexico Commission

Form C-102, which is the revised Form C-102 which was submitted to the Commission in the District Office and shows that we propose to dedicate the 320 acres comprising the north half for a Wolfcamp gas completion and the 40 acres comprising the northwest northeast of Section 31 as the dedicated acreage should this be an oil well.

The exhibit also shows the unorthodox location of the well.

Q Please refer to Exhibit Number Six.

A Exhibit Number Six is the -- is a composite log as well as a casing schematic superimposed on the composite log. The log being the log runs of 1 and 2, one being the run to the immediate casing point set, which is indicated on the exhibit at a depth of 8940 feet; and the log run number two illustrating logging from below the casing point. The log is identified as to what types of devices we used to record the well history, the well lithology, as well as the well parameters.

The purpose of this exhibit is to further illustrate and support our contention that this plugback is not what one would describe as a simplified plugback. It can be noted that our proposed perforations between 8922 and 8936 straddle the shoe on the intermediate casing of 7-5/8ths inch casing and also will have to be through a 5-1/2 inch liner. The well is in progress right now and as indicated

on our original application to the Commission, these perforations probably will be adjusted somewhat, although I am told as of this morning that these zones will be perforated.

But it does illustrate the fact that this is what I would call a particularly desirable place to complete a well between a liner and intermediate casing at the shoe.

Q Were Exhibits One through Six prepared by you directly or compiled under your direction and supervision?

A Yes, they were compiled by me.

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

A Yes, it will.

MR. KELLAHIN: Move the introduction of Exhibits One through Six. That concludes our examination of Mr. Nering.

MR. STAMETS: The exhibits will be admitted.
Any questions of the witness?

Ms. Teschendorf?

CROSS EXAMINATION

BY MS. TESCHENDORF:

Q Mr. Nering, your application states the location

as being 1100 feet from the north line and your C-102 says 1150. Which is it?

A. The application is in error. The location is 1150 feet from the north line. I think the origin of this resulted from the fact that we had a survey error in the original surveying of the well and found that the well was, after they located the corners, in a relatively hard area to find corners in, it being in the proximity of the city.

It was 1150 feet.

Q. So 1150 is --

A. 1150 feet is the correct location.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Nering, that location is somewhat more distant from a lease line than a standard location, is it not? 1150 is further from the lease line than 1100 feet?

A. I'm sorry. Are we referring to the survey plat, for example, and we say a lease line?

Q. Right, the northern boundary line of the --

A. Of the section.

MS. TESCHENDORF: In other words, it's closer to being an orthodox location with the addition of the 50 feet than it would be.

A. Well, 320, 320, yes.

Q But it's less orthodox for 40 acres.

A Yes. There are two categories that are involved in here, unfortunately.

Q Mr. Nering, did this well produce from the deeper formations?

A Yes, it did for an off and on period. We have been working on that well for two years.

Q Was it ever officially completed?

A Yes, it was officially completed. I --

Q As a Morrow producer?

A Yeah, as a Morrow completion, yes, sir.

Q What acreage is not dedicated or not dedicated; what acreage are you having to force pool?

MR. KELLAHIN: We have an additional witness.

A Other witnesses will display the acreage situation.

Q Okay, fine. The charge of \$300 a month for supervising a producing well is substantially higher than the Division is seeing in these hearings and in this area. Do you have evidence to support this rate?

A I can supply that evidence. This is the average of the first six months of 1978 taken from our operating costs on our well which I indicated was in Section 4 in the township immediately to the south and those are our supervisory costs. That's not our entire cost for the operation

of the well. I think it's about twice that.

Q Is this the figure that you are using in your voluntary agreements?

A The voluntary, between the various working interests?

Q Yes. If you were reaching a voluntary agreement between working interests on this, would the \$300 be the amount or the figure that you would use?

A I think our second witness might be able to answer that clearer, because I do not have that knowledge personally. I have not seen the proposal to those working interests which are voluntary.

Q Okay. We would like to have that information.

A If I may digress just a moment, I'm still confused after a number of years with the New Mexico Commission as to the definition of supervisory costs while drilling.

Supervisory costs with Belco, if we actually have, as shown in our AFEs on supervision on well site, the figure is more like \$9000 a month rather than \$2000 a month. Maybe this is a matter of clarification as to what supervision means; maybe a definition of what well supervision means.

Q We'll see if we can't get you that before you get out of here.

A Well, it would be helpful.

MR. STAMETS: Any other questions of this witness? Mr. Ramey?

CROSS EXAMINATION

BY MR. RAMEY:

Q Mr. Nering.

A Yes, sir.

Q What happens on these forced pooling things, you've drilled the well to the Morrow, --

A Yes, sir.

Q -- suffered quite a bit of expense --

A Yes, sir.

Q All right, this is -- what you've spent to date is dead so far as --

A That's right.

Q You're only asking now for forced pooling for \$135,000.

A Yes, sir. That's -- that is the figure that we're using. We had three ways of looking at the cost of what this well would have cost had we drilled it as a purely Wolfcamp well to this level. We also examined it, and I supporting data to this effect, if we had taken the cost of this well and suspended all cost at the point of the intermediate casing, which is the point where we are recompleting, and then adding to that the cost for the workover, the re-

completing and the equipping of the well for Wolfcamp production. That figure was \$477,000.

A well drilled specifically to the Wolfcamp at this location using somewhat smaller casing, we would not have run the 7-5/8ths; we would have run 5-1/2, the AFE would have been in the order of \$406,000, somewhat less. But in any event, we feel that the \$135,000 is quite a bargain, but then we felt that since it was a precedent established and that the hole was there, and we just are going to have to eat it, I guess.

MR. RAMEY: Thank you.

MR. STAMETS: Any other questions? The witness may be excused.

MARY WARD

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and by whom you are employed?

A My name is Mary Ward and I'm employed in Belco Petroleum Corporation's Midland office as a landman.

Q Ms. Ward, have you previously testified before

the Oil Conservation Division and had your qualifications as an expert in land transactions accepted and made a matter of record?

A. Yes, I have.

Q. Have you made a study of the land situation with regards to this forced pooling application?

A. I certainly have.

MR. KELLAHIN: We tender Ms. Ward as an expert witness.

MR. STAMETS: The witness is considered qualified.

Q. (Mr. Kellahin continuing.) Would you please refer, Ms. Ward, to what I've marked as Belco Exhibit Number Seven and identify that plat for me.

A. Well, Number Seven shows the town lot situation of the No. 1 Mollie, and outlined in red, which is my favorite color, you will see the various lots. I think there's approximately twenty-four, that I've either had requests to be force pooled or no response.

Q. So lots outlined in red are the actual locations of the property and the interests owned by the various non-consenting parties?

A. Yes, sir, that's right.

Q. All right. Let me show you Exhibit Number Eight and ask you to identify that.

A. Okay. On Number Eight I've taken the name, address, description, and acreage involved of these twenty-four parties and to the left, also in red, you'll see the forced pool requests from various parties, seven of them, to be specific.

Q All right. The acreage indicated in the far right column of the exhibit is the actual acreage owned and not a percentage figure?

A. No, that's the acreage including to the middle of the streets and alleys.

Q All right. Would you run down the list of the names entered on the exhibit and indicate to me which ones of the parties have requested to be force pooled?

A. Yes, sir, I marked most of those. I believe you'll see the City of Carlsbad itself, Victor Throgmorton, Ruth Gibson, John Most, Roberta Duffin, and on page two, Raymond Moore and Draper Brantley, and I've talked personally to most of these people and they understand what it means to be force pooled, and they've written back asking for it.

Q All right. Let me show you what I have marked as Exhibit Number Nine and ask you to identify it.

A. Yes. On our first hearing, back in '76, I believe, we had unleased interests and then we had, as Exhibit Ten will show, Michael Grace interests, and we force pooled both of them. The letters went out the same day, registered re-

ceipt, to these various parties, either unleased or Michael Grace's lessors. Since the well was shutin we knew that Michael Grace had not made shutin payments; therefor, his leases had expired. So I sent all of his lessors letters asking if they wanted to lease, join, or be force pooled.

Q Exhibits Nine and Ten are form letters dated August 28th, 1978, is that correct?

A That's right, and they went registered.

Q To whom did they go?

A To a lot more than this, but this is an up-to-date as of Monday of this week as to who we had to --

Q All right, my question is, everyone listed on Exhibit Number Eight --

A Yes.

Q -- received by registered mail --

A That's right.

Q -- the form letter indicated either in Exhibit Nine or Ten?

A That's right.

Q And as of this date all the entries listed on Exhibit Eight have not agreed to join in drilling the well?

A Yes, sir.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits Seven, Eight, Nine and Ten.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAHIN: That concludes our examination of Ms. Ward.

CROSS EXAMINATION

BY MR. STAMETS:

Q Ms. Ward, looking at your Exhibit Number Seven, and then also at the Form C-102, which was a previous Exhibit Number Five, it would appear that if this well is completed as a Wolfcamp oil well and has 40 acres dedicated to it --

A There would be --

Q -- there's no forced pooling. If it's a gas well, then the forced pooling is effective.

A Yes.

Q What would the provisions be for refunding any money that these people who are being force pooled might go ahead then after the date of the hearing and submit to you as their share of well cost, if it turns out to be an oil well on 40 acres, which is already yours?

A I'm sorry, sir, I don't understand.

Q Okay. If we force pool 320 acres --

A Yes.

Q -- then you would have to give all of those people who are force pooled an opportunity to join, pay their share of the cost, and join in the drilling of the well

without paying the risk factor of 200 percent out of production.

A. You mean the people on the outside of the production unit?

Q. No, the people on the inside, the ones you've outlined in red.

A. The working interests?

Q. Yes. Are there any working interests which -- which have not been dedicated to the well?

A. No, I have twenty-three partners in this well.

Q. Okay, so all --

A. Seems to be a fad.

Q. -- of the interests that you are force pooling here are royalty interests?

A. That's right, prospective royalty.

MR. KELLAHIN: These aren't royalty interests.

A. Well, I meant -- I'm sorry, there will be -- they'll come back in for a royalty interest after forced pooling, according to Don McCormick's Division order.

MR. STAMETS: Let's go off the record a second.

(There followed a discussion off the record.)

MR. STAMETS: Let's go back on the record.

Q. (Mr. Stamets continuing.) Okay, Ms. Ward, for the record now, if any of the parties who are being force pooled pay their share of the well cost, they will share in

the production regardless of whether it turns out to be an oil well or a gas well.

MR. STAMETS: Any other questions of the witness?

She may be excused.

Anything further in this case? We'll take the case under advisement.

(Hearing concluded.)

REPORTER'S CERTIFICATE

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 notes taken by me at the time of the hearing.

Sally W. Boyd CSR
Sally W. 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. 6319
heard by me on 7-13 1978.
Richard L. Ham, Examiner
Oil Conservation Division

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. 6319
Order No. R-5821

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 13, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of October, 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, Belco Petroleum Corporation, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 31, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) That the applicant further seeks approval of the unorthodox location of its Mollie Com Well No. 1 located 1150 feet from the North line and 1575 feet from the East line of said Section 31.

(4) That said Mollie Com Well No. 1 is an existing Morrow gas well drilled at an unorthodox location selected to avoid proximity to occupied dwellings and cultivated land.

(5) That the Morrow gas production has become non-commercial and the operator proposes to attempt to recomplete said well in the Wolfcamp formation.

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

(7) 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.

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

(9) 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.

(10) 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 recompletion of the well.

(11) 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.

(12) 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.

(13) That \$2011.04 per month while performing recompletion operations and \$294.95 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates), provided that the production rate shall be adjusted on the first day of April of each year following the effective date of this order based on the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics; 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,

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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.

(14) 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.

(15) That upon the failure of the operator of said pooled unit to commence recompletion of the well to which said unit is dedicated on or before December 31, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp formation underlying the N/2 of Section 31, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Mollie Com Well No. 1 located at an unorthodox location, hereby approved, 1150 feet from the North line and 1575 feet from the East line of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall commence the recompletion of said well on or before the 31st day of December, 1978, and shall thereafter continue the recompletion of said well with due diligence in such a manner as to test the Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the recompletion of said well on or before the 31st day of December, 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 recompleted or abandoned 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 Belco Petroleum Corporation 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 recompletion of said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well recompletion costs.

(4) That within 30 days from the date the schedule of estimated well recompletion 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 recompletion 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 recompletion 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.

Case No. 6319
Order No. R-5821

(9) That \$2011.04 per month while performing recompletion operations and \$294.95 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates), provided that the rate for a producing well shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(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.

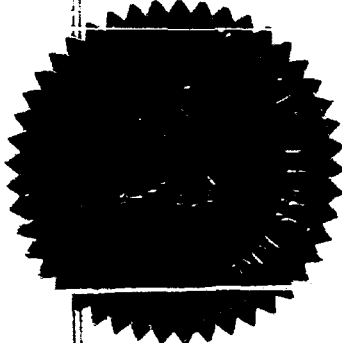
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date any funds are deposited with such escrow agent.

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

-6-

Case No. 6319
Order No. R-5821

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

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

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

TELEPHONE 982-4285
AREA CODE 505

SEP 25 1978

September 22, 1978

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa FE, New Mexico 87501

Re: Belco forced Pooling Application
Case No. 6319
September 13, 1978

Dear Dick:

In accordance with your request, the following is provided to support Belco's request for \$2,000.00 per month while drilling and \$300.00 per month while producing as reasonable charges for supervision.

It is my understanding the Division equates "charges for supervision" with "overhead fixed rate charges." Enclosed is the relevant portion of the operating agreement for this well.

You will note that those working interest that are now voluntarily participating in this well are being charged \$2,001.04 while drilling and \$294.95 while producing.

Also, I have reviewed the Division's forced pooling orders in June 1975 and find that you approved charges of \$2,007 and \$305 for HNG Oil Company in Order No. R-5519 entered on August 30, 1977. In addition, Mr. Nutter approved charges of \$1800 and \$305 for Texas Oil and Gas in Order No. R-5607 entered on December 27, 1977. Similar examples are found in Orders R-5678 and R-5727.

I note that recent Division forced pooling orders have not included a method for adjusting this figure. Unless some provision is included for an adjustment of these amounts, the forced pooled parties will not be required to pay as much as those who voluntarily join. Accordingly we would request that language be included in this order which would allow for adjustment. Enclosed for your reference is Commission Order No. R5096 which provides for such adjustment.

KELLAHIN and FOX

Finally, there is often variations between operators as to how each defines costs of supervision, and well charges. It might be appropriate to have a Division notice circulated to all operators to explain what items are permissible as expenses under the Division definition.

Please call me if you desire further information.

Very truly yours,


W. Thomas Kellahin

cc: Mr. Lee Nering

WTK/cr

REF: THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

SEP 25 1975

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASES NOS. 5543 AND 5547
Order No. R-5096

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 27, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 23rd day of September, 1975, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

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

(2) That in Case No. 5543, the applicant, Cities Service
Oil Company, seeks an order pooling all mineral interests in
the Pennsylvanian formation underlying the N/2 of Section 16,
Township 21 South, Range 27 East, NMPM, Burton Flats Field,
Eddy County, New Mexico.

(3) That in Case No. 5547, the applicant, Exxon Corpora-
tion, seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the E/2 of Section 16,
Township 21 South, Range 27 East, NMPM, Burton Flats Field,
Eddy County, New Mexico.

(4) That both applicants, Cities Service Oil Company and
Exxon Corporation, seek to be named the operator of the unit
each seeks to have pooled.

(5) That Cases Nos. 5543 and 5547 were consolidated as
both cases involve some common acreage and the granting of
one application would result in a denial of the other.

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

1. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

2. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1650

Producing Well Rate \$ 242

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

BELCO PETROLEUM CORP

No 1 No 11 c Com

N/2 Sec 31

T 21 S R 27 E

Edg Co, N.M.

Scale 1" = 500'

Orthodox
Location

N1002

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 1 (Revised)

CASE NO. 6319

DATE 7/13/78

Previously Exhibited Case 5774
9-29-76

N

REVISION 		BELCO PETROLEUM CORPORATION		COMPANY 05	
REV. DT. 		AUTHORIZATION FOR EXPENDITURE		AFE NO. C5608	
SO.	CHG.	PROPERTY NAME & NUMBER (27)	AUTH. DATE (6)	LOCATION (27)	
1	2	3	4	5	6
18		Mollie Com. #1		1575' FEL & 1150' FNL, Sec. 31 T-21-S, R-27-E	
		TYPE OF WORK (23)	P. DEPTH (8)	FORMATION	FIELD NAME
		Recompletion	9,000'	Wolfcamp	Wildcat
		CONTRACTOR	RIG TYPE		
			Workover		
SO.	CHG.	PROSPECT NAME (22)	STATE (13)	COUNTY / PARISH (15)	CORP. W.I.
1	2	3	4	5	6
19		Avalon	New Mexico	Eddy	

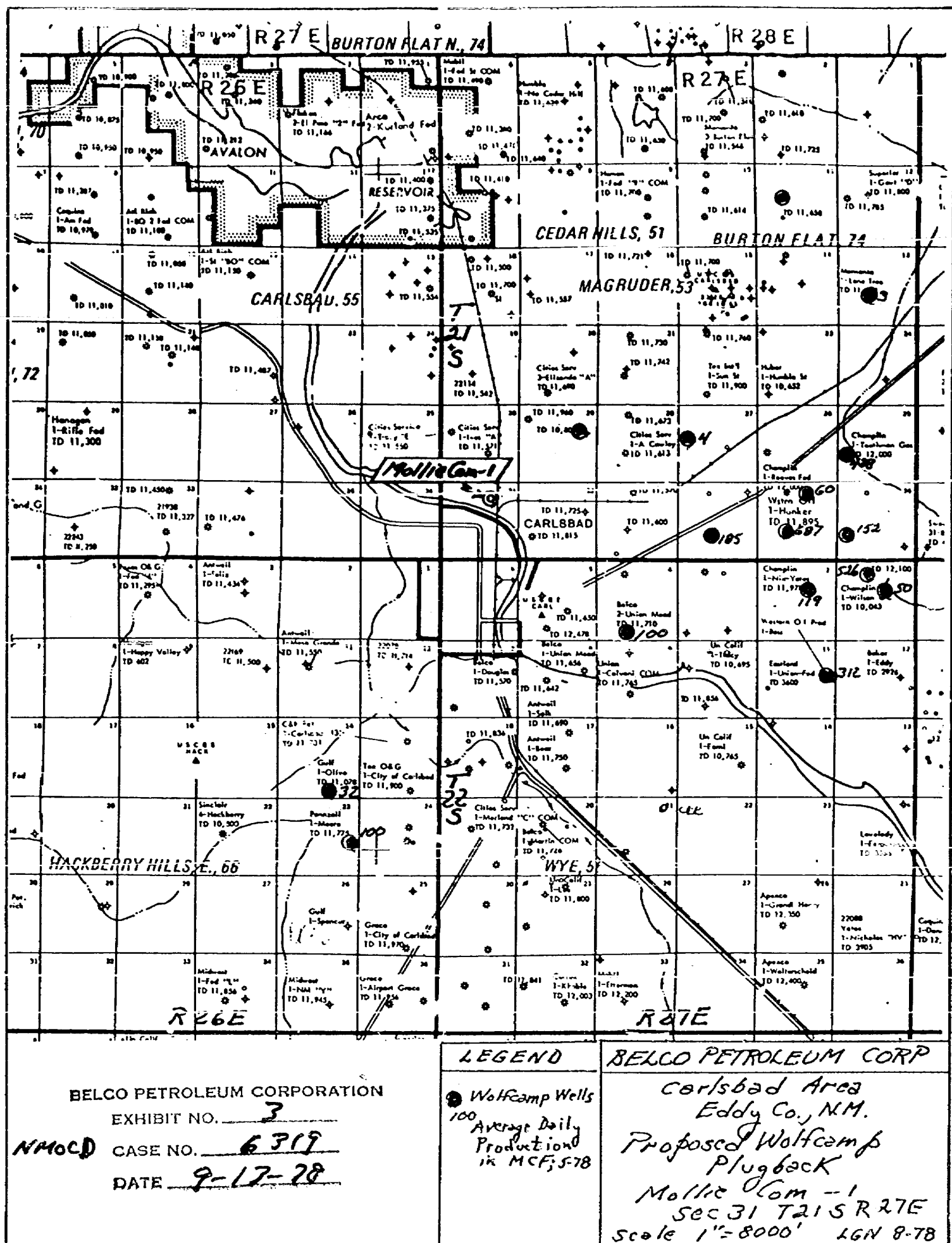
NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

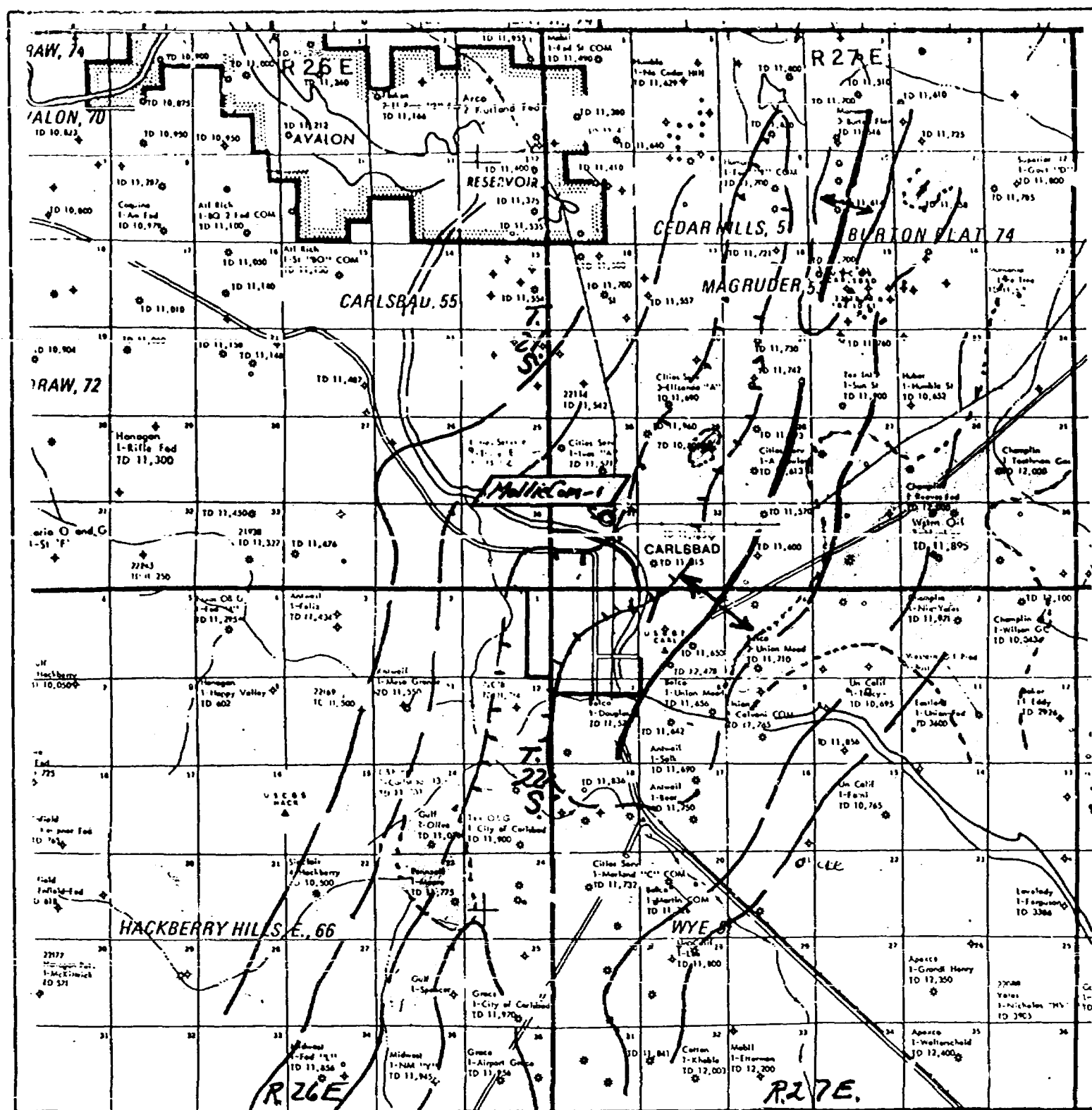
SO.	CHG.	PROPERTY NO.	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20		INTANGIBLE EXPENSE	730	734	
18	20		24	32	
		Rig Expenditure			
		Move In & Out			
		Drilling Ft. @ \$ /Ft.			
		Daywork			
		Completion/W.O. Unit <u>20 days @ \$1000/day</u> = \$ <u>20,000</u>			
218		Total Rig Expenditure		\$ 20,000	\$ 20,000
612		Location - Roads, Row & Damages			
204		Contract Professional Services <u>20 days @ \$250/day</u>		5,000	5,000
210		Misc. Contract Labor		6,000	6,000
418		Mud & Additives		2,000	2,000
220		Mud Logging			
424		Bits			
228		Tubular Testing/Inspection		2,000	2,000
230		CSG/TBG Crews/Tools			
422		Float Eq., Cent & Scratchers			
420		Cement & Additives		1,000	1,000
236		Pump Truck/Skid Unit Serv. & Cmt. Tools		1,500	1,500
222		Coring & Analysis			
224		Elec. Line - Logs, Perf, Production, Etc.		7,000	7,000
226		Well Testing - DST, Wireline, Etc.		2,500	2,500
512		Eq. Rntls. - Surface/Downhole		2,500	2,500
950		Directional Drilling Expense			
234		Transportation - Land - Marine		1,000	1,000
410		Fuel, Power & Water		1,500	1,500
930		Well Stimulation		5,000	5,000
808		Insurance & Bonds			
920		Misc. & Contingency		6,500	6,500
TOTAL INTANGIBLE EXPENSE				\$ 63,500	\$ 63,500

SO.	CHG.	TANGIBLE EXPENSE	CSG. PT. COST	COMPL. COST	TOTAL COST
1	2	3	4	5	6
20			732	736	
18	20				
		CSG. & LINER			
		Drive Ft. O.D. @ \$ /Ft.			
		Cond. Ft. O.D. @ \$ /Ft.			
		Surf. Ft. O.D. @ \$ /Ft.			
		Intr. Ft. O.D. @ \$ /Ft.			
		Prod. Ft. O.D. @ \$ /Ft.			
		Liner Ft. O.D. @ \$ /Ft.			
426		TOTAL			
432		TUBING Ft. O.D. @ \$ /Ft.		25,000	25,000
430		WELLHEAD EQUIPT.		22,000	22,000
438		WELL PROD. EQUIPT. SURFACE			
440		WELL PROD. EQUIPT. DOWNHOLE Packer		\$ 5,000	\$ 5,000
442		PROD. FACILITIES-TANKS, EQUIPT. & LINES		20,000	20,000
450		MARINE PLATFORMS			
452		OFFSHORE PROD. FACILITIES			
TOTAL TANGIBLE EXPENSE				\$ 72,000	\$ 72,000
TOTAL WELL COST				\$135,500	\$ 135,500

BELCO PETROLEUM CORPORATION
EXHIBIT NO. 2

APPROVED CASE NO. 6319
DATE 9-13-78





BELCO PETROLEUM CORPORATION
 EXHIBIT NO. 4
 NMOCN CASE NO. 6319
 DATE 9-13-78

GENERALIZED
 PERMIAN
 Structure
 No Specific G.I.
 GENERALIZED
 Productive Areas
 of
 Wolfcamp

BELCO PETROLEUM CORP
 Carlsbad Area
 Eddy Co., N.M.
 Proposed Wolfcamp
 Plugback
 Mollie Com - 1
 Sec 31 T 25 N R 27 E
 Scale 1" = 8000' LGN 8-8

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

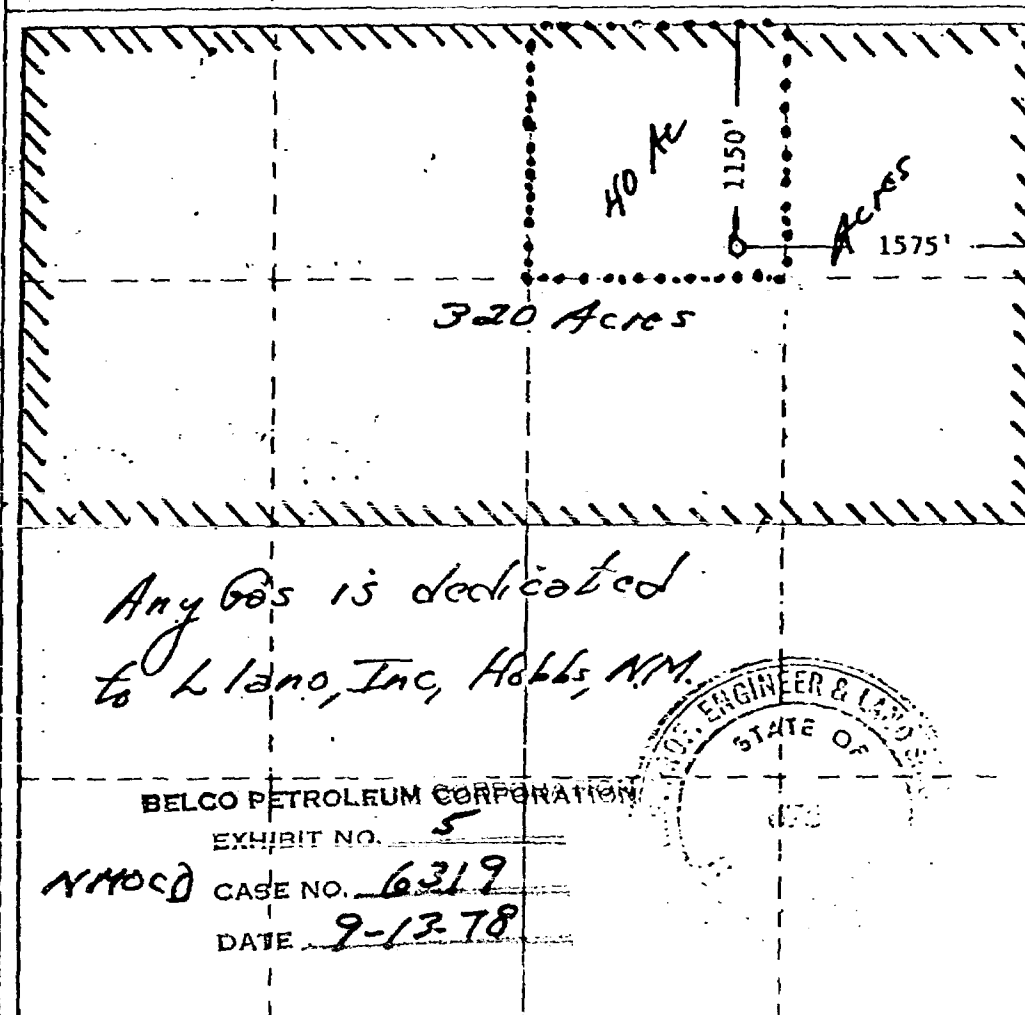
Operator BELCO PETROLEUM CORP.			Lease MOLLIE COM		Well No. 1
Unit Letter B	Section 31	Township 21 SOUTH	Range 27 EAST	County EDDY	
Actual Footage Location of Well: 1150 feet from the NORTH line and 1575 feet from the EAST line					
Ground Level Elev. 3112.3	Producing Formation Wolfcamp	Pool Undesignated	Dedicated Acreage: 40 or 320 Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☒ No

If answer is "yes," type of consolidation be required; setting for NMOCD docket on September 13, 1978.

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) Complex ownership exhibit will be submitted to NMOCD at Hearing w/copy to NMOCD District II.
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Lee G. Nering
Name **Lee G. Nering**

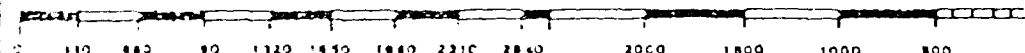
Position
Administrative Geologist
Company
BELCO PETROLEUM CORPORATION
Date
August 30, 1978

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
10-2-1976

Registered Professional Engineer and/or Land Surveyor

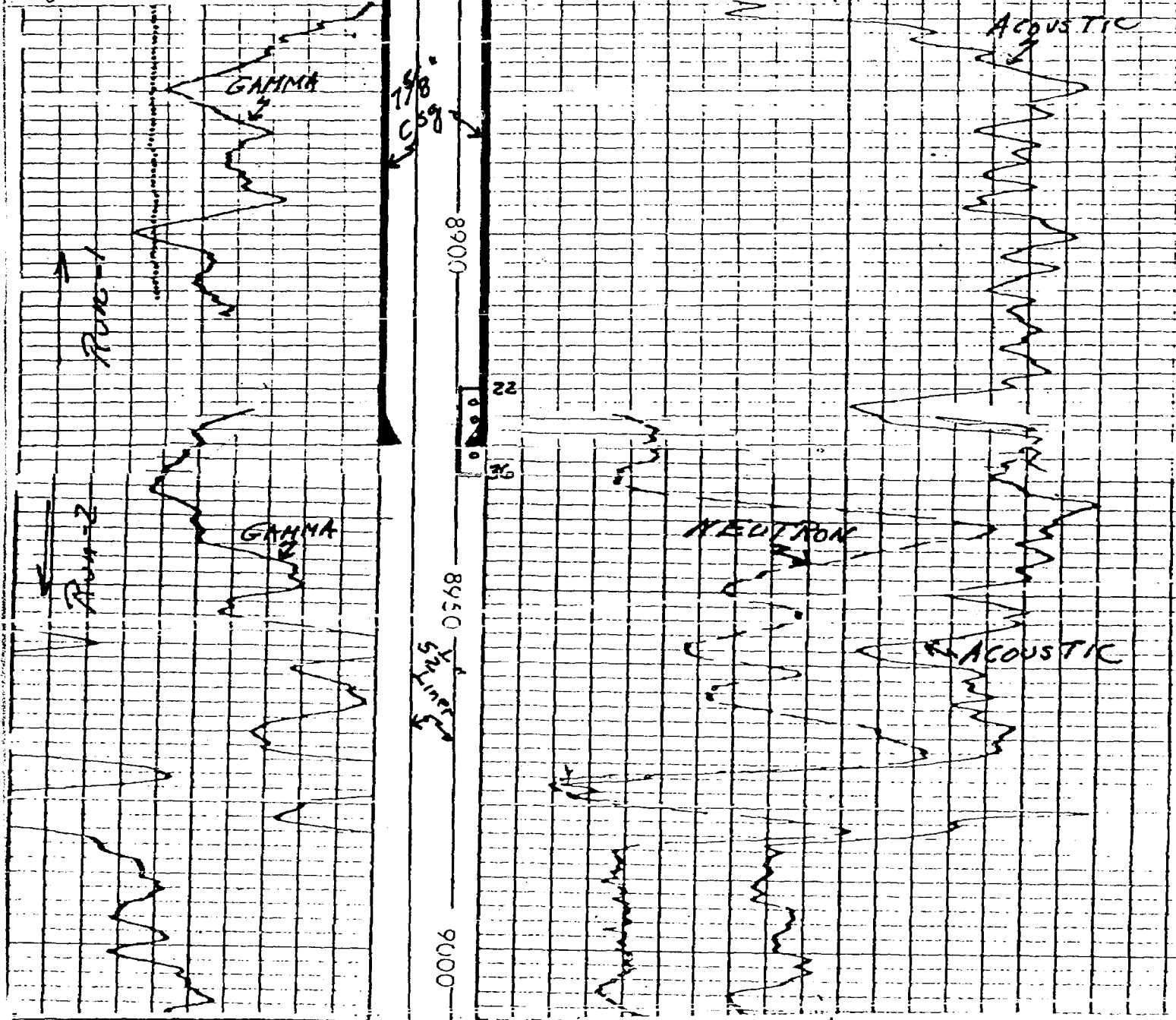
John W. West
Certificate No. **676**





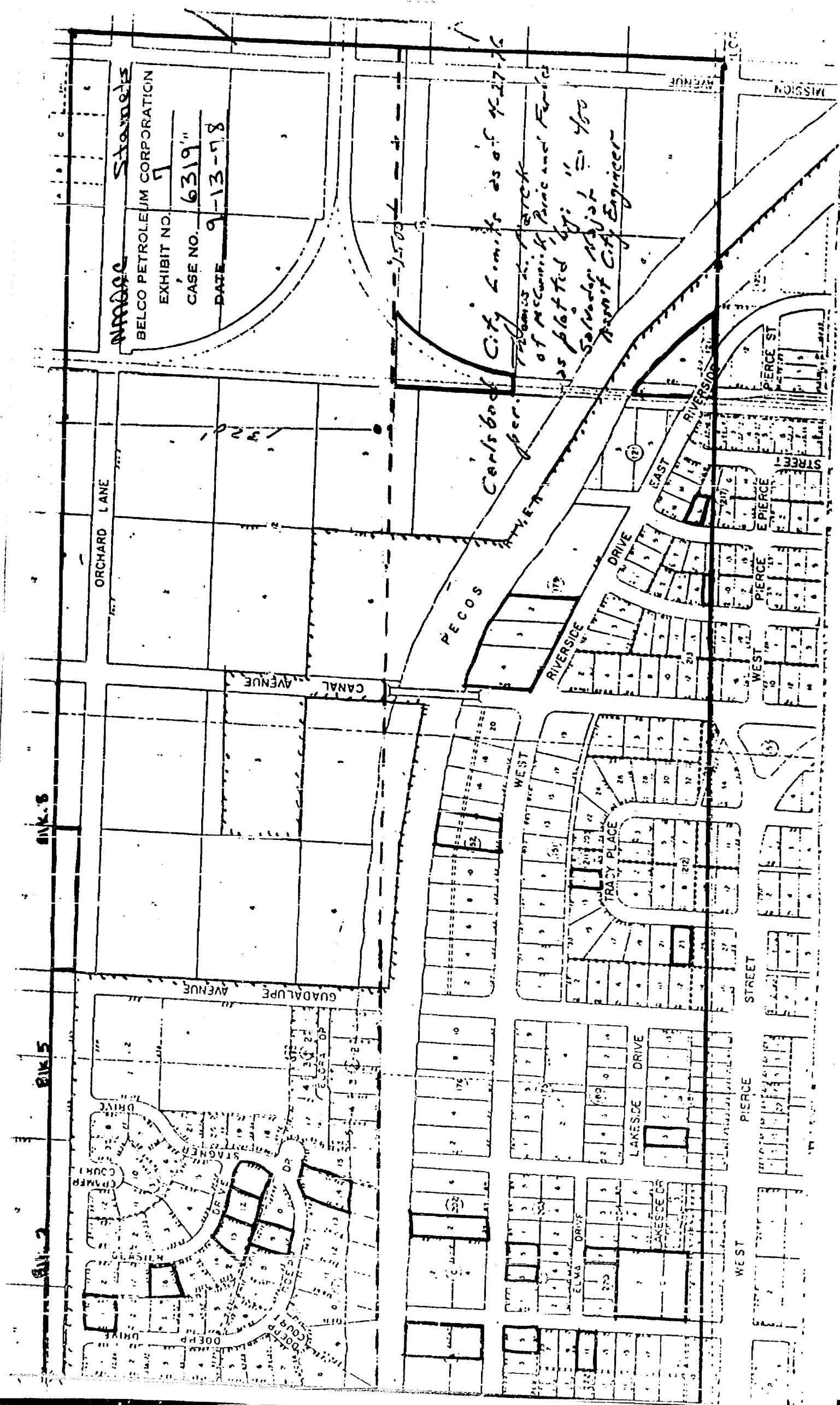
ACOUSTIC VELOCITY NEUTRON LOG

COMPANY	BELCO PETROLEUM CORPORATION		
WELL	MOLL V #1		
FIELD	WILDCAT		
COUNTY	EDDY	STATE	NEW MEXICO
Location	1150' FUL & 1575' FEL		Other Services: GRD-FXO
Sec.	21	Twp.	31 Rge 27-E
Permanent Datum	GL	Elev.	3112.3
Log Measured From	KB 1240'	Fl. Above Perm. Datum	Elev. KB 3129.7
Drilling Measured From	KB		D.F. 3129.7
			GL 3112.3



0	100
100	200
GAMMA	
API Gamma Ray Units	
5"	16
← CALIPER →	
POTENTIAL MILLIVOLTS	

BELCO PETROLEUM CORPORATION	
EXHIBIT NO.	6
CASE NO.	6317
DATE	9-13-78
TRAVEL TIME	
MICROSECONDS PER FT.	
T ₂ R ₁ L ₁ R ₂	



STANLEY
BELCO PETROLEUM CORPORATION
EXHIBIT NO. 7
CASE NO. 6319
DATE 9-13-78

Carlsbad City Limits as of 4-27-76
The limits of Carlsbad City Limits as of 4-27-76 as plotted by Salvador Nishikawa, Carlsbad City Engineer

N/2 SECTION 31, T21S, R27E, EDDY COUNTY, NEW MEXICO

FORCE POOL ACREAGE

PAGE 1 IN MOCC *Stomets*
BELCO PETROLEUM CORPORATION
EXHIBIT NO. 8
CASE NO. 6319
DATE 9-13-18

<u>NAME</u>	<u>ADDRESS</u>	<u>DESCRIPTION</u>	<u>ACREAGE</u>
Request Force Pool City of Carlsbad	Municipal Corporation of Carlsbad Carlsbad, New Mexico 88220	Lots 8 and 10, Block 121, N. Carlsbad S 18.9 ft. Lot 10, All 12, Block C, Rio Vista N 10 ft. of W/172.3 ft. Lot 14, Blk. C, Rio Vista	3.1746
Req. — Victor Throgmorton FP	1108 North Main Carlsbad, New Mexico 88220	Lot 1, Block 217, Tracy Addition	.2583
Teledyne, Inc.	1901 Avenue of the Americas Los Angeles, California 90067	Pt. Lots 8 and W 2 3/4 of Lot 6, Blk. 15 La Huerta	3.0700
Irvin Kennell	1106 North Eddy Carlsbad, New Mexico 88220	Pt. Lot 8, Blk. 215, Tracy Addition	.1205
John F. Slenes, Executor	8301 Menaul Albuquerque, New Mexico 87107	Lots 2, 3, and 4, Blk. 179, Tracy Addition	3.7374
Req. — Ruth Gibson FP	P. O. Box 99 Carlsbad, New Mexico 88220	Lot 3, Blk. 181, Westfall Subdivision	.3489
Evelyn C. Turner	5821-A Sandhurst Land Dallas, Texas 75206	Lot 11, Blk. 211, Tracy Addition	.2669
John A. Paslay	1412 Doepp Drive Carlsbad, New Mexico 88220	Lot 1, Blk. 2, Casa Dei Rio Estates	.3587
Req. — John A. Most FP	1133 Tracy Place Carlsbad, New Mexico 88220	Lot 23, Blk. 211, Tracy Addition	.3214
Bill L. Bessinger	2095 Urban Drive Lakewood, Colorado 80215	Lot 14, Blk. 1, Casa Del Rio Estates	.6457
Req. — Roberta V. Duffin FP	903 Riverside Drive Carlsbad, New Mexico 88220	E/2 Lot 1, E/2 Lot 3, Blk. A, Rio Vista Addition	1.4233
Roscoe J. Melvin	801 Elma Drive Carlsbad, New Mexico 88220	Lot 7, Blk. 220, Bennett Subdivision	.2290

EXHIBIT NO. 8

CASE NO. _____

DATE _____

FORCE POOL ACREAGE

<u>NAME</u>	<u>ADDRESS</u>	<u>DESCRIPTION</u>	<u>ACREAGE</u>
Cecil Brininstool	801 W. Riverside Drive Carlsbad, New Mexico 88220	Lot 5, Blk. 219, Bennett Subdivision	.3064
John D. Carr Enterprises	Suite 7, Harris Building 109 N. Canal Street Carlsbad, New Mexico 88220	Lot 12, Blk. 2, Casa Del Rio Estates	.5170
Dean Friesen	1207 Bryan Circle Carlsbad, New Mexico 88220	Lot 13, Blk. 2, Casa Del Rio Estates	.4681
John D. Carr Enterprises	1108 Tracy Place Carlsbad, New Mexico 88220	Lot 11, Blk. 2, Casa Del Rio Estates	.4490
Gordon E. Wick	901 W. Riverside Drive Carlsbad, New Mexico 88220	Lot 5, Blk. 222, Porter Subdivision	.5403
Bit Grinding Services, Inc.	Drawer Z Carlsbad, New Mexico 88220	Lot 16, Blk. 2, Casa Del Rio Estates	.4325
Raymond D. Moore FP	1310 Doepp Drive Carlsbad, New Mexico 88220	Lot 9, Blk. 2, Casa Del Rio Estates	.4098
Draper Brantley FP	706 Riverside Drive Carlsbad, New Mexico 88220	Lot 2, Blk. 202, Scarborough Subdivision	.6926
TOTAL FORCE POOL ACREAGE			<u>3.3136</u>
			<u>21.0840</u>

MICHAEL P. GRACE LESSORS
(See attached Page 3)

EXHIBIT NO. 5

CASE NO. _____

DATE _____

N/2 SECTION 31, T21S, R27E, EDDY COUNTY, NEW MEXICO - MICHAEL GRACE LESSORS

<u>NAME</u>	<u>ADDRESS</u>	<u>DESCRIPTION</u>	<u>ACREAGE</u>
Margaret S. Spence	803 W. Riverside Drive Carlsbad, New Mexico 88220	E 75' of Lot 3, Blk. 219, Bennett Subdivision	.2841
C. B. Stimpson	1117 North Mesa Carlsbad, New Mexico 88220	Lot 11, Blk. 222, Porter Addition	.3076
Althea O. Koll	41 East Market Street Corning, New York 14830	S 140' of Lot 12, Blk. 8, La Huerta	1.7998
James C. Nealey, Jr.	308 Riverside Drive Carlsbad, New Mexico 88220	E 85' of Lot 12, and W/2 Lot 14, Blk. 152, Lakeside	.9221
TOTAL MICHAEL GRACE LESSORS			<u>3.3136</u>

August 28, 1978

UNLEASED INTERESTS - See Attached Addressees and Registered Receipts

Reference: Avalon Prospect
Belco's #1-Mollie
N/2 Sec. 31, T21S, R27E,
Eddy County, New Mexico.

Your Interest:

Belco Petroleum Corporation has drilled the captioned well to the Morrow formation. You own minerals lying in this one-half section. Your interest was Force Pooled either by necessity or by your request for the drilling of this well.

Since total depth was reached, the captioned Morrow well has been shut-in and reworked in a completion attempt. I have now been advised that a completion in the Morrow formation will not be possible. It is the intention of Belco to plug-back and attempt a completion in the Wolfcamp formation. Being as your minerals are now available, I herein make you a firm offer to lease your specific interest at a consideration of \$200.00 per net mineral acre for a one year lease providing a 3/16ths royalty.

As an alternative, you may wish to join with Belco in a completion attempt in the Wolfcamp for an approximate cost of \$100,000.00. If you desire to join us, please let me know and I will forward you a copy of the Operating Agreement and an AFE covering the cost for your consideration.

Of course you also have the option to elect to be Force Pooled in this matter. If this is your preference, I would appreciate your indicating the same in the space provided below on the enclosed extra copy of this letter and return to me in the attached envelope.

NMOCC Stamets
BELCO PETROLEUM CORPORATION
EXHIBIT NO. 9
CASE NO. 6319
DATE 9-13-78

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

Mary Ward
Landman

MW/sh

Attachments

☐

I will lease my interest to Belco.

☐

I prefer to join in drilling this test.

☐

I prefer to be force pooled.

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 9

CASE NO. _____

DATE _____

August 28, 1978

MICHAEL GRACE LESSORS - See Attached Addresses and Registered Receipts

Reference: Avalon Prospect
Belco's #1-Mollie
N/2 Sec. 31, T21S, R27E,
Eddy County, New Mexico.

Your Interest:

Belco Petroleum Corporation has drilled the captioned well to the Morrow formation. You own minerals lying in this one-half section. You had previously leased your minerals to Michael P. Grace. Since Mr. Grace did not elect to participate in the drilling of this well, all of his leases were Force Pooled into the unit under order of the New Mexico Oil Conservation Commission.

Since total depth was reached, the captioned Morrow well has been shut-in and reworked in a completion attempt. I have now been advised that a completion in the Morrow formation will not be possible. Therefore, your original lease to Mr. Grace is no longer held by production and can no longer be held by shut-in payments to you, which you should have received from Mr. Grace.

It is the intention of Belco to plug-back and attempt a completion in the Wolfcamp formation. Being as your minerals are now available, I herein make you a firm offer to lease your specific interest at a consideration of \$200.00 per net mineral acre for a one year lease providing a 3/16ths royalty.

As an alternative, you may wish to join with Belco in a completion attempt in the Wolfcamp for an approximate cost of \$100,000.00. If you desire to join us, please let me know and I will forward you a copy of the Operating Agreement and an AFE covering the cost for your consideration.

NMOCC Stamets
BELCO PETROLEUM CORPORATION
EXHIBIT NO. 10
CASE NO. 6319
DATE 9-13-78

Of course you also have the option to elect to be Force Pooled in this matter. If this is your preference, I would appreciate your indicating the same in the space provided below on the enclosed extra copy of this letter and return to me in the attached envelope.

We will appreciate your advising us in the very near future as to your wishes on this matter. If you should have any questions, please feel free to contact me at any time.

Yours very truly,

BELCO PETROLEUM CORPORATION

Original Signed by:
MARY WARD

Mary Ward
Landman

MW/sh

Attachments

☐

I will lease my interest to Belco.

☐

I prefer to join in drilling this test.

☐

I prefer to be force pooled.

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 10

CASE NO. _____

DATE _____

Dockets Nos. 31-78 and 32-78 are tentatively set for hearing on September 27 and October 11, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - SEPTEMBER 11, 1978

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

CASE 6289: (Continued from August 23, 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 6146: (DE NOVO)

Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

Upon application of Jerome P. McHugh this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6328: Application of Maralo, Inc., for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of secondary recovery, all mineral interests in the Jalmat Yates Unit underlying the following described lands in Township 25 South, Range 36 East:

Section 12: SE/4
Section 13: NE/4

and the following described lands in Township 25 South, Range 37 East:

Section 18: NW/4 and N/2 SW/4

all in Lea County, New Mexico.

The unitized interval would be all formations or zones extending from the top of the Yates formation down to 100 feet below the base of the Queen formation in the Humble-Winters "A" Well No. 2 located in Unit C of Section 18, Township 25 South, Range 37 East.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.

CASE 6313: Application of Maralo, Inc., for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Jalmat Yates Unit Area, Lea County, New Mexico, by the injection of water into various wells located in Township 25 South, Ranges 36 and 37 East.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 13, 1978

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1978, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for October, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6314: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Overland Drilling & Exploration, Ltd., Ohio Casualty Insurance Company, and all other interested parties to appear and show cause why the Lowe State Well No. 1 located in Unit E of Section 15, Township 19 South, Range 29 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6315: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Hugh L. Johnston, Sr., General Insurance Co. of America, and all other interested parties to appear and show cause why the Continental State Well No. 5 located in Unit C of Section 30, Township 17 South, Range 29 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6316: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Cortez Corporation, Aetna Casualty & Surety Company, and all other interested parties to appear and show cause why the Fair Well No. 1 located in Unit D of Section 24, Township 18 South, Range 26 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6290: (Continued from August 16, 1978, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R. A. Crane, Jr., Great American Insurance Co., and all other interested parties to appear and show cause why the Donella Well No. 1 located in Unit P of Section 3, Township 29 North, Range 15 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6307: (Continued from August 30, 1978, Examiner Hearing)

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-Abe production in the wellbore of its F. F. Hardison B Well No. 10, located in Unit A of Section 34, Township 21 South, Range 37 East, Lea County, New Mexico. (This case will be dismissed.)

CASE 6317: Application of Harvey E. Yates Company for an unorthodox gas well location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 301.75-acre non-standard gas proration unit comprising the N/2 of Section 18, Township 18 South, Range 29 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the North line and 660 feet from the East line of said Section 18 to test the Morrow formation.

CASE 6318: Application of Coquina Oil Corporation for an increase in casinghead gas allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 303-C-4 to increase the casinghead gas allowable for its Vivian Well No. 1, located in Unit F of Section 30, Township 22 South, Range 38 East, Lea County, New Mexico, the Drinkard and Granite Wash zones in said well being commingled pursuant to Order No. DRC-255 and subject to the GGR limit for the Wantz-Granite Wash Pool.

CASE 6319: Application of Belco Petroleum Corporation for an unorthodox well location and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 31, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Mollie Com Well No. 1 located at an unorthodox location 1100 feet from the North line and 1575 feet from the East line of said section. Also to be considered will be the cost of recompleting 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 6320: 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 Coquina Federal Com. Well No. 1 to be drilled 660 feet from the North line and 1980 feet from the West line of Section 32, Township 18 South, Range 27 East, to test the Morrow formation, the W/2 of said Section 32 to be dedicated to the well.

CASE 6321: 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 Shugart State Com. Well No. 1 to be drilled 660 feet from the South line and 1980 feet from the West line of Section 16, Township 18 South, Range 31 East, Eddy County, New Mexico, to test the Wolfcamp and Pennsylvanian formations, the W/2 of said Section 16 to be dedicated to the well.

CASE 6283: (Continued from August 2, 1978, Examiner Hearing)

Application of Texas Oil & Gas Corporation for a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the W/2 of Section 16, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6322: Application of Yates Petroleum Corporation for pool contraction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-391 to contract the horizontal limits of the Empire-Pennsylvanian Gas Pool to the following:

All of Sections 28 and 29, Township 17 South, Range 28 East

In the alternative, applicant seeks to limit the special pool rules for said pool to the present horizontal limits of the pool.

CASE 6323: 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 in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 23, Township 17 South, Range 28 East, Empire-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to its Lucas Store JZ Well No. 1 located at an unorthodox location 1980 feet from the North line and 860 feet from the West line of said section. Also to be considered will be the cost of 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 6324: Application of Yates Petroleum Corporation for downhole commingling or pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wolfcamp and Upper Penn gas production in the wellbore of its Box Canyon GJ Fed. Well No. 1 located in Unit J of Section 13, Township 21 South, Range 21 East, Eddy County, New Mexico. In the alternative, applicant seeks the creation of a new Permo-Penn gas pool for said well.

CASE 6325: Application of Amoco Production Company for unorthodox locations and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of the following South Hobbs Unit wells located in Township 19 South, Range 38 East, Hobbs Pool, Lea County, New Mexico:

Well No. 120 located 1272 feet from the North line and 1420 feet from the West line of Section 5;
Well No. 121 located 1450 feet from the North line and 150 feet from the West line of Section 4;
Well No. 123 located 2390 feet from the North line and 150 feet from the East line of Section 6;
Well No. 124 located 1925 feet from the South line and 2380 feet from the East line of Section 4;
Well No. 126 located 1295 feet from the South line and 1365 feet from the West line of Section 10;
Well No. 122 located 1726 feet from the North line and 167 feet from the East line of Section 4;
and Well No. 125 located 2016 feet from the North line and 763 feet from the West line of Section 3.

Applicant further seeks authority to directionally drill Wells Nos. 122 and 125 to bottomhole locations in the extreme southeast corners of Unit H of Section 4 and Unit E of Section 3, respectively.

CASE 6326: Application of Energy Reserves Group, Inc., for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Otero-Chacara production in the wellbore of its Jicarilla 35 Well No. 3, located in Unit B of Section 2, Township 24 North, Range 5 West, Rio Arriba County, New Mexico.

CASE 6327: Application of O. H. Berry for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its J. L. Isabeli Well No. 5-Y located 340 feet from the North line and 330 feet from the East line of Section 15, Township 24 South, Range 36 East, Santa Rosa formation, Lea County, New Mexico, the NE/4 of said Section 15 to be dedicated to the well.

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

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

TELEPHONE 982-4318
AREA CODE 505

August 16, 1978

AUG 17

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

Dear Mr. Ramey:

Enclosed please find the application of Belco Petroleum Corporation for approval of an unorthodox well location and compulsory pooling in Eddy County, New Mexico. We would appreciate this being set for the next available hearing.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

CC: Mr. Lee Nering
Ms. Mary Ward

JWK:kfm

Enclosure

24315

Wolfcamp
well on 320 ac
spacing 11.1.75
Well is almost 1 mi. S of
quite within 1 mi. S of
the old La Huesca well
Pool - oil pool anyway

BEFORE THE
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

if well is PB to oil
it would be 40 on
oil - 160 on
gas.

IN THE MATTER OF THE APPLICATION
OF BELCO PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

Case 6319

A P P L I C A T I O N

Comes now Belco Petroleum Corporation and applies to the
Oil Conservation Division, Energy and Minerals Department,
State of New Mexico for approval of an unorthodox well loca-
tion, and for compulsory pooling, Eddy County, New Mexico,
and in support thereof would show the Commission:

1. Applicant, with approval of the Oil Conservation
Commission, drilled its Mollie Com Well No. 1 for production
from the Morrow formation at a location 1,100 feet from the
North line and 1,575 feet from the East line of Section 31,
Township 21 South, Range 27 East, N.M.P.M., Eddy County, New
Mexico, and on application to the Commission, the North half
of Section 31 was pooled, and dedicated to the well.

2. Production from the Morrow formation is not commercial,
and applicant proposes to plug the well back to the Permian ^{Wolfcamp}
formation. In the event the well is productive of oil, appli-
cant will dedicate to it the NW/4 NE/4 of Section 31, which is
held by applicant. If productive of gas, applicant proposes
to dedicate the NE/4 of Section 31 to the well. All of the
interest owners in the NE/4 of Section 31 have not agreed to
the plugging back and recompletion of the well, and in the
interests of conservation and in order to prevent the drilling
of unnecessary wells and to prevent waste, the location of the

previously drilled well should be approved for production from the Permian formations, and all interests, whatever they may be, underlying the NE/4 of Section 31, Township 21 South, Range 27 East, should be pooled.

3. To the best of applicant's information and belief the owners who have not consented to the recompletion of the subject well, with their addresses, are:

City of Carlsbad
City Hall
101 N. Halagueno
Carlsbad, N. M. 88220

John F. Slenes
Executor, Estate of Joanne
C. Slenes, Deceased
8301 Menaul
Albuquerque, N. M. 87101

Teledyne, Inc.
Att'n: Jack Dougherty
1901 Avenue of the Stars
Los Angeles, California 90067

John W. Prather
1106 N. Francis
Carlsbad, N. M. 88220

Irvin Kennell
Patricia Carol Smith
1106 North Eddy
Carlsbad, N. M. 88220

Samuel Boyd Johnson
1106 N. Main
Carlsbad, N. M. 88220

WHEREFORE applicant prays that the Oil Conservation Division set this matter for hearing before one of its duly appointed examiners, and that after notice and hearing as required by law the Division enter its order approving the location of the Mollie Com Well No. 1 for production from the Permian formations, and enter its order pooling all interests underlying the NE/4 of said Section 31 for production from the Permian, designating applicant as operator of the well, and making provision for operator to recover its costs of recompleting and equipping the well out of production, together with provision for recovering costs of operation and supervision of the well and with provision for a risk factor for assuming the risks of the recompletion of the well, and for such other

and further provisions as may be proper.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

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

ATTORNEYS FOR APPLICANT

BEFORE THE
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

Case 6319

IN THE MATTER OF THE APPLICATION
OF BELCO PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

AUG 27 1955

A P P L I C A T I O N

Comes now Belco Petroleum Corporation and applies to the Oil Conservation Division, Energy and Minerals Department, State of New Mexico for approval of an unorthodox well location, and for compulsory pooling, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant, with approval of the Oil Conservation Commission, drilled its Mollie Com Well No. 1 for production from the Morrow formation at a location 1,100 feet from the North line and 1,575 feet from the East line of Section 31, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and on application to the Commission, the North half of Section 31 was pooled, and dedicated to the well.

2. Production from the Morrow formation is not commercial, and applicant proposes to plug the well back to the Permian formation. In the event the well is productive of oil, applicant will dedicate to it the NW/4 NE/4 of Section 31, which is held by applicant. If productive of gas, applicant proposes to dedicate the NE/4 of Section 31 to the well. All of the interest owners in the NE/4 of Section 31 have not agreed to the plugging back and recompletion of the well, and in the interests of conservation and in order to prevent the drilling of unnecessary wells and to prevent waste, the location of the

previously drilled well should be approved for production from the Permian formations, and all interests, whatever they may be, underlying the NE/4 of Section 31, Township 21 South, Range 27 East, should be pooled.

3. To the best of applicant's information and belief the owners who have not consented to the recompletion of the subject well, with their addresses, are:

City of Carlsbad
City Hall
101 N. Halagueno
Carlsbad, N. M. 88220

John F. Slenes
Executor, Estate of Joanne
C. Slenes, Deceased
8301 Menaul
Albuquerque, N. M. 87101

Teledyne, Inc.
Att'n: Jack Dougherty
1901 Avenue of the Stars
Los Angeles, California 90067

John W. Prather
1106 N. Francis
Carlsbad, N. M. 88220

Irvin Kennell
Patricia Carol Smith
1106 North Eddy
Carlsbad, N. M. 88220

Samuel Boyd Johnson
1106 N. Main
Carlsbad, N. M. 88220

WHEREFORE applicant prays that the Oil Conservation Division set this matter for hearing before one of its duly appointed examiners, and that after notice and hearing as required by law the Division enter its order approving the location of the Mollie Com Well No. 1 for production from the Permian formations, and enter its order pooling all interests underlying the NE/4 of said Section 31 for production from the Permian, designating applicant as operator of the well, and making provision for operator to recover its costs of recompleting and equipping the well out of production, together with provision for recovering costs of operation and supervision of the well and with provision for a risk factor for assuming the risks of the recompletion of the well, and for such other

and further provisions as may be proper.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

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

ATTORNEYS FOR APPLICANT

Case 6319

BEFORE THE
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF BELCO PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

AUG 17 1960

A P P L I C A T I O N

Comes now Belco Petroleum Corporation and applies to the Oil Conservation Division, Energy and Minerals Department, State of New Mexico for approval of an unorthodox well location, and for compulsory pooling, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant, with approval of the Oil Conservation Commission, drilled its Mollie Com Well No. 1 for production from the Morrow formation at a location 1,100 feet from the North line and 1,575 feet from the East line of Section 31, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and on application to the Commission, the North half of Section 31 was pooled, and dedicated to the well.

2. Production from the Morrow formation is not commercial, and applicant proposes to plug the well back to the Permian formation. In the event the well is productive of oil, applicant will dedicate to it the NW/4 NE/4 of Section 31, which is held by applicant. If productive of gas, applicant proposes to dedicate the NE/4 of Section 31 to the well. All of the interest owners in the NE/4 of Section 31 have not agreed to the plugging back and recompletion of the well, and in the interests of conservation and in order to prevent the drilling of unnecessary wells and to prevent waste, the location of the

previously drilled well should be approved for production from the Permian formations, and all interests, whatever they may be, underlying the NE/4 of Section 31, Township 21 South, Range 27 East, should be pooled.

3. To the best of applicant's information and belief the owners who have not consented to the recompletion of the subject well, with their addresses, are:

City of Carlsbad
City Hall
101 N. Halagueno
Carlsbad, N. M. 88220

Teledyne, Inc.
Att'n: Jack Dougherty
1901 Avenue of the Stars
Los Angeles, California 90067

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Executor, Estate of Joanne
C. Slenes, Deceased
8301 Menaul
Albuquerque, N. M. 87101

John W. Prather
1106 N. Francis
Carlsbad, N. M. 88220

Samuel Boyd Johnson
1106 N. Main
Carlsbad, N. M. 88220

WHEREFORE applicant prays that the Oil Conservation Division set this matter for hearing before one of its duly appointed examiners, and that after notice and hearing as required by law the Division enter its order approving the location of the Mollie Com Well No. 1 for production from the Permian formations, and enter its order pooling all interests underlying the NE/4 of said Section 31 for production from the Permian, designating applicant as operator of the well, and making provision for operator to recover its costs of recompleting and equipping the well out of production, together with provision for recovering costs of operation and supervision of the well and with provision for a risk factor for assuming the risks of the recompletion of the well, and for such other

and further provisions as may be proper.

Respectfully submitted,

BELCO PETROLEUM CORPORATION

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

ATTORNEYS FOR APPLICANT

$dr/$

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

Order No. R-5821

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR AN UNORTHODOX WELL
LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 13,
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ 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, Belco Petroleum Corporation,
seeks an order pooling all mineral interests in the
Wolfcamp formation underlying the N/2
of Section 31, Township 21 South, Range 27 East
NMPM, [redacted], Eddy County, New
Mexico.

(3) That the applicant seeks ^{further} approval ¹¹⁵⁰ ^{of the} for an unorthodox location of its Mollie Com Well No. 1 located ~~1000~~ feet from the North line and 1575 feet from the East line of said Section 31.

(4) That said Mollie Com Well No. 1 is an existing Morrow gas well drilled at an unorthodox ^{location} ~~location~~ selected to provide avoid proximity to occupied dwellings and cultivated land.

see under

(5) That the Morrow gas production has become non-commercial and the operator proposes to attempt to recompleting said well in the Wolfcamp formation.

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.

(10) 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 ^{recompletion} ~~drilling~~ of the well.

(11) 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.

(12) 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.

in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(9) 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.

(10) 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 ^{recompletion} drilling of the well.

(11) 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.

(12) 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.

(13) (20) That \$2011.04 per month while performing recompletion operations and \$294.95 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates), provided that the production rate shall be adjusted on the first day of April of each year following the effective date of this order based on the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics; 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.

(15) That upon the failure of the operator of said pooled unit to commence ^{recompletion} ~~drilling~~ of the well to which said unit is dedicated on or before December 31, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be,
in the Wolfcamp formation underlying the N/2
of Section 31, Township 21 South, Range 27 East,
NMPM, [scribble], Eddy County, New Mexico,
are hereby pooled to form a standard 320 - acre gas spacing
applicant's Mollie Com well
~~and proration unit to be dedicated to xxxxxxxxxx~~
No. 1 located at an unorthodox location 1150 feet from the North line
and 1575 feet from the East line of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall
commence the ~~drilling~~ ^{recompletion} of said well on or before the 31st day of
December, 1978, and shall thereafter continue the ~~drilling~~ ^{recompletion}
of said well with due diligence ~~to a depth sufficient~~ ^{in such a manner as} to test the
Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the ^{recompletion}~~drilling~~ of said well on or before the 31st day of December, 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 ^{recompleted} ~~drilled to~~
^{or abandoned} ~~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 Belco Petroleum Corpora^{tion} 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 ^{recompletion of} said well, the operator shall furnish
the Division and each known working interest owner in the subject
unit an itemized schedule of estimated well ^{recompletion} costs.

(4) That within 30 days from the date the schedule of
estimated well ^{recompletion} 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 pro-
vided 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 ^{re}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 reason-
able 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~~ ^{recompletion} 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. ~~2000 \$ per month while drilling~~

and \$294.95 (1) (10) That \$2011.04 per month while performing recompletion operations per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates), provided that the rate for a producing well shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last

calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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(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 ^{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 ~~10~~ days from the date ^{any funds are deposited} ~~of this order.~~
~~retained with such agent. 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.

