

CASE NO.

6601

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

HEYCO

PETROLEUM PRODUCERS



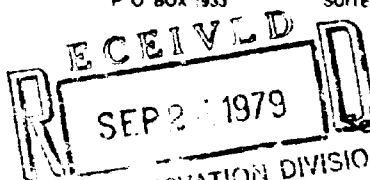
HARVEY E. YATES COMPANY

P O BOX 1933

SUITE 300 SECURITY NATIONAL BANK BUILDING

505-623-6801

MOSWELL, NEW MEXICO 88201



September 20, 1979

OIL CONSERVATION DIVISION
SANTA FE

See Attached Mailing List

Re: E/2 Section 8,
T-14S, R-36E, N.M.P.M.
Lea County, New Mexico
Docket #6601

File

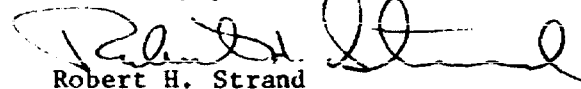
Gentlemen:

Enclosed is a copy of an Order entered by the Oil Conservation Division affecting your leasehold interest under the E/2 of Section 8, Township 14 South, Range 36 East.

As required under paragraph (3) on Page 3 of the Order we enclose an estimate of well costs in the form of an AFE covering the drilling of a test well on the land subject to the Order. If you wish to participate under the terms of the Order, please comply with the requirements for prepayment under paragraph (4) of the Order.

Alternatively, if you wish to participate under the terms of the Operating Agreement previously sent to you, please execute and return one set of signature pages for the Operating Agreement and one executed copy of the AFE. We would also be interested in discussing farmout terms if any party is interested in farming out their interest to Harvey E. Yates Company.

Sincerely yours,


Robert H. Strand

RHS/cj
Enclosures

AUSTIN MONTEITH #2
Mailing List

Coronado Exploration Corporation
1007 Marquette NW
Albuquerque, New Mexico 87102

Cal-Mon Oil Company
Suite 1200 National Bank Tower
P. O. Box 2066
Midland, Texas 79701

Jan Oil Company
811 First National Bank Building
Midland, Texas 79701

John H. Hendrix
525 Midland Tower
Midland, Texas 79701

Ernest Angelo, Jr.
410 North Main
Midland, Texas 79701

Don L. Spards
507 N. Marienfeld
Suite 208
Midland, Texas 79701

George A. Thomas
801 First National Bank Building
Midland, Texas 79701

William Tack Thomas
801 First National Bank Building
Midland, Texas 79701

Joe R. Henderson
P. O. Box 2477
Midland, Texas 79701

James S. Dubose
3416 Autumn Drive
Fort Worth, Texas 76109

McCrea Trust No. 1
P. O. Box 1715
Midland, Texas 79702

Estoril Producing Corp.
Suite 1100
Vaughn Building
Midland, Texas 79701

Jack O. McCall
Suite 1210
MNB Tower
Midland, Texas 79701

Marshall & Winston, Inc.
P. O. Box 874
Midland, Texas 79702

A. T. Carlton
P. O. Box 293
Midland, Texas 79701

Robert L. Monaghan
P. O. Box 2066
Midland, Texas 79702

NM Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501
Attn: Richard Stamets

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. 6601
Order No. R-6091

APPLICATION OF HARVEY E. YATES
COMPANY 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 August 8, 1979,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 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, Harvey E. Yates Company, seeks an
order pooling all mineral interests in the Wolfcamp through Missis-
sippian formations underlying the E/2 of Section 8, Township 14
South, Range 36 East, NMPM, Austin Field, 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.

SEP 10 1979

(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 \$3,000 per month while drilling and \$300 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 December 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 Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, NMPM, Austin Field, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of December, 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 Harvey E. Yates Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 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 \$3,000 per month while drilling and \$300 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.

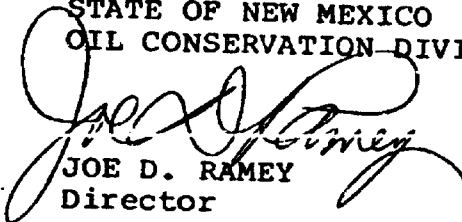
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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
Director

S E A L

fd/

LEASE Austin-MonteithWELL NUMBER 2LOCATION 1980' FSL & 660' FEL of Sec. 8, T-14S, R-36ECOUNTY LeaDEPTH 14,000'

PRODUCING FORMATION _____

	Producing Well Cost	Dry Hole Cost
Drilling and completion costs		
Intangible drilling costs		
Location	\$ 15,000	\$ 15,000
Footage <u>14,000'</u> @ <u>\$17.</u>	238,000	238,000
Daywork <u>28 Days</u> @ <u>\$4,000.</u>	115,500	115,500
Surface casing service	3,000	3,000
Intermediate casing service	5,000	5,000
Mud, water	50,000	50,000
Company supervisor, engineer	3,000	3,000
Rentals, coring service	18,000	18,000
Miscellaneous	10,000	10,000
Total intangible drilling costs	457,500	457,500
Intangible formation evaluation cost		
Logs, <u>CNL</u> , <u>BHC</u> , <u>DLL</u>	40,000	40,000
DST <u>5'</u> @ <u>\$2,000.</u>	10,000	10,000
Geological mud logging service	10,000	10,000
Miscellaneous	4,000	4,000
Total intangible formation evaluation	64,000	64,000
Intangible completion costs		
Unit cost _____ @ _____	6,000	
Production casing service	15,000	
Completion fluid	2,500	
Perforating/production logging	10,000	
Treating	60,000	
Company supervision	10,000	3,000
Plugging expense		5,000
Miscellaneous	5,000	5,000
Total intangible completion costs	108,500	13,000
Tangible drilling costs and completion costs		
Surface casing		
<u>375'</u> of <u>13 3/8"</u>	7,500	7,500
Intermediate casing		
<u>4650'</u> of <u>9 5/8"</u>	60,000	60,000
Production casing		
<u>14,000'</u> of <u>5 1/2"</u>	120,000	
Production tubing		
<u>14,000'</u> of <u>2 3/8"</u>	40,000	
Casing head	6,000	
Tubing head	4,000	
Christmas tree	20,000	
Subsurface equipment		
Total tangible drilling costs and completion costs	257,500	67,500
Lease equipment		
Tanks _____	10,000	
Separator _____	9,000	
Flow lines _____		
Meter runs _____		
Pumping unit _____		
Installation costs	4,000	
Total lease equipment	23,000	
Total intangible costs	630,000	534,500
Total tangible costs	257,500	67,500
Total lease equipment	23,000	
Administrative	3,000	2,000
TOTAL COSTS	\$ 913,500	\$ 604,000

Prepared by: Fred G. Yates Date: 6-22-79

APPROVED BY: _____

Company _____

Date _____

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

December 7, 1979

POST OFFICE BOX 2098
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Harvey E. Yates Co.
P. O. Box 1933
Roswell, New Mexico 88201

Attention: Robert H. Strand

Re: Case No. 6601
Order No. R-6091

Dear Mr. Strand:

Harvey E. Yates Company is hereby given an extension to commence drilling a well pursuant to the above-referenced order to and including December 31, 1979. No further extensions will be granted beyond this date. In this regard, Harvey E. Yates Company has had authority under the compulsory pooling order to commence drilling a well since September 10, 1979, when the order was issued.

In addition, the maximum risk factor of 200 percent was awarded by the order which seemingly would obviate the necessity of voluntary agreements.

Sincerely,

JOE D. RAMEY,
Director

JDR/ELP/dr

HEYCO

PETROLEUM PRODUCERS



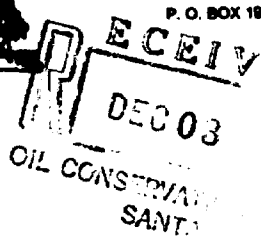
HARVEY E. YATES COMPANY

P. O. BOX 1833

SUITE 300 SECURITY NATIONAL BANK BUILDING

505-623-6601

ROSWELL NEW MEXICO 88201



November 30, 1979

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

Attention: Mr. Joe Ramey

RE: Case No. 6601
Order No. R-6091

Dear Joe:

As we discussed by telephone today, Harvey E. Yates Company hereby requests a reasonable extension of time within which to commence a well on the lands pooled under the above referenced order.

We are attempting to secure execution of an operating agreement covering the well by all of the interest owners subject to the order. We feel this can be accomplished; however, to date we have not received signed agreements from all parties. For this reason, we would like to maintain the compulsory pooling order in effect until it is determined whether there will be any interest owners who ultimately will refuse to join.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert H. Strand".

Robert H. Strand

RHS/lh

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
8 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company) CASE
for compulsory pooling, Lea County,) 6601
New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For Hendrix, et al: Conrad Coffield, Esq.
HINKLE, COX, EATON, COFFIELD
& HENSLEY
Midland, Texas

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (602) 471-2462
Santa Fe, New Mexico 87501

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I N D E X

GEORGE YATES

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ANDREW LATTO

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2620 Plaza Blanca (C-55) 471-5115
San Antonio, Texas 78201

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SALLY WALTON 8000
CITIZENS SHOOTING AND RECORDS
100 West Broadway, 11th Floor
New York, N.Y. 10038

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11 One is an ownership plat which
 12 proration unit and the well location.
 13 Now, Mr. Yates, what interest is owned by
 14 the company under the east half of Section 8?
 15 Mr. Yates: The Harvey E. Yates Company owns the entire
 16 east half of the northeast and the
 17 southeast of the section, giving Harvey E.
 18 a 50 percent interest under the proration

19 Mr. STAMETS: Okay, that's an L-shaped
 20 plat under the east half and the southeast of the south-
 21 east of the section, Harvey E. Yates.
 22 Mr. STAMETS: That's correct.

23 Mr. STAMETS: Okay, thank you.

24 (Strand continuing.) Mr. Yates, are
 25 there any other mineral interests under the remaining
 26 sections of Section 8?

27 Mr. Yates: No, there are.

28 I will refer you to Exhibit Number Three and,
 29 Mr. Staments, for the record, I've got my exhibits a little
 30 out of sequence.

31 Would you please identify and describe
 32 this exhibit?

33 Mr. Yates: Yes, Exhibit Three is a letter sent out
 34 under my signature to the working interest owners in the

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SALLY WALTON BOYD
 1940-1941: MORRIS REPORT
 1942-1943: MORRIS REPORT
 1944-1945: MORRIS REPORT

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1 Q What location does Harvey E. Yates Com-
2 pany propose for the well to be drilled on the east half
3 of Section 8?

4 A We propose to drill the well 1980 from
5 the south line and 660 from the east line.

6 Q Would that be a standard location for
7 statewide 320-acre spacing?

8 A Yes, it would.

9 Q What depth do you propose to drill this
10 well?

11 A We propose to drill the well to a depth
12 adequate to test the Mississippian formation, which we
13 estimate to be 14,000 feet below the surface.

14 Q Mr. Yates, have the cost estimates been
15 prepared for this proposed well?

16 A Yes, it has. That's Exhibit Four.

17 Q Would you state the estimated dry hole
18 cost and the completed cost?

19 A Our estimated dry hole cost of the well
20 are \$604,000. The estimated completed producing well cost
21 is \$913,500.

22 Q Based on your experience in these matters,
23 Mr. Yates, would you classify this as a high risk well?

24 A Yes, I would.

25 Q What do you feel would be a reasonable

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1 risk pool.
2 owner.

3
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5
6
7 particular in the vicinity of the well.
8
9 has participated in the drilling of these wells in addition
10 to -- four wells, including the one at Santa Fe, New Mexico,
11 drilled in the west half of Section 4.

12 Mr. Yates, under the operating agreements
13 covering these particular wells, what percentage royalties
14 are provided?

15 A. We are subject to two operating agreements.
16 One operating agreement covers the Adobe Hill
17 City unit. The second operating agreement covers the
18 Austin Ventfresh well and the McDonald Lair operated by
19 Yates Petroleum. Both operating agreements contain a 500
20 percent nonconsent royalty.

21 Mr. Yates, in regard to supervision cost,
22 what do you feel would be reasonable rates for supervision
23 of drilling and producing the proposed well?

24 A. \$3000 while drilling; \$300 a month while
25 producing.

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1 with the charges
2 provided for in the agreement.

3 Q. Now, these are the costs
4 that we have had to incur the most recent wells drilled
5 in the area. These costs are well costs contained in our
6 McDonald Unit agreement.

7 Q. Mr. Yates, were exhibits One through
8 Three prepared under your supervision?

9 A. Yes, they were.

10 MR. STAMM: That's all I have, Mr. Exa-
11 miner.

12 MR. STAMM: Any questions of this wit-
13 ness?

14 MR. COFFIELD: I have a question.

15

16 CROSS EXAMINATION

17 BY MR. COFFIELD:

18 Q. Mr. Yates, has this area been subject to
19 prior consideration in connection with matters considered
20 by the Oil Conservation Division or Commission?

21 A. Yes, it has.

22 Q. And have you participated in -- did you
23 participate in a hearing in connection with that, this area?

24 A. Yes.

25

MR. COFFIELD: Mr. Examiner -- well, first

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1 of all, would that --

2 Q Do you know, for example, would that be
3 Case Number 6488 and 6483 for which orders R-5945 and
4 R-5944 issued?

5 A I believe so.

6 MR. COFFIELD: Mr. Examiner, the two cases
7 and the two orders just mentioned, I urge the Examiner to
8 take administrative notice on matters introduced in those
9 cases.

10 MR. STAMETS: What were those case numbers
11 again, please?

12 MR. COFFIELD: Case Number 6488 and 6483,
13 and the corresponding orders were R-5945 and R-5944.

14 MR. STAMETS: The Examiner will take note
15 of those cases and orders.

16 Q (Mr. Coffield continuing.) Mr. Yates, at
17 the time of the prior hearing, preparing that and what
18 you knew about the area then relative to what you know
19 about the area now, do you think the risk of drilling this
20 well is higher or lower or about the same?

21 A The risk of drilling this particular
22 location is less than the risk of drilling the first well
23 in Section 8 simply because of proximity.

24 The risk, however, in this area of drilling
25 a 14,000 foot well, even assuming the reservoir is present,

1 is a very large risk. Simply mechanical risk is a factor
2 to be considered.

3 In addition, this will be the furthest
4 northeastern step-out to the pool. There are a number of
5 dry holes that have penetrated the Mississippian or Austin
6 formation.

7 So certainly I would say it is a risky
8 location.

9 Q Mr. Yates, do you recall that in these
10 cases just cited and orders just mentioned, the order which
11 was the subject of the Yates case, which sought to compul-
12 sory pool the south half of Section 8, that that order
13 denied the Yates application, and Order R 5945 approved
14 the Hendrix application which sought to pool the east half
15 of the same section? In other words, the same proration
16 spacing that is --

17 A That's correct, Mr. Coffield. The Hendrix
18 application was approved by the Oil Conservation Division
19 and had Mr. Hendrix drilled under the authority given to
20 him by the Commission, we wouldn't be here force pooling
21 the non-committed interests for the same location.

22 Q Is it also your recollection that Order
23 R-5945 provided that reasonable charges would be in the
24 amount of \$2500 per month while drilling and \$150 per month
25 while producing?

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1 A. Yes.

2 Q. And furthermore, that an appropriate
3 cost -- risk allocation, really, was 100 percent?

4 A. That's correct.

5 MR. COPFIELD: I have no other questions.

6 MR. STAMETS: Any other questions?

7 MR. STRAND: Yes.

8

9 REDIRECT EXAMINATION

10 BY MR. STRAND:

11 Q. Mr. Yates, in regards to those orders, is
12 it your recollection of the testimony in those cases that
13 Mr. Hendrix requested those specific producing and drilling
14 rates and also the risk factor of 100 percent?

15 A. That's correct, he did.

16 Q. With regard to this particular well we're
17 proposing in the east half of Section 8, is it still your
18 feeling that appropriate risk factor would be as you pre-
19 viously stated?

20 A. Yes, I do.

21 Q. And also producing and drilling?

22 A. That's correct.

23 Q. Mr. Yates, if this application is granted,
24 designating Harvey E. Yates Company as the operator of the
25 east half of Section 8, do you intend to drill that well at

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Casey, 14, killed Number Nine, a resident.

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1 A. Yes.

2 Q. Would you go ahead and describe the rela-
3 tive locations of those wells to our proposed location in
4 Section 8 and also the other matters set forth in that
5 exhibit?

6 A. This is a geologic structure map contoured
7 on the top of the Austin zone. It is essentially in gross
8 feature an anticline with a northeast/southwest trend. It
9 is bordered on the east side by a fault and there's also
10 a smaller fault cutting across from northeast to southwest
11 across the top of this anticline, which, as you can see,
12 the Phillips well, which is well number one on the west
13 side of Exhibit Number Two, has a subsea point of a -9200
14 feet.

15 The Adobe No. 1 Hannah, which is also in
16 Section 17, is well number two on this cross section. It
17 has a subsea point of 9251.

18 Then the Austin Monteith, drilled by
19 Harvey E. Yates Company, in Section 8, which is approximately
20 due west offset to the proposed location, has a subsea
21 point of a -9372.

22 And finally, at the north end in Section 5
23 is the Sinclair No. 1 Richardson, which also penetrated the
24 Austin zone. Now this was a dry hole, an attempted comple-
25 tion in the Austin pay which was not successful.

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3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87601

1 Q Mr. Lattu, is it your opinion that the
2 location previously testified to for the proposed well in
3 Section 8 is a satisfactory location?

4 A Yes, it is. I believe it to be approxi-
5 mately on geologic strike, or we should encounter the
6 Austin zone at approximately the same depth as the Harvey
7 E. Yates No. 1 Austin Monteith.

8 Q Mr. Lattu, do you feel that granting of
9 the order requested in this application will avoid the
10 drilling of unnecessary wells and protect correlative rights,
11 prevent waste, and afford all interest owners under the
12 east half of Section 8 the opportunity to recover and receive
13 their just and fair share of production?

14 A Yes, I do.

15 MR. STRAND: That's all I have, Mr. Examiner.

16 MR. STAMETS: Are there questions of the
17 witness?

18 MR. COFFIELD: I just have one question.

19

20

CROSS EXAMINATION

21

BY MR. COFFIELD:

22

23 Q Mr. Lattu, did you participate in the
24 cases mentioned earlier when Mr. Yates was testifying?

25

A Yes, I did.

26

Q In your opinion as far as geology is con-

1 cerned, has the further development of this area generated
2 any additional geological information, or is anything dif-
3 ferent now, as far as you can tell, significantly since it
4 was last winter?

5 A. It's different in the sense that this
6 fault I've included now. This is a down to the north fault
7 that I didn't have. Previously I just mapped this as a
8 northeast/southwest trending anticline. We anticipated
9 that our location in Section 8 for the Austin Monteith would
10 be on strike or even possibly high to the Adobe No. 1 Hannah
11 Well. This was not the case.

12 This fault is also seen on a seismic sec-
13 tion which was shot, an east/west line, approximately across
14 the middle of Sections 18, 17, and 16.

15 MR. COFFIELD: I have no other questions.

16 MR. STRAND: Mr. Lattu, did you prepare
17 Exhibits Number Two and Number Five?

18 A. Yes, I did.

19 MR. STRAND: Mr. Examiner, I move the in-
20 troduction of Exhibits One through Five.

21 MR. STAMETS: These exhibits will be ad-
22 mitted.

23 MR. STRAND: That's all I have.
24
25

DEAD EXAMINATION

MR. STAMETS:

Mr. Coffield, do you feel vindicated or vindicated at the change of events, the course of events, of the two mentioned hearings?

A: I'm just happy to see a successful well and want to do it again.

Q: Sounds like a good geological answer, if I ever heard one.

MR. STAMETS: Are there any questions of this witness? He may be excused.

Is there anything further in this case?

MR. COFFIELD: I do have one remark I want to make.

MR. STAMETS: Mr. Coffield.

MR. COFFIELD: I do want to state that my clients have no objection whatsoever to Harvey E. Yates Company being named as -- as the operator; however, we do submit that the provisions of Order R-5945, mentioned before, are reasonable and the rates and amounts specified therein are reasonable, and would urge respectfully that the Examiner carry those figures forward in any order entered in this case.

MR. STAMETS: If there is nothing further, the case will be taken under advisement.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
600 Main Street, Suite 100, New York, N.Y. 10011

REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct
 record of the hearing, prepared by me to the best of my
 ability, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
 Sally W. Boyd, C.S.R.

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 2020 Plaza Buena Vista (605) 471-2472
 Santa Fe, New Mexico 87501

I collected
 a copy
 of
 the
 transcript
 8-8 6601/79
 Richard L. Stamm
 Oil Conservation Division

[illegible]

Proposed Austin-Monteith #2 Well
Proposed Proration Unit

66601
Applic. sent
8/8/79

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

PO BOX 1000

WILSON COUNTY INTERNATIONAL BANK BUILDING

PO BOX 1000

ROSWELL, NEW MEXICO 88201

June 22, 1979

See Attached Mailing List

Re: Austin Monteith #2
E/2 Section 8,
T-14S, R-36E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

Harvey E. Yates Company has made application to drill the above referenced Mississippian test at a location 1980 feet from the South line and 660 feet from the East line of Section 8.

We enclose for your consideration an operating agreement and AFE covering the drilling of the well. We invite you to participate on the basis of your interest under the E/2 of Section 8 as set out on Exhibit "A" to the operating agreement.

If you wish to participate, please execute and return the extra set of signature pages for the operating agreement and one copy of the AFE. If you do not wish to participate, we would be happy to discuss a farmout of your interest.

Also, we wish to advise you that we have filed a compulsory pooling application with the New Mexico Oil Conservation Division covering the E/2 of Section 8; however, as you are aware, this proceeding will affect only those parties who do not participate or farmout their interest under the well.

If you have any questions, please do not hesitate to call.

Very truly yours,

George M. Yates

RHS/lh

6601³
Applicant
8/8/79

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette, NW
Albuquerque, New Mexico 87102

Cal-Mon Oil Company
Suite 1200 National Bank Tower
P. O. Box 2066
Midland, Texas 79701

Jan Oil Company
811 First National Bank Bldg.
Midland, Texas 79701

John H. Hendrix
525 Midland Tower
Midland, Texas 79701

✓ Jack Markham
Suite 1212
1500 Broadway
Lubbock, Texas 79401

✓ J. M. Welborn
Suite 1212
1500 Broadway
Lubbock, Texas 79401

Ernest Angelo, Jr.
410 North Main
Midland, Texas 79701

Don L. Spards
507 N. Marienfeld
Suite 208
Midland, Texas 79701

George A. Thomas
801 First National Bank Bldg.
Midland, Texas 79701

William Tack Thomas
801 First National Bank Bldg.
Midland, Texas 79701

Joe R. Henderson
P. O. Box 2477
Midland, Texas 79701

James S. DuBose
3416 Autumn Drive
Fort Worth, Texas 76109

McCrea Trust No. 1
P. O. Box 1715
Midland, Texas 79702

Estoril Producing Corp.
Suite 1100
Vaughn Building
Midland, Texas 79701

Jack O. McCall
Suite 1210
MNB Tower
Midland, Texas 79701

Marshall & Winston, Inc.
P. O. Box 874
Midland, Texas 79702

A. T. Carlton
P. O. Box 293
Midland, Texas 79702

Robert L. Monaghan
P. O. Box 2066
Midland, Texas 79702

LEASE Austin-MonteithWELL NUMBER 2LOCATION 1980' FSL & 660' FEL of Sec. 8, T-14S, R-36ECOUNTY Lea DEPTH 14,000' PRODUCING FORMATION _____

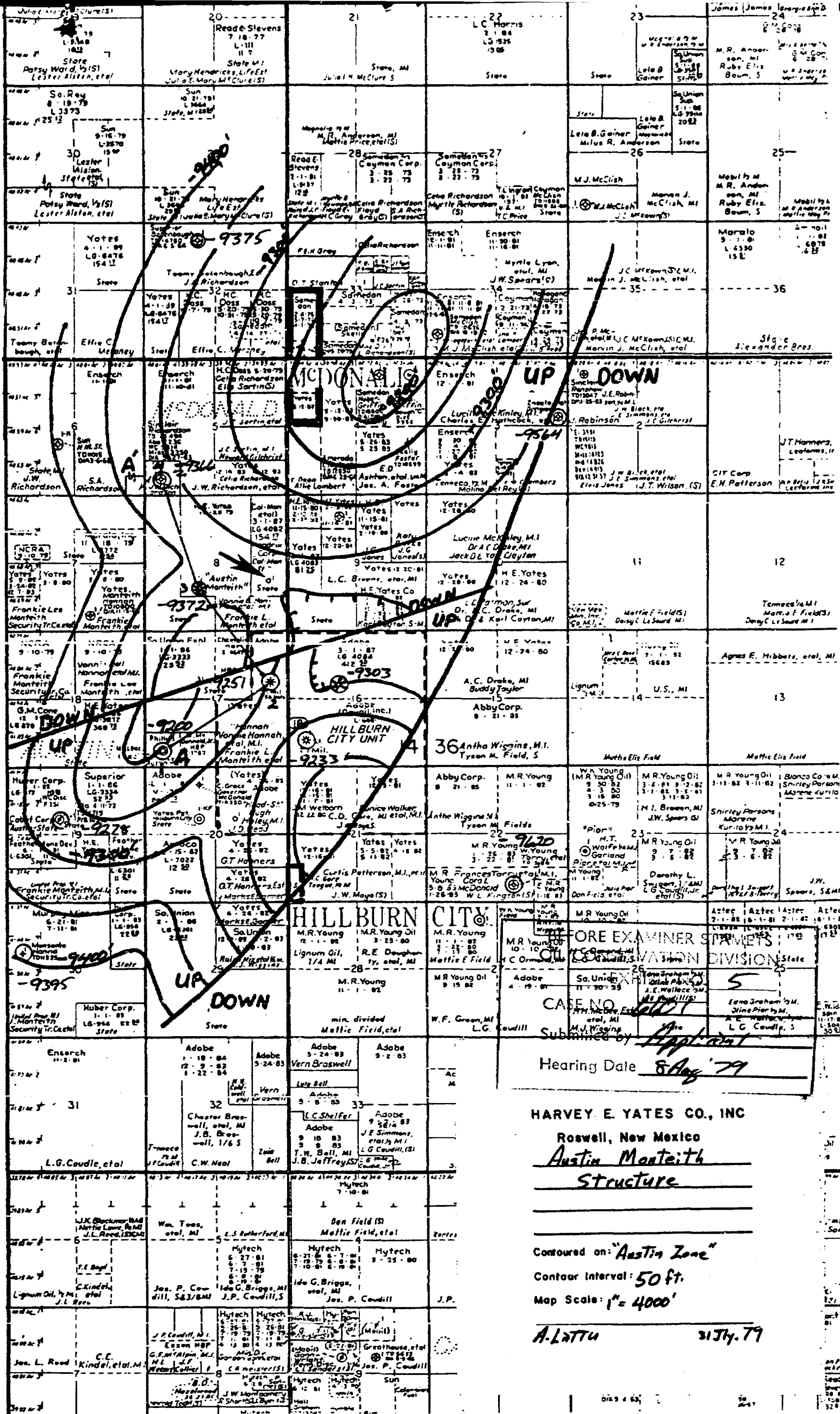
	Producing Well Cost	Dry Hole Cost
Drilling and completion costs		
Intangible drilling costs		
Location	\$ 15,000	\$ 15,000
Footage <u>14,000'</u> @ <u>\$17.</u>	238,000	238,000
Daywork <u>28 Days</u> @ <u>\$4,000.</u>	115,500	115,500
Surface casing service	3,000	3,000
Intermediate casing service	5,000	5,000
Mud, water	50,000	50,000
Company supervisor, engineer	3,000	3,000
Rentals, coring service	18,000	18,000
Miscellaneous	10,000	10,000
Total intangible drilling costs	457,500	457,500
Intangible formation evaluation cost		
Logs, <u>CNL</u> , <u>BHC</u> , <u>DLL</u>	40,000	40,000
DST <u>5'</u> @ <u>\$2,000.</u>	10,000	10,000
Geological mud logging service	10,000	10,000
Miscellaneous	4,000	4,000
Total intangible formation evaluation	64,000	64,000
Intangible completion costs		
Unit cost _____ @ _____	6,000	
Production casing service	15,000	
Completion fluid	2,500	
Perforating/production logging	10,000	
Treating	60,000	
Company supervision	10,000	3,000
Plugging expense		5,000
Miscellaneous	5,000	5,000
Total intangible completion costs	108,500	13,000
Tangible drilling costs and completion costs		
Surface casing		
<u>375'</u> of <u>13 3/8"</u>	7,500	7,500
Intermediate casing		
<u>4650'</u> of <u>9 5/8"</u>	60,000	60,000
Production casing		
<u>14,000'</u> of <u>5 1/2"</u>	120,000	
Production tubing		
<u>14,000'</u> of <u>2 3/8"</u>	40,000	
Casing head	6,000	
Tubing head	4,000	
Christmas tree	20,000	
Subsurface equipment		
Total tangible drilling costs and completion costs	257,500	67,500
Lease equipment		
Tanks _____	10,000	
Separator _____	9,000	
Flow lines _____		
Meter runs _____		
Pumping unit _____		
Installation costs _____	4,000	
Total lease equipment	23,000	
Total intangible costs	630,000	534,500
Total tangible costs	257,500	67,500
Total lease equipment	23,000	
Administrative	3,000	2,000
TOTAL COSTS	\$ 913,500	\$ 604,000
Prepared by: <u>Fred G. Yates</u> Date: <u>6-22-79</u>		

APPROVED BY:

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."

Company _____

Date _____



Please mail a
Copy of Order
Case 6601 when
signed to:

Calmon Oil Co.

Box 2066

Midland

79702



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

September 12, 1979

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

Mr. Robert Strand
Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Re: CASE NO. 6601
ORDER NO. R-6091

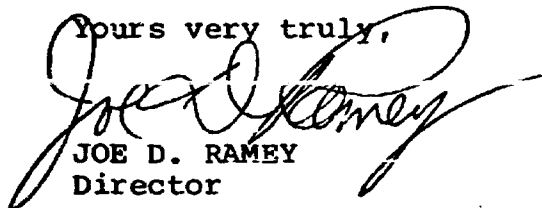
Applicant:

Harvey E. Yates Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD

Other Conrad Coffield

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. 6601
Order No. R-6091

APPLICATION OF HARVEY E. YATES
COMPANY 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 August 8, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 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, Harvey E. Yates Company, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, NMPM, Austin Field, 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. 6601
Order No. R-6091

(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 \$3,000 per month while drilling and \$300 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 December 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 6601
Order No. R-6091

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, NMPM, Austin Field, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

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

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of December, 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 Harvey E. Yates Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 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

-4-

Case No. 6601
Order No. R-6091

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 \$3,000 per month while drilling and \$300 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

Case No. 6601

Order No. R-6091

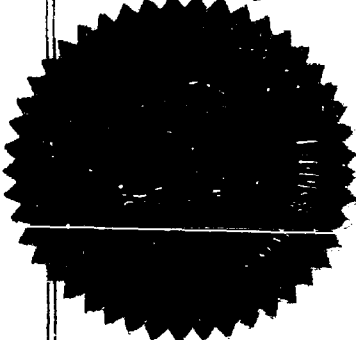
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
8 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company
for compulsory pooling, Lea County,
New Mexico.

CASE
6601

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For Hendrix, et al:

Conrad Coffield, Esq.
HINKLE, COX, EATON, COFFIELD
& HENSLEY
Midland, Texas

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (996) 471-2492
Santa Fe, New Mexico 87501

I N D E X

GEORGE YATES

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ANDREW LATTU

Direct Examination by MR. Strand	13
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E X H I B I T S

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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1020 Plaza Blanca (666) 471-2482
San Antonio, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6601.

2 MR. PADILLA: Application of Harvey E.
3 Yates Company for compulsory pooling, Lea County, New
4 Mexico.

5 MR. STRAND: My name is Robert H. Strand,
6 from Roswell, representing Harvey E. Yates Company in this
7 hearing.

8 We'll have two witnesses in this case, Mr.
9 George Yates and Mr. Andrew Lattu.

10 MR. COFFIELD: Conrad Coffield, appearing
11 on behalf of John Hendrix and other parties whom Harvey E.
12 Yates Company seeks to force pool.

13 I have no witnesses but I will be wanting
14 to make a statement.

15 MR. STAMETS: I'd like to have both wit-
16 nesses stand and be sworn at this time, please.

17
18 (Witnesses sworn.)

19 MR. STRAND: Mr. Examiner, our first wit-
20 ness will be George Yates.
21
22
23
24
25

GEORGE YATES

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

DIRECT EXAMINATION

BY MR. STRAND:

Q State your name, please.

A George Yates.

Q Mr. Yates, what is your position with the applicant?

A I'm Vice President.

Q What duties do you fulfill in your position as vice president?

A Among my duties are supervision of the exploration of land functions of our company.

Q Mr. Yates, would you state the purpose of this application in Case Number 6601?

A The purpose of the application is to obtain a forced pooling order covering interests from the top of the Wolfcamp formation through the Mississippian formation under the east half of Section 8, Township 14 South, Range 36 East, Lea County, to form a standard 320-acre gas spacing unit.

Q I refer to Exhibit Number One. Would you please describe that exhibit?

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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (598) 471-2462
Santa Fe, New Mexico 87501

1 A Exhibit One is an ownership plat which
2 shows the 320-acre proration unit and the well location.

3 Q Mr. Yates, what interest is owned by
4 Harvey E. Yates Company under the east half of Section 8?

5 A Harvey E. Yates Company owns the entire
6 east half except the east half of the northeast and the
7 northeast of the southeast of the section, giving Harvey E.
8 Yates Company 62-1/2 percent interest under the proration
9 unit.

10 MR. STAMETS: Okay, that's an L-shaped
11 west half of the east half and the southeast of the south-
12 east belonging to Harvey E. Yates.

13 A That's correct.

14 MR. STAMETS: Okay, thank you.

15 Q (Mr. Strand continuing.) Mr. Yates, are
16 there uncommitted mineral interests under the remaining
17 portions of Section 8?

18 A Yes, there are.

19 Q I refer you to Exhibit Number Three and,
20 Mr. Examiner, for the record, I've got my exhibits a little
21 out of sync here.

22 Would you please identify and describe
23 that exhibit?

24 A Yes. Exhibit Three is a letter sent out
25 under my signature to the working interest owners in the

1 east half of Section 8. My letter requests -- attached to
2 my letter was an operating agreement and an authorization
3 for expenditure.

4 In my letter I requested that all parties
5 join us in participating in the cost of the well. Alter-
6 natively, I suggested that they contact us to negotiate
7 terms of a farmout agreement, if they preferred not to parti-
8 cipate, and in that letter I also informed the non-operating
9 interests that we were -- or had made application with the
10 OCD for a force pool hearing, but that would only be
11 necessary in case some parties did not either participate
12 or farm out to us.

13 Q Mr. Yates, is there a list of the non-
14 committed mineral owners attached to this letter?

15 A Yes, there are -- there is.

16 Q Have any of these parties since agreed to
17 join under the terms of that operating agreement?

18 A Yes, we've received two operating agree-
19 ments and executed AFEs back. The parties involved are
20 J. M. Wellborn and Jack Markham.

21 Q Mr. Yates, have all of the other owners,
22 including Mr. Markham and Mr. Wellborn, been given specific
23 notice of this hearing today?

24 A Yes, they have. We sent a copy of the
25 docket to the non-operating parties last week.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (305) 471-2468
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (865) 471-2452
Santa Fe, New Mexico 87501

1 Q What location does Harvey E. Yates Com-
2 pany propose for the well to be drilled on the east half
3 of Section 8?

4 A We propose to drill the well 1980 from
5 the south line and 660 from the east line.

6 Q Would that be a standard location for
7 statewide 320-acre spacing?

8 A Yes, it would.

9 Q What depth do you propose to drill this
10 well?

11 A We propose to drill the well to a depth
12 adequate to test the Mississippian formation, which we
13 estimate to be 14,000 feet below the surface.

14 Q Mr. Yates, have the cost estimates been
15 prepared for this proposed well?

16 A Yes, it has. That's Exhibit Four.

17 Q Would you state the estimated dry hole
18 cost and the completed cost?

19 A Our estimated dry hole cost of the well
20 are \$604,000. The estimated completed producing well cost
21 is \$913,500.

22 Q Based on your experience in these matters,
23 Mr. Yates, would you classify this as a high risk well?

24 A Yes, I would.

25 Q What do you feel would be a reasonable

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1938 Plaza Blanca (888) 471-2482
Santa Fe, New Mexico 87501

1 risk penalty to be assessed nonconsenting working interest
2 owners?

3 A The maximum penalty.

4 Q And that is 200 percent?

5 A That is 200 percent.

6 Q Has Harvey E. Yates Company operated or
7 participated in other similar wells in the area?

8 A Yes, we have. Harvey E. Yates Company
9 has participated in the drilling of three wells in addition
10 to -- four wells, including the No. 1 Austin Montieith,
11 drilled in the west half of Section 8.

12 Q Mr. Yates, under the operating agreements
13 covering those particular wells, what nonconsent penalties
14 are provided?

15 A We are subject to two operating agreements.
16 One operating agreement covers the Adobe Hilburn
17 City unit. The second operating agreement covers the
18 Austin Montieith Well and the McDonald Unit operated by
19 Yates Petroleum. Both operating agreements contain a 500
20 percent nonconsent penalty.

21 Q Mr. Yates, in regard to supervision cost,
22 what do you feel would be reasonable rates for supervision
23 of drilling and producing the proposed well?

24 A \$3000 while drilling; \$300 a month while
25 producing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2443
Santa Fe, New Mexico 87501

1 Q Is this again consistent with the charges
2 provided for in the operating agreement?

3 A Yes. These -- these costs are the costs
4 that we have agreed to under the most recent wells drilled
5 in the area. These costs are well costs contained in our
6 McDonald Unit agreement.

7 Q Mr. Yates, were exhibits One through
8 Three prepared under your supervision?

9 A Yes, they were.

10 MR. STRAND: That's all I have, Mr. Exa-
11 miner.

12 MR. STAMETS: Any questions of this wit-
13 ness?

14 MR. COFFIELD: I have a question.

15

16

CROSS EXAMINATION

17

BY MR. COFFIELD:

18

19 Q Mr. Yates, has this area been subject to
20 prior consideration in connection with matters considered
21 by the Oil Conservation Division or Commission?

22

A Yes, it has.

23

24 Q And have you participated in -- did you
25 participate in a hearing in connection with that, this area?

26

A Yes.

MR. COFFIELD: Mr. Examiner -- well, first

SALLY WALTON BOYD
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3120 Plaza Blanca (995) 411-2483
Santa Fe, New Mexico 87501

1 of all, would that --

2 Q Do you know, for example, would that be
3 Case Number 6488 and 6483 for which orders R-5945 and
4 R-5944 issued?

5 A I believe so.

6 MR. COFFIELD: Mr. Examiner, the two cases
7 and the two orders just mentioned, I urge the Examiner to
8 take administrative notice on matters introduced in those
9 cases.

10 MR. STAMETS: What were those case numbers
11 again, please?

12 MR. COFFIELD: Case Number 6488 and 6483,
13 and the corresponding orders were R-5945 and R-5944.

14 MR. STAMETS: The Examiner will take note
15 of those cases and orders.

16 Q (Mr. Coffield continuing.) Mr. Yates, at
17 the time of the prior hearing, preparing that and what
18 you knew about the area then relative to what you know
19 about the area now, do you think the risk of drilling this
20 well is higher or lower or about the same?

21 A The risk of drilling this particular
22 location is less than the risk of drilling the first well
23 in Section 8 simply because of proximity.

24 The risk, however, in this area of drilling
25 a 14,000 foot well, even assuming the reservoir is present,

1 is a very large risk. Simply mechanical risk is a factor
2 to be considered.

3 In addition, this will be the furthest
4 northeastern step-out to the pool. There are a number of
5 dry holes that have penetrated the Mississippian or Austin
6 formation.

7 So certainly I would say it is a risky
8 location.

9 Q Mr. Yates, do you recall that in these
10 cases just cited and orders just mentioned, the order which
11 was the subject of the Yates case, which sought to compul-
12 sory pool the south half of Section 8, that that order
13 denied the Yates application, and Order R-5945 approved
14 the Hendrix application which sought to pool the east half
15 of the same section? In other words, the same proration
16 spacing that is --

17 A That's correct, Mr. Coffield. The Hendrix
18 application was approved by the Oil Conservation Division
19 and had Mr. Hendrix drilled under the authority given to
20 him by the Commission, we wouldn't be here force pooling
21 the non-committed interests for the same location.

22 Q Is it also your recollection that Order
23 R-5945 provided that reasonable charges would be in the
24 amount of \$2500 per month while drilling and \$150 per month
25 while producing?

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Santa Fe, New Mexico 87501

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A Yes.

Q And furthermore, that an appropriate cost -- risk allocation, really, was 100 percent?

A That's correct.

MR. COFFIELD: I have no other questions.

MR. STAMETS: Any other questions?

MR. STRAND: Yes.

REDIRECT EXAMINATION

BY MR. STRAND:

Q Mr. Yates, in regards to those orders, is it your recollection of the testimony in those cases that Mr. Hendrix requested those specific producing and drilling rates and also the risk factor of 100 percent?

A That's correct, he did.

Q With regard to this particular well we're proposing in the east half of Section 8, is it still your feeling that appropriate risk factor would be as you previously stated?

A Yes, I do.

Q And also producing and drilling?

A That's correct.

Q Mr. Yates, if this application is granted, designating Harvey E. Yates Company as the operator of the east half of Section 8, do you intend to drill that well at

1 the location specified?

2 A. Yes, we do.

3 MR. STRAND: That's all I have.

4 MR. STAMETS: If there are no further
5 questions, the witness may be excused.

6 MR. STRAND: Mr. Examiner, we will call
7 Mr. Andrew Lattu.

8
9 ANDREW LATTU

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

12
13 DIRECT EXAMINATION

14 BY MR. STRAND:

15 Q State your name, please.

16 A Andrew Lattu.

17 Q Mr. Lattu, what is your occupation?

18 A I'm a geologist.

19 Q Who are you employed by?

20 A By Harvey E. Yates Company.

21 Q Are your qualifications a matter of record
22 before the Commission?

23 A Yes, they are.

24 MR. STRAND: Mr. Examiner, are his quali-
25 fications acceptable?

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San Jose, New Mexico 87501

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MR. STAMETS: Yes.

Q (Mr. Strand continuing.) Mr. Lattu, have you prepared certain exhibits relating to this application in Case Number 6601?

A Yes, I have.

Q I refer you to Exhibit Number Two.

A All right.

Q Would you please describe that exhibit and what it depicts?

A Exhibit Number Two is a north/south geologic cross section. This is a geologic cross section composed of well logs of four wells in the area of our proposed well.

The most recently drilled well by Harvey E. Yates Company, which is the No. 1 Austin Monteith, is well number three on this cross section in which the pay zone, which you've designated the Austin zone, is colored in in red. This is at a depth of approximately 14,400 feet with the well's TD being at about 14,012 feet.

Q Mr. Yates does that -- or Mr. Lattu, does that cross section also depict certain other wells?

A Yes, it does. It's on the next exhibit here, which is a geologic structure map, this cross section is outlined.

Q That is Exhibit Number Five, correct?

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3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

1 A. Yes.

2 Q Would you go ahead and describe the rela-
3 tive locations of those wells to our proposed location in
4 Section 8 and also the other matters set forth in that
5 exhibit?

6 A This is a geologic structure map contoured
7 on the top of the Austin zone. It is essentially in gross
8 feature an anticline with a northeast/southwest trend. It
9 is bordered on the east side by a fault and there's also
10 a smaller fault cutting across from northeast to southwest
11 across the top of this anticline, which, as you can see,
12 the Phillips well, which is well number one on the west
13 side of Exhibit Number Two, has a subsea point of a -9200
14 feet.

15 The Adobe No. 1 Hannah, which is also in
16 Section 17, is well number two on this cross section. It
17 has a subsea point of 9251.

18 Then the Austin Monteith, drilled by
19 Harvey E. Yates Company, in Section 8, which is approximately
20 due west offset to the proposed location, has a subsea
21 point of a -9372.

22 And finally, at the north end in Section 5
23 is the Sinclair No. 1 Richardson, which also penetrated the
24 Austin zone. Now this was a dry hole, an attempted comple-
25 tion in the Austin pay which was not successful.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
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Santa Fe, New Mexico 87501

Q Mr. Lattu, is it your opinion that the location previously testified to for the proposed well in Section 8 is a satisfactory location?

A Yes, it is. I believe it to be approximately on geologic strike, or we should encounter the Austin zone at approximately the same depth as the Harvey E. Yates No. 1 Austin Monteith.

Q Mr. Lattu, do you feel that granting of the order requested in this application will avoid the drilling of unnecessary wells and protect correlative rights prevent waste, and afford all interest owners under the east half of Section 8 the opportunity to recover and receive their just and fair share of production?

A Yes, I do.

MR. STRAND: That's all I have, Mr. Examiner.

MR. STAMETS: Are there questions of the witness?

MR. COFFIELD: I just have one question.

CROSS EXAMINATION

BY MR. COFFIELD:

Q Mr. Lattu, did you participate in the cases mentioned earlier when Mr. Yates was testifying?

A Yes, I did.

Q In your opinion as far as geology is con-

1 cerned, has the further development of this area generated
2 any additional geological information, or is anything dif-
3 ferent now, as far as you can tell, significantly since it
4 was last winter?

5 A It's different in the sense that this
6 fault I've included now. This is a down to the north fault
7 that I didn't have. Previously I just mapped this as a
8 northeast/southwest trending anticline. We anticipated
9 that our location in Section 8 for the Austin Monteith would
10 be on strike or even possibly high to the Adobe No. 1 Hannah
11 Well. This was not the case.

12 This fault is also seen on a seismic sec-
13 tion which was shot, an east/west line, approximately across
14 the middle of Sections 18, 17, and 16.

15 MR. COFFIELD: I have no other questions.

16 MR. STRAND: Mr. Lattu, did you prepare
17 Exhibits Number Two and Number Five?

18 A Yes, I did.

19 MR. STRAND: Mr. Examiner, I move the in-
20 troduction of Exhibits One through Five.

21 MR. STAMETS: These exhibits will be ad-
22 mitted.

23 MR. STRAND: That's all I have.
24
25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Blanca (SSE) 471-2403
Santa Fe, New Mexico 87501

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Lattu, do you feel vindicated or chagrined at the change of events, the course of events, since the two mentioned hearings?

A I'm just happy to see a successful well and want to do it again.

Q Sounds like a good geological answer, if I ever heard one.

MR. STAMETS: Are there any questions of this witness? He may be excused.

Is there anything further in this case?

MR. COFFIELD: I do have one remark I want to make.

MR. STAMETS: Mr. Coffield.

MR. COFFIELD: I do want to state that my clients have no objection whatsoever to Harvey E. Yates Company being named as -- as the operator; however, we do submit that the provisions of Order R-5945, mentioned before, are reasonable and the rates and amounts specified therein are reasonable, and would urge respectfully that the Examiner carry those figures forward in any order entered in this case.

MR. STAMETS: If there is nothing further, the case will be taken under advisement.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3019 Plaza Blanca (SOS) 471-2481
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

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. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3018 Plaza Blanca (666) 471-2492
Austin, Texas, New Mexico 67301

BEFORE EXAMINER STATISTS
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 6601
Submitted by Applicant
Hearing Date 8/8/79

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P O BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-0801

ROSWELL, NEW MEXICO 88201

June 22, 1979

See Attached Mailing List

Re: Austin Monteith #2
E/2 Section 8,
T-14S, R-36E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

Harvey E. Yates Company has made application to drill the above referenced Mississippian test at a location 1980 feet from the South line and 660 feet from the East line of Section 8.

We enclose for your consideration an operating agreement and AFE covering the drilling of the well. We invite you to participate on the basis of your interest under the E/2 of Section 8 as set out on Exhibit "A" to the operating agreement.

If you wish to participate, please execute and return the extra set of signature pages for the operating agreement and one copy of the AFE. If you do not wish to participate, we would be happy to discuss a farmout of your interest.

Also, we wish to advise you that we have filed a compulsory pooling application with the New Mexico Oil Conservation Division covering the E/2 of Section 8; however, as you are aware, this proceeding will affect only those parties who do not participate or farmout their interest under the well.

If you have any questions, please do not hesitate to call.

Very truly yours,

George M. Yates

RHS/lh

BEFORE EXAMINATION STANDS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	3
CASE NO.	6601
Submitted by	Applicant
Hearing Date	8/8/79

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette, NW
Albuquerque, New Mexico 87102

Cal-Mon Oil Company
Suite 1200 National Bank Tower
P. O. Box 2066
Midland, Texas 79701

Jan Oil Company
811 First National Bank Bldg.
Midland, Texas 79701

John H. Hendrix
525 Midland Tower
Midland, Texas 79701

Jack Markham
Suite 1212
1500 Broadway
Lubbock, Texas 79401

J. M. Welborn
Suite 1212
1500 Broadway
Lubbock, Texas 79401

Ernest Angelo, Jr.
410 North Main
Midland, Texas 79701

Don L. Spards
507 N. Marienfeld
Suite 208
Midland, Texas 79701

George A. Thomas
801 First National Bank Bldg.
Midland, Texas 79701

William Tack Thomas
801 First National Bank Bldg.
Midland, Texas 79701

Joe R. Henderson
P. O. Box 2477
Midland, Texas 79701

James S. DuBose
3416 Autumn Drive
Fort Worth, Texas 76109

McCrea Trust No. 1
P. O. Box 1715
Midland, Texas 79702

Estoril Producing Corp.
Suite 1100
Vaughn Building
Midland, Texas 79701

Jack O. McCall
Suite 1210
MNB Tower
Midland, Texas 79701

Marshall & Winston, Inc.
P. O. Box 874
Midland, Texas 79702

A. T. Carlton
P. O. Box 293
Midland, Texas 79702

Robert L. Monaghan
P. O. Box 2066
Midland, Texas 79702

LEASE Austin-Monteith WELL NUMBER 2
 LOCATION 1980' FSL & 660' FEL of Sec. 8, T-14S, R-36E
 COUNTY Lea DEPTH 14,000' PRODUCING FORMATION _____

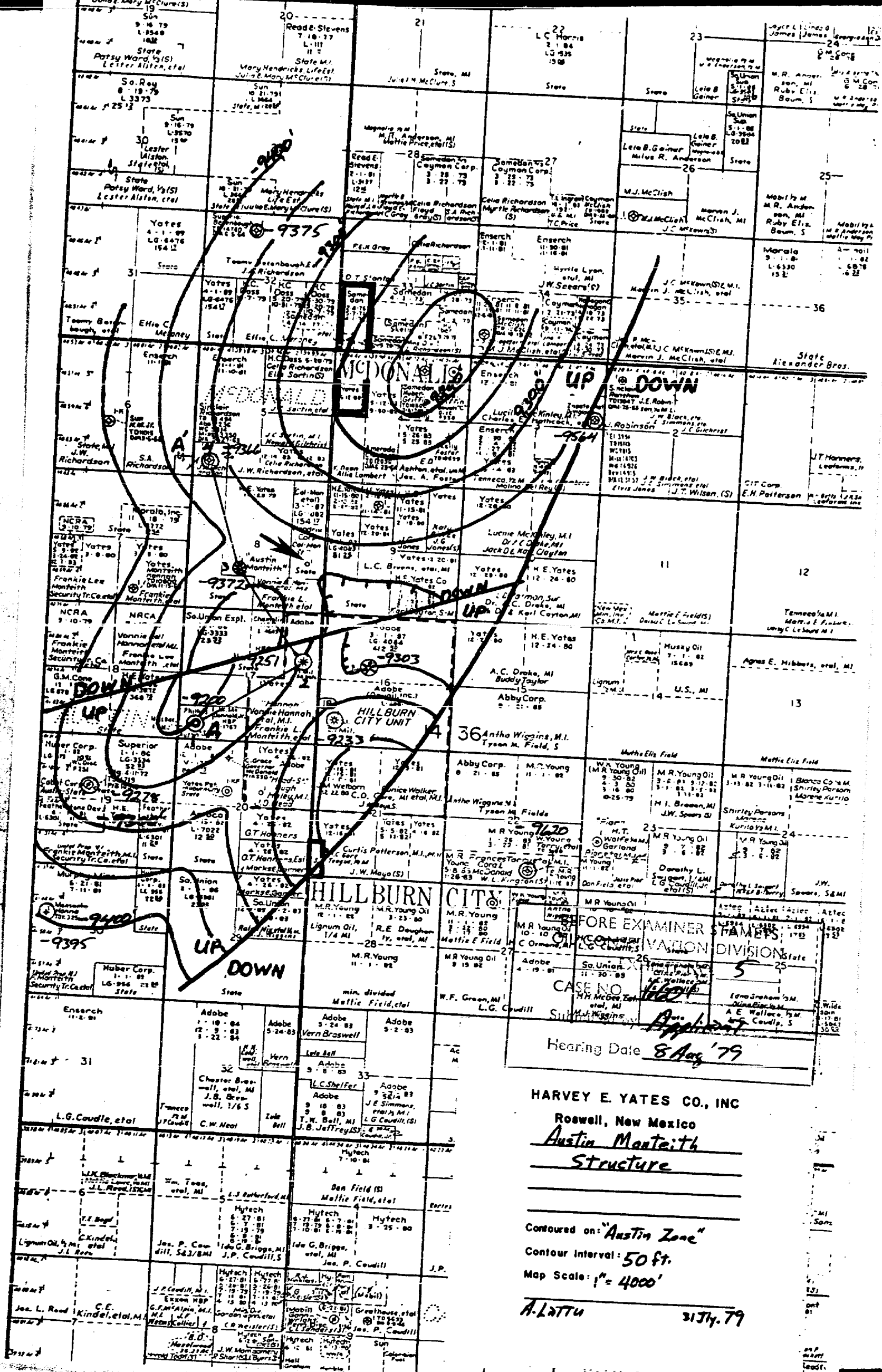
	Producing Well Cost	Dry Hole Cost
Drilling and completion costs		
Intangible drilling costs		
Location	\$ 15,000	\$ 15,000
Footage <u>14,000'</u> @ <u>\$17.</u>	238,000	238,000
Daywork <u>28 Days</u> @ <u>\$4,000.</u>	115,500	115,500
Surface casing service	3,000	3,000
Intermediate casing service	5,000	5,000
Mud, water	50,000	50,000
Company supervisor, engineer	3,000	3,000
Rentals, coring service	18,000	18,000
Miscellaneous	10,000	10,000
Total intangible drilling costs	457,500	457,500
Intangible formation evaluation cost		
Logs, <u>CNL</u> , <u>BHC</u> , <u>DLL</u>	40,000	40,000
DST <u>5'</u> @ <u>\$2,000.</u>	10,000	10,000
Geological mud logging service	10,000	10,000
Miscellaneous	4,000	4,000
Total intangible formation evaluation	64,000	64,000
Intangible completion costs		
Unit cost _____ @ _____	6,000	
Production casing service	15,000	
Completion fluid	2,500	
Perforating/production logging	10,000	
Treating	60,000	
Company supervision	10,000	3,000
Plugging expense		5,000
Miscellaneous	5,000	5,000
Total intangible completion costs	108,500	13,000
Tangible drilling costs and completion costs		
Surface casing		
<u>375'</u> of <u>13 3/8"</u>	7,500	7,500
Intermediate casing		
<u>4650'</u> of <u>9 5/8"</u>	60,000	60,000
Production casing		
<u>14,000'</u> of <u>5 1/2"</u>	120,000	
Production tubing		
<u>14,000'</u> of <u>2 3/8"</u>	40,000	
Casing head	6,000	
Tubing head	4,000	
Christmas tree	20,000	
Subsurface equipment		
Total tangible drilling costs and completion costs	257,500	67,500
Lease equipment		
Tanks _____	10,000	
Separator	9,000	
Flow lines		
Meter runs		
Pumping unit		
Installation costs	4,000	
Total lease equipment	23,000	
Total intangible costs	630,000	534,500
Total tangible costs	257,500	67,500
Total lease equipment	23,000	
Administrative	3,000	2,000
TOTAL COSTS	\$ 913,500	\$ 604,000
Prepared by: <u>Fred G. Yates</u> Date: <u>6-22-79</u>		

APPROVED BY:

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."

Company _____

Date _____



BEFORE EXAMINER STAMETS
OIL CONSE VATT IN DIVISION
EX 123 456 7
CASE NO. 6601
Submitted by Applicant
Hearing Date 8/8/79

Proposed Austin-Monteith #2 Well

Proposed Protraction Unit

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-0901

ROSWELL, NEW MEXICO 88201

June 22, 1979

See Attached Mailing List

Re: Austin Monteith #2
E/2 Section 8,
T-14S, R-36E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

Harvey E. Yates Company has made application to drill the above referenced Mississippian test at a location 1980 feet from the South line and 660 feet from the East line of Section 8.

We enclose for your consideration an operating agreement and AFE covering the drilling of the well. We invite you to participate on the basis of your interest under the E/2 of Section 8 as set out on Exhibit "A" to the operating agreement.

If you wish to participate, please execute and return the extra set of signature pages for the operating agreement and one copy of the AFE. If you do not wish to participate, we would be happy to discuss a farmout of your interest.

Also, we wish to advise you that we have filed a compulsory pooling application with the New Mexico Oil Conservation Division covering the E/2 of Section 8; however, as you are aware, this proceeding will affect only those parties who do not participate or farmout their interest under the well.

If you have any questions, please do not hesitate to call.

Very truly yours,

George M. Yates

RHS/lh

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

SECTION 8 3

CASE NO. 4601

Submitted by Applicant

Hearing Date 8/8/79

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette, NW
Albuquerque, New Mexico 87102

Cal-Mon Oil Company
Suite 1200 National Bank Tower
P. O. Box 2066
Midland, Texas 79701

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Marshall & Winston, Inc.
P. O. Box 874
Midland, Texas 79702

A. T. Carlton
P. O. Box 293
Midland, Texas 79702

Robert L. Monaghan
P. O. Box 2066
Midland, Texas 79702

LEASE Austin-MonteithWELL NUMBER 2LOCATION 1980' FSL & 660' FEL of Sec. 8, T-14S, R-36ECOUNTY LeaDEPTH 14,000'

PRODUCING FORMATION _____

	Producing Well Cost	Dry Hole Cost
Drilling and completion costs		
Intangible drilling costs		
Location	\$ 15,000	\$ 15,000
Footage <u>14,000'</u> @ \$17.	238,000	238,000
Daywork <u>28 Days</u> @ \$4,000.	115,500	115,500
Surface casing service	3,000	3,000
Intermediate casing service	5,000	5,000
Mud, water	50,000	50,000
Company supervisor, engineer	3,000	3,000
Rentals, coring service	18,000	18,000
Miscellaneous	10,000	10,000
Total intangible drilling costs	457,500	457,500
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Logs, <u>CNL</u> , <u>BHC</u> , <u>DLL</u>	40,000	40,000
DST <u>5'</u> @ \$2,000.	10,000	10,000
Geological mud logging service	10,000	10,000
Miscellaneous	4,000	4,000
Total intangible formation evaluation	64,000	64,000
Intangible completion costs		
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Production casing service	15,000	
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Casing head	6,000	
Tubing head	4,000	
Christmas tree	20,000	
Subsurface equipment		
Total tangible drilling costs and completion costs	257,500	67,500
Lease equipment		
Tanks _____	10,000	
Separator _____	9,000	
Flow lines _____		
Meter runs _____		
Pumping unit _____		
Installation costs _____	4,000	
Total lease equipment	23,000	
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Total tangible costs	257,500	67,500
Total lease equipment	23,000	
Administrative	3,000	2,000
TOTAL COSTS	\$ 913,500	\$ 604,000

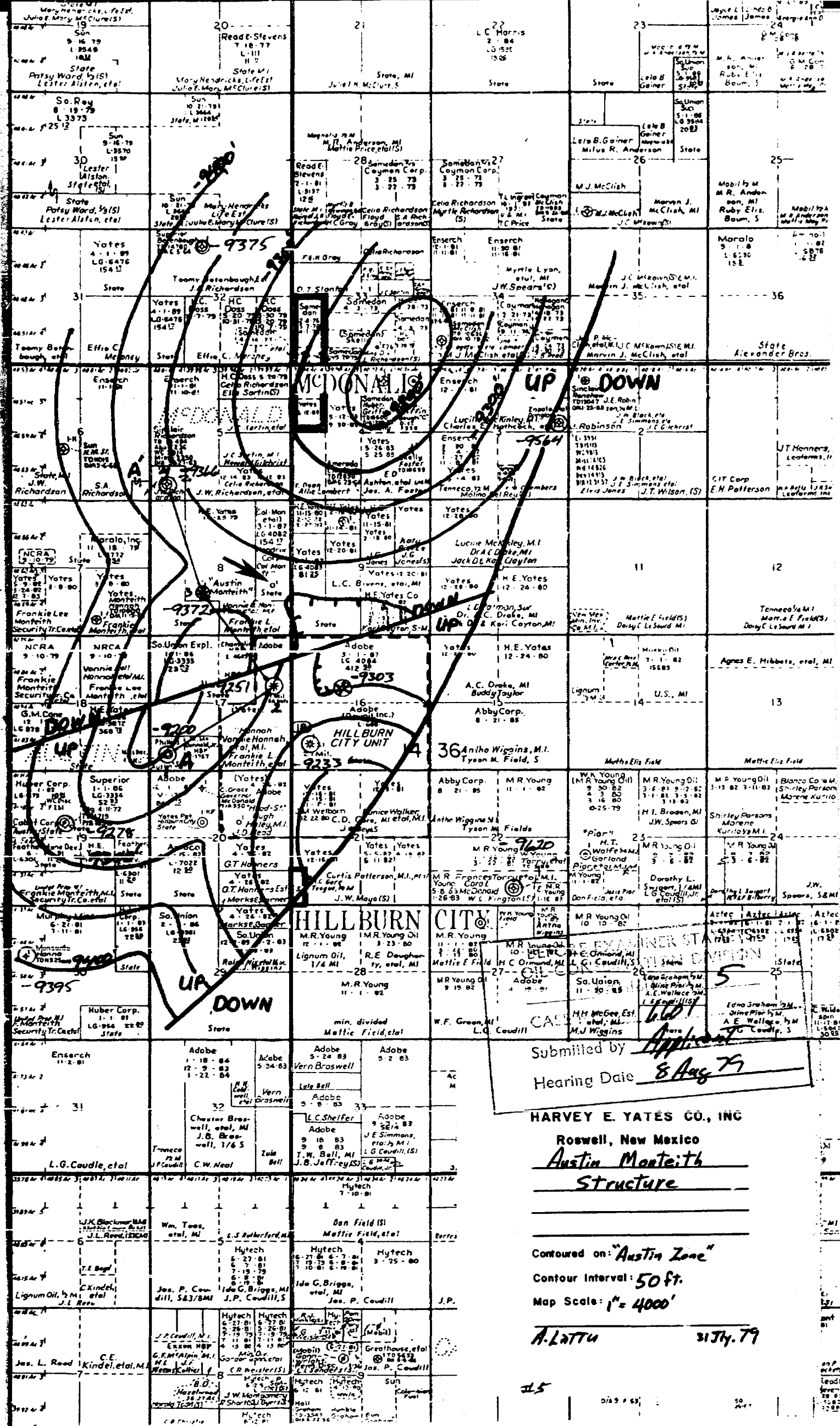
Prepared by: Fred G. Yates Date: 6-22-79

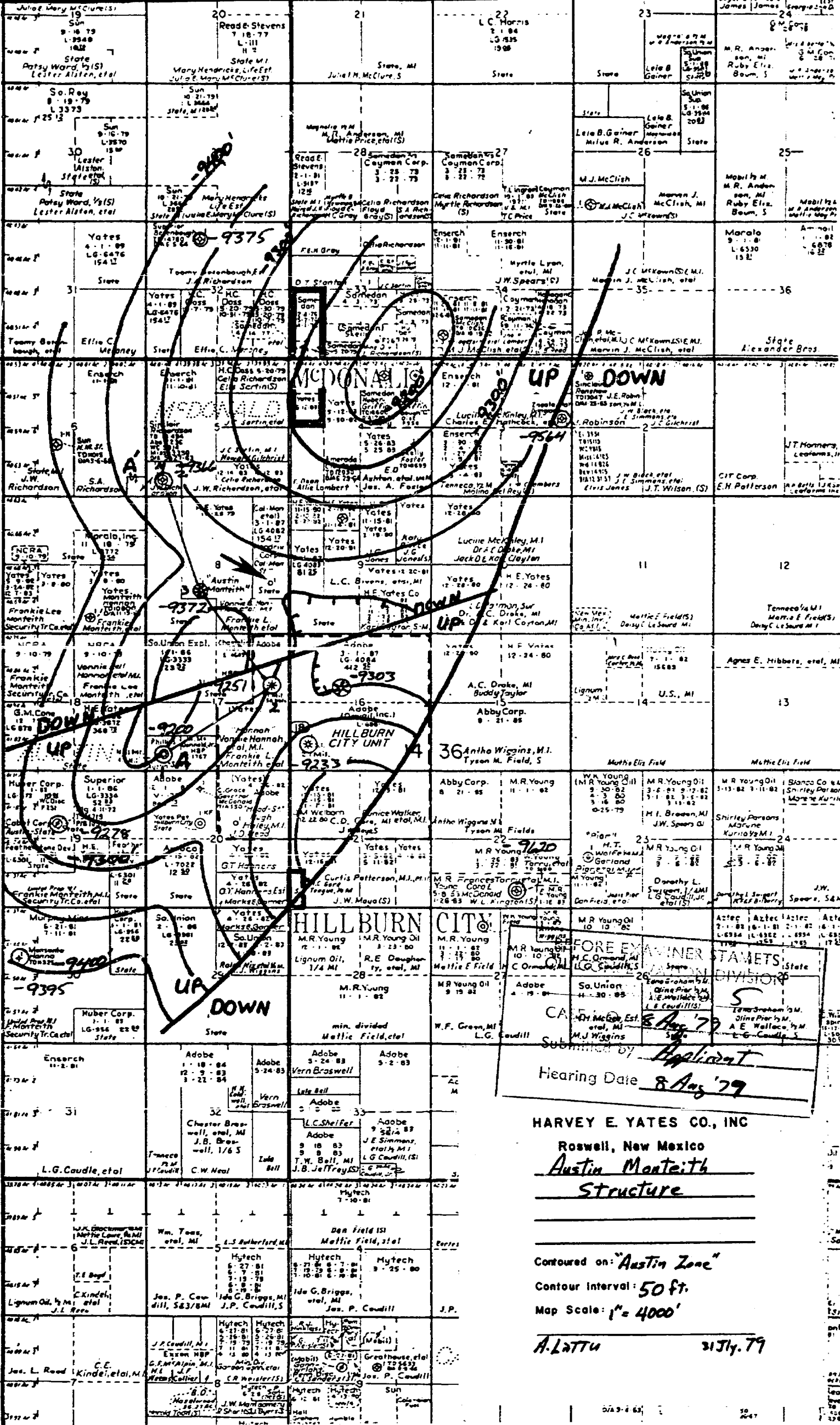
APPROVED BY: _____

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."

Company _____

Date _____





FOR EXAMINER STAMETS
DIVISION
5
8 Aug '79
Submitted by Applicant
Hearing Date 8 Aug '79

HARVEY E. YATES CO., INC
Roswell, New Mexico
Austin Monteith
Structure

Contoured on: "Austin Zone"
Contour Interval: 50 ft.
Map Scale: 1" = 4000'

A. LATTU 31 July 79

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
25 July 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company) CASE
For compulsory pooling, Lea County, New) 6601
Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1020 Plaza Blanca (SSE) 971-2462
Santa Fe, New Mexico 87501

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MR. NUTTER: We'll call next case Number
6601.

MR. PADILLA: Application of Harvey E.
Yates Company for compulsory pooling, Lea County, New
Mexico.

MR. NUTTER: Applicant has requested that
this case be continued. It will be continued to the Exa-
miner Hearing scheduled to be held at this same place at
9:00 o'clock a. m. August 8th, 1979.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (999) 471-4402
San Antonio, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 C.S.R.
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. 6681
heard by me on 7/25 1979.

[Signature] Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3021 Plaza Blanca (886) 411-2401
Austin, Tx, New Mexico 87801

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
25 July 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Harvey E. Yates Company) CASE
For compulsory pooling, Lea County, New) 6601
Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
20202 Main Branch (666) 471-2462
Santa Fe, New Mexico 87501

1 MR. NUTTER: We'll call next case Number
2 6601.

3 MR. PADILLA: Application of Harvey E.
4 Yates Company for compulsory pooling, Lea County, New
5 Mexico.

6 MR. NUTTER: Applicant has requested that
7 this case be continued. It will be continued to the Exa-
8 miner Hearing scheduled to be held at this same place at
9 9:00 o'clock a. m. August 8th, 1979.

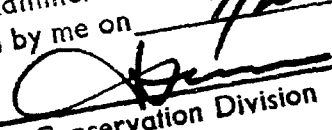
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11 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3016 Plaza Blanca (988) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6601,
heard by me on 7/25 1979.
, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3016 Plaza Blanca (SOS) 471-2462
Austin, Texas 78761

Dockets Nos. 32-79 and 33-79 are tentatively set for hearing on August 22 and September 5, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - AUGUST 7, 1979

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

CASE 6590: (Continued from July 25, 1979, Examiner Hearing)

Application of Grace Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying Lots 9, 10, 15, and 16 and the SE/4 of Section 6, Township 21 South, Range 32 East, to be dedicated to a well to be drilled at an unorthodox location 4650 feet from the South line and 660 feet from the East line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6612: Application of Gulf Oil Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying Lots 9 thru 16 of Section 6, Township 21 South, Range 32 East, to be dedicated to a well to be drilled at an unorthodox location 4650 feet from the South line and 660 feet from the East line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6555: (DE NOVO)

Application of Jake L. Hamon for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox location 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, all of said Section 30 to be dedicated to the well.

Upon application of Texas Oil & Gas Corp. this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6596: (Continued from July 24, 1979, Commission Hearing)

Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Upper Pennsylvanian gas pool to be designated as the Southeast Indian Basin-Upper Pennsylvanian Gas Pool for its Southeast Indian Basin Well No. 1 located in Unit A of Section 23, Township 22 South, Range 23 East, and special pool rules therefor including 320-acre gas well spacing.

CASE 6597: (Continued from July 24, 1979, Commission Hearing)

Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Southeast Indian Basin Well No. 2, an Upper Pennsylvanian well to be drilled 660 feet from the North and West lines of Section 24, Township 22 South, Range 23 East, with the N/2 or all of said Section 24 to be dedicated to the well, depending on the outcome of Case No. 6596.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 8, 1979

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

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

- CASE 6613: Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Smith Ranch Unit Area, comprising 1,600 acres, more or less, of State and federal lands in Township 20 South, Range 33 East.
- CASE 6602: (Continued from July 25, 1979, Examiner Hearing)
Application of Tenneco Oil Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal 33 C No. 2 Well 1010 feet from the North line and 1710 feet from the West line of Section 33, Township 17 South, Range 29 East, South Empire-Wolfcamp Pool, the E/2 NW/4 of said Section 33 to be dedicated to the well.
- CASE 6611: (Continued from July 25, 1979, Examiner Hearing)
Application of Cabot Corp. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the disposal of produced salt water in the Devonian formation through the perforated interval from 12,156 feet to 12,574 feet in its Reed Well No. 1 located in Unit H of Section 35, Township 13 South, Range 37 East, King Field.
- CASE 6614: Application of Texaco Inc. for the amendment of Order No. R-4442, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4442 to remove the top unit allowable restriction from producing wells in the Vacuum Grayburg San Andres Unit which are offset by "lease line" injection wells.
- CASE 6615: Application of Southland Royalty Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Kutz-Gallup and Basin-Dakota production in the wellbore of its Frontier "E" Well No. 1 located in Unit C of Section 4, Township 27 North, Range 11 West.
- CASE 6616: Application of Watson Treating Plant for an oil treating plant permit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SE/4 NW/4 of Section 34, Township 8 South, Range 35 East.
- CASE 6617: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Otero-Gallup production in the wellbore of its Jicarilla 67 Well No. 10 located in Unit M of Section 30, Township 25 North, Range 5 West.
- CASE 6618: Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Yates gas pool for its DEPCO Federal Well No. 1 located in Unit D of Section 19, Township 18 South, Range 29 East, and special rules therefor, including 80-acre gas well spacing.
- CASE 6619: Application of Harvey E. Yates Company for an unorthodox well location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 62.75-acre non-standard Yates gas proration unit comprising Lots 1 and 2 of Section 19, Township 18 South, Range 29 East, to be dedicated to its DEPCO Federal Well No. 1 drilled 330 feet from the North line and 660 feet from the West line of said Section 19.
- CASE 6620: Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Austin Monteith Well No. 1 located in Unit K of Section 8, Township 14 South, Range 36 East.
- CASE 6621: Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Penn formations underlying the S/2 of Section 4, Township 18 South, Range 29 East, 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. (This case will be dismissed.)

CASE 6601: (Continued from July 25, 1979, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, 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 6622: Application of Adams Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Penn formations underlying the N/2 of Section 15, Township 24 South, Range 28 East, 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 6623: Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the recompletion in the Morrow formation of its Dero "A" Federal Well No. 1 located in Unit N of Section 35, Township 19 South, Range 28 East, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6624: Application of Balco Petroleum Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of a well to be located in Unit K of Section 31, Township 9 South, Range 33 East, Flying "M"-San Andres Pool, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6625: Application of Mewbourne Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a test well to be located 660 feet from the North line and 1315 feet from the East line of Section 30, Township 20 South, Range 27 East, the E/2 of said Section 30 to be dedicated to the well.

CASE 6603: (Continued from July 25, 1979, Examiner Hearing)

Application of Conoco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Penrose Skelly and Eumont production in the wellbore of its Hawk B-1 Well No. 12 located in Unit O of Section 8, Township 21 South, Range 37 East.

CASE 6587: (Continued and Readvertised)

Application of Caribou Four Corners, Inc., for an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Kirtland Well No. 4 located 1450 feet from the North line and 595 feet from the West line of Section 18, Township 29 North, Range 14 West.

Docket No. 31-79

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 15, 1979

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

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for September, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for September, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Dockets Nos. 29-79 and 31-79 are tentatively set for hearing on August 8 and 22, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - JULY 24, 1979

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

CASE 6596: Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Upper Pennsylvanian gas pool to be designated as the Southeast Indian Basin-Upper Pennsylvanian Gas Pool for its Southeast Indian Basin Well No. 1 located in Unit A of Section 23, Township 22 South, Range 23 East, and special pool rules therefor including 320-acre gas well spacing.

CASE 6597: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Southeast Indian Basin Well No. 2, an Upper Pennsylvanian well to be drilled 660 feet from the North and West lines of Section 24, Township 22 South, Range 23 East, with the N/2 or all of said Section 24 to be dedicated to the well, depending on the outcome of Case No. 6596.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 25, 1979

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

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

CASE 6545: (Continued from June 27, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, Travelers Indemnity Company, and all other interested parties to appear and show cause why the Kuklah Baby Well No. 1 located in Unit G of Section 24, Township 22 South, Range 26 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6598: Application of Gulf Oil Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Otero-Gallup and Basin-Dakota production in the wellbores of its Apache Federal Wells No. 8 located in Unit C of Section 8 and No. 9 located in Unit D of Section 17, both in Township 24 North, Range 5 West.

CASE 6599: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fusselman and Montoya production, North Justis Field, in the wellbore of its W. A. Ramsay Well No. 4 located in Unit M of Section 36, Township 24 South, Range 37 East.

CASE 6600: Application of Mesa Petroleum Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 10, Township 16 South, Range 27 East, 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 6601: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, 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 6602: Application of Tenneco Oil Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal 33 C No. 2 Well 1010 feet from the North line and 1710 feet from the West line of Section 33, Township 17 South, Range 29 East, South Empire-Wolfcamp Pool, the E/2 NW/4 of said Section 33 to be dedicated to the well.

CASE 6603: (This case will be continued to the August 8 hearing.)

Application of Conoco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Penrose Skelly and Eumont production in the wellbore of its Hawk B-1 Well No. 12 located in Unit O of Section 8, Township 21 South, Range 37 East.

CASE 6604: Application of Cities Service Company for rescission of Division Order No. R-5921, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Order No. R-5921 which order provided for the compulsory pooling of all of the mineral interests in the Pennsylvanian formation underlying the S/2 of Section 8, Township 23 South, Range 28 East.

CASE 6605: Application of Estoril Producing Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 15, Township 20 South, Range 34 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North and West lines of said Section 15. 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 6564: (Continued and Readvertised)

Application of Herndon Oil & Gas Co. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its O. A. Woody Well No. 1 to be drilled 2310 feet from the North line and 330 feet from the West line of Section 35, Township 16 South, Range 38 East, Knowles-Devonian Pool.

CASE 6606: Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Yates formation in the open-hole interval from 3810 feet to 4169 feet in its State "AA" Well No. 1 located in Unit I of Section 35, Township 21 South, Range 34 East.

CASE 6607: Application of Getty Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Getty 36 State Well No. 1 located in Unit F of Section 36, Township 21 South, Range 34 East, to produce oil from the Wolfcamp formation and gas from the Morrow formation through parallel strings of tubing.

CASE 6608: Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Getty 36 State Well No. 1 located in Unit F of Section 36, Township 21 South, Range 34 East, and special rules therefor, including 160-acre oil well spacing.

CASE 6609: Application of Napeco Inc. for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn oil pool for its Benson Deep Unit Well No. 1 located in Unit O of Section 33, Township 18 South, Range 30 East, and special rules therefor, including 160-acre spacing and standard well locations.

CASE 6610: Application of Koch Industries, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Rustler formation through the perforated interval from 1190 feet to 1210 feet in its Wills "A" Well No. 7 located in Unit E of Section 35, Township 26 South, Range 37 East, Rhodes Field.

CASE 6611: Application of Cabot Corp. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the disposal of produced salt water in the Devonian formation through the perforated interval from 12,156 feet to 12,574 feet in its Reed Well No. 1 located in Unit H of Section 35, Township 13 South, Range 37 East, King Field.

CASE 6487: (Continued from May 23, 1979, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Com Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6471: (Continued from May 23, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Freeman Well No. 1-A to be located in Unit C of Section 11, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6472: (Continued from May 23, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Jenny Well No. 1-A to be located in Unit P of Section 13, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6473: (Continued from May 23, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its McIntyre Well No. 1-A to be located in Unit K of Section 11, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6474: (Continued from May 23, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Williams Well No. 1-A to be located in Unit C of Section 24, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6475: (Continued from May 23, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Montoya Well No. 1-A to be located in Unit I of Section 35, Township 32 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6535: (Continued from June 13, 1979, Examiner Hearing)

Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

CASE 6579: (Continued from June 27, 1979, Examiner Hearing)

Application of R. N. Hillin for an unorthodox well location and approval of infill drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of a Morrow gas well at an unorthodox location 800 feet from the South line and 2000 feet from the East line of Section 34, Township 19 South, Range 28 East, is necessary to effectively and efficiently drain that portion of the E/2 of said Section 34 which cannot be so drained by the existing well.

CASE 6580: (Continued from June 27, 1979, Examiner Hearing) (This case will be continued to the August 22 hearing.)

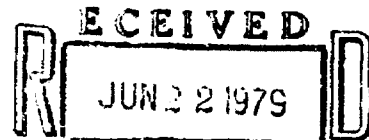
Application of Continental Oil Company for a carbon dioxide injection project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a pilot carbon dioxide injection project in the Grayburg-San Andres formation in Units H and I of Section 20, Township 17 South, Range 32 East, Maljamar Pool, for tertiary recovery purposes.

CASE 6270: (Continued from July 11, 1979, Examiner Hearing)

In the matter of Case 6270 being reopened pursuant to the provisions of Order No. R-5771 which order created the South Peterson-Fusselman Pool, Roosevelt County, New Mexico, and provided for 80-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 6590: (Continued from July 11, 1979, Examiner Hearing)

Application of Grace Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying Lots 9, 10, 15, and 16 and the SE/4 of Section 6, Township 21 South, Range 32 East, to be dedicated to a well to be drilled at an unorthodox location 4650 feet from the South line and 660 feet from the East line of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE)
APPLICATION OF)
HARVEY E. YATES COMPANY)
FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

CASE NO. 6601

APPLICATION

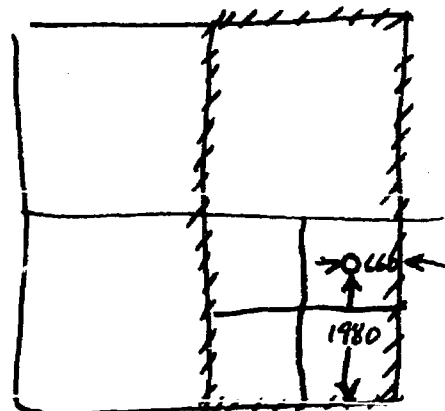
COMES NOW HARVEY E. YATES COMPANY, by its attorney,
and in support hereof, respectfully states:

1. Applicant has the right to drill a gas well in the Wolfcamp through the Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, N.M.P.M., Lea County, New Mexico, at a location 1,980 feet from the South line and 660 feet from the East line of said Section 8.

2. The applicant has dedicated the E/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, should be pooled.



5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

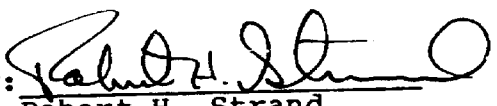
A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

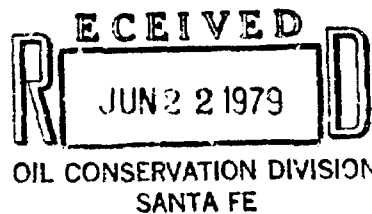
B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, Township 14 South, Range 36 East, N.M.P.M., Lea County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

Dated this 22nd day of June, 1979.

HARVEY E. YATES COMPANY

By: 
Robert H. Strand
Attorney for Applicant
P. O. Box 1933
Roswell, New Mexico 88201



BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE)
APPLICATION OF)
HARVEY E. YATES COMPANY)
FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

CASE NO. 6601

APPLICATION

COMES NOW HARVEY E. YATES COMPANY, by its attorney,
and in support hereof, respectfully states:

1. Applicant has the right to drill a gas well in the Wolfcamp through the Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, N.M.P.M., Lea County, New Mexico, at a location 1,980 feet from the South line and 660 feet from the East line of said Section 8.

2. The applicant has dedicated the E/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, should be pooled.

5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

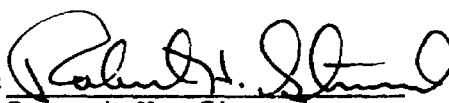
A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, Township 14 South, Range 36 East, N.M.P.M., Lea County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

Dated this 22nd day of June, 1979.

HARVEY E. YATES COMPANY

By: 
Robert H. Strand
Attorney for Applicant
P. O. Box 1933
Roswell, New Mexico 88201

DRAFT

dr/

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. 6601

Order No. R- 6091

APPLICATION OF HARVEY E. YATES
COMPANY 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 Aug 8
July 25
19 79, at Santa Fe, New Mexico, before Examiner R. L. Nutter
Daniel B. Nutter

NOW, on this _____ day of _____, 19 79, 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, Harvey E. Yates Company,
seeks an order pooling all mineral interests in the Wolfcamp through
Mississippian formations underlying the E/2
of Section 8, Township 14 South, Range 36 East
NMPM, Austin Field, 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.

(11) That ^{\$3,000 per month while drilling and} ~~per month~~ ^{\$300 per month while producing} should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge, attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before December 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 Wolfcamp through ^{Mississippian} formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, NMPM, Austin Field, Lea County, New Mexico, are hereby pooled to form a standard 820- 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 December, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mississippian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of December, 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 Harvey E. Yates Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 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

Case No.
Order No. R-

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

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

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

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

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

(9) That \$3000 per month while drilling and \$300 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.

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Case
Order No.

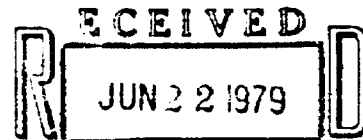
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(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 herein-
above designated.



OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE
APPLICATION OF
HARVEY E. YATES COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 6601

APPLICATION

COMES NOW HARVEY E. YATES COMPANY, by its attorney,
and in support hereof, respectfully states:

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2. The applicant has dedicated the E/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

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4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, should be pooled.

5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Mississippian formation underlying the E/2 of said Section 8, Township 14 South, Range 36 East, N.M.P.M., Lea County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

Dated this 22nd day of June, 1979.

HARVEY E. YATES COMPANY

By: Robert H. Strand
Robert H. Strand
Attorney for Applicant
P. O. Box 1933
Roswell, New Mexico 88201