
CASE NO.

6397

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Western Oil Producers,
Inc. for compulsory pooling,
Lea County, New Mexico.

CASE
6397

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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Division:

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For the Applicant:

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ROY McKAY

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1 MR. STAMETS: Call next Case 6397.

2 MS. TESCHENDOFF: Case 6397. Application of
3 Western Oil Producers, Inc., for compulsory pooling, Lea
4 County, New Mexico.

5 MR. HUNKER: My name is George H. Hunker,
6 Junior. I'm a member of the firm of Hunker, Fedric, P. A.,
7 Roswell, New Mexico, and I represent the applicant, Western
8 Oil Producers, I-N-C., and Mr. Roy L. McKay.

9 I have one witness.

10 MR. STAMETS: Any other appearances in this
11 case?

12 MR. KELLAHIN: Tom Kellahin of Kellahin and
13 Fox, appearing on behalf of BTA Oil Producers, and I have
14 one witness.

15 MR. STAMETS: I'd like to have all witnesses
16 stand and be sworn at this time, please.

17 (Witnesses sworn.)

18 MR. STAMETS: Mr. Hunker, you may proceed.

19 MR. HUNKER: Mr. Examiner, I'd like for the
20 Division to take administrative notice of Order R-3161 for
21 the establishment of field rules, dated December 6th, 1966,
22 Case Number 3492, Cinta Rojas Morrow Gas Pool, wherein the
23 New Mexico Oil Conservation Commission established a 640-
24 acre spacing unit as to the Morrow zone of the Pennsylvanian
25 formation for the pool and for each well completed in the

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1 pool or in the Morrow formation within one mile thereof.

2 As originally defined on November 1st, 1965,
3 by Order R-2988, excuse me, 2935, the pool included only
4 the southwest quarter of Section 9, Township 24 South, Range
5 35 East, but this was amended by Order R-3161 so that at the
6 present time all of Section 9, in 24 South, 35 East, is in
7 the pool.

8 MR. STAMETS: The Examiner will take admini-
9 strative notice of Case 3492 and Order R-3161.

10 Q Mr. McKay, will you please identify yourself
11 for the record?

12 A My name is Roy McKay. I'm the president of
13 McKay Oil Corporation and we are oil and gas producers.

14 Q We placed in front of you an exhibit marked
15 Number One. Will you explain to the Examiner what this ex-
16 hibit shows?

17 A It's a land plat showing the Section 4; it's
18 outlined with ownership of three particular leases of Union
19 Oil Company of California and that would be covering the
20 east half of the Section 4 and the east half of the south-
21 west quarter of 4, and the second lease will be the north-
22 west quarter of 4, which is held by Gulf, Amoco, and Superior.
23 The third lease is BTA's on the west half of the southwest
24 quarter of 4.

25 Q Does this plat also show the location of your

1 proposed well?

2 A Yes.

3 Q What is that proposed location?

4 A 1980 feet from the south and east lines.

5 Q Has McKay Oil Corporation obtained a farmout
6 to drill a Morrow test from Union Oil Company of California?

7 A Yes, we've got a farmout from Union for a
8 14,500 or 600 feet test. We have additional farmouts from
9 Gulf and Amoco, and we've been advised that Superior will
10 either farmout or participate, probably participate.

11 Q When must that well be commenced under the
12 terms of your agreement?

13 A December 31st. The lease expires January 1,
14 1979.

15 Q Has BTA been invited to participate or farm-
16 out to you in connection with this proposed well?

17 A Yes, several times.

18 Q Referring to a letter dated November 7, 1978,
19 and marked Exhibit Two, is this a letter that you sent to
20 BTA inviting participation?

21 A That was my last notice or letter, yes, and
22 I believe it was sent registered to make sure they did get
23 one.

24 Q All right, does the last page of this exhibit
25 reflect the receipt of this particular letter?

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1 A Yes.

2 MS. TESCHENDORF: Mr. Hunker, may I interrupt
3 you for a minute?

4 MR. HUNKER: What is McKay's connection with
5 Western Oil? Will you get to that?

6 MR. HUNKER: I will get to that, if you don't
7 mind. I didn't know where to put it in, but I'll put it in
8 in a little while.

9 Q (Mr. Hunker continuing.) What's the percentage
10 of the 640-acre or 640.60-acre spacing unit does BTA own?

11 A They own the 80 acres which is 12.4883 per-
12 cent.

13 Q They roughly have an 80-acre interest, re-
14 duced slightly be reason of the fact that the section is
15 slightly large?

16 A Right.

17 Q Have you prepared an AFE for the drilling
18 of your test well?

19 A Yes, this was prepared by Western Oil Pro-
20 ducers for me, which is, let's see, where Woolworth Ranch
21 Unit Number One, for 1,093,893 Dollars.

22 Q Tell me, is this exhibit the one we have
23 marked Exhibit Three?

24 A Yes.

25 Q What does this exhibit show with regards to

1 overhead charges, Mr. McKay?

2 A \$7500.

3 Q In connection with your farmout from Union
4 Oil Company of California, what is the rate that is pre-
5 scribed in that agreement with respect to the time you're
6 drilling a well?

7 A \$2525, I believe.

8 Q Is that per month?

9 A Per month.

10 Q While you're drilling?

11 A Right.

12 Q Is this amount agreeable to you as a reason-
13 able charge in the event the uncommitted interests are
14 force pooled?

15 A Yes.

16 Q In connection with that same -- or Union
17 farmout, what was the producing well rate specified by
18 Union?

19 A \$292 a month.

20 Q How, again tell us, how deep the well is
21 going to be drilled, Mr. McKay?

22 A Approximately 14,500 foot or to the base of
23 the Morrow.

24 Q And how long will it take to drill and com-
25 plete?

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1 A Well, between 100 and 120 days.

2 Q This application in this case, Mr. McKay,
3 is filed in the name of Western Oil Producers, I-N-C.
4 Will you explain to the Examiner why it is that Western is
5 the applicant in this particular case, and you're testifying?

6 A Western Oil Producers was hired by me to do
7 the operations and they do this quite often for the majority
8 of my wells in southeast New Mexico.

9 Q Do they also drill some wells?

10 A Yes.

11 Q Are they going to be the contractor to drill
12 this particular well?

13 A They are handling all the engineering end of
14 it. The actual rig is a Moranco rig.

15 Q Do you desire that Western Oil Producers be
16 designated as the operator of this drilling unit in the
17 event the Commission -- the Division sees fit to grant an
18 order in this case?

19 A Yes.

20 Q In connection with the plat, Exhibit Number
21 One, I notice that there appears to be a drilling well in
22 Section 10. Are you familiar with that well?

23 A Yes, it's a Getty well that's going to the
24 Morrow objective.

25 Q What was the estimated cost of drilling that

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1 particular well, do you know?

2 A It's about \$50,000 more than what ours was,
3 1.150 million.

4 Q So you feel that the charges that are shown
5 on the AFE that you've -- what we've marked Exhibit Three,
6 are reasonable charges and are within the ballpark, so to
7 speak?

8 A Yes.

9 Q Referring again to Exhibit One, I'd like for
10 you to tell the Examiner what the red dot on that map shows.

11 A That's a well that was drilled by Gulf back
12 in '74 and it's a dry hole, Morrow test.

13 Q Are there other dry holes that have been
14 drilled in this vicinity?

15 A Yes, approximately two miles to the north
16 Gulf has another dry hole and same depth, Morrow zone was
17 covered.

18 There is a dry hole on the, let's see, Section
19 to the south of Section 9. We have a producer in the south
20 half of Section 9. There's a dry hole approximately one
21 mile in the section below that.

22 Q Do you know approximately when the producing
23 well shown on the map to be in Section 9 was completed?
24 A 1963.

25 Q When was the Gulf well, the dry hole in Sec-

1 tion 5 drilled?

2 A 1974 was plugged.

3 Q No other wells have been drilled in either
4 Section 3 or 4, is that correct?

5 A Right.

6 Q In evaluating this particular prospect,
7 you've drilled other wells before, what in your opinion is
8 the risk factor that should be applied to the drilling of
9 your test well in Section 4?

10 A Risk factor meaning what? It's risky.

11 Q How much -- how much risk is involved there?
12 Explain to the Examiner --

13 A Well, the fact that we have one producing
14 well in the south half of 9 in the area is -- it's just a
15 typical Morrow shot out in the wide open spaces. I mean
16 you either -- it's obviously risky enough that the people
17 that farmed out wasn't going to do it.

18 Q They wouldn't have farmed out to you --

19 A They wouldn't have if they were going to do
20 something good on it. That's a matter of opinion, of course.
21 I personally think that we'll make a well or I wouldn't be
22 doing it.

23 Q Do you have a recommendation to make to the
24 Examiner as to what rate of risk that should be applied in
25 this particular instance if the interest of BTA is force

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1 pooled?

2 A I would think a maximum allowable, like 300
3 percent to 500.

4 Q What do you -- in the event you complete this
5 well as a producing well, in addition to the overhead charge
6 of \$292, which you've testified to, what do you think that
7 the operating costs will be on a monthly basis?

8 A Well, initially we've been running around
9 \$350.

10 Q \$350 a month?

11 A \$350 a month.

12 MR. HUNKER: That's all the questions I
13 have, Mr. Examiner.

14
15 CROSS EXAMINATION

16 BY MR. STAMETS:

17 Q This \$350 figure, now, that's not your com-
18 bined fixed rate --

19 A Well, this is a completion. We've generally
20 been paying our pumpers or most all our Morrows have been
21 running that figure. I used that as a comparable amount.

22 MR. HUNKER: Does that include the overhead,
23 that's what he's asking.

24 A Yes, that would be --

25 Q But \$292 is what you're asking for your --

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1 A We could be looking at as much as \$400 out
2 here in this area. I'm not sure just exactly what the
3 pumper's checking on this thing would run, but generally
4 it's a little in excess of \$100, around \$104, so you --

5 Q That's an operating charge, though.

6 MR. HUNKER: That's an operating charge and
7 not a --

8 A It's an operating charge.

9 Q Okay.

10 MR. STAMETS: I think, Mr. Hunker, that we
11 need to qualify Mr. McKay, since he did give his opinion
12 on risk.

13 MR. HUNKER: All right.

14
15 REDIRECT EXAMINATION

16 BY MR. HUNKER:

17 Q Mr. McKay, how long have you been in the oil
18 business?

19 A Independently, five years.

20 Q No, start with the time when you first started
21 in the oil business.

22 A 1969.

23 Q And who did you go to work for?

24 A Sun Oil Company, Sunray DX.

25 Q And what did you do for Sunray DX?

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1 A I was a landman.

2 Q And after being a landman with Sunray where
3 did you go?

4 A Pubco Petroleum in Albuquerque.

5 Q And what did you do with Pubco?

6 A I was a landman and manager of a land depart-
7 ment subsequently.

8 Q Did you have occasion to prepare drilling --
9 operating agreements while you were working with Pubco?

10 A Yes.

11 Q And to prepare AFEs in connection with the
12 drilling of wells?

13 A Yes, I've been involved with this.

14 Q Since that time what have you done?

15 A I was with Petro Grande in Dallas for a year
16 and since that time I have drilled approximately fifty
17 wells, mostly Morrow tests in southeast New Mexico.

18 Q And in connection with those tests have you
19 had occasion to prepare AFEs and operating agreements in-
20 volving well costs?

21 A Yes. We do use consultants for expertise,
22 however, in the engineering field as well as the geological
23 field.

24 MR. KELLAHIN: I'd like to voir dire the wit-
25 ness.

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1 MR. STAMETS: Mr. Kellahin.

2
3 VOIR DIRE EXAMINATION

4 BY MR. KELLAHIN:

5 Q Mr. McKay, you are the only witness today
6 to present evidence as the risk factor to be assessed, is
7 that true?

8 A Yes.

9 Q And you're neither a geologist nor a petro-
10 leum engineer?

11 A Right.

12 MR. KELLAHIN: We would move to strike Mr.
13 McKay's testimony as to the risk factor involved in the
14 drilling of this well. We believe that Mr. McKay's quali-
15 fications do not satisfy requirements for him to express
16 an expert opinion as to that risk.

17 MR. HUNKER: If the Examiner please, Mr.
18 McKay has been in the oil business for quite some time and
19 has drilled a lot of wells and paid for a lot of wells, and
20 if, as operator, he doesn't know how much these wells cost
21 and can't concern himself with the risk that's involved in
22 this particular case based on his knowledge as an operator,
23 I don't know who can.

24 He's a pretty fair geologist himself and I
25 think he is qualified to testify with respect to the matter

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1 of risk, but I'll leave it up to you.

2 MR. KELLAHIN: If the Examiner please, Mr.
3 McKay indicated that he has outside help to do his geology
4 and engineering for the drilling of his Morrow tests. It's
5 obvious from his remarks that he's the only witness; that
6 the geologist and engineers that prepared whatever he's
7 using to establish a risk factor are not present here to
8 cross examine them today, and based on that opinion, and
9 therefore we believe that apart from the fact that Mr. McKay
10 is not qualified to express that opinion, Mr. Hunker has
11 failed to meet the burden of proof.

12
13 RECROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. McKay, you indicated you worked for
16 Petro Grande and then left them, is that correct?

17 A Right, five years ago.

18 Q Five years ago.

19 A Correct.

20 Q Okay, so that would be 1973, and since that
21 time you have been drilling your own wells?

22 A Right.

23 Q Okay, now you say drilling your own wells,
24 are you putting deals together and spending other people's
25 money only or are you putting --

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1 A Combination.

2 Q So you're --

3 A We have several companies. This particular
4 company is McKay Oil Corporation, which is involved with
5 this one. I also operate as Roy L. McKay, independent.

6 Q So you are spending your money and other
7 people's money on the wells.

8 A Yes.

9 Q You're fully aware of what happens if you
10 don't recover the money that you spend on a well?

11 A Yes.

12 Q Are you aware that it's risky to invest in
13 oil wells?

14 A Yes.

15 Q Have you sometimes drilled a well and not
16 gotten your money back?

17 A Yes.

18 Q How would you rate this well in cost of
19 \$1,093,000? Is this a higher priced well, the highest
20 priced well you've ever drilled?

21 A Close to it. We've drilled some 22,000
22 footers, or participated, down in Mississippi. For New
23 Mexico this is probably the deepest we've done. We do
24 drill 17,000, 22,000 footers in Mississippi. 15,000 is our
25 average depth in Mississippi.

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1 We do tend to drill them a little cheaper
2 than some of the majors, I may add, instead of putting a
3 two and a half million AFE on the well in Mississippi, we
4 did it for a million and a half, I believe.

5 MR. STAMETS: I agree with Mr. Kellahin that
6 in this case we don't have a witness who is qualified
7 geologist or engineer testifying as to the likelihood of
8 getting the money back and a fair rate of return from an
9 engineering or geological standpoint.

10 However, I believe what we have here is a
11 practical oil man; a man who has drilled wells, who is
12 testifying from the standpoint of experience, and his risk
13 involved in getting his money back, and I believe that the
14 witness is qualified under those conditions.

15 Mr. Kellahin, if you have some geological
16 or engineering evidence or some practical evidence that
17 you would wish to put into the record to offset or refute
18 this risk factor that Mr. McKay has asked for, we'll cer-
19 tainly allow you to do it.

20 MR. KELLAHIN: Thank you.

21 MR. STAMETS: Any other questions of this
22 witness? He may be excused.

23 Do you have anything further?

24 MR. HUNKER: No.

25 MR. STAMETS: Ms. Teschendorf has one question.

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1 MS. TESCHENDORF: This isn't necessarily ad-
2 dressed to the witness but Mr. Hunker probably can answer
3 this.

4 We've gotten a letter from the USGS stating
5 that you have applied for the Woolworth Ranch Unit area.
6 Is that going to be Sections 3 and 4?

7 MR. HUNKER: Yes.

8 MS. TESCHENDORF: And are you going ahead
9 with the unit and why are you force pooling Section 4? I'm
10 just curious.

11 MR. HUNKER: In connection with the farmout
12 from Union, they have compelled us to drill Section 4 as
13 a drilling block, and we felt that we needed to pool the
14 BTA interest or have them participate in order to know who
15 was going to bear the cost as far as that 80-acre tract
16 was concerned.

17 Yes, we are unitizing.

18 MS. TESCHENDORF: Okay, thank you.

19 MR. STAMETS: If there is nothing further,
20 the witness may be excused.

21 Do you have anything else at this time?

22 MR. HUNKER: There should be a telegram in
23 the file from Superior, indicating that they will participate
24 or farmout.

25 That's all I have. Thank you.

1 MR. STAMETS: Mr. Kellahin?

2 MR. KELLAHIN: Yes, I call Scotty Alcorn.

3
4 SCOTTY ALCORN

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

7
8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

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

12 A My name is John Scott Alcorn. I'm known as
13 Scotty Alcorn. I'm employed with BTA Oil Producers as a
14 development geologist.

15 Q Mr. Alcorn, have you previously testified
16 before the Oil Conservation Division?

17 A No, sir, I haven't.

18 Q Would you state for the benefit of the
19 Examiner when and where you obtained your degree in geology?

20 A I obtained a Bachelor of Science degree in
21 geological engineering from the University of Oklahoma in
22 1950.

23 Q Subsequent to graduation where have you been
24 employed and in what capacity?

25 A I came to the West Texas - New Mexico area,

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1 headquartered in Midland, Texas, for Amerada Petroleum Cor-
 2 poration in 1950. I worked for six years for Amerada, a
 3 major company, and then from then until 1972 I worked for
 4 various independent oil operators in geological capacity.

5 In 1972 I went to work for BTA Oil Producers
 6 in Midland, Texas, operating basically out of the West
 7 Texas - New Mexico, southeast New Mexico, area as a develop-
 8 ment geologist.

9 Q As a development geologist have you partici-
 10 pated in geology with regards to the drilling of Morrow
 11 wells in southeast New Mexico?

12 A Yes, sir, I have.

13 Q Have you made a study of and are you familiar
 14 with the geology surrounding this particular application by
 15 Western Oil Producers, Inc.?

16 A Yes, sir, I've reviewed the electric logs and
 17 the completion history of the wells in the area. Yes, sir,
 18 I have.

19 MR. KELLAHIN: We tender Mr. Alcorn as an
 20 expert geologist.

21 MR. STAMETS: The witness is considered
 22 qualified.

23 A Thank you, sir.

24 Q (Mr. Kellahin continuing.) Mr. Alcorn, would
 25 you please refer to what I have marked as BTA Exhibit Number

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1 One and identify that exhibit for us?

2 A Exhibit Number One consists of -- well, let's
3 see, one, two, three, four five pages.

4 Q Excuse me, I've numbered each one separately.

5 A Okay, Exhibit Number One is a structure map
6 of 24 South, 35 East on the Strawn lime, prepared by a
7 commercial mapping service, Geomap, that is used in the oil
8 industry as a recognized commercial mapping service.

9 And then --

10 Q Have you specifically studied the wells
11 located within Section 5, the drilling well in Section 10,
12 and then the Amoco well in Section 9?

13 A Yes, I have.

14 Q Of your own knowledge, is the structure map,
15 prepared as with regards to that particular area, true and
16 correct to the best of your knowledge?

17 A Yes, sir, it is.

18 Q Would you summarize what the significance of
19 Exhibit Number One is for us?

20 A The significance of Number One shows that a
21 well drilled in the southeast quarter of Section 4 would
22 probably in all likelihood be on strike as interpreted by
23 this regional map to the Amoco No. 1 Custer Mountain. It
24 was drilled as the Midwest. It shows on the map as the
25 original Midwest. It was taken over and operated by Amoco.

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1 And I feel as though from the interpretation
2 of this log -- I mean this map, on a regional basis, we
3 would be on strike with this producing well.

4 Q Let me have you refer to what I've marked
5 as Exhibit Number Two, and if you'll identify that.

6 A Yes, sir. This is the same area, a structural
7 map prepared by Geomap, commercial mapping service, on the
8 Silurc-Devonian.

9 You can see in reference to Exhibit One and
10 Exhibit Two that the formation above, which is the Morrow,
11 which is the Strawn, and the formation below Siluro-Devonian,
12 show that Section 4 is on strike and there are no faulting,
13 significant shows of faults in there, which would show any
14 indication other than strike in 4 and 9.

15 Q Would you describe for us the type of com-
16 pletion at the Amoco well in Section 9?

17 A Yes, sir. I'd say that you could refer to
18 Exhibit Six --

19 Q Excuse me, let me make sure we've got the
20 right number here.

21 A I counted them real quickly, I hope I came
22 out on it.

23 Q All right, let's go to the last page. That's
24 Exhibit Six.

25 A Okay, Exhibit Six, which is a Schlumberger

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1 sonic gamma ray log, and a Rinehart Oil Report completion
2 report.

3 I have taken the completion intervals and
4 noted them in the center column of the electric log, showing
5 that there are four zones of perforations within the Morrow
6 pay. They're shown by the blocks with the circles in them.
7 I marked the top of the Morrow pay zone at 13,060 and the
8 base would be down at 14,288, as shown on the Rinehart
9 card of completion.

10 Q When was this well completed?

11 A It shows completion on the card as May 18th,
12 1964.

13 Q And what has been the total cumulative Morrow
14 production to date?

15 A As shown on the Exhibit Four from the New
16 Mexico Oil and Gas Engineering Committee of 1977, it had
17 produced almost 9-billion cubic feet of gas through 1977.

18 Q And what is the current daily production on
19 that well?

20 A On Exhibit Five you will see the July,
21 Volume Three, Southeast New Mexico, it was 45,612, which is
22 in excess of 1-1/2 million a day.

23 Q In your opinion, Mr. Alcorn, is this a com-
24 mercially successful well?

25 A Yes, sir, in the Morrow when you can get a

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1 well that's almost a 10 billion, you've got a very commer-
2 cial Morrow well. That's a dandy.

3 Q Are you familiar with the well in Section 10
4 in the northwest quarter that Getty is drilling?

5 A Yes, sir, I am.

6 Q Would you describe that to the Examiner,
7 please? What your knowledge is of that well?

8 A The last current information I have is that
9 the well is drilling in excess of 7700 feet deep, proceeding
10 to test the Morrow Sand.

11 Q Mr. Alcorn, why has BTA elected not to join
12 Western Oil Producers in the drilling of this well?

13 A Well, we feel as though that the Getty well
14 being drilled on -- as an east offset to the 10 billion,
15 or 9-plus billion cubic feet gas well, that it will give
16 us an opportunity to see another well in the area. The
17 risk involved in an offset to the east shows about -- I
18 would give it about a five and ten risk, because you see,
19 in Section 5 there's a dry hole and in Section 16 there's
20 a dry hole.

21 Well, the extent of a well making 10 --
22 we're giving it an estimated in excess of 10 billion cubic
23 feet out of the Morrow Sand, we feel as though the lateral
24 extent would be more than 640 acres, and I assume Western
25 Oil feels the same or they wouldn't be drilling the well.

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1 So if the well is to the northeast, which is
2 the Getty well, if that becomes the producer then it enhances
3 the odds considerably of a well in Section 4. It would
4 probably make that risk a very nominal for Morrow, being
5 a direct offset, it would be, I would say, seven and ten.
6 It would enhance the production odds up there.

7 Now, if the well in Section 10 becomes a
8 dry hole, then it would lessen the probability of production
9 in Section 4 to approximately three and ten. So what we're
10 caught up with, Mr. Examiner, is on the basis of that well
11 and the involvement of drilling in the area, we're caught
12 in a dilemma of whether to think that this will be a seven
13 and ten risk area or a three and ten risk area.

14 Q Has BTA communicated their desire to wait
15 until the Getty well is completed before commencing a well
16 in Section 4?

17 A Oh, very definitely so because of the oper-
18 ation in the area and as was reported, there are a couple
19 of dry holes, and we feel as though we are put under undue
20 pressure if we don't take advantage of the drilling of the --
21 the results of the drilling of the well in Section 10.

22 Q And what, if any, response did Mr. McKay
23 give BTA Oil Producers with regards to waiting until the
24 Gulf State well was completed?

25 A Well, I feel, as I understand it through our

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1 land department, the requirement is that drilling has to
2 commence on or before the end of this year, and that's putting
3 us in an undue pressure because we are in sympathy with
4 their situation of drilling a well on a lease that's running
5 out, but we don't feel as though we should be penalized
6 because of their acreage situation. We feel as though we're
7 we should be given the advantage of evaluating the wells in
8 the area.

9 Q All right. In your opinion, Mr. Alcorn,
10 what would be a reasonable risk factor to assess against
11 BTA?

12 A Well, I believe that with all things being
13 equal, and their situation of having to start now, and they
14 are offsetting -- a direct offset on 640-acre spacing, and
15 then they have a diagonal offset drilling, that the area
16 should be, oh, not over a sixty percent penalty.

17 Q Now, I assume that you're familiar with the
18 Oil Division rules with regards to a statutory maximum for
19 a risk factor of 200 percent.

20 A Yes, sir, I am.

21 Q And that your recommendation of a 60 percent
22 factor is in relation to the statutory maximum.

23 A Yes, sir, I feel that way.

24 MR. KELLAHIN: I have no further questions
25 of Mr. Alcorn. I move -- oh, let me ask you this. Were

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1 Exhibits One through Six either compiled by you directly
2 or the information contained therein reconfirmed by your
3 own investigation to show that they're true and accurate?

4 A Yes, sir, I examined all of it and they're
5 all accurate as far as my checking them out.

6 MR. KELLAHIN: We move the introduction of
7 Exhibits One through Six.

8 MR. STAMETS: Without objection, these ex-
9 hibits will be admitted.

10 Are there questions of the witness?

11 MR. HUNKER: I have a question or two.

12
13 CROSS EXAMINATION

14 BY MR. HUNKER:

15 Q Mr. Alcorn, did you participate with Gulf in
16 connection with the drilling of their deep test in Section
17 5?

18 A Yes, sir, we did.

19 Q On what basis?

20 A On the basis of the area in there. There
21 have been --

22 Q Did you farmout or did you actually pay your
23 part of the cost?

24 A We paid our part of the cost, yes, sir.

25 Q What area was condemned by that well? Do

1 you care to express an opinion with regard to that?

2 A No, sir, I feel as though probably I would
3 say the area condemned is, on a 640-acre spacing we would
4 consider that 640 acres condemned at the present time, yes,
5 sir.

6 Q You don't think that your acreage in the
7 west half of the southwest of Section 4 has been at least
8 partially condemned by the drilling of that well?

9 A No, sir, I don't. As you can see, the
10 structure in the area, on our Exhibit One, there is a dip
11 of 100 feet between those wells and on Exhibit Two, you can
12 see by the Devonian structure that there might be in excess
13 of -- there is in excess of that interpretation so that
14 there would be quite a differential in the area.

15 In reference to Exhibit Six, there are four
16 zones of production in the Amoco Custer Mountain Unit Well,
17 so it -- I feel as though they could carry over more than
18 one section.

19 Q What is the difference, though, between the
20 structure as shown by the well that was drilled in Section
21 16 as compared to the well in Section 9?

22 A The well in Section 16 --

23 Q Isn't there a considerable --

24 A Yes, sir, there's a --

25 Q -- difference there?

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1 A There is approximately -- almost 300 feet
2 of dip between those two wells to the southeast, on the
3 Strawn lime; in excess of 300 feet.

4 Q The Exhibit Two that you've submitted is on
5 the Siluro-Devonian formation, is that correct?

6 A Yes, sir.

7 Q And doesn't have anything to do with the
8 Morrow?

9 A It has -- all it shows is that the rock below,
10 rock formations below the Morrow, are basically a general
11 southeast dip as in the Strawn formation above, showing that
12 there is no indication to date of any faulting in the area.

13 Q Isn't it possible that there is just as much
14 risk involved in drilling a well to the north of the Custer
15 Mountain Unit as there was in drilling a well to the south
16 of it?

17 A Well, if it's a dry hole, it's possible.

18 Q The well to the south was closer.

19 A Yes, sir, it was.

20 Q Than Western Oil Producers' well in Section
21 4. Now, isn't the risk involved just as much?

22 A No, sir, because we have indication of pos-
23 sibly being on strike in Section 4.

24 Q What do you mean by being on strike?

25 A That we would encounter the Morrow way formation

1 at the same subsea depth. It would be encountered in Section
2 4 as it is in the Amoco Well in Section 9.

3 Q What about the Gulf well in Section 5, wasn't
4 it on strike?

5 A No, sir, it was up dip and then being up dip
6 you have your sedimentation could be very much different.

7 Q The Western Oil Producers well is going to
8 be up dip too, isn't it?

9 A We don't believe that it will be up dip as
10 was the well in Section 5, no, sir.

11 Q Did you recommend to your company that they
12 spend their money for the well in Section 5?

13 A No, sir, I did not. I was not in on the
14 decision.

15 Q I don't see, Mr. Alcorn, how you can assume
16 that the Getty well is going to help you evaluate your
17 acreage, and is that the principal reason why you're not
18 participating in this particular well? You just prefer to
19 ride the Getty well down and then make up your mind what
20 your company should do?

21 A Yes, sir, we feel as though any information
22 in the area is of advantage to us to make a decision on
23 the evaluation of our property. We feel as though that any-
24 one doing prudent oil work in the area takes advantage of
25 all the subsurface holes drilled.

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1 Q Why wouldn't you want to participate at this
2 time and help the other companies out that have these ex-
3 piring leases, Mr. Alcorn?

4 A Well, as I said, we feel as though we would
5 like to take advantage at the present time of the Getty well
6 drilling. We don't feel as though that it would hurt any-
7 body's situation of evaluation of the area.

8 Q But that doesn't have anything to do with the
9 risk factor, does it? The fact that you want to take ad-
10 vantage of your situation from a lease standpoint.

11 A I believe that the risk factor in the very
12 essence of a well being drilled and another well being pro-
13 posed to be drilled shows that there is activity in the
14 area and the risk factor has been lessened greatly by the
15 choice of the two wells being drilled.

16 Q If you look at the lease picture, you'll
17 notice that the Getty Well is a mile and a half away from
18 your acreage. Now, again, you feel that the risk factor
19 involved in this particular matter is going to be controlled
20 by a well that's a mile and a half away.

21 A We're -- I think we're using a play on words.
22 That's a direct offset in Section 4. On 640-acre spacing
23 that's a direct offset.

24 Q I know, but it's a mile and a half away from
25 your lease.

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1 A Yes, sir, I believe it is.

2 Q We're talking about getting your lease to
3 participate in the cost of drilling this particular test
4 well, or at least farming your interest out. Now, why
5 don't you want to farm the acreage out? You're not willing
6 to participate in the cost of drilling the well. Would
7 you be willing to farm the interest out?

8 A After the Getty well comes in we feel as
9 though we would be interested in entertaining some sort of
10 an offer to join or farmout, but at the present --

11 Q When do you think the Getty Well will be
12 down?

13 A In approximately sixty days. As Mr. McKay
14 said, it takes about 120 days to complete a well and they're
15 at 7000 feet now, so it would probably be 60 days more.

16 Q And by that time the Union lease will have
17 expired, is that correct?

18 A From the looks of the map, yes, sir, it
19 appears to be that way.

20 Q Why do you imagine that Gulf -- that Union,
21 Gulf, and Amoco and Superior are willing to farmout their
22 interests?

23 MR. KELLAHIN: I'm going to object to that
24 question. It calls for speculation on the part of this
25 witness, of things he has no knowledge.

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1 MR. HUNKER: I'll withdraw the question.
2 MR. STAMETS: Very good.
3 MR. HUNKER: I'll withdraw the question.
4 Our information is that BTA Oil Producers --
5 MR. KELLAHIN: I'm going to object to that.
6 Mr. Hunker is testifying as to what he knows.
7 MR. HUNKER: All right, I'll withdraw that
8 question.
9 Q (Mr. Hunker continuing.) How does the title
10 stand to the 80-acre tract in Section 4 described as the
11 west half of the southwest quarter?
12 A How does it stand? I --
13 Q In what name? In what name?
14 A BTA Oil Producers in the west half of the
15 southwest quarter of Section 4.
16 Q Is BTA Oil Producers a corporation, a part-
17 nership, or what is the nature of the legal entity?
18 A It is a family-owned partnership.
19 Q Consisting of whom?
20 A Of Carlton Beale. Carlton Beale, Junior,
21 Barry Beale, Spencer Beale, and Kelly Beale.
22 Q It is not an incorporation, is that correct?
23 A To my knowledge it is not. Now, I'm not --
24 I don't really know how they have it. but it's -- as I under-
25 stand it, it is a partnership.

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1 Q In connection with the well that was drilled
2 by Gulf, did one of the BTA investment groups participate in
3 the drilling of that particular well?

4 A Yes, sir.

5 Q Or do you know?

6 A Yes, sir.

7 Q Does that group have an interest in the
8 west half of the southwest quarter of Section 4?

9 A I would not be qualified to say. I do not
10 know. I'm sorry.

11 Q Would that be a reason why you would be
12 unwilling at this time to join in the -- participate or
13 farmout that acreage?

14 A Not to my knowledge, it isn't. I just have
15 never been informed as to our -- which acreage is which in
16 there. It appears as though they both carry the same lease
17 numbers, but I am not qualified as a landman to give the
18 land situation as to those two leases. Those two tracts,
19 excuse me.

20 Q It was your opinion that 60 percent of 200
21 percent should be assigned as a risk factor in this parti-
22 cular instance?

23 A No, it was 60 percent above the cost of
24 drilling the well. It's kind of if it's risky and it's a
25 dry hole, it won't make any difference type deal, and if it's

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1 a good well, then we'll all be happy.

2 We feel as though our acreage with 12-1-83
3 being expiration, we're being put in undue pressure to make
4 a decision at the present time. I feel as though Western
5 Oil knew that this expiration was coming up and accepted
6 the farmout and we're in complete sympathy with the situation
7 at the present time, but we don't feel as though we should
8 be penalized because of the expiration date. We're sorry.

9 Q How far is the well location in Section 4
10 from Amoco's Custer Mountain Well?

11 A It looks like it's being a direct offset on
12 640 acres, it looks like it's approximately one mile.

13 Q And how far was the well in Section 16 from
14 that Custer Mountain Well?

15 A Oh, it looks like a direct south offset,
16 about three-quarters of a mile.

17 Q Would you say that there was as much risk in-
18 volved in connection with drilling the well in Section 16
19 as there is going to be involved in connection with drilling
20 the well in Section 4?

21 A As much risk in 16? Yes, sir, there was more
22 risk in 16 because there was -- there were less subsurface
23 points to evaluate the area.

24 Now we know that Section 16 is dry, as that
25 well in Section 16, let me clarify that, and the well in the

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1 northwest of 5 is a dry hole. We are anticipating the well
2 in Section 9 to have 10 billion cubic feet of gas. We feel
3 as though the -- and still making after eighteen years a
4 million and a half cubic feet of gas per day, the field has
5 to be larger than one section, so each well drilled enhances
6 the undeveloped acreage of being productive.

7 It just kind of like if that well in 10
8 should have as good a chance of making it, it would show
9 that it's going up there in the northeast, and then a well
10 in the southeast of 4 would be a very good location.

11 Q I don't -- oh, let's see. How long ago was
12 the Amoco well drilled, do you know?

13 A In 1964 it was completed.

14 Q Why has it been fourteen years?

15 A Time goes by. I mean why has what been
16 fourteen years, Mr. Hunker?

17 Q And no one has seen fit to develop the land
18 in Section 4?

19 A I'll be doggoned if I know.

20 Q Doesn't it indicate to you that there is a
21 considerable amount of risk involved in drilling a Morrow
22 test at the location Western Oil Producers has selected?

23 A No, sir, it does not. There's activity in
24 the area and it appears as though that would be a logical
25 area to drill, and we feel as though in section 10, that well

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1 is going to give us more information.

2 Q Doesn't it appear to you at this time that
3 it would be worth while for your company to participate in
4 the drilling of the well in Section 4?

5 A At this time I feel as though we should wait
6 and see in the northwest quarter of Section 10 the production
7 of that well.

8 Q And as a professional geologist, --

9 A Yes, sir.

10 Q -- you are saying that the Getty Well in
11 Section 10 is going to evaluate your acreage to the point
12 where you feel like you would or would not be able to parti-
13 cipate, is that correct?

14 A The information gained from the Getty Well
15 will enhance the interpretation of the Cinta Roja Field
16 and give us all the information available, which we should
17 take advantage of.

18 Q What's the net feet of pay for the Custer
19 Mountain Well, do you know?

20 A No, I can tell you the gross feet. It looks
21 like -- it looks like, counting up very quickly, a hundred
22 feet of gross pay, in four separate zones.

23 Q And that would calculate to cover approximately
24 640 acres, is that correct?

25 A I think that it's an indication that it would

1 probably drain a little more than that at the present time;
2 over 10 billion cubic feet of gas is quite a bit for 640
3 acres.

4 MR. HUNKER: I have no further questions, Mr.
5 Examiner. I thank you, Mr. Alcorn, I didn't mean to badger
6 you.

7 A Oh, I appreciate the opportunity to testify.
8 This is the first time I've testified. I'm kind of excited
9 about it.

10
11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q As long as you're kind of excited, Mr. Alcorn,
14 what's the nature of the pay in the existing well in Cinta
15 Roja? Is it a bar, a delta, a channel, a combination of
16 those?

17 A I am not qualified to say on that, in that
18 the top part of the pay zone is a limestone and the other
19 three are sandstones. We feel as though it's -- it might
20 be a shore-type deposition, we don't feel that -- but evi-
21 dently, it is a bar because of the indication of the Gulf
22 Well being dry to the north and the well in Section 16 to
23 the south. so it probably has to be some sort of a channel
24 sand through there.

25 It definitely appears to be deposited on --

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1 in a strike-type situation through there.

2 Q From what you know about the Morrow Sands,
3 are those sands apt to be where you think they are or are
4 they apt to be somewhere else?

5 A Well, we always hope that they're where we
6 think they are, but that's --

7 Q What do you find, generally?

8 A Generally they lens in and out, yes, sir.
9 The sands are within the confines of the -- of the shale
10 areas, but the sands lens in and out.

11 MR. STAMETS: Any other questions of the
12 witness? He may be excused.

13 Anyone have anything further in this case?

14 MR. HUNKER: I'd like to offer my exhibits
15 in evidence.

16 MR. STAMETS: Okay, they'll be accepted.

17 MR. HUNKER: One, Two, and Three.

18 MR. KELLAHIN: Everybody's exhibits will be
19 accepted.

20 Are there any closing statements? There
21 being none, the case will be taken under advisement.

22 (Hearing concluded.)
23
24
25

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 my notes taken 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. 6382
 heard by me on 12-7 1978
Richard H. Shaw Examiner
 Oil Conservation Division

SALLY WALTON BOYD
 COURT REPORTER
 2015 West 11th St. (505) 471-4688
 Suite 100, New Mexico 87601



FEB 8 1979

P. O. Box 2055

Telephone (505) 623-3131

Reswell, New Mexico 88201

February 7, 1979

632
Stamets

BTA Oil Producers
104 S. Pecos
Midland, Texas 79701
ATTENTION: Carlton Beal

Re: New Mexico Oil Conservation Division
Case #6397, Order #R5892
Application for compulsory pooling
Sec. 4, T-24S, R-35E
Lea County, New Mexico

Gentlemen:

In accordance with the referenced case, we are forwarding two executed copies of the AFE for the Woolworth Ranch Unit #1 located in the area described above. This is in accordance with the Oil Conservation Division directive outlined in referenced case.

Hoping this meets with your requirements. Please execute the attached copies of the AFE keeping one for your file and returning the other to this office.

If there is any additional questions, please do not hesitate to contact this office.

Sincerely,

WESTERN OIL PRODUCERS, INC.

Arnold Newkirk

Arnold Newkirk

AN:bn

encl.

cc: State of New Mexico
Energy and Minerals Dept.
Oil Conservation Division

WESTERN OIL PRODUCERS, INC.
P.O. Box 1492
Roswell, New Mexico 88201

AFE

LEASE: WOOLWORTH RANCH UNIT #1
LOCATION: 1980' FS & EL Sec. 4, T4N, 39E 10th County New Mexico

| INTANGIBLE COST | PRODUCER | DRY HOLE COST |
|--|-----------------------|-----------------------|
| Surface Damages & Survey | \$ 1,000.00 | \$ 1,000.00 |
| Location & Roads | 15,000.00 | 15,000.00 |
| Drilling 0'to12,000' 50 days @ \$4300 /day | 215,000.00 | 215,000.00 |
| 12,000'to14,500' 50 days @ \$4550/day | 227,500.00 | 227,500.00 |
| Bits | 62,000.00 | 62,000.00 |
| Rig Cost for 4 DST's @ \$4,550/day 4 days | 18,200.00 | 18,200.00 |
| Mud & Chemicals | 100,000.00 | 100,000.00 |
| Water | 15,000.00 | 15,000.00 |
| Cementing 300' 16" surface | 1,500.00 | 1,500.00 |
| Cementing Intermediate | 4,500.00 | 4,500.00 |
| Cementing Protective String 12,400' | 9,500.00 | 9,500.00 |
| Drill Stem Testing Services 4 at \$3,000. ea. | 12,000.00 | 12,000.00 |
| Logging | 25,000.00 | 25,000.00 |
| Trucking & Rig Materials | 35,000.00 | 35,000.00 |
| Rental Equipment | 15,000.00 | 15,000.00 |
| Geological Engineering (Eng. Supr. & Logging) | 10,000.00 | 10,000.00 |
| Logging Unit | 15,000.00 | 15,000.00 |
| Overhead | 7,500.00 | 7,500.00 |
| Miscellaneous | 15,000.00 | 15,000.00 |
| 3 days daywork rig time @ \$4550 /day | 13,650.00 | |
| Cement Production Liner | 14,000.00 | |
| Casing Crew | 2,000.00 | |
| Perforating | 10,000.00 | |
| Completion Unit | 7,500.00 | |
| Acid | 7,500.00 | |
| Miscellaneous | 10,000.00 | |
| Roustabout Labor Tank Battery | 5,500.00 | |
| Temperature Survey | 400.00 | |
| TOTAL INTANGIBLE COST | \$874,250.00 | \$803,700.00 |
| TANGIBLE COST | | |
| Casing: 300' of 16" csg. @ \$23.98/ft. | 7,194.00 | 7,194.00 |
| 3000' 10 3/4 40.50/ft. K-55 ST&C \$13.78/ft. | 41,340.00 | 41,340.00 |
| 1000' 10 3/4 45.5/ft. K-55 ST&C \$15.49/ft. | 15,490.00 | 15,490.00 |
| 1000' 10 3/4 51.0/ft. K-55 ST&C \$17.32/ft. | 17,320.00 | 17,320.00 |
| 400' 10 3/4 51.0/ft. N-80 LT&C \$22.64/ft. | 9,056.00 | 9,056.00 |
| 1700' 7 7/8 29.70/ft. N-80 Buress \$16.17/ft. | 27,387.00 | 27,387.00 |
| 6800' 7 7/8 29.70/ft. N-80 LT&C \$15.10/ft. | 102,680.00 | 102,680.00 |
| 3900' 7 7/8 5.95/ft. LT&C \$17.34/ft. | 67,626.00 | 67,626.00 |
| Wellhead | 12,500.00 | 12,500.00 |
| 2300 ft. 4 1/2" liner @ \$7.35/ft. + tax | 17,539.00 | |
| 14500 ft. 2 3/8" Tubing @ \$3.01 ft. + tax | 45,282.00 | |
| Wellhead and valves | 9,500.00 | |
| High Pressure Separator + tax | 18,675.00 | |
| Tank Battery | 8,500.00 | |
| Packer & Flow Lines etc. | 3,000.00 | |
| Liner Hanger | 4,500.00 | |
| TOTAL TANGIBLE COST | \$407,589.00 | \$300,593.00 |
| TOTAL COST | \$1,281,839.00 | \$1,104,293.00 |

Approved _____

Date _____

WESTERN OIL PRODUCERS, INC.

Kenneth D. Reynolds
Kenneth D. Reynolds,
Vice President

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. 6397
Order No. R-5892

APPLICATION OF WESTERN OIL PRODUCERS,
INC. FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of January, 1979, 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, Western Oil Producers, Inc., seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 4, Township 24 South, Range 35 East, NMPM, Cinta Roja-Morrow Gas Pool, Lea County, New Mexico.

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

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

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

-2-

Case No. 6397

Order No. R-5892

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

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

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

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

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

(11) That \$2520.00 per month while drilling and \$292.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before April 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

Case No. 6397
Order No. R-5892

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying all of Section 4, Township 24 South, Range 35 East, NMPM, Cinta Roja-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of April, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of April, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Western Oil Producers, Inc. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable

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Case No. 6397
Order No. R-5892

well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

(9) That \$2520.00 per month while drilling and \$292.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-5-

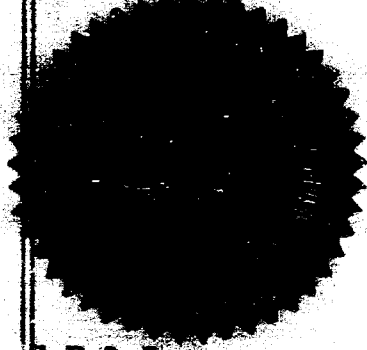
Case No. 6397
Order No. R-5892

(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 Lea 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 of first deposit with said escrow agent.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

S E A L

16/

R. W. Byram & Co., - June, 1976

SECTION III

New Mexico Page 103

EAST DENTON-WOLFCAMP POOL
Lea County, New Mexico

Order No. R-3530, November 1, 1968, Establishing Pool.
T-15-S, R-38-E NW/4 Sec. 5.

SOUTH PRAIRIE-DEVONIAN POOL
Roosevelt County, New Mexico

Order No. R-3533, October 23, 1968, Establishing Pool, as
Amended by Order No. R-3731, May 1, 1969.
T-8-S, R-36-E NE/4 Sec. 20

HOBS-BLINEBRY POOL
Lea County, New Mexico

Order No. R-3538, November 1, 1968, Establishing Pool, as
Amended by Order No. R-3731, May 1, 1969; Order No. R-3780,
July 1, 1969; Order No. R-3818, September 1, 1969; Order No.
R-3853, November 1, 1969; Order No. R-3895, January 1, 1970;
Order No. R-3964, June 1, 1970; Order No. R-4014, September
1, 1970.
T-18-S, R-38-E S/2 Sec. 19; SW/4 Sec. 28; S/2, NW/4
Sec. 29; E/2 Sec. 30; NE/4 Sec. 31; Sec. 32; N/2 Sec. 33.

CINTA ROJA-MORROW GAS POOL
Lea County, New Mexico

Order No. R-2985, November 1, 1965, Establishing Pool, as
Amended by Order No. R-3161, December 6, 1965.
T-24-S, R-35-E Sec. 9.

HOBS-PADDOCK POOL
Lea County, New Mexico

Order No. R-3530, November 1, 1968, Establishing Pool, as
Amended by Order No. R-4937, February 1, 1975.
T-18-S, R-38-E N/2 Sec. 32; NW/4 Sec. 33.

ALLISON-SAN ANDRES POOL
Roosevelt County, New Mexico

Order No. R-2692, May 1, 1964, Establishing Pool.
T-8-S, R-37-E NE/4 Sec. 31.

WEST MILNESAND-PENNSYLVANIAN POOL
(BOUGH C)
Roosevelt County, New Mexico

Order No. R-2530, November 1, 1968, Establishing Pool.
T-8-S, R-34-E SE/4 Sec. 19.

VACUUM-LOWER PENNSYLVANIAN POOL
Lea County, New Mexico

Order No. R-2677, April 1, 1964, Establishing Pool.
T-17-S, R-34-E E/2 Sec. 26.

(EAST PUERTO CHIQUITO-MANCOS POOL - Cont'd.)

| | | |
|-------------|---------------------|-------------|
| Section 16: | W/2 NE/4 | 80.00 acres |
| Section 21: | E/2 SE/4 | 80.00 acres |
| Section 21: | W/2 SE/4 | 80.00 acres |
| Section 22: | W/2 NW/4 | 80.00 acres |
| Section 22: | E/2 NW/4 | 80.00 acres |
| Section 28: | N/2 NW/4 | 80.00 acres |
| Section 28: | SW/4 NW/4 and Lot 4 | 64.21 acres |
| Section 28: | SE/4 NW/4 and Lot 3 | 64.01 acres |
| Section 29: | N/2 NE/4 | 80.00 acres |
| Section 29: | N/2 NW/4 | 80.00 acres |
| Section 29: | SW/4 NW/4 and Lot 4 | 64.30 acres |
| Section 29: | SE/4 NW/4 and Lot 3 | 64.30 acres |
| Section 29: | SW/4 NE/4 and Lot 2 | 64.30 acres |
| Section 29: | SE/4 NE/4 and Lot 1 | 64.30 acres |

PROVIDED HOWEVER, That none of the aforesaid non-standard units shall become effective until the operator thereof has filed with the Commission Form C-128 outlining thereon the acreage dedicated to the well.

(4) (As Amended by Order No. R-2855, December 29, 1964.) That the Secretary-Director of the Commission is hereby authorized to approve interference tests and the transfer of allowables to wells on the same lease or, if in a unitized area, to wells in the same participating area, provided however, that no transfer well shall be permitted to receive, in addition to its own allowable, more than one top unit allowable for the Puerto Chiquito-Gallup Oil Pool; that the Secretary-Director of the Commission is hereby authorized to permit the accumulation of allowables for wells shut in for interference tests and to permit the transfer of back allowables from shut-in wells, provided however, that the period of time authorized to produce back allowable shall not exceed six months following completion of the interference tests.

To obtain administrative approval for interference tests and the transfer of allowable, the operator shall submit in triplicate a request for such authority describing in detail the proposed method of conducting such tests and transferring the allowable. The application shall be accompanied by a plat showing thereon all Gallup wells within a radius of two miles of the proposed shut-in well(s) and the transfer well(s). The plat shall also identify each lease or participating area as to ownership or operating rights. The application shall include evidence that all offset operators to shut-in well(s) and the transfer well(s) have been furnished a complete copy of the application. It shall also be accompanied by Form C-116 for each shut-in well, showing the results of a pre-shut-in test to determine the amount of allowable to be transferred. The transferred allowable shall not exceed the volume of oil produced during the last 24 hours of a 72 hour period during which the well shall be produced at a constant rate. The Commission and offset operators to both the shut-in well(s) and the transfer well(s) may witness such tests if they so desire and shall be notified of the tests at least 48 hours prior to the commencement thereof.

The Secretary-Director of the Commission may grant approval of the interference tests and transfer of allowable upon receipt of waivers from all offset operators or upon expiration of a 20-day waiting period, provided no offset operator has objected to the proposed test and transfer.

(5) That notwithstanding any of the provisions of Rule 104 (a) of the Commission Rules and Regulations, the Special Rules and Regulations for the Puerto Chiquito-Gallup Oil Pool shall not be applicable outside the limits of said pool as hereinabove defined or as hereafter extended.

(6) That this case shall be reopened in September, 1966, at which time the operators in the subject pool may appear and show cause why the Puerto Chiquito-Gallup Oil Pool should not be developed on 60-acre proration units.

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

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

CINTA ROJA-MORROW GAS POOL
Lea County, New Mexico

Order No. R-3161, Adopting Operating Rules for the Cinta Roja-Morrow Gas Pool, Lea County, New Mexico, December 6, 1966.

Application of Midwest Oil Corporation for Special Pool Rules, Lea County, New Mexico.

CASE NO. 3492
Order No. R-3161

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 30, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of December, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Midwest Oil Corporation, seeks the promulgation of special rules and regulations for the Cinta Roja-Morrow Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units.

(3) That the applicant has established that one well in the Cinta Roja-Morrow Gas Pool can efficiently and economically drain and develop 640 acres.

(4) That the vertical limits of said pool should be defined as the Morrow zone of the Pennsylvanian formation and the horizontal limits of said pool should be extended to include the N/2 and SE/4 of Section 9, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico.

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the segmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 640-acre spacing units should be promulgated for the Cinta Roja-Morrow Gas Pool.

(CINTA ROJA-MORROW GAS POOL - Cont'd.)

(6) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the vertical limits of the Cinta Roja-Morrow Gas Pool shall be the Morrow zone of the Pennsylvanian formation and the horizontal limits of said pool shall be extended to include the N/2 and SE/4 of Section 9, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) That Special Rules and Regulations for the Cinta Roja-Morrow Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
CINTA ROJA-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Cinta Roja-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting

the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Cinta Roja-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before January 1, 1967.

(2) That the operator of each well presently drilling to or completed in the Cinta Roja-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive a 320-acre allowable until a Form C-102 dedicating 640 acres to the well has been filed with the Commission.

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

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

WEST PUERTO CHIQUITO-MANCOS POOL
Rio Arriba County, New Mexico

Order No. R-2565-B, Abolishes Puerto Chiquito-Mancos Pool, Creates East Puerto Chiquito-Mancos Pool and West Puerto Chiquito-Mancos Pool and Adopts Temporary Operating Rules for the West Puerto Chiquito-Mancos Pool, Rio Arriba County, New Mexico, November 28, 1966, as Amended by Order No. R-2565-C, January 6, 1970.

Order No. R-2565-C, January 6, 1970, makes permanent the rules adopted in Order No. R-2565-B, as amended.

See separate Order No. R-3894, August 1, 1970, contracting the horizontal limits of the East Puerto Chiquito-Mancos Pool and extending the horizontal limits of the West Puerto Chiquito-Mancos Pool.

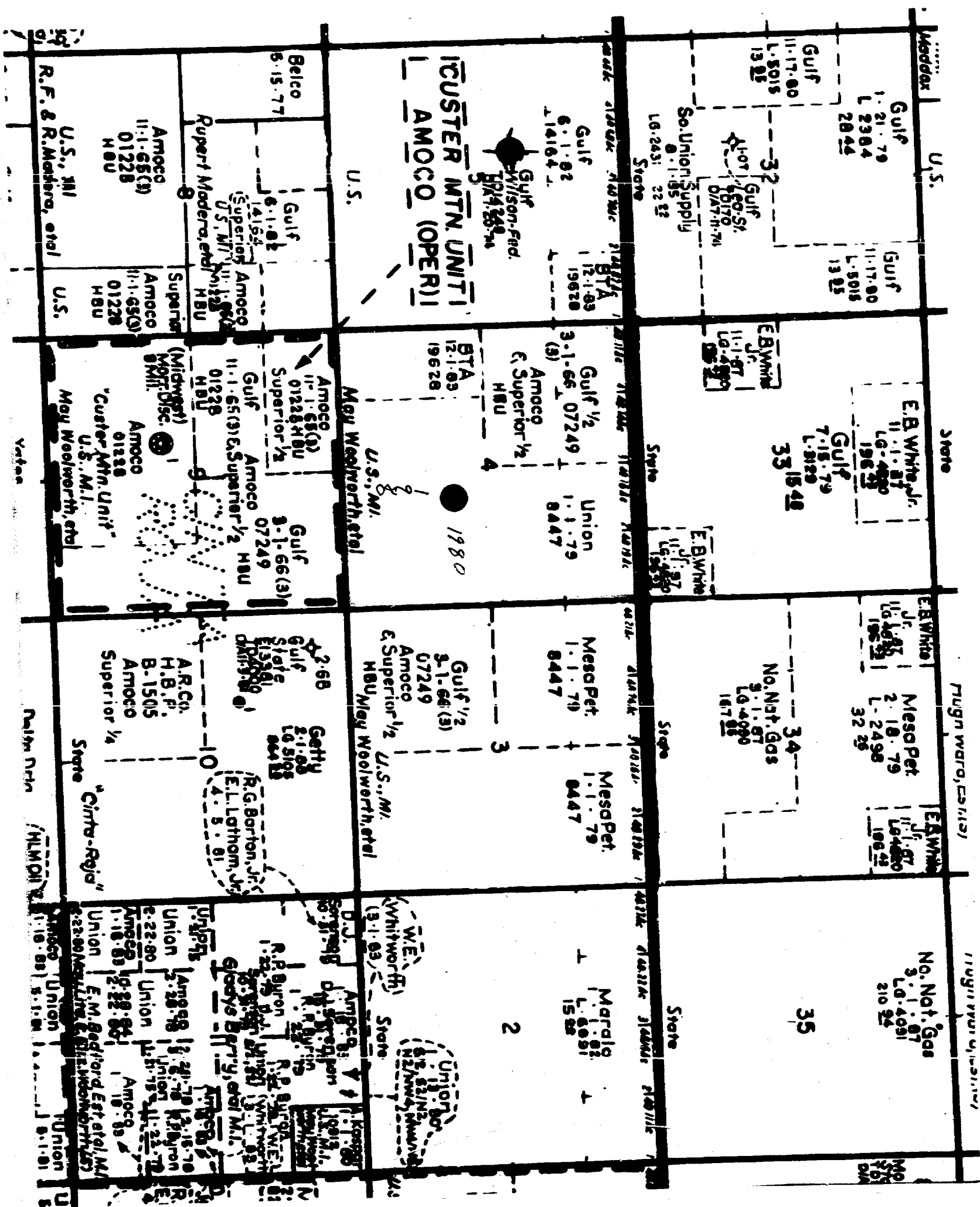
Application of Benson-Montin-Greer Drilling Corporation for Division of an Oil Pool into Two Pools and for Special Rules for Each, Rio Arriba County, New Mexico.

CASE NO. 3455
Order No. R-2565-B

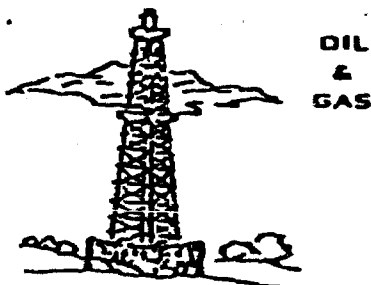
ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 16, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of November, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,



Moyle Z. McKay



BTA Oil Producers
104 South Pecos
Midland, Texas 79701

POST OFFICE BOX 2014 • TELEPHONE 505/623-4735
ROSWELL, NEW MEXICO 88201

November 7, 1978

| | |
|--|-----------|
| BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION | |
| FILE NO. | 2 |
| CASE NO. | 6397 |
| Submitted by | Applicant |
| Hearing Date | 12-7-78 |

Re: Participation of Working
Interest Unit or Farmout
Request of
Section 4, T24S, R35E
Lea County, New Mexico

Attention: Mr. Weldon Wheatley

Gentlemen:

Pursuant to our recent conversation concerning your possible participation in a well to be drilled in Section 4, T24S, R35E or in the alternative, McKay Oil Corporation would desire a farmout of your acreage in the drillsite tract.

I have proposed the formation of a divided Federal Unit comprising all of Section 3 and 4 of T24S, R35E, Lea County, New Mexico. The initial test well will be drilled in the SE/4 of Section 4. This well will be drilled to a depth sufficient to adequately test the Morrow formation or to a depth of 14,600' subsurface, whichever is the lesser.

I desire to commence the test well prior to January 1, 1979. I need your support of this well to the extent that you participate in the well or in the event you do not desire to participate, that you grant me a farmout of your acreage. If granted such a farmout, I would drill said well in such a manner to be considered a prudent operator.

In the event of a farmout, I would drill said well to contract depth and either plug and abandon said well or complete it into the tanks or pipeline, if productive, free of cost to BTA and earn your acreage in Section 4, subject to BTA providing McKay Oil Corporation with an 80% net revenue lease prior to payout, with BTA's retained override converting at BTA's choice to a 33.33% working interest in the well and earned acreage when McKay Oil Corporation has received from working interest proceeds, all of its cost of drilling, completing, equipping and operating the

LEASES

• PRODUCTION

• INVESTMENTS

BTA Oil Producers

Page -2-

well to payout. It is further understood that BTA does not own all of the interest or acreage in Section 4, and therefore; BTA's interest will be reduced proportionately as its acreage bears to the whole proration unit.

Also, as we have discussed, we intend to include BTA farmout acreage in the federally approved unit consisting of Section 3 and 4 of T24S, R35E, Lea County, New Mexico. However, the distribution of revenues will be based on a proration spacing unit; that is to say, the federal unit will hold two sections of land, but production will be distributed only according to the Section 4 and then when a well is drilled on Section 3, the production from that acreage will be distributed to only those earning an interest in Section 3.

I trust then we may have an early answer to my request, insomuch, as time is of the essence.

Immediately upon your participation or farmout approval, I will call a meeting of the working interest owners to attempt to finalize everyone's position in the unit. I would expect the meeting to be held at Mesa Petroleum's Office in Midland.

If you have any further questions, please advise.

Very truly yours,

MCKAY OIL CORPORATION


Roy L. McKay, President

PS Form 3811, Apr. 1977

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☒ RESTRICTED DELIVERY
 Show to whom and date delivered. 45
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 BTA Oil Producers
 104 S. Pecos
 Midland, Tx 79701

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 165876

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☒ Authorized agent
M. Burleson

4. DATE OF DELIVERY 11-8-78

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO : 1977-O-234-337

No. 165876
 RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

SENT TO
 BTA Oil Producers
 STREET AND NO.
 104 S. Pecos
 P.O., STATE AND ZIP CODE
 Midland, Tx 79701

POSTAGE \$ 15

CERTIFIED FEE \$ 80

SPECIAL DELIVERY \$

RESTRICTED DELIVERY \$ 45

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

SHOW TO WHOM AND DATE DELIVERED \$

SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY \$

SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$

TOTAL POSTAGE AND FEES \$ 1.40

POSTMARK OR DATE

PS Form 3800, Apr. 1976

WOOLWORTH RANCH UNIT #1
1980' FS & EL Sec. 4, 24S, 35E Lea Co.

INTANGIBLE DRILLING COST

DRY HOLE COST

| | |
|--|----------------------|
| Surface Damages & Survey | \$ 1,000.00 |
| Location & Roads | 15,000.00 |
| Drilling 0' to 12,000' 50 days at \$4200/day | 210,000.00 |
| 12,000' to 14,500' 50 days at \$4450/day | 222,500.00 |
| Bits | 62,000.00 |
| Rig cost for 4 DST's at \$4450/day 4 days | 17,800.00 |
| Mud & Chemicals | 100,000.00 |
| Water | 15,000.00 |
| Cementing 300' 16" surface | 1,500.00 |
| Cementing Intermediate | 4,500.00 |
| Cementing Protective String 12,400' | 9,500.00 |
| Drill Stem Testing Services 4 at \$3,000 ea. * | 12,000.00 |
| Logging | 25,000.00 |
| Trucking & Rig Materials | 35,000.00 |
| Rental Equipment | 15,000.00 |
| Geological Engineering (Eng. Supr. & Logging Unit) | 10,000.00 |
| Logging Unit | 15,000.00 |
| Overhead | 7,500.00 |
| Misc. | <u>15,000.00</u> |
| TOTAL INTANGIBLE | \$ 793,300.00 |

TANGIBLE DRILLING COST

| | |
|--|------------------|
| Casing: 300' of 16" csg. at 23.98/ft. | 7,194.00 |
| 3000' 10 3/4 40.50/ft. K-55 ST&C 13.78/ft. | 41,340.00 |
| 1000' 10 3/4 45.5 K-55 ST&C 15.49/ft. | 15,490.00 |
| 1000' 10 3/4 51.0 K-55 ST&C 17.32/ft. | 17,320.00 |
| 400' 10 3/4 51.0 N-80 LT&C 22.64/ft. | 9,056.00 |
| 1700' 7 7/8 29.70 N-80 Buless 16.17/ft. | 27,387.00 |
| 6800' 7 7/8 29.70 N-80 LT&C 15.10/ft. | 102,680.00 |
| 3900' 7 7/8 29.70 5.95 LT&C 17.34/ft. | 67,626.00 |
| Wellhead | <u>12,500.00</u> |

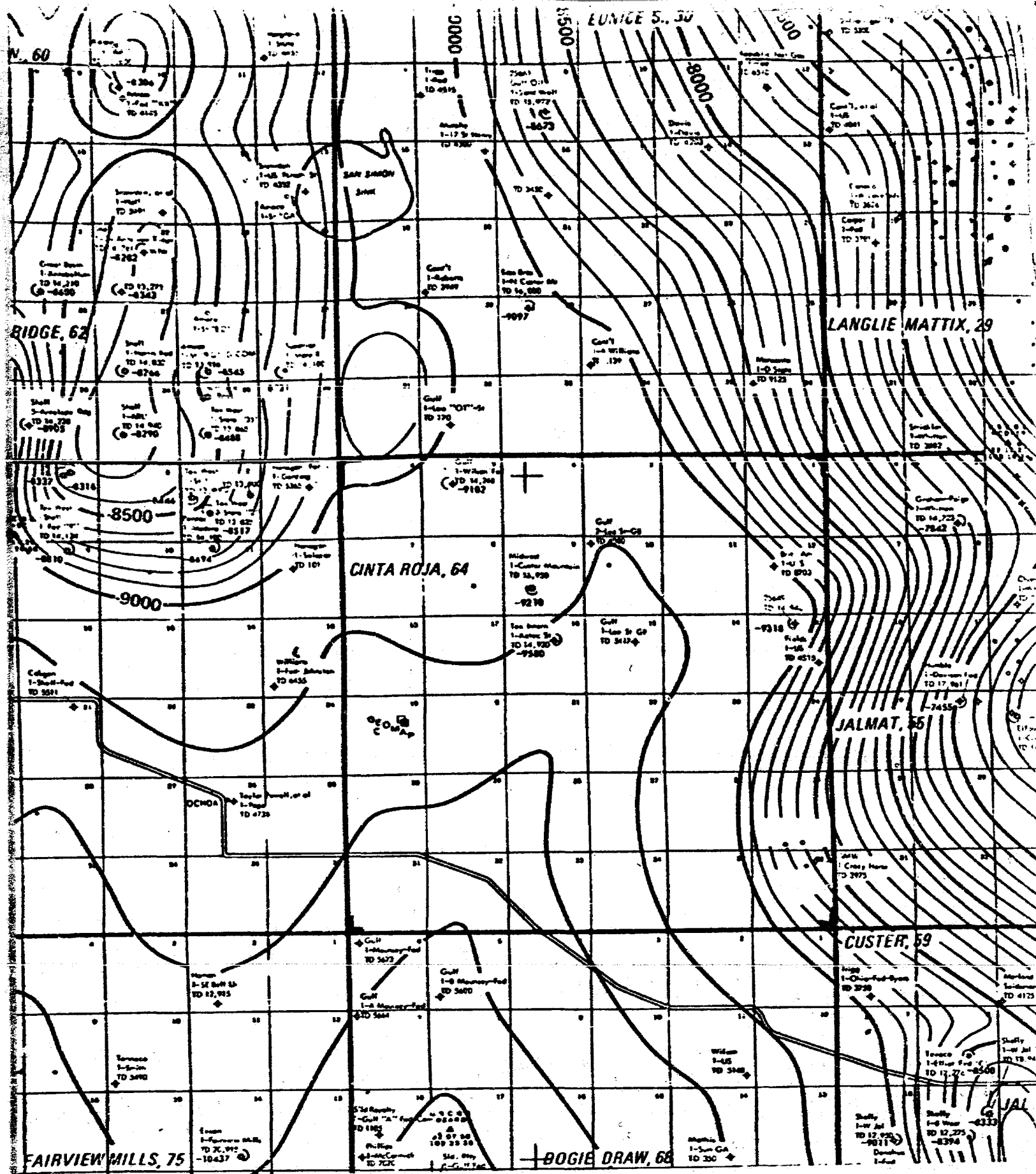
TOTAL TANGIBLE COST

300,593.00

TOTAL DRY HOLE

\$1,093,893.00

| | |
|-------------------------------|--|
| BEFORE EXAMINER STAMETS | |
| OIL CONSERVATION DIVISION | |
| EXHIBIT NO. <u>3</u> | |
| CASE NO. <u>6397</u> | |
| Submitted by <u>Applicant</u> | |
| Hearing Date <u>12-7-78</u> | |



Cinta Roja (Morrow) Field Area
T-24-S, R-35-E
Lea County, New Mexico

Structural Map
Strawn Lime

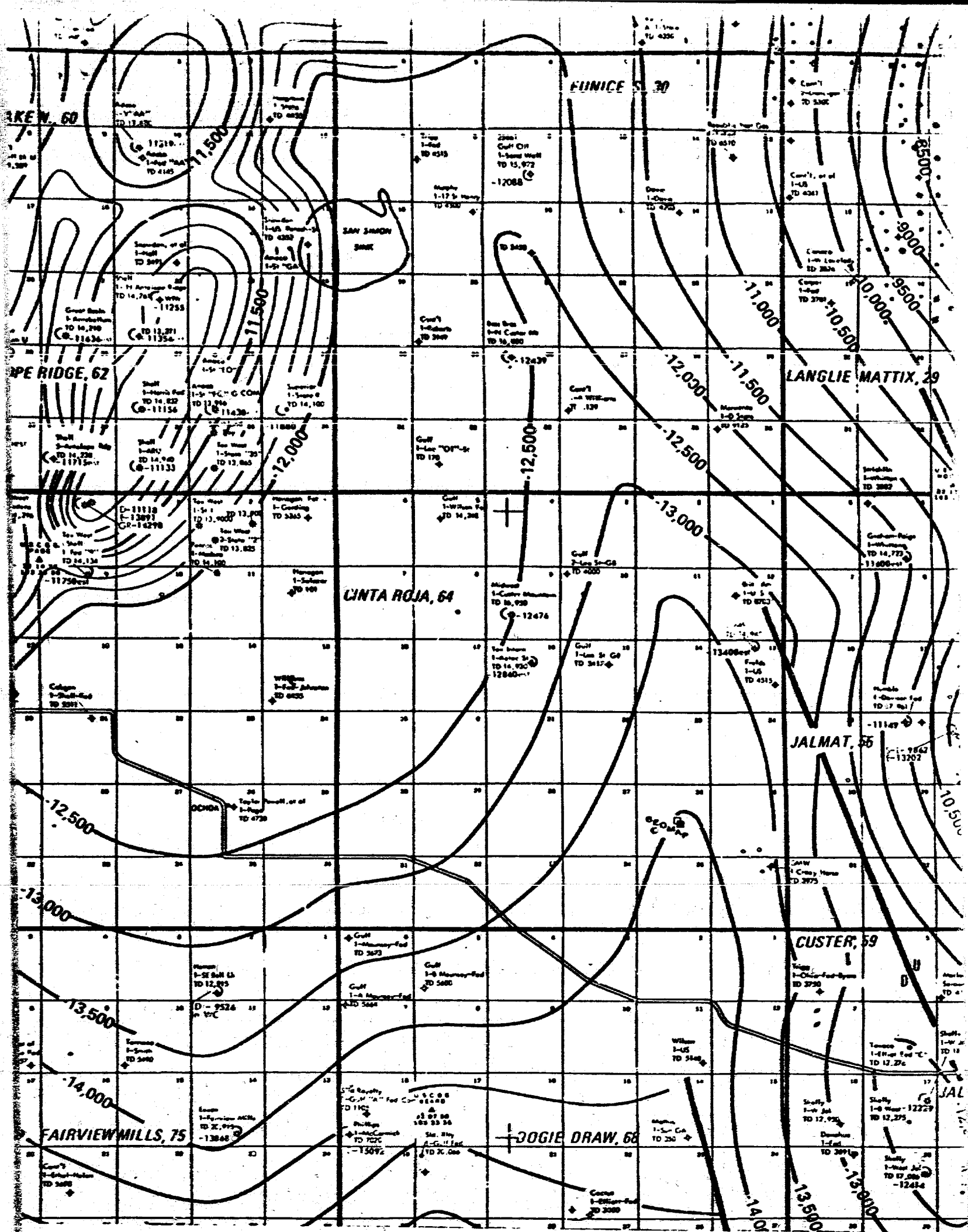
CI= 100' Scale 1"=8000
by= Geo-Map Date 12-1-78

BEFORE 5th JUNE 1978
OIL COMMISSION

BTA
CASE NO. 6397

Submitted by BTA

Hearing Date 7 DEC 78



Cinta Roja (Morrow) Field Area
T-24-S, R-35-E
Lea County, New Mexico

Structural Map
Siluro - Devonian

CI= 500'
by= Geo-Map

Scale 1" = 8000
Date 12-1-78

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

BTA LEA CO. NO. **2**

CASE NO. **6397**

Submitted by **BTA**

Hearing Date **7 Dec 78**

NEW MEXICO OIL & GAS ENGINEERING COMMITTEE
SOUTHEAST NEW MEXICO VOLUME I 1977

[illegible]

New Mexico Oil & Gas Engineering Committee Southeast New Mexico Volume III 1978 July

SCHUMBERGER

WELL: MIDWEST OIL CORP. #1 Custer Mountain Unit

Loc'n: S/central part county, 12 mi NW/Jol; Sec 9-24S-35E, 1980' FSCWLS
Sec 7 mi W of Cooper Jol Fld.

Result:

NEW GAS

WELL: MIDWEST OIL CORP. #1 Custer Mountain Unit
Loc'n: S/central part county, 12 mi NW/Jol; Sec 9-24S-35E, 1980' FSCWLS
Sec 7 mi W of Cooper Jol Fld.

Result:

NEW GAS

COMPANY: MIDWEST OIL CORPORATION

WELL: CUSTER MOUNTAIN UNIT / FSCWLS #1

FIELD: MIDWEST

COUNTY: A.T.

LOCATION: 1980' FSCWLS

Sec 9-24S-35E

Page 151

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Spud: 8-29-63, Comp: 5-18-64, Elev: 3403' DF, TD: 16,590'

Casing: 20" 390/580 ex, 13 3/8" 5240/3609 ex, 9 5/8" 12,456/1700 ex, 7" liner 12

15, 379/533 ex

Prod Zone: (Morrow) T/Poy 13, 968, Prod thru perf 13,968-14,288

FP CAPI: 8,000,000 CFCDP

Spud Info: Cid 5253-82' rec 29' shy li; Cid 5282-97' rec 15' li, Cid 5300-50' rec

6' sd, DST 5310-50, op 2 hrs, rec 2500' SW, FP 172-1143', SIP 1981#/30 mins,

8770-8855, op 1 hr, rec 60' li OCM 6 3 qts oil, FP 20#, SIP 62#/1 hr, DST 899

9055, op 50 mins, rec 65' mud, FP 47-103#, SIP 103#/50 mins, DST 12,456-67

op 3 1/2 hrs, rec 3160' WC, 1950' GCWC 6 1490' GCWC plus 5340' HCCM, 1

3175-6219#, SIP 7550#/1 hr, DST 15,886-924, op 1 3/4 hrs, rec 5880' WC 6 30

CCM, FP 5294-2688#, SIP 3391#/1 hr, DST 15,884-16,050, op 1 hr, rec 5700'

6 204' mud, FP 3024-3089#, SIP 3780#/1 hr, DST 16,050-280, op 4 hrs, rec 57

6 2650' mud, plus 90' CCM, FP 3370-3694#, SIP 7042#/4 hrs, DST 15,360-590

1 hr, rec 3500' WC 6 720' mud, FP 1829-1887#, SIP 2445#/1 hr, Perf 13,960-14,003

14,036-046, 14,074-084, 14,254-288, A/1,000 gals, fivd 5,000,000 CFCDP CCM

16/64" ch, est 10 bbls cond, per million CFC, A/2,000 gals, sqd perf 13,960-14,003

DST (Hookwell) perf 13,308 6 14,138, op 3 hrs 6 15 mins, fivd est 5,500,000 CFCDP

DST 1500#, DST (Hookwell) perf 14,020 6 14,138, fivd est 5,500,000 CFCDP

Date: 6-9-64 THE OIL & NATURAL GAS ASSOC

Date: 6-9-64 Card No: 16A NM

Comp Info: 3/4" ch, rec 138' cond, 6 760' cond, cut mud, FP 1403-2275#, SIP 8048#

1 hr, DST 13,960-14,002, op 2 hrs 6 15 mins, fivd est 12,00 CFCDP, rec 455' CCM

6 950' GCWCW, FP 318-957#, SIP 7447#/1 hr, Re-Perf 13,968-14,002, A/1,000 gals,

Rec w/25,000 gals, C/Rowan Drig. Co.

Topu (EL) Dela. li 5215, Dela. rd. 5365, Cherry Canyon 6260, Bone Spring th. 8905,

Bone Spring li 9075, Barnett 14,485, Chester 15,115, Miss. 15,225, Davi. 15,880'.

Telegram Telegram

IPMTKX SANA
 1-0153000340 12/06/78
 TVX SUPCO B CROE
 01 CONROE, TEXAS
 PMS JOE D RAMEY, EXECUTIVE DIRECTOR
 STATE OF NEW MEXICO
 ENERGY & MINERAL DEPT
 OIL CONSERVATION DIVISION
 P O BOX 2080
 SANTA FE, NEW MEXICO 87501

DECEMBER 6, 1978

REFERENCE IS MADE TO WESTERN OIL PRODUCERS, INC APPLICATION
 SEEKING TO ORDER COMPULSORY POOLING OF ALL MINERAL INTERESTS
 IN THE MORROW FORMATION UNDERLYING ALL OF SEC 4, 1248, R39E,
 CIVITA NOJA - MORROW GAS POOL, LEA COUNTY, NEW MEXICO. THIS
 IS "CASE 6397" SET FOR HEARING ON DECEMBER 7, 1978.

THIS IS TO ADVISE THAT THE SUPERIOR OIL COMPANY HAS PROPOSED
 TO WESTERN OIL PRODUCERS, INC THAT SUPERIOR EITHER JOIN IN THE
 DRILLING OF A MORROW WELL OR FARMOUT ITS MINERAL INTEREST AS
 SUPERIOR RESPECTFULLY REQUESTS THAT ITS MINERAL INTEREST AS
 TO THE MORROW FORMATION UNDERLYING ALL OF SEC 4, 1248, R39E
 NOT BE CONSIDERED IN ANY ORDER COMPULSORY POOLING SUCH INTERESTS.

THE SUPERIOR OIL COMPANY
 J S EADS
 MANAGER WESTERN DIVISION
 CONROE, TEXAS
 TVX 9100001002
 1712 EST
 IPMTKX SANA

12-7-78
W.D.

Dockets Nos. 40-78 and 41-78 are tentatively set for hearing on December 20, 1978 and January 3, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 7, 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. Mutter, Alternate Examiner:

- CASE 6392: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Indian Hills Com. Well No. 1 located in Unit J of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6393: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 104 F of the Division Rules and Regulations to provide for the administrative approval of the unorthodox location of wells drilled within secondary recovery or pressure maintenance projects.
- CASE 6394: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of an administrative procedure and Forms C-132 and C-132-A, all for the purpose of making wellhead price ceiling category determinations under the Natural Gas Policy Act of 1978.
- CASE 6395: Application of David Fasken for pool contraction and pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Basin-Morrow Gas Pool by the deletion therefrom of Section 9, Township 21 South, Range 24 East, Eddy County, New Mexico, and the extension of the Cemetery-Morrow Gas Pool to include the aforesaid Section 9.
- CASE 6396: Application of Amoco Production Company for pool creation and contraction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the House Drinkard oil pool by the deletion therefrom of the NE/4 and E/2 SE/4 of Section 12 and the E/2 NE/4 of Section 13, both in Township 20 South, Range 38 East, and the W/2 of Section 7 and the NW/4 of Section 18, Township 20 South, Range 39 East, and the creation of a new gas pool for Lower Drinkard production in the NE/4 of Section 12, Township 20 South, Range 38 East, all in Lea County, New Mexico.
- CASE 6397: Application of Western Oil Producers, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 4, Township 24 South, Range 35 East, Cinta Roja-Morrow Gas Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6398: 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 for the Wolfcamp and Pennsylvanian formations of its State Com Well No. 1, to be located 660 feet from the South and West lines of Section 18, Township 21 South, Range 26 East, Catclaw Draw Field, Eddy County, New Mexico, all of said Section 18 to be dedicated to the well in the Morrow formation.
- CASE 6399: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 32, Township 18 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 710 feet from the North line and 2330 feet from the West line of said section. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6400: Application of Coronado Exploration Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying each of the following 40-acre tracts: SW/4 SW/4 Section 7; SW/4 SW/4 Section 8; SW/4 SE/4 Section 18; NW/4 NW/4 Section 19; and NW/4 NW/4 Section 20, all in Township 10 South, Range 28 East, Race Track-San Andres Pool, Chaves County, New Mexico. Also the NE/4 NE/4 Section 28, Township 10 South, Range 28 East, LE Ranch-San Andres Pool, Chaves County, and the SW/4 NE/4 Section 15, Township 11 South, Range 28 East, East Chisum-San Andres Pool, Chaves County. Each of the aforesaid 40-acre tracts would comprise a drilling unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered, with respect to each of the above described drilling units and well, will be the cost of drilling and completing the 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 each well and a charge for risk involved in drilling each well.

- CASE 6401:** Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Mesaverde production within the wellbore of its Jicarilla 101 Well No. 1 located in Unit A of Section 1, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6402:** Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Dakota production within the wellbore of its Jicarilla 101 Well No. 2 located in Unit H of Section 12, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6403:** Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin Dakota and Blanco Mesaverde production within the wellbore of its O'Shea Well No. 1 located in Unit K of Section 3, Township 31 North, Range 13 West, San Juan County, New Mexico.
- CASE 6404:** Application of Sun Production Company for compulsory pooling, non-standard gas proration unit, and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, Lea County, New Mexico, to form a non-standard 160-acre proration unit to be dedicated to a well to be drilled at an unorthodox location 810 feet from the South line and 2030 feet from the East line of said section. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6405:** Application of LaRue and Muncy for exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing/cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit its Federal FR Well No. 1 located in Unit I of Section 15, Township 18 South, Range 30 East, Eddy County, New Mexico, to be completed in the following manner: set surface casing and circulate cement; eliminate salt protection string; and do not circulate cement on production casing.

GEORGE H. HUNKER, JR.
DON M. FEDRIC
ROBERT I. WALDMAN

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700
AREA CODE 505

November 8, 1978

Mr. Joe D. Ramey, Executive Director
New Mexico Oil Conservation Division
Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: T-24-S, R-35-E, NMPM
Lea County, New Mexico
Western Oil Producers, Inc.
Application for Compulsory Pooling

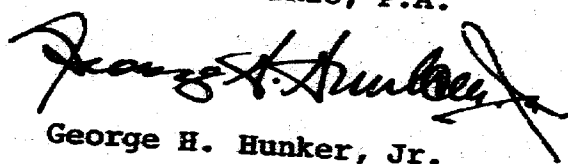
Dear Mr. Ramey:

In connection with the above matter, we hand you herewith in triplicate Western Oil Producers, Inc.'s Application to compulsorily pool the above described tract as to the Morrow zone of the Pennsylvanian formation, reference being made to Case No. 3492, Order No. R-3161, Cinta Roja-Morrow Gas Pool, dated December 6, 1966.

Please set this matter down for hearing at the December 7, 1978, hearing date before an Examiner.

Respectfully submitted,

HUNKER - FEDRIC, P.A.


George H. Hunker, Jr.

GHH:dd
Enc.

xc: Western Oil Producers, Inc., P.O. Box 2055,
Roswell, New Mexico 88201, w/enc.
xc: McKay Oil Corporation, P.O. Box 2014
Roswell, New Mexico 88201, w/enc.
xc: Mr. Joe D. Ramey, NMOCD,
P.O. Box 2088, Santa Fe, New Mexico 87501

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. 6397

APPLICATION OF WESTERN OIL
PRODUCERS, INC. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

COMES NOW WESTERN OIL PRODUCERS, INC., P.O. Box 2055,
Roswell, New Mexico 88201, by and through its Attorneys,
Hunker-Fedric, P.A., P.O. Box 1837, Roswell, New Mexico 88201,
and makes application to the Division pursuant to Section 65-3-14,
N.M.S.A. (1953 comp.), as amended, for an Order pooling for gas
and associated hydrocarbon production from all mineral interests
as to the Morrow zone of the Pennsylvanian formation underlying
all of Section 4, Township 24 South, Range 35 East, NMPM, Lea
County, New Mexico, Cinta Roja-Morrow Gas Pool; and in support
thereof the Applicant states:

1. Applicant is the owner of the right to drill and
develop the Morrow zone of the Pennsylvanian formation in all of
Section 4, Township 24 South, Range 35 East, NMPM, at a standard
well location for the 640-acre unit; and Applicant proposes to
drill a test well on said section, to be located 1,980 feet from
the South line and 1,980 feet from the East line, and projects
that said well will be drilled to a depth sufficient to test the
Morrow zone of the Pennsylvanian formation.

2. Applicant has obtained voluntary agreement for pooling
from all interest owners except the persons named in Exhibit "A"
hereto, whose addresses according to Applicant's best information
and belief, are set forth on said Exhibit "A" hereto.

3. Applicant has made a good-faith effort through Applicant's agent to obtain the voluntary agreement for pooling from the persons named in Exhibit "A"; however, such persons have either refused to voluntarily pool their interests upon just and reasonable terms and conditions or have failed to respond to such contact attempts.

4. In order to drill to a common source of supply, to protect correlative rights, and to afford to the owners of each interest in said section the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas from said common source of supply, it is necessary and proper that an Order be entered herein pooling for gas and associated hydrocarbon production, all mineral rights, whatever they may be, under said section as to the Morrow zone of the Pennsylvanian formation.

5. Applicant should be designated as the Operator of said pooled unit.

6. A hearing should be had before an Examiner for the purpose of determining and considering the cost of drilling and completing a well on said section, and the allocation of such costs as well as the operating costs and charges for supervision. Applicant will ask that a charge be made for the risk involved in drilling a well to the Morrow zone of the Pennsylvanian formation at an orthodox location.

7. The persons named on Exhibit "A" attached hereto are believed to be interested parties.

WHEREFORE, Applicant prays that an Order be entered herein pooling all mineral interests as to the Morrow zone of the Pennsylvanian formation underlying all of Section 4, Township 24 South, Range 35 East, NMPM, Cinta Roja-Morrow Gas Pool, Lea County, New Mexico; naming Western Oil Producers, Inc. as Operator of the pooled unit; and providing for the allocation of costs of drilling, completing, equipping and operating said well, together with a reasonable charge for the risk involved therein, together

with such further Orders and Rules as may be required by the
Division.

Respectfully submitted,

HUNKER - FEDRIC, P.A.

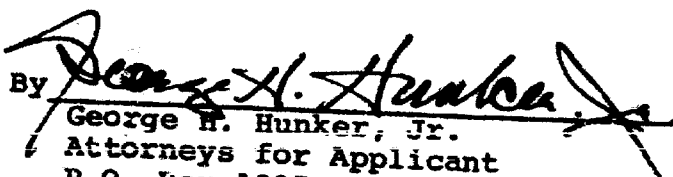
By 
George H. Hunker, Jr.
Attorneys for Applicant
P.O. Box 1837
Roswell, New Mexico 88201
Telephone (505) 622-2700

EXHIBIT "A"

WESTERN OIL PRODUCERS, INC., OPERATOR
TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM
SECTION 4: LOTS 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$

UNCOMMITTED WORKING INTERESTS

Tract 1 - W $\frac{1}{2}$ SW $\frac{1}{2}$ Section 4:

BTA OIL PRODUCERS
104 South Pecos St.
Midland, Texas 79701

Tract 2 - Lots 3,4, S $\frac{1}{2}$ NW $\frac{1}{4}$ Section 4:

AMOCO PRODUCTION COMPANY
P.O. Box 3092
Houston, Texas 77001

GULF OIL CORPORATION
P.O. Box 1150
Midland, Texas 79702

THE SUPERIOR OIL COMPANY
P.O. Box 1521
Houston, Texas 77001

DRAFT

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

dr/

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

CASE NO. 6397

Order No. R- 5892

APPLICATION OF WESTERN OIL PRODUCERS,
INC. FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7,
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of December, 19 78, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Western Oil Producers, Inc.,
seeks an order pooling all mineral interests in the Morrow
formation underlying ~~the~~ all of
~~xx~~ Section 4, Township 24 South, Range 35 East,
NMPM, Cinta Roja-Morrow Gas Pool, Lea County, New
Mexico.

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

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

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

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

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

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

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

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

\$2520⁰⁰ per month while drilling
and \$292⁰⁰ per month while producing

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before April 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying ~~xxx~~ all of Section 4, Township 24 South, Range 35 East, NMPM, Cinta Roja-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 640 - acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of April, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of April, 1978, order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Western Oil Producers, Inc. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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

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

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

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

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

(9) That \$2520.00 per month while drilling and \$292.00 per month while producing are ~~per month is~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge, attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

(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 Lea 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 of first deposit with said escrow agent.

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

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

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CASE 6399: TEXAS OIL & GAS CORPORATION
FOR COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO