

1-2 CASE 6651: ALPHA TWENTY-ONE PRODUCTION *pany*  
COMPANY FOR NON-STANDARD PRORATION UNIT,  
UNORTHODOX WELL LOCATION, AND APPROVAL OF  
INFILL DRILLING, LEA COUNTY, NEW MEXICO

6650

6651

Application

Transcripts.

Small Exhibits

ETC.

# Memo

From

FLORENE DAVIDSON  
ADMINISTRATIVE SECRETARY

To

Called in by Bill Carr  
8/13/79

Non-Standard Proration Unit,  
Unorthodox Well Location, and  
Approval of Infill Drilling

80-acre NSP  
Jalmat Pool

N/2 SW/4 32-23S-37E

Alpha Twenty-One Production Co.

El Paso Plant #1

1650/5 + 660/w of Section 32

OIL CONSERVATION COMMISSION-SANTA FE

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

POST OFFICE BOX 2208

JEFFERSON PLACE

SANTA FE, NEW MEXICO 87501

TELEPHONE (505) 966-4421

August 29, 1979

Shell Oil Company  
Post Office Box 1509  
Midland, Texas 79701

Gentlemen:

Enclosed is a copy of the Oil Conservation Division  
Docket for September 5, 1979. You may have an interest  
affected by Case No. 6650.

Very truly yours,

*William F. Carr*  
William F. Carr

WFC:tn

Enclosure

**No902831**  
**RECEIPT FOR CERTIFIED MAIL**  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO Shell Oil Co.	
STREET AND NO. P.O. Box 1509	
P.O. STATE AND ZIP CODE Midland, Texas 79701	
POSTAGE	\$
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	\$
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
CONSULT POSTMASTER FOR FEES	\$
OPTIONAL SERVICES	\$
RETURN RECEIPT SERVICE	\$
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

E/1-B



CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
 BRUCE D. BLACK  
 MICHAEL B. CAMPBELL  
 WILLIAM F. CARR  
 PAUL R. CALDWELL

POST OFFICE BOX 2208  
 JEFFERSON PLACE  
 SANTA FE, NEW MEXICO 87501  
 TELEPHONE (505) 936-4421

August 29, 1979

M. F. Nelson  
 Post Office Box 603  
 Hobbs, New Mexico 88240

Dear Mr. Nelson:

Enclosed is a copy of the Oil Conservation Division  
 Docket for September 5, 1979. You may have an interest  
 affected by Case No. 6650.

Very truly yours

*William F. Carr*  
 William F. Carr

WFC:tn

Enclosure

PS Form 3800, Apr. 1976

No 902830

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

SENT TO M. F. Nelson		STREET AND NO. P.O. Box 603		P.O. STATE AND ZIP CODE Hobbs, NM 88240	
POSTAGE		CERTIFIED FEE		TOTAL POSTAGE AND FEES	
		SPECIAL DELIVERY			
		RESTRICTED DELIVERY			
		SHOW TO WHOM AND DATE DELIVERED			
		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY			
		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY			
		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY			
CONSULT POSTMASTER FOR FEES		OPTIONAL SERVICES		POSTMARK OR DATE	
		RETURN RECEIPT SERVICE			

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

POST OFFICE BOX 2208

JEFFERSON PLACE

SANTA FE, NEW MEXICO 87501

TELEPHONE (505) 986-4421

August 29, 1979

General Petroleum Inc.  
Post Office Box 840  
Hobbs, New Mexico 88240

Gentlemen:

Enclosed is a copy of the Oil Conservation Division  
Docket for September 5, 1979. You may have an interest  
affected by Case No. 6650.

Very truly yours,

*William F. Carr*

William F. Carr

WFC:tn

Enclosure

No. 629533

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		General Petroleum Co.	
STREET AND NO.		P.O. Box 840	
P.O. STATE AND ZIP CODE		Hobbs, NM 88240	
POSTAGE		\$	
CERTIFIED FEE		\$	
SPECIAL DELIVERY		\$	
RESTRICTED DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$	
CONSULT POSTMASTER FOR FEES		\$	
OPTIONAL SERVICES		\$	
RETURN RECEIPT SERVICE		\$	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE			

PS Form 3800, Apr. 1976

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 988-4421

August 29, 1979

John Bryant  
911 Silver Ave.  
Hobbs, New Mexico 88240

Dear Sir:

Enclosed is a copy of the Oil Conservation Division  
Docket for September 5, 1979. You may have an interest  
affected by Case No. 6650.

Very truly yours,

*William F. Carr*  
William F. Carr

WFC:tn

Enclosure

No. 902829

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

SENT TO		John Bryant	
STREET AND NO.		911 Silver Ave.	
PO, STATE AND ZIP CODE		HOBBS, N.M. 88240	
POSTAGE		\$	
CERTIFIED FEE		\$	
SPECIAL DELIVERY		\$	
RESTRICTED DELIVERY		\$	
RETURN RECEIPT SERVICE		\$	
SHOW TO WHOM AND DATE DELIVERED		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$	
CONSULT POSTMASTER FOR FEES		\$	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE			

PS Form 3800, Apr. 1976

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL D. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 986-4421

August 29, 1979

Millard Deck and  
Millard Deck Oil Co.  
Post Office Box 1047  
Eunice, New Mexico 88231

Gentlemen:

Enclosed is a copy of the Oil Conservation Division  
Docket for September 5, 1979. You may have an interest  
affected by Case No. 6650.

Very truly yours,

*William F. Carr*  
William F. Carr

WFC:tn

Enclosure

No. 629559  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO Millard Deck Oil Co.	
STREET NO BOX P.O. Box 1047	
POST OFFICE AND ZIP CODE Eunice, NM 88231	
POSTAGE	\$
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
RETURN RECEIPT SERVICE	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
CONSULT POSTMASTER FOR FEES	\$
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

**AUTHORITY FOR EXPENDITURE  
DETAIL WELL ESTIMATE**

LEASE NO. \_\_\_\_\_ APPR. NO. \_\_\_\_\_  
 LEASE NAME Custer State Com WELL NO. 1 W. I. 100%  
 COUNTY Lea STATE New Mexico FIELD Jalmat Gas Pool  
 LOCATION: NW/4 NE/4 Section 36, T-24-S, R-36-E

**DRILLING INTANGIBLES:**

		PRODUCER	DRY HOLE
1. Drilling Cost	3400 Feet @ 12.97 Per Foot	44,100	44,100
2. Day Work	2 days @ 3200/day	6,400	6,400
3. Coring Service	Well Surveys 6000	6,000	6,000
4. Testing			
5. Fuel	Water	7,000	7,000
6. Mud	5,000 Mud Logging 7000	5,000	5,000
7. Cementing Service	Cement Floats	12,000	3,000
8. Company Labor	Contract Labor	600	300
9. Digging Pits	Filling Pits 700	700	---
10. Roads & Location	6000 Dredging & Grading	6,000	6,000
11. Acidizing	4000 Fracturing 30,000 Perforating 1,700	35,700	---
12. Plugging		---	2,000
13. Trucking Cost		700	300
14. Development Superintendence	20 days @ \$ 250 /day	5,000	2,800
15. Rental Equipment		2,000	500
16. Swabbing and Testing	6 days @ 700/day	4,200	---
17. Other Costs	Abstract, title opinion, etc.	3,000	3,000
	pit lining	1,200	1,200
	other	6,000	6,000
	<b>Total Intangibles</b>	<b>145,600</b>	<b>93,600</b>

**WELL EQUIPMENT:**

18. Casing	500 Ft. of 8 5/8 @ 6.50 Per Ft.	19,000	3,300
	3450 Ft. of 5 1/2 @ 4.56 Per Ft.	7,900	
19. Tubing	3400 Ft. of 2 3/8 @ 2.30 Per Ft.	1,200	600
20. Casing Head		2,800	300
21. Xmas Tree or Pumping Connections		15,000	---
22. Pumping Unit		11,000	---
23. <del>Engine</del> Motor, Controller, Transformer, Power line		6,000	---
24. Sucker Rods		1,200	---
25. Pump		8,000	---
26. Tank Battery	Water tank and connections	2,500	---
27. Separator or Dehydration Equip.			---
28. Metering Equipment		1,500	---
29. Flow Lines		1,000	1,000
30. Other			
	<b>Total Tangibles</b>	<b>77,100</b>	<b>5,200</b>
	<b>TOTAL COST OF WELL</b>	<b>222,700</b>	<b>98,800</b>

REMARKS: The above cost estimate is based on a Jalmat Gas well completion. Please notice under WELL EQUIPMENT that pumping equipment has been included in the cost estimate. Based on nearby wells, water production has been a problem over the Jalmat interval and a means of handling water should be included in a realistic cost estimate.

Originated by Doyle Hart Title \_\_\_\_\_ Date August 1, 1979

Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION COMMISSION  
 CASE NO. 6650  
 Sub. by DOYLE HARTMAN  
 Hearing date 9/5/79

BEFORE EXAMINER STAMETS  
 Oil Conservation Commission  
 Exhibit No. \_\_\_\_\_  
 Case No. 6650

STATE OF NEW MEXICO  
STATE LAND OFFICE  
ACTIVE COMMUNITIZATIONS

11-7-69

COMMUNITIZATION NAME:

Millard Deck Shell State Com Well No. 2

OPERATOR:

Millard Deck

DATE APPROVED:

11-7-69

RESPECTIVE:

10-17-69

COUNTY:

Lea

TOTAL ACREAGE:

160.00

STATE ACREAGE:

All

DEDICATED TO:

*Yates Seven Rivers*  
Common Schools

INSTITUTION:

TERM OF COMMUNITIZATION:

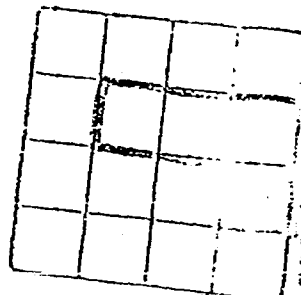
1 Yr.

WELL LOCATION:

SE/4NW/4 (F)

E/2NW/4, NE/4SW/4, NE/4NW/4,

NE/4SE/4



TERMINATED  
ON 2-1-72

*Exhibit #7  
Hartman  
Case 6650*

SEC. TWP. RGE.

SUBDIVISION

LEASE NO.

LESSEE

ACREAGE

6	24S	36E	E/2NW/4	B-1167-34	Millard Deck Oil Company	80.00
6	24S	36E	NE/4SW/4	B-1167-31	Millard Deck Oil Company	40.00
6	24S	36E	NW/4NE/4	B-10709-5	Millard Deck Oil Company	40.00
						<hr/>
						160.00

## SPACE BELOW FOR DRILLING AND PRODUCTION RECORD

~~Sec 36-24-8-36E~~  
~~State B-36-#1 NW 1/4~~  
~~IN 77.00/4, 77.6/4, 77.6/4~~  
~~COMMUNITIZATION~~  
~~AGREEMENT~~  
~~DATE 5-8-63~~  
~~Eff. 2-1-63~~  
**TERMINATED**  
~~EFFECTIVE DATE 4-14-75~~

## SPACE BELOW FOR CANCELLATION AND RELEASE RECORDS

~~Sec 36, T24S, R36E~~  
~~NW 1/4 NE 1/4~~  
~~Millard Oil & Gas Co.~~  
~~INST CORN WELL NO 2~~  
~~app. 1-7-69~~  
~~COMMUNITIZATION~~  
~~Eff. 10-17-69~~  
**TERMINATED**  
~~EFFECTIVE DATE 2-1-72~~

*Devonian* 7/2  
~~Sec 36-24S-36E~~  
~~1/2 NW 1/4, NW 1/4 NE 1/4~~  
~~Sheet Oil Company~~  
~~IN SP "A" CORN WELL 41~~  
~~COMMUNITIZATION~~  
~~app. 7-18-79~~  
~~Eff. 4-14-75~~

## NOTICE OF PAYMENT DUE

## TERM RECORD

## RENTAL PAYMENT RECORD

CARD MAILED	REGISTERED MAILED		PAID FOR	CHECKED IN	RECEIPT
			19 69\$	Paid	NO. 74788
			1970\$80.00	OCT 5 1970	NO. 75094
		pd by Millard Oil & Gas Co.	1971\$80.00	4/27/71	NO. 75370
	Drill. Request	Shelby Oil & Gas Co.	1971\$80.00	10/6/71	NO. 75378
		Plum Oil & Gas Co.	1972\$80.00	9-25-72	NO. 75416
			1973\$80.00	10-1-73	NO. Batch A
			1974\$80.00	10-9-74	NO. Batch I
			1975\$80.00	9-26-75	NO. Batch I
			1976\$80.00	10-14-76	NO. Batch J
			1977\$80.00	9-26-77	NO. Batch K
		<i>Shelby Oil &amp; Gas Co.</i>	1978\$10.00	10-11-78	NO. Batch K
			19__\$		NO.
			19__\$		NO.
			19__\$		NO.
			19__\$		NO.

MISCELLANEOUS REMARKS:

LEASE NO. B-10709 ASSN. NO. 6

SUMMARY OF CORRESPONDENCE  
COMPULSORY POOLING APPLICATION  
(NMOCD CASE NO. 6650)  
W/2 NE/4 Section 36,  
T-24-S, R-36-E  
Lea County, New Mexico

DATE	FROM	TO	SUBJECT
8-14-79	William F. Carr, Attorney Santa Fe, New Mexico	Mr. Joe D. Ramey Division Director NMOCD, Santa Fe, New Mexico	Application for Compulsory Pooling, W/2 NE/4 Section 36, T-24-S, R-36-E
8-10-79	J. A. Davidson, Landman Midland, Texas	William F. Carr, Attorney Santa Fe, New Mexico	Instructions to docket Compulsory Pooling Application, W/2 NE/4 Section 36.
8-10-79	J. A. Davidson, Landman Midland, Texas	N. J. Hrachovy, Landman Shell Oil Company Houston, Texas	Reply to Shell's letter of 8-8-79 and final appeal for cooperation.
8-08-79	N. J. Hrachovy, Landman Shell Oil Company Houston, Texas	J. A. Davidson, Landman Midland, Texas	Shell's refusal to join or farmout concerning the drilling of Jalmat well, W/2 NE/4 Section 36.
8-03-79	J. A. Davidson, Landman Midland, Texas	N. J. Hrachovy, Landman Shell Oil Company Houston, Texas	Renewed request that Shell join in the drilling or farmout their interest, W/2 NE/4 Section 36.
8-01-79	J. A. Davidson, Landman Midland, Texas	Millard Deck, et al (Possible W.I. owners in NW/4 NE/4 Section 36)	Final request that Millard Deck, et al join in the drilling or farmout their interest, W/2 NE/4 Section 36.

BEFORE EXAMINER STAMETS  
Oil Conservation Commissioner  
Exhibit No. \_\_\_\_\_  
Case No. 6650



Summary of Correspondence  
Compulsory Pooling Application  
Page 2

DATE	FROM	TO	SUBJECT
7-10-79	J. A. Davidson, Landman Midland, Texas	Mr. E. M. Gorence Phillips Petroleum Company Odessa, Texas	Request for farmout extension, SW/4 NE/4 Section 36.
5-25-79	J. A. Davidson, Landman Midland, Texas	Mr. Phillip R. Bishop, Attorney (Attorney for Millard Deck) Fort Worth, Texas	Revised farmcut request
2-26-79	J. A. Davidson, Landman Midland, Texas	Mr. Phillip R. Bishop, Attorney Fort Worth, Texas	Follow-up to letter of 2-13-78
2-13-79	J. A. Davidson, Landman Midland, Texas	Mr. Phillip R. Bishop, Attorney Fort Worth, Texas	Renewed request that Millard Deck, at a farmout their possible lease- hold interest in W/2 NE/4 Sec. 36.
2-01-79	J. A. Davidson, Landman Midland, Texas	Mr. Phillip R. Bishop, Attorney Fort Worth, Texas	Follow-up to correspondence in July and August, 1978 concerning possible Deck farmout in NW/4 NE/4 Section 36.
10-20-78	Joe D. Ramey Division Director, NMOC Santa Fe, New Mexico	Doyle Hartman Midland, Texas	Extension of Time (Order No. R-5767)
09-21-78	Doyle Hartman Midland, Texas	Dan Nutter, Examiner, NMOC Santa Fe, New Mexico	Request for Extension of Time (Order No. R-5767)
03-10-78	J. A. Davidson, Landman Midland, Texas	Phillip R. Bishop, Attorney Fort Worth, Texas	Request that farmout letter between Millard Deck and Doyle Hartman be corrected back to terms origin- ally agreed upon.

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 988-4421

August 14, 1979

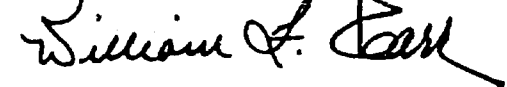
Mr. Joe D. Ramey  
Division Director  
Oil Conservation Division  
New Mexico Department of  
Energy and Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed herewith, in triplicate, is the application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-standard Proration Unit, Lea County, New Mexico.

Mr. Hartman requests that this case be set for the examiners hearing to be held on September 5, 1979.

Very truly yours,



William F. Carr

WFC:tn

Enclosure

cc: James A. Davidson  
Post Office Box 494  
Midland, Texas 79702

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF DOYLE HARTMAN FOR COMPULSORY  
POOLING, UNORTHODOX WELL LOCATION  
AND NON-STANDARD PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.

CASE \_\_\_\_\_

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Comp., hereby makes application for an order pooling all of the mineral interests in the Jalmat formation in and under the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Applicant further seeks approval of the Oil Conservation Division for an unorthodox gas well location and a non-standard proration unit and in support of this application respectfully states:

1. Applicant has the right to drill and develop the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico.
2. Applicant seeks approval to drill a well to test the Jalmat Gas Pool at an unorthodox well location 2310 feet from the North line and 1650 feet from the East line of said Section 36.
3. Applicant further seeks approval of an 80 acre non-standard gas proration unit for said well.

4. Applicant seeks an order pooling all mineral interests underlying said 80 acre track.

5. Pursuant to a farmout agreement dated May 6, 1969 Shell Oil Company assigned its interest in the NW/4 NE/4 of said Section 36 to certain individuals. This assignment provided that on cessation of production the acreage governed by the assignment would be reassigned to Shell.

6. As of the date of this application Shell Oil Company has indicated that they will oppose this application for compulsory pooling but to date applicant is unaware of any reassignment of the interest to Shell. If the assignment has been made Shell owns the mineral interests underlying the NW/4 NE/4 of said Section 36; if not, the property belongs to those holding interests in the property through the farmout agreement.

7. Applicant, therefore, has been unable to obtain the consent of the following interest owners in the NW/4 NE/4 of Section 36 if the interest has not been reassigned to Shell:

<u>Name and Address</u>	<u>Interest</u>
Millard Deck and Millard Deck Oil Co. Post Office Box 1047 Eunice, New Mexico 88231	----- 27/32
General Petroleum Inc. Post Office Box 840 Hobbs, New Mexico 88240	----- 1/16
John Bryant 911 Silver Ave. Hobbs, New Mexico 88240	----- 1/16
M. F. Nelson Post Office Box 603 Hobbs, New Mexico 88240	----- 1/32

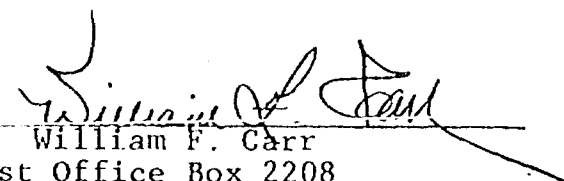
If the interest has been reassigned to Shell, applicant has been unable to obtain the consent of the following:

Shell Oil Company - 100% of the working interest  
in the NW/4 NE/4 or 50% of the working interest  
in the unit to be pooled.

8. Approval of this application will be in the best interest of conservation, prevention of waste and protection of correlative rights.

WHEREFORE, applicant prays that this application be set for hearing before the Commission's duly appointed examiner and that after notice and hearing as provided by law the Division enter its order (1) pooling all of the mineral interests underlying the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, (2) approving a well at an unorthodox well location 2310 feet from the North line and 1650 feet from the East line of said Section 36 and (3) dedicating an 80 acre non-standard proration unit to said well. Applicant further prays that the order contain provisions designating him operator of the well, providing for him to recover his costs of drilling, equipping and completing the well, his costs of supervision while drilling and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well and such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

(915) 682-6482 - OFFICE  
694-5472 - RESIDENCE

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. Box 494  
MIDLAND TEXAS 79702  
August 10, 1979

Campbell and Black, PA  
P. O. Box 2208  
Santa Fe, New Mexico 87501

Attention: Mr. Bill Carr

Re: Force Pooling Application  
Lea County, New Mexico

Dear Bill:

Reference is made to my letter to you of August 8th and our phone conversation today regarding the above application covering the following tract:

T-24-S, R-36-E  
Section 36: W/2 NE/4

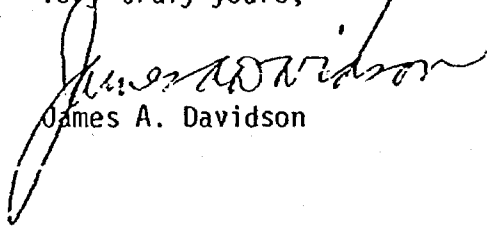
Enclosed please find copy of my letter dated August 30, 1979, to Shell Oil Company and Shell's reply of August 8, 1979.

It is my understanding that you will docket the Force Pooling application in Doyle Hartman's name for September 5, 1979, naming Shell and all other parties shown in the attachment to my above noted letter to you of August 8th.

Please advise should you need anything further at this time.

Regards.

Very truly yours,

  
James A. Davidson

cc: Mr. E. M. Gorence  
Phillips Petroleum Company  
4001 Penbrooke  
Odessa, Texas 79762

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 494  
MIDLAND, TEXAS 79702

August 10, 1979

Shell Oil Company  
P. O. Box 991  
Houston, Texas 77001

Attention: Mr. N. J. Hrachovy  
Land Department, Mid-Continent Division

Re: W/2 NE/4 Section 36,  
T-24-S, R-36-E,  
Lea County, New Mexico  
(Shell's Nos. NM 519G and 1206)

Gentlemen:

Reference is made to my efforts since March 7, 1978, to get a 3,400' Jalmat well drilled on the above described 80-acre tract.

I have been trying since the above date to have Shell cooperate, either by farming out (with my latest offer being a 17 1/2% ORRI to Shell) or by participating for a 50% working interest in the proposed well.

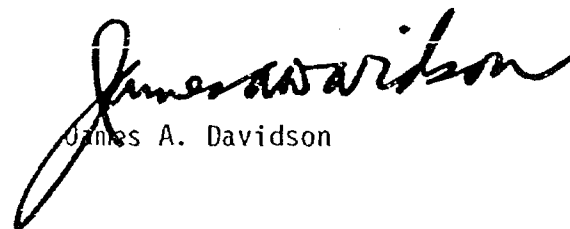
Your letter to me of August 8, 1979 is the first positive indication that I have received in seventeen months of correspondence that Shell actually owns a leasehold position in the subject tract (rather than being an overriding royalty owner).

I do not think it serves any purpose to restate my various proposals that Shell farmout or participate since these letters are already in your files. Furthermore, it is obvious to all concerned that drilling of the proposed well on a 40-acre tract will result in an uneconomical allowable (approximately 115 MCFPD).

I will further simply state that it is extremely hard for me to understand Shell's position in apparently forcing this matter to a distasteful Force Pooling hearing. This is particularly true since all leases involved are on minerals owned by the State of New Mexico.

In closing, it appears to me from your previous position in this matter that Shell Oil Company is not interested in cooperating with independents who are attempting to develop energy sources on risky tracts in this present national energy crisis.

Very truly yours,

  
James A. Davidson

Shell Oil Company  
Page 2  
August 10, 1979

cc; Region Vice-President  
Shell Oil Company  
P. O. Box 576  
Houston, Texas 77001

Region Landman  
Shell Oil Company  
P. O. Box 576  
Houston, Texas 77001

Manager  
Mid-Continent Division  
Shell Oil Company  
P. O. Box 991  
Houston, Texas 77001





August 8, 1979

Subject: NM-519G State  
NM-1206 State  
Jalmat/Custer Area  
Section 36-24S-36E  
Lea County, New Mexico

James Davidson  
P.O. Box 494  
Midland, Texas 79702

Dear Mr. Davidson:

In response to your letter dated August 3, 1979, we again wish to advise that Shell is not interested in either joining your proposed well or farming out the Shell lease covering NW/4 NE/4 of Section 36 on the terms set out in your letter. Shell has plans for some wells in the area which will penetrate the Jalmat zone. Accordingly, we will oppose your force pooling action.

Yours very truly,

*N. J. Hrachovy*  
N. J. Hrachovy  
Land Department  
Mid-Continent Division

NJH:BGR

cc - Phillips Petroleum Company  
Attention Mr. E. M. Gorence  
311 Phillips Building  
Odessa, Texas 79761

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 494  
MIDLAND, TEXAS 79702

(915) 682-6482 - OFFICE  
694-5472 - RESIDENCE

August 3, 1979

Shell Oil Company  
P. O. Box 991  
Houston, Texas 77001

Attention: Mr. N. J. Hrachovy  
Land Department - Mid Continent

Re: NW/4 NE/4 Section 36,  
T-24-S, R-36-E  
Lea County, New Mexico  
(Shell # NM-1206)

Gentlemen:

Reference is made to our correspondence in 1978 regarding the inclusion of your above noted lease in the following proposed 80-acre unit and the drilling of a 3,400' Jalmat test on the unit:

T-24-S, R-36-E, Lea County, New Mexico  
Section 36: W/2 NE/4

We force pooled this tract last year, but omitted one of the possible working interest owners because at the time of the force pooling hearing we thought we had an agreement with him pertaining to the proposed 80-acre Jalmat proration unit. A later misunderstanding over the terms of the deal with the omitted party cancelled the effect of the force pooling hearing.

As we discussed in several conversations last year, and as is also illustrated by the enclosed title opinion covering the W/2 NE/4 Section 36, it is questionable as to whether Millard Deck et al owns the NW/4 NE/4 Section 36 with Shell having a 1/8 override, or whether Shell owns this tract. The question over ownership partly results from our failure to know if Shell has exercised its right of reassignment under Paragraph 4 of the Farmout Agreement and Assignment dated May 5, 1969 from Shell to R. G. Scheuhle et al. Since we have a drilling commitment to Phillips Petroleum, who has been patient for more than a reasonable period of time, it is our intention to see a Jalmat well drilled in the W/2 NE/4 Section 36. We respectfully request that Shell aid in the drilling of this well by giving Deck et al the above mentioned notice of reassignment (enclosed for this purpose is a list of all other possible working interest owners other than Shell) and then do one of the following:

1. Participate in the drilling of the proposed Jalmat well. If Shell elects to join, enclosed are two copies of an AFE. In this case, please return one signed copy and we will forward an A. A. P. L. Model From Operating Agreement.

2. Farmout on the basis of commercial production with a producer to earn 100-feet below total depth drilled and with Shell to retain 17 1/2% override (leaving operator with 70% net revenue interest; ie, State--1/8, Shell--17 1/2%).

This farmout offer is the same deal we have with Phillips as to the SW/4 NE/4 of Section 36. The override proposed to Shell shall be subject to proportionate reduction as to the 80-acre unit.

By procuring a reassignment from Deck et al, Shell would accomplish the following:

1. Shell would have an opportunity to participate in the proposed Jalmat well for a 50% working interest or gain an additional override of 5% more than it presently has (ie, Shell's override would go from 12 1/2% on the Deck et al lease to 17 1/2% under my offer, subject to proportionate reduction).
2. Shell would help expedite by three or four months the drilling of a well in the middle of the present national energy crisis. This savings of time would be possible since a Force Pooling hearing before the New Mexico Oil Conservation Commission would no longer be necessary.

Please advise should you need any additional data and, if it would be helpful, I will be glad to come to Houston to discuss this matter with you or anyone else with Shell. Please let me hear from you as soon as possible.

Very truly yours,

*James A. Davidson*

James A. Davidson

JAD/mh

Enclosures as above

cc: Mr. E. A. Gorence  
Phillips Petroleum Company  
4001 Pembroke  
Odessa, Texas 79762

## ADDRESS AND INTEREST LIST

NAME

ADDRESS

WORKING INTEREST

Millard Deck and  
Millard Deck Oil CompanyP. O. Box 1047  
Eunice, New Mexico 88231

27/32

General Petroleum, Inc.  
(Attention: Mr. T. D. Skelton)P. O. Box 840  
Hobbs, New Mexico 88240

1/16

John Bryant

911 Silver Avenue  
Hobbs, New Mexico 88240

1/16

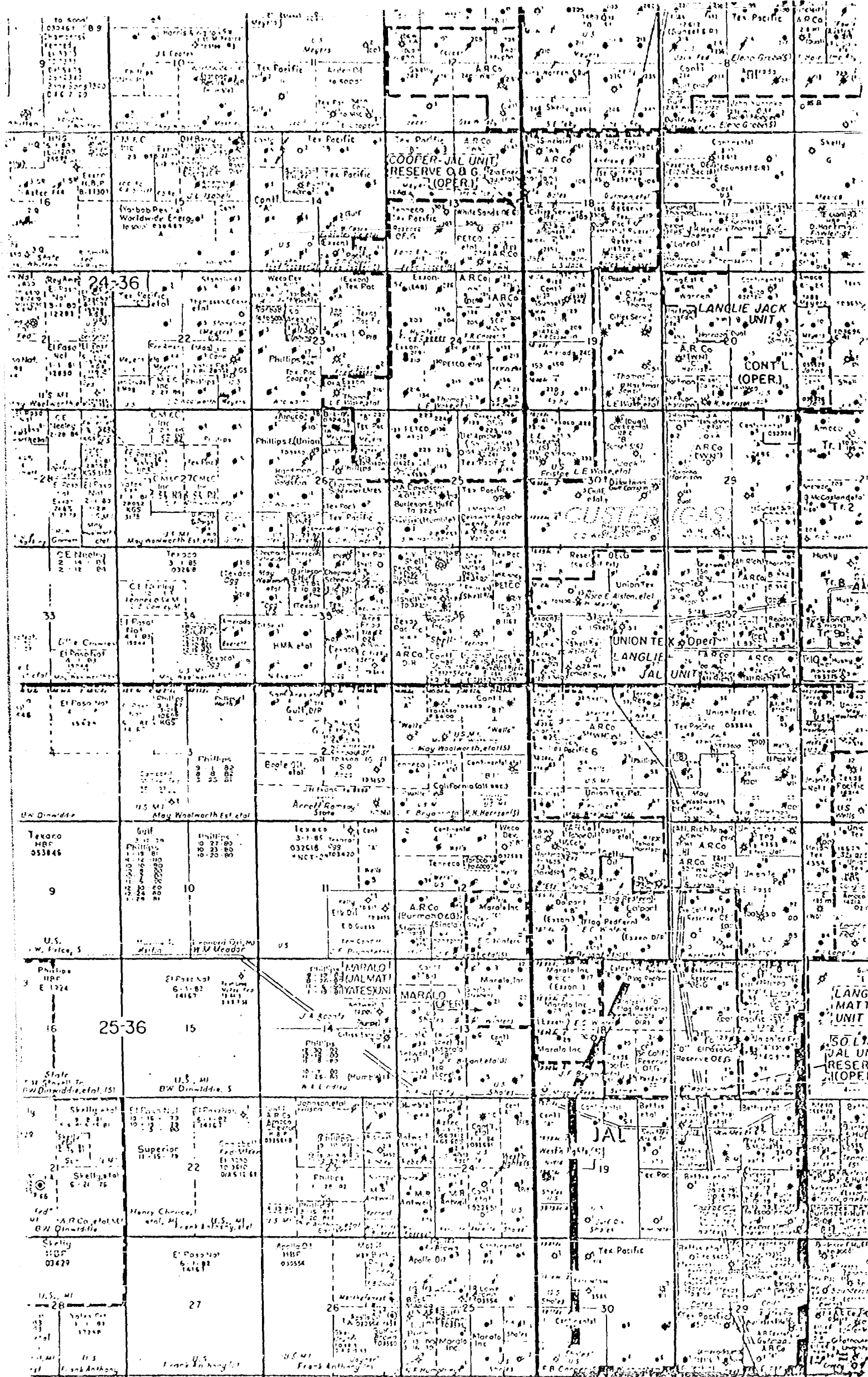
M. F. Nelson

P. O. Box 603  
Hobbs, New Mexico 88240

1/32

---

32/32



# DETAIL WELL ESTIMATE

LEASE NO. \_\_\_\_\_ APPR. NO. \_\_\_\_\_  
 LEASE NAME Custer State Com WELL NO. 1 W. I. 100%  
 COUNTY Lea STATE New Mexico FIELD Jalmat Gas Pool  
 LOCATION: NW/4 NE/4 Section 36, T-24-S, R-36-E

## DRILLING INTANGIBLES:

		PRODUCER	DRY HOLE
1. Drilling Cost	3400 feet @ 12.97 Per Foot	44,100	44,100
2. Day Work	2 days @ 3200/day	6,400	6,400
3. Coring Service	Well Surveys 6000	6,000	6,000
4. Testing			
5. Fuel	Water	7,000	7,000
6. Mud	5,000 Mud Logging 7000	5,000	5,000
7. Cementing Service	Cement Floats	12,000	3,000
8. Company Labor	Contract Labor	600	300
9. Digging Pits	Filling Pits 700	700	---
10. Roads & Location	6000 Dredging & Grading	6,000	6,000
11. Acidizing	4000 Fracturing 30,000 Perforating 1,700	35,700	---
12. Plugging		---	2,000
13. Trucking Cost		700	300
14. Development Superintendence	20 days @ \$ 250 /day	5,000	2,800
15. Rental Equipment		2,000	500
16. Swabbing and Testing	6 days @ 700/day	4,200	---
17. Other Costs	Abstract, title opinion, etc.	3,000	3,000
	pit lining	1,200	1,200
	other	6,000	6,000
	Total Intangibles	145,600	93,600

## WELL EQUIPMENT:

18. Casing	500 Ft. of 8 5/8 @ 6.50 Per Ft.		
	3450 Ft. of 5 1/2 @ 4.56 Per Ft.	19,000	3,300
19. Tubing	3400 Ft. of 2 3/8 @ 2.30 Per Ft.	7,900	---
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		2,800	300
22. Pumping Unit		15,000	---
23. 2000W Motor, Controller, transformer, Power Line		11,000	---
24. Sucker Rods		6,000	---
25. Pump		1,200	---
26. Tank Battery Water tank and connections		8,000	---
27. Separator or Dehydration Equip.		2,500	---
28. Metering Equipment		---	---
29. Flow Lines		1,500	---
30. Other		1,000	1,000
	Total Tangibles	77,100	5,200
	TOTAL COST OF WELL	222,700	98,800

REMARKS: The above cost estimate is based on a Jalmat Gas well completion. Please notice under WELL EQUIPMENT that pumping equipment has been included in the cost estimate. Based on nearby wells, water production has been a problem over the Jalmat interval and a means of handling water should be included in a realistic cost estimate.

Originated by D. J. [Signature] Title \_\_\_\_\_ Date August 1, 1979  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

## Section 36: NW/4 NE/4

Original lease was B-10709-1 dated October 11, 1943, from State to Shell Oil Company.

Rights from surface to 3,400' or base of Seven Rivers whichever is deeper (as Seven Rivers shown on log of Shell State "B-2" in SE/4 NW/4 Section 36, T-24-S, R-36-E) owned as follows:

Millard Deck and Millard Deck Oil Company 27/32  
P. O. Box 1047, Eunice, N.M. 88231

Note--Deck was probably single, but may  
need to name his ex-wife, Helen Deck  
in force-pooling.

General Petroleum Inc. 1/16  
P. O. Box 840, Hobbs, N.M. 88240  
T. D. Skelton, President

John Bryant 1/16  
911 Silver Avenue, Hobbs

H. F. Nelson 1/32  
P. O. Box 603, Hobbs, New Mexico

---

32/32

John Yuronka. 1/64 override less 1.041663% override  
(et ux Donna C.)

Lewis Taman 1.041663% override  
4750 N. Clarendon, Chicago, Illinois 60640

R. G. Schuehle 1/64 override less 1.041663% override  
(et ux Margaret S.)

H. Wayne Stead 1.041663% override  
2889 Millicent Dr., Salt Lake City, Utah 84101

Note: Shell has 1/8 of 8/8ths override and the right to cancel out all  
above parties by making request for reassignment.

GAS CONTRACTS

Shell subject to El Paso contract until 1-1-80. Deck et al took subject  
to this contract.

Phillips as to SW/4 NE/4 Section 36, limited its El Paso contract to  
Ellenburger Gas Only.

WARREN D. BARTON

ATTORNEY AT LAW

315 Petroleum Building  
MIDLAND, TEXAS 79701

Telephone 684 6273

1964

P. O. Box 3742

August 15, 1978

STATE OF NEW MEXICO

COUNTY OF LEA

PROPERTY: State of New Mexico, land

ORIGINAL TITLE OPINION

Mr. Doyle Hartman  
508 C&K Petroleum Bldg.  
Midland, Texas 79701

Dear Mr. Hartman:

I have examined title to the land described below and base my opinion thereon upon the abstracts set out herein. The following opinion is submitted:

PROPERTY

The West one-half of the Northeast one-quarter (W/2 NE/4) of Section 36, T-24-S, R-36-E, NMPM, Lea County, New Mexico, containing 80 acres, more or less.

ABSTRACTS EXAMINED:

1. Original Abstract of Title No. 7-1478-B prepared by Lovington Abstract Company, Inc., consisting of 101 pages, and certified from the inception of the records to July 14, 1978 at 8:00 o'clock a.m.
2. Original Abstract of Title No. 30,418 prepared by Federal Abstract Company, consisting of 76 pages, and certified from the inception of the records to July 25, 1978 at 8:00 o'clock a.m.

INSTRUMENTS EXAMINED:

None.

BASIC LEASES:

Lease No. 1:

Lease No.  
Dated:

B-10709.  
October 11, 1943.



Lessor:  
Lessee:  
Land Covered:

Term:

Royalty:  
Rental:  
Rental Date:  
Recording Date:  
Assignments:

Status of Lease:

State of New Mexico.  
Shell Oil Company, Inc.  
The NW/4 NE/4 and W/2 NW/4 of Section  
36, containing 120 acres.  
Five (5) years from the date of this  
lease and as long thereafter as oil and  
gas in paying quantities, or either of  
them, is produced from said land by  
the lessee. Paragraph 15 of the lease  
provides for a second, or additional,  
term of five (5) years by paying each  
year in advance double the rental pro-  
vided for in the primary term.  
One-eighth (1/8) on oil and gas.  
\$1.00 per acre per year.  
October 11, 1978.  
Not recorded in Lea County, New Mexico.  
This lease has been assigned numerous  
times as discussed below.  
First production was obtained on Feb-  
ruary 24, 1953, in the NW/4 NW/4 of  
Section 36. Rentals have been paid to  
October 11, 1978, and royalty payments  
for the producing well have been paid  
to April of 1978.

Lease No. 2:

Lease No.  
Dated:  
Lessor:  
Lessee:  
Land Covered:

Term:

Royalty:  
Rental:  
Rental Date:  
Recording Date:

Assignments:  
Status of Lease:

E-1734.  
February 10, 1948.  
State of New Mexico.  
Phillips Petroleum Company.  
The NW/4 SE/4 and SW/4 NE/4 of Section  
36, containing 80 acres.  
Five (5) years from the date of this  
lease and as long thereafter as oil and  
gas in paying quantities, or either of  
them, is produced from said land by  
the lessee. Paragraph 15 of the lease  
provides for a second, or additional,  
term of five (5) years by paying each  
year in advance double the rental pro-  
vided for in the primary term.  
One-eighth (1/8) on oil and gas.  
\$1.00 per acre per year.  
February 10, 1979.  
Book 67 at Page 22 of the Oil and Gas  
Records of Lea County, New Mexico.  
None.  
First production was obtained in May  
of 1949, in the NW/4 SE/4 of Section  
36. Rentals have been paid to February  
10, 1979, and royalty payments for the  
producing well have been paid to April  
of 1978.

The State of New Mexico acquired title to the captioned land under an Act of Congress approved June 21, 1898, under Patent No. 1154354, approved September 16, 1955. No minerals were reserved by the United States Government. Grazing Lease No. 00-1119 was issued to Henry H. Harrison of Tyler, Texas, and this grazing lease covers other lands and expires on October 1, 1980. Numerous rights-of-way have been granted to El Paso Natural Gas Company, and New Mexico Electric Service Company.

The history of Lease No. B-10709 is that it was assigned first by Shell Oil Company, Inc. to Shell Oil Company, then to R.G. Schuchle and John Yuronka on October 3, 1968, who assigned said lease, as to the NW/4 NE/4 of Section 36, to Millard Deck Oil Company et al on October 18, 1968, who then assigned said lease back to Shell Oil Company on May 2, 1969.

Shell Oil Company then entered into a Farmout Agreement and Assignment with R.G. Schuchle and John Yuronka under the date of May 6, 1969 and followed this up by an assignment in full of Lease No. B-10709 to R.G. Schuchle and John Yuronka on July 2, 1969, insofar as the NW/4 NE/4 of Section 36 is concerned. R.G. Schuchle and John Yuronka then assigned this lease, as to said 40-acre tract, to Millard Deck Oil Company and others, reserving a 1/32 of 8/8 overriding royalty interest which was later assigned in part by each of them to Lewis Tamen and H. Wayne Stead. It appears now that this lease is owned of record by Millard Deck Oil Company (27/32), General Petroleum, Inc. (1/16), John Bryant (1/16), and M.F. Nelson (1/32), subject to the overriding royalty interests mentioned above.

The Farmout Agreement and Assignment of May 6, 1969, from Shell Oil Company to R.G. Schuchle and John Yuronka contains provisions to the effect that if after the timely completion of the well in the SE/4 NW/4 of Section 36, there is neither production from said land nor work at a well site in trying to obtain or restore production therefrom, either by re-working a well thereon or drilling a new well, for as many as twenty (20) consecutive days, Shell Oil Company may terminate the assignment in whole or in part by giving written or telegraphic notice to the assignee and thereupon the leasehold estate covered by the assignment, as to the lands described in the termination notice shall revert to and be owned by Shell Oil Company, and the assignee shall execute and deliver a re-assignment thereof to Shell Oil Company. You have advised me that all production from the 120 acres covered by the Farmout Agreement and Assignment of May 6, 1969, has ceased and that there has been no production from such land at least since 1973. However, you have also advised me that you have been unable to ascertain whether Shell Oil Company has given the written or telegraphic notice to Schuchle and Yuronka as to Shell's decision to terminate the assigned leasehold interest, and certainly the records do not contain any evidence of any such notice or any re-assignment from the lease owners or from R.G. Schuchle and John Yuronka to Shell Oil Company. Consequently, it appears that although this 40-acre leasehold interest is owned of record as set out above, these interests may be subject to termination by notice of such intention from Shell Oil Company.

The assignment of July 28, 1969, from R.G. Schuchle and John Yuronka, and their respective wives, to Millard Deck Oil Company and the other record owners is made specifically subject to the terms and provisions of the Farmout Agreement and Assignment of May 6, 1969, but this is somewhat confused by the fact that on July 2, 1969, Shell Oil Company made an outright assignment

of Lease No. 14-10709, insofar as the NW/4 NE/4 of Section 36 is concerned, to R.G. Schuchle and John Yuronka without any mention being made of the farmout terms and provisions or any overriding royalty reservation. Therefore, I do not believe that you can with safety drill on this property without having some sort of agreement between the parties as to the respective interests of each; such an agreement will have to include R.G. Schuchle, John Yuronka, Shell Oil Company, and the record owners listed above. You may also wish to check with the Commissioner of Public Lands of the State of New Mexico to determine just who their records show to be the owners of this lease, as to this 40-acre tract. By obtaining evidence of who has been making the delay rental payments, you may be able to ascertain who is claiming title.

Lease No. 2 analyzed above is owned of record by Phillips Petroleum Company, as there have been no assignments of this lease. It appears that at one time all of the N/2 of Section 36 was unitized, and this is reflected by a division order which was issued by The Permian Corporation on June 27, 1963. I have assumed that such Communitization Agreement is no longer in effect, or that it has been amended so as to exclude the depths you are interested in, but you should make certain of these facts before entering into any agreement to drill on this land.

I return herewith the abstracts mentioned above. As stated above, I can say with certainty that the oil and gas leasehold estate in the SW/4 NE/4 of Section 36 is owned of record by Phillips Petroleum Company of Bartlesville, Oklahoma, and that such lease is currently held by production with all rentals paid to date, but I cannot advise you at this time as to the ownership of the NW/4 NE/4 of Section 36 because of the confused state of the record. Perhaps there are some unrecorded instruments between the various owners of this lease, and if such are discovered they should be furnished to me for examination, but for the present I can only advise you as stated above.

Very truly yours,

*Warren D. Barton*

Warren D. Barton

WDB:efw

(915) 682-6482 -- OFFICE  
694 5472 -- RESIDENCE

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 494  
MIDLAND, TEXAS 79702

August 1, 1979

To: All Owners  
(Address List with ownership attached)

Re: Proposed 80-acre unit  
Lea County, New Mexico

Gentlemen:

This letter is written regarding the formation of an 80-acre unit composed of the following acreage with the drilling of a 3,400' Jalmat well on the unit:

T-24-S, R-36-E, N.M.P.M.

Section 36: W/2 NE/4

I propose that each owner either participate or farmout as follows:

1. Enclosed is an AFE. If you elect to participate, please return one signed copy to me.
2. If you elect to farmout, I propose the following terms:
  - (a) Each owner to retain his proportionate part of a 1/16 of 8/8ths override. This would leave the working interest as to your 40-acre tract (which comprises 50% of the unit) as follows: 100.00% less 1/8 override to Shell = 75.00% less 1/32 of 8/8 override to Yuronka et al = 71.875% less your 1/16 of 8/8 = 65.625% net revenue interest.
  - (b) Completion of the well as being capable of producing in commercial quantities to earn your interest, subject to the above noted override.

If you do not elect to join or farmout, I plan to make application to force pool your interest. I would much prefer not to have to do this.

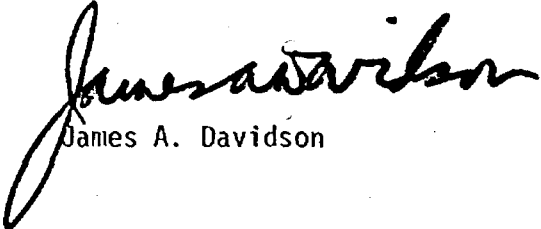
It should be called to your attention that I am not completely certain whether you own this acreage or whether it has reverted to Shell. In either event, I need to make deals with each of you

Page 2  
August 1, 1979

as well as with Shell.

Please let me know should you need anything further at this time as I would very much appreciate hearing from you as soon as possible.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James A. Davidson".

James A. Davidson

JAD/mh

Enclosure as above

## ADDRESS AND INTEREST LIST

NAME	ADDRESS	WORKING INTEREST
Millard Deck and Millard Deck Oil Company	P. O. Box 1047 Eunice, New Mexico 88231	27/32
General Petroleum, Inc. (Attention: Mr. T. D. Skelton)	P. O. Box 840 Hobbs, New Mexico 88240	1/16
John Bryant	911 Silver Avenue Hobbs, New Mexico 88240	1/16
M. F. Nelson	P. O. Box 603 Hobbs, New Mexico 88240	1/32
		<hr/> 32/32



# DETAIL WELL ESTIMATE

LEASE NO. \_\_\_\_\_ APPR. NO. \_\_\_\_\_  
 LEASE NAME Custer State Com WELL NO. 1 W. I. 100%  
 COUNTY Lea STATE New Mexico FIELD Jalmat Gas Pool  
 LOCATION: NW/4 NE/4 Section 36, T-24-S, R-36-E

DRILLING INTANGIBLES:			PRODUCER	DRY HOLE
1. Drilling Cost	<u>3400</u>	Feet @ <u>12.97</u> Per Foot	<u>44,100</u>	<u>44,100</u>
2. Day Work	<u>2 days @ 3200/day</u>		<u>6,400</u>	<u>6,400</u>
3. Coring Service		Well Surveys <u>6000</u>	<u>6,000</u>	<u>6,000</u>
4. Testing				
5. Fuel		Water	<u>7,000</u>	<u>7,000</u>
6. Mud	<u>5,000</u>	Mud Logging <u>7000</u>	<u>5,000</u>	<u>5,000</u>
7. Cementing Service		Cement Floats	<u>12,000</u>	<u>3,000</u>
8. Company Labor		Contract Labor	<u>600</u>	<u>300</u>
9. Digging Pits		Filling Pits <u>700</u>	<u>700</u>	<u>---</u>
10. Roads & Location	<u>6000</u>	Dredging & Grading	<u>6,000</u>	<u>6,000</u>
11. Acidizing	<u>4000</u>	Fracturing <u>30,000</u> Perforating <u>1,700</u>	<u>35,700</u>	<u>---</u>
12. Plugging			<u>---</u>	<u>2,000</u>
13. Trucking Cost			<u>700</u>	<u>300</u>
14. Development Superintendence	<u>20</u>	days @ \$ <u>250</u> /day	<u>5,000</u>	<u>2,800</u>
15. Rental Equipment			<u>2,000</u>	<u>500</u>
16. Swabbing and Testing	<u>6 days @ 700/day</u>		<u>4,200</u>	<u>---</u>
17. Other Costs	<u>Abstract, title opinion, etc.</u>		<u>3,000</u>	<u>3,000</u>
	<u>pit lining</u>		<u>1,200</u>	<u>1,200</u>
	<u>other</u>		<u>5,000</u>	<u>6,000</u>
Total Intangibles			<u>145,600</u>	<u>93,600</u>

## WELL EQUIPMENT:

18. Casing	<u>500</u>	Ft. of <u>8 5/8</u> @ <u>6.50</u> Per Ft.		
	<u>3450</u>	Ft. of <u>5 1/2</u> @ <u>4.56</u> Per Ft.		
		Ft. of @ Per Ft.	<u>19,000</u>	<u>3,300</u>
19. Tubing	<u>3400</u>	Ft. of <u>2 3/8</u> @ <u>2.30</u> Per Ft.	<u>7,900</u>	<u>---</u>
20. Casing Head			<u>1,200</u>	<u>600</u>
21. Xmas Tree or Pumping Connections			<u>2,800</u>	<u>300</u>
22. Pumping Unit			<u>15,000</u>	<u>---</u>
23. <del>XXX</del> Motor, Controller, Transformer, Power line			<u>11,000</u>	<u>---</u>
24. Sucker Rods			<u>6,000</u>	<u>---</u>
25. Pump			<u>1,200</u>	<u>---</u>
26. Tank Battery Water tank and connections			<u>8,000</u>	<u>---</u>
27. Separator or Dehydration Equip.			<u>2,500</u>	<u>---</u>
28. Metering Equipment				
29. Flow Lines			<u>1,500</u>	<u>---</u>
30. Other			<u>1,000</u>	<u>1,000</u>
Total Tangibles			<u>77,100</u>	<u>5,200</u>
TOTAL COST OF WELL			<u>222,700</u>	<u>98,800</u>

REMARKS: The above cost estimate is based on a Jalmat Gas well completion. Please notice under WELL EQUIPMENT that pumping equipment has been included in the cost estimate. Based on nearby wells, water production has been a problem over the Jalmat interval and a means of handling water should be included in a realistic cost estimate.

Originated by Doug Hart Title \_\_\_\_\_ Date August 1, 1979  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_



JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 494  
MIDLAND, TEXAS 79702

July 10, 1979

(215) 692 6382 - OFFICE  
694 5472 - RESIDENCE

Phillips Petroleum Company  
Phillips Building  
4001 Penbrooke  
Odessa, Texas 79762

Attention: Mr. E. M. Gorence

Re: SW/4 NE/4 Section 36,  
T-24-S, R-36-E,  
Lea County, New Mexico

Gentlemen:

Reference is made to our present agreement regarding the above described tract.

We have made numerous attempts to reach an agreement with various offset lease owners and principally with Millard Deck et al who own NW/4 NE/4 Section 36, T-24-S, R-36-E. We force pooled the other owners in this tract but excluded Mr. Deck who owns 27/32 working interest since he agreed to a farmout. However, after the force pooling hearing, Mr. Deck changed the deal so that the net effect was that as to his interest, we would receive a 52% net revenue interest. We have tried many times to work out this impossible problem but without success.

Therefore, we respectfully suggest that you allow us enough time to force pool all parties in the NW/4 NE/4 Section 36, T-24-S, R-36-E, and include this tract with your farmout. We plan to docket this hearing at the earliest possible date.

Thank you for your patience and consideration. If we do not hear from you to the contrary shortly, we will proceed with the hearing.

Very truly yours,

*James A. Davidson*

James A. Davidson

cc: Mr. Doyle Hartman  
508 C & K Petroleum Building  
Midland, Texas 79701

JAD/mh

May 25, 1979

Mr. Phillip R. Bishop  
Attorney-at-Law  
1500 First National Bank Building  
Fort Worth, Texas 76102

Re: Millard Deck  
Lea County, New Mexico

Dear Mr. Bishop:

Reference is made to our various correspondence concerning the following Deck acreage which is a north offset to our farmout from Phillips Petroleum Co. in the SW/4 NE/4. Sec. 36, T-24-S, R-36-E.

T-24-S, R-36-E

Section 36: NW/4 NE/4

Last year, were unable to reach an agreement with Mr. Deck due to our requesting that Mr. Deck farmout to us on a 70% net revenue interest (reduced to his 27/32 interest).

We would like to amend our proposal and suggest that Mr. Deck farmout as follows:

1. Farmout to us a 62 1/2% net revenue interest, retaining an override of 37 1/2%. This override would absorb all present royalty and be computed as follows:

	12.5000%	royalty to State
	12.5000%	Shell override
	3.1250%	Yuronka et al override
	<u>28.1250</u>	(Total Royalty & Overriding Royalty)
	<u>71.8750%</u>	net revenue to working interest (on 100% basis)
less	<u>62.5000</u>	
	9.3750%	override (on 100% basis)

Mr. Deck gets  $27/32 \times 9.3750\% = 7.9102\%$  (net as to one 40-acre tract).

2. In order to offset the proposed low 62.5% revenue interest, we request that Mr. Deck farmout a total of 120 acres being the following instead of 40-acres that we requested in our first offer.

T-24-S, R-36-E

Section 36: NW/4 NE/4, E/2 NW/4

We would add this acreage to the Phillips' 40-acre tract to form a full 160-acre Jalmat proration unit and thus be entitled to a full allowable.

3. The total acreage in the 160-acre unit would be as follows:

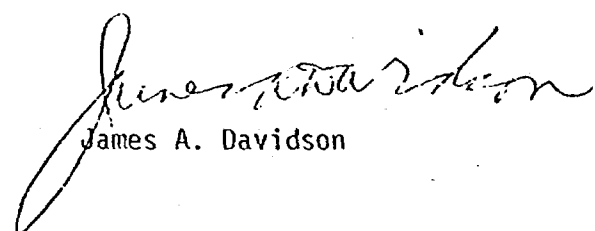
T-24-S, R-36-E

Section 36: W/2 NE/4, E/2 NW/4  
(160 acres)

Mr. Deck's above noted 7.9102% override would be reduced to the 75% of the acreage that he farmed out to the unit (or 75% x 7.9102% = 5.933% net to him). Please note that the reduced override would be on a well entitled to a full allowable instead of a half allowable as originally proposed.

We are making every effort to work this matter out. If you have any other view of it, please let me know.

Very truly yours,

  
James A. Davidson

JAD/mh

cc: Mr. Millard Deck  
P. O. Box 1047  
Eunice, New Mexico 88231

(915) 682-6182 - OFFICE  
694-5472 - RESIDENCE

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 1047  
MIDLAND, TEXAS 79702

February 26, 1979

Mr. Phillip R. Bishop  
Attorney at Law  
1500 First National Bank Building  
Fort Worth, Texas 76102

Re: Millard Deck Farmout  
W/2 NE/4 Sec. 36,  
T-24-S, R-36-E,  
Lea County, N. M.

Dear Mr. Bishop:

Please refer to my letter to you of February 13, 1979, enclosing various information concerning the following tract owned principally by Mr. Millard Deck:

T-24-S, R-36-E, Lea County, New Mexico  
Section 36: NW/4 of NE/4

Please advise should you need anything further in this regard and I would very much appreciate being advised as to Mr. Deck's decision.

Very truly yours,

*James A. Davidson*

James A. Davidson

cc: Mr. Millard Deck  
P. O. Box 1047  
Eunice, New Mexico 88231

*AMH:11 11:11 Sec 36 T-24-S R-36-E*

JAMES A. DAVIDSON  
Oil & Gas Properties  
P. O. BOX 494  
MIDLAND, TEXAS 79702

February 13, 1979

Mr. Phillip R. Bishop  
Attorney at Law  
1500 First National Bank Building  
Fort Worth, Texas 76102

Re: Millard Deck Farmout  
W/2 NE/4 Sec. 36,  
T-24-S, R-36-E,  
Lea County, N. M.

Dear Mr. Bishop:

Reference is made to our correspondence and our phone conversation last week concerning Mr. Deck's interest in the following 40-acre tract:

T-24-S, R-36-E, Lea County, N. M.  
Section 36: NW/4 of NE/4

I have just returned from Lovington, New Mexico and personally checked Mr. Deck's title from the County records. In this regard, please find enclosed the following:

1. Farmout Agreement and Assignment dated May 6, 1969 from Shell to R. G. Schuehle and John Yuronka covering, among other lands, NW/4 NE/4 Section 36.

Shell retained 1/8 override (plus 1/8 royalty to the State) so at this point the lease on 100% basis was on a 75% net revenue interest into Schuehle and Yuronka.

2. Assignment dated July 28, 1969, from Schuehle and Yuronka to the following parties:

Millard Deck Oil Company	11/16
General Operating Company	1/8
General Petroleum, Inc.	1/16
John Bryant	1/32
Donald E. Bratton	1/32
Royce Crowell	1/32

Schuehle and Yuronka retained 1/32 of 8/8 override as to NW/4 NE/4 Section 36 so at this point the lease on 100% basis was on 71.875% net revenue interest (ie, 100% less 1/8--State plus 1/8--Shell plus 1/32 to Schuehle and Yuronka).

Mr. Phillip R. Bishop  
February 13, 1979  
Page 2

3. Assignment dated June 18, 1970, from General Operating Company to Mr. Deck of 1/8 interest.

Mr. Deck then owned 11/16 plus 1/8 being 13/16 working interest, with his working interest bearing its part of all royalty.

4. Assignment dated February 1, 1971, from Royce E. Crowell et ux to Millard Deck Oil Company of 1/32 interest.

Mr. Deck then owned 11/16 plus 1/8 plus 1/32 being 27/32, with his working interest bearing its part of all royalty.

Therefore, Mr. Deck's "working interest" is 27/32 (being 84.375%). It is on a "net revenue" interest of 60.6445% (ie, 84.375 less  $84.375 \times (1/8\text{-State plus } 1/8\text{-Shell plus } 1/32\text{-Schuehle and Yuronka})$  which equals 60.6445%).

In order to farmout to us on a 70% net revenue interest (on 100% basis), he would retain 1.582% override. This is computed as follows:

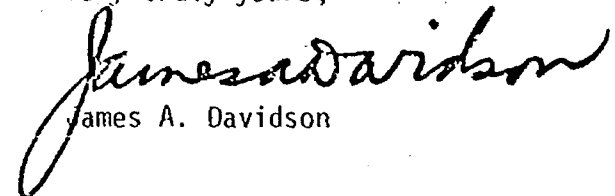
$$60.6445\% \text{ less } (84.375\% \times 70\% = 59.0625\%) = 1.582\%$$

I realize this is a small override but it is caused by the large burdens (1/8-Shell, 1/32-Schuehle and Yuronka) placed on the lease when it was assigned to him. Generally, most operators want at least a 75% net revenue interest (on 100% basis) but we have offered to go as low as 70% in order to try to make the deal.

Also, Mr. Deck will receive the benefit of the well evaluating his offset acreage in E/2 NW/4 Section 36.

Your consideration will be very much appreciated. Please let me hear from you as soon as possible.

Very truly yours,

  
James A. Davidson

cc: Mr. Millard Deck

32300

MA 1114

21-22 (ONE WELL)

FARMOUT AGREEMENT AND ASSIGNMENT

1. On this the 6th day of May 19 69 in consideration of the covenants and obligations of the ASSIGNEE herein,

Shell Oil Company, a Delaware corporation, herein called "ASSIGNOR", hereby transfers and assigns unto

R. G. Schuehle and John Yuronka

herein called "ASSIGNEE", subject to the reservations, covenants, conditions and provisions set out below, and without warranty of title, express or implied, of all ASSIGNOR'S right, title and interest in and to the oil and gas rights in and under all oil and gas leases and oil, gas and mineral leases held by it in

so far as they cover the following land in Lea County New Mexico ~~XXXX~~

down to and including, but not below, a depth of 100 feet below the greatest depth penetrated, not to exceed 3400 feet or base of Seven Rivers formation, whichever is greater, as defined in Shell-State B-2 located in SE 1/4 NW 1/4 of Section 36, Township 24 South, Range 36 East, To-Wit:

The Northeast 1/4 Northwest 1/4, Southeast 1/4 Northwest 1/4 and the Northwest 1/4 Northeast 1/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M.

The land covered by this assignment (as to the depths or formations covered hereby if this assignment covers less than all depths) is called herein "said land."

2. ASSIGNOR hereby reserves unto itself, its successors and assigns an overriding royalty of one eighth (1/8th) of all (1/8) of the oil and gas in and under and which may be produced from said land. If on the effective date hereof the leasehold estate herein assigned covers less than the full interest (or no interest) in the oil and gas rights in all or any part of said land, then ASSIGNOR'S overriding royalty shall be proportionately reduced as to the land in which such leasehold estate covers less than the full interest. Said overriding royalty shall be free of all cost to ASSIGNOR of drilling for, producing, treating and separating the minerals to which it applies. ASSIGNOR shall furnish ASSIGNOR complete statements, or such intervals, and on such forms as ASSIGNOR may request, covering the production from said land, measurement thereof, production stored, used, delivered to pipe lines, and sold.

3. ASSIGNEE agrees timely to commence and diligently to drill the following well to completion, to-wit:

Commencement Date: Well has been completed as a Jalmat gas well.

Well Location: Southeast 1/4 Northwest 1/4 Section 36, Township 24 South, Range 36 East.

Well Depth: To a total depth of 3,430 feet from the surface.

4. Whenever ASSIGNEE is in default with reference to drilling and completing the well specified in Section 3 (and suspension of operations timely begun for as much as twenty (20) days shall be considered as a default) or in complying with the provisions in Section 5, or whenever after the timely completion of the said well there is neither production from said land nor work at a well site in trying to obtain or restore production therefrom, either by reworking a well thereon or drilling a new well for as many as twenty (20) consecutive days, ASSIGNOR may terminate this assignment in whole or in part by giving written or telegraphic notice to ASSIGNEE thereof and thereupon the leasehold estate covered by this assignment shall, as to the lands described in the termination notice, revert to and be owned by SHELL and its evidence thereof, ASSIGNEE shall execute and deliver a conveyance thereof to ASSIGNOR. Time is of the essence in the performance of ASSIGNEE'S obligations.

5. ASSIGNOR at all times shall have free access to all wells on the above land to all records pertaining thereto and the production therefrom. As to the well specified in Section 3 ASSIGNEE agrees (a) to notify ASSIGNOR of the beginning thereof, (b) to promptly furnish to ASSIGNOR (1) a copy of each report filed by ASSIGNEE with any governmental agency relating thereto, (2) daily drilling and drilling time reports, (3) complete information as to the results of all tests, (4) upon completion, a complete log thereof, (5) logs of electric, radioactive and other surveys thereof, whether similar or dissimilar, and (6) samples satisfactory to ASSIGNOR of drill cuttings taken at 10 foot intervals, (c) to make available to ASSIGNOR at the well samples of all fluids encountered and of all cores taken, (d) to give ASSIGNOR or least 12 hours notice of the time he expects to set or cement the production string casing or make drill stem tests or to drill into any formation expected to produce or to core any formation, (e) to allow ASSIGNOR to use the hole for the running of velocity and other surveys, or ASSIGNOR'S sole risk and expense, (f) immediately to notify ASSIGNOR if any showing of oil or gas is encountered, (g) to make thorough tests of all formations which contain a showing of oil or gas, or in which any survey that shall have been run may indicate a showing of oil or gas sufficient to justify testing, (h) upon completion of drilling and testing of the well, to give immediate notice thereof to ASSIGNOR, which shall have a reasonable time thereafter to satisfy itself that the drilling and testing requirements hereof have been fully performed, and (i) properly and lawfully to plug and abandon same if it is a dry hole.

6. All operations conducted by ASSIGNEE shall be at the sole risk and cost and under the exclusive control of ASSIGNEE, and ASSIGNEE shall indemnify ASSIGNOR against all claims for damages of every kind to persons or property arising out of or in connection with the operations of ASSIGNEE on said land.

7. ASSIGNEE shall comply with, and hereby assumes, all express and implied covenants and obligations contained in any lease affected hereby as to the lands covered by this assignment.

8. All rights of ASSIGNOR hereunder shall apply not only to the leasehold interests that are hereby assigned but also to any renewal or extension thereof and to any new lease that covers all or part of said land to the extent that it covers an interest that is covered by any leasehold hereby assigned and that ASSIGNEE may acquire within one year from the expiration of the prior lease covering such interest.

9. If ASSIGNEE at any time intends to surrender or to abandon or to allow to terminate or to be cancelled for non payment of a shut in royalty or other payment that could be made by ASSIGNEE any portion of the leasehold estate covered by this assignment, ASSIGNEE shall tender to ASSIGNOR a reassignment thereof at least thirty (30) days before making a surrender or abandonment or before the date by which the act which may result in termination or cancellation must be performed.

If ASSIGNOR accepts a reassignment hereunder, ASSIGNOR shall pay to ASSIGNEE the reasonable salvage value of any materials and equipment that it shall elect to take in any wells affected hereunder as the same may be without cost to ASSIGNOR. Wells affected by such a reassignment and not elected to be taken by ASSIGNOR in operating condition shall be plugged and abandoned in a lawful manner by ASSIGNEE.

10. Except as provided in the following sentence, all notices and communications to be given under the terms hereof shall be given by registered or certified mail or telegram addressed to the addresses of the parties as set out on the signature page or pages below provided that either party may effect a

change of address by advising the other party of such desired change. ASSIGNOR designates its Midland Division,

Production Department, in the Shell Building, P. O. Box 1509

Midland, Texas 79701 to receive logs, copies of reports to governmental agencies and notices and reports concerning and during the drilling operations until further notice. The provisions hereof shall constitute covenants running with the land and shall extend to and be binding upon the respective heirs, representatives, successors and assigns of the parties hereto, but no assignment or transfer shall relieve ASSIGNEE of ASSIGNEE'S obligations hereunder.

11. ASSIGNOR shall at all times have preferential right and option to purchase, or to designate a responsible purchaser for, all or any part of the casinghead or gas well gas which ASSIGNEE may produce under the leasehold interests hereby assigned and which ASSIGNEE proposes to sell, on the terms contained in a bona fide offer therefor. ASSIGNEE shall give to ASSIGNOR written, complete and detailed information concerning, and a photostatic copy of, the offer. ASSIGNOR shall have 20 days after receipt thereof in which to exercise its said option by a written notice to ASSIGNEE.

12. In performing all operations and work provided for herein ASSIGNEE agrees to use products manufactured and/or sold by ASSIGNOR, provided such are readily available at competitive prices.

13. SPECIAL PROVISIONS:

A. ASSIGNEE shall run the following surveys after the well has reached total depth:

1. Gamma Ray Sonic from total depth to surface.
2. Laterolog from total depth to base of salt.
3. Microlaterolog from total depth to base of salt.

Other logging company equivalents of the above are also acceptable. If the ASSIGNEE should core any formation covered by this contract, ASSIGNOR shall have call on all portions of the whole core residue after the purposes of the ASSIGNEE have been served.

B. All rentals hereafter becoming due on, or payable in order to prevent termination of the oil and gas leasehold estate on the above described lands shall be paid by ASSIGNOR, and ASSIGNEE, within fifteen (15) days from notice by ASSIGNOR of the making thereof, shall reimburse ASSIGNOR in full therefor; provided that ASSIGNEE may relieve himself of this obligation as to any particular part of said lands by tendering to ASSIGNOR, at least thirty (30) days before the date by which a rental must be paid, an assignment of ASSIGNEE'S rights in said leasehold as to said land. ASSIGNOR agrees to use reasonable diligence in endeavoring to pay such rentals properly, but shall have no liability to ASSIGNEE for failure to do so.

C. ASSIGNOR is contemporaneously herewith assigning to ASSIGNEE on the form required by the State of New Mexico with reference to assignments of oil and gas leases from it, the oil and gas leasehold on the land described above without reference therein to the depth limitation herein made or to the reservations, terms and provisions hereof. However, as between the parties hereto, it is understood that the said assignment is subject to all the terms and conditions hereof and that all rights reserved to ASSIGNOR herein shall be applicable thereto.

D. Notwithstanding anything to the contrary, it is expressly agreed and understood that the ASSIGNEE earns gas rights only to 3400 feet or the base of the Seven Rivers formation, as defined in Shell-State B-2 located in Southeast 1/4 Northwest 1/4 of Section 36, Township 24 South, Range 36 East, in the lands described in Paragraph 1 hereof.



IN WITNESS WHEREOF, the parties have hereunto set their hands as of the day and year first stated above.

R. G. Schuchle  
R. G. Schuchle  
John Yuronka  
John Yuronka  
Address: \_\_\_\_\_

120-C Central Building  
Midland, Texas 79701

SHELL OIL COMPANY

By E. V. Pearson  
Attorney in Fact

Address: Petroleum Building  
P. O. Box 1509  
Midland, Texas

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Before me, the undersigned authority, on this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, appeared

\_\_\_\_\_ to me personally known, who, being by me duly sworn, did say that he is  
President of \_\_\_\_\_ that the seal affixed to said instrument is the corporate seal of said corpora-  
tion, that same was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be  
the free act and deed of said corporation, same having been executed by him for the purposes and consideration therein expressed and in the capacity  
therein stated.

Witness my hand and official seal the day and year last above written.

Notary Public in and for \_\_\_\_\_

My Commission Expires \_\_\_\_\_

County, \_\_\_\_\_

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared R. G. Schuchle and John Yuronka

known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they  
executed the same for the purposes and consideration therein expressed.

GIVEN under my hand and seal of office, this the 7th day of May, 1969

My Commission Expires 6-1-69

David P. Raper  
Notary Public in and for

Midland County Texas

STATE OF TEXAS

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared E. V. Pearson  
known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Shell Oil Company and acknowledged to me  
that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Shell Oil Company in the capacity  
therein stated.

GIVEN under my hand and seal of office, this the 2nd day of July, 1969

My Commission Expires 6-6-71

Rosalynn Mayes  
Notary Public in and for Midland County, Texas

STATE OF NEW MEXICO  
COUNTY OF LEA

FILED FOR RECORD on the 20 day of August, 1969 at 9:20 o'clock P.M. and recorded in Book \_\_\_\_\_

PAGE \_\_\_\_\_ of the \_\_\_\_\_ records of my office.

Midland Book  
By 449. Records

Effie Halpin County Clerk  
By Helene C. Boland Deputy.

ASSIGNMENT

THIS ASSIGNMENT, entered into this 28th day of July, 1969, by and between P. G. SCHUEBLE and his wife, MARGARET S. SCHUEBLE and JOHN YURONKA and his wife, DONNA C. YURONKA, hereinafter collectively called "Assignors," and MILLARD DECK OIL COMPANY, GENERAL OPERATING COMPANY, GENERAL PETROLEUM, INC., JOHN BRYANT, DONALD E. BRATTON and ROYCE CROWELL, hereinafter collectively called "Assignees."

W I T N E S S E T H:

WHEREAS, Assignors represent that they are the owners of an undivided full interest in the gas leases described in Exhibits A and B, Farmout Agreement and Assignment and Assignment of Oil and Gas Leases, respectively, which are attached hereto and made a part hereof. Said interest of Assignors, in addition to the hereinafter excepted and reserved overriding royalty, is subject to a royalty of 1/8 of 8/8 reserved to the State of New Mexico and an overriding royalty of 1/8 of 8/8 reserved to Shell Oil Company of all gas produced from the above described land.

NOW, THEREFORE, in consideration of the sum of \$10.00 and other good and valuable consideration, Assignors do hereby convey and assign to Assignees, their heirs, successors and assigns, working interests under the said leasehold estates in the following proportions:

Millard Deck Oil Company .....	11/16
General Operating Company .....	1/8
General Petroleum, Inc. ....	1/16
John Bryant .....	1/16
Donald E. Bratton .....	1/32
Royce Crowell .....	1/32

Assignors except from this assignment and reserve unto themselves, in equal proportions, an overriding royalty interest of 1/32 of 8/8 of the oil and gas production from the SE 1/4 NE 1/4 and the NE 1/4 NE 1/4 of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico. No overriding royalty shall be retained

on the NE/4 NW/4 of said Section 36.

The overriding royalties herein reserved shall be in addition to and over and above all existing royalties and overriding royalties now affecting the working interest herein assigned.

This assignment is made pursuant to and in compliance with that certain Farmout Agreement and Assignment dated May 6, 1969, and made a part hereof as Exhibit A.

This assignment shall be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed in multiple copies, each of which is to serve as an original.

John Yuronka  
John Yuronka

R. G. Schuehle  
R. G. Schuehle

Donna C. Yuronka  
Donna C. Yuronka

Margaret S. Schuehle  
Margaret S. Schuehle

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 25th day of July, 1969, by R. G. Schuehle and his wife, Margaret S. Schuehle.

Dana G. Raper  
Notary Public

My Commission expires:  
June 1, 1971

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 28th day of July, 1969, by John Yuronka and his wife, Donna C. Yuronka.

Dana G. Raper  
Notary Public

My Commission expires:  
June 1, 1971

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

AUG 21-1969

By W. E. B. Clerk  
and W. E. B. Deputy  
County Clerk

42124

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

STATE OF NEW MEXICO I

COUNTY OF LEA I

For a valuable consideration, receipt of which is hereby acknowledged, GENERAL OPERATING COMPANY, a partnership composed of BINION H. CARR and KENT E. TOLER, said partners being joined herein by their respective wives, hereinafter called "Assignor," does hereby grant, sell, assign, transfer and convey unto MILLARD DECK, Eunice, New Mexico, his heirs and assigns, one-eighth of the working interest in and to the Shell Oil Company-State of New Mexico Leases Nos. B-10709-1 and B-1167-12 under the following described land in Lea County, New Mexico:

The Northwest 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, and the Northeast 1/4 of the Southwest 1/4, all out of Section 36, T-24-S, R-36-E, containing 120 acres, more or less,

together with a like interest in all leasehold equipment and personal property located on said land and used in connection with said oil and gas leases.

This instrument is executed subject to, and the assigned interests shall bear their proportionate part of all royalties, overriding royalties, production payments and other leasehold burdens now shown of record in the office of the County Clerk of the above County, including, without limitation, the Shell Oil Company Farmout Agreement and Assignment of Leases dated June 12, 1968, the John Yuronka, et ux, et al, Assignment of Leases dated October 18, 1968, and the El Paso Natural Gas Company Gas Purchase Contract dated October 23, 1968, including all amendments and supplements thereto.

Assignor covenants with Assignee that it is the owner of the above leases and that it has neither disposed of nor encumbered the same since acquisition, insofar as the interests hereby assigned are affected.

EXECUTED, this 15<sup>TH</sup> day of June, 1970; but effective as of June 1, 1970, at 7:00 a.m. as to gas and effective as of the date of first runs as to oil.

GENERAL OPERATING COMPANY

By Binion H. Carr  
Binion H. Carr, Partner

By Kent E. Toler  
Kent E. Toler, Partner

Patsy Ruth Carr  
Patsy Ruth Carr

Ruby Merle Toler  
Ruby Merle Toler

2427

ASSIGNMENT OF INTEREST IN OIL AND GAS LEASES

This Assignment, entered into this 1 day of February, 1971, by and between ROYCE E. CROWELL and JO CROWELL, his Wife, hereinafter called "Assignors," and MILLARD DECK OIL COMPANY, hereinafter called "Assignee."

WITNESSETH:

Whereas, Assignors represent that they are the owners of an undivided .02246094 working interest of the oil and gas and other minerals in and under and that may be produced from Shell State Leases #1 and #2, covering 120 acres described as the NW/4 of the NE/4, the NE/4 of the SW/4, and the SE/4 of the NW/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, subject to various overriding royalties and conditions contained in said recorded instrument,

Now, Therefore, in consideration of the sum of \$10.00 and other good and valuable consideration, Assignors do hereby convey and assign to Assignee, its heirs, successors and assigns, said working interest. All funds attributable to this working interest from the sale of oil, gas or casinghead gas from the 1 day of Feb, 1971, are hereby conveyed with this instrument. This Assignment shall be binding upon the parties hereto, their heirs, administrators, personal representatives, executors, assigns and successors.

In Witness Whereof, this instrument is executed in multiple copies, each of which is to serve as an original on the day and year in this Assignment first above written.

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED  
MAR 12 1971  
JO CROWELL, his wife  
and Recorded to Book  
Page  
JANE RICE SMITH, County Clerk  
By [Signature]

STATE OF NEW MEXICO ) ss  
COUNTY OF LEA )

The foregoing instrument was acknowledged before me this 1st day of February, 1971, by ROYCE E. CROWELL and JO CROWELL, his Wife.

[Signature]  
NOTARY PUBLIC

My Commission Expires:

Sept 12, 1973

ROBERT H. RANDOLPH REESE  
P.O. Box 1619 113503, N.M. 88240

2427

JAMES A. DAVIDSON

Oil & Gas Properties

P. O. BOX 494

MIDLAND, TEXAS 79702

February 1, 1979

(915) 432-6882 - OFFICE  
574-5472 - RESIDENCE

Mr. Phillip R. Bishop  
Attorney at Law  
1500 First National Bank Building  
Fort Worth, Texas 76102

Re: Millard Deck  
Farmout  
W/2 NE/4 Sec. 36,  
T-24-S, R-36-E  
Lea County, N. M.

Dear Mr. Bishop:

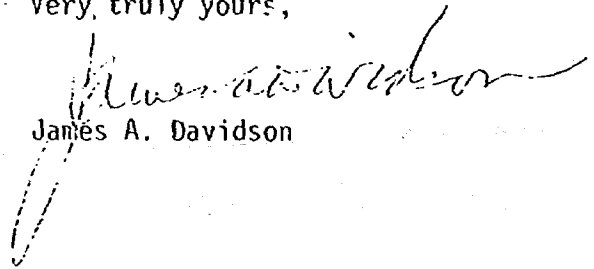
Reference is made to our various correspondence and phone conversations in July and August, 1978, regarding the above described tract.

For your reference, attached is a copy of my letter to you of August 10, 1978, which sets out the problem in detail.

Mr. Hartman is still interested in drilling this well on a 70% "net revenue interest" (as that term is understood in the industry) and asks again that you and Mr. Deck allow us to forward a Farmout Letter that covers the trade.

Thank you for your consideration and please let me hear from you as soon as possible.

Very truly yours,

  
James A. Davidson

JAD/mv

cc: Mr. Millard Deck  
P. O. Box 1047  
Eunice, New Mexico 88231

bcc: Mr. E. M. Gorence  
Phillips Petroleum Company  
4001 Pembroke  
Odessa, Texas 79762

U. 2 1<sup>st</sup> 2<sup>nd</sup> 3<sup>rd</sup> T-24-S R-36-E



ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

October 20, 1978

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

Mr. Doyle Hartman  
Suite 508  
C & K Petroleum Building  
Midland, Texas 79701

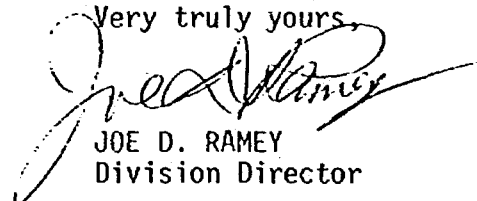
Re: Extension of Time  
Order No. R-5767

Dear Mr. Hartman:

Reference is made to your letter of September 21, 1978, copy of which arrived today, requesting an extension of time in which to commence the drilling of the unit well on the lands pooled by Order No. R-5767. This order requires the unit well to be commenced by October 1, 1978, and it is our understanding that you are negotiating with certain of the pooled parties in order to work out an amicable agreement with them. You have therefore delayed commencing the unit well.

Your request for an extension of time until December 1, 1978, in which to commence the drilling of a well on the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico, is hereby approved.

Very truly yours,

  
JOE D. RAMEY  
Division Director

JDR/DSN/og

cc: Oil Conservation Division  
Box 1980  
Hobbs, New Mexico

RECEIVED OCT 25 1978

DOYLE HARTMAN

Oil Operator

SUITE 508

C & K PETROLEUM BUILDING  
MIDLAND, TEXAS 79701

(915) 684-4011

September 21, 1978

Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case 6264  
Order R-5767  
W/2 NE/4 Sec. 36,  
T-24-S, R-36-E,  
Lea County, N. M.

Attention: Mr. Dan Nutter

Gentlemen:

Reference is made to our telephone conversation today concerning the above noted case in which the NMOCC's Order (No. R-5767) dated July 17, 1978, provided for the proposed well to be commenced by October 1, 1978.

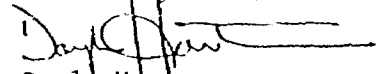
Some of the force-pooled parties, representing a substantial interest, are attempting to work out a mutually agreeable arrangement with me as to their interest in the well. I am making every effort to accommodate these parties, but have encountered fairly complicated legal problems with their attorney. These problems are taking more time than anticipated resulting in an unforeseen delay in commencing the proposed well. As a matter of fact, I am drilling other previously unscheduled wells in an effort to keep control of the rig with which I plan to drill on the force-pooled tract.

Phillips Petroleum Company, which voluntarily farmed out one half of our proposed 80-acre Jalmat proration unit, is agreeable to an extension of time to allow me to settle these problems.

Therefore, I respectfully request an extension of time under Order No. R-5767 until December 1, 1978, in which to commence a well.

Your consideration will be very much appreciated and please let me hear from you as soon as is conveniently possible.

Yours very truly,

  
Doyle Hartman



August 10, 1978

Mr. Phillip R. Bishop  
Attorney at Law  
1500 First National Bank Building  
Fort Worth, TX 76102

Re: Millard Deck  
Farmout  
W/2 NE/4 Sec. 36,  
T-24-S, R-36-E  
Lea County, N. M.

Dear Mr. Bishop:

Please refer to our phone conversation yesterday regarding the farmout letter dated June 19, 1978, covering the above acreage.

The deal made with Mr. Deck was (as to his working interest in this tract) that he would convey to Mr. Hartman a 70% net revenue interest and retain a 30% gross override, which override would bear all present royalty and other burdens, if any.

A 70% net revenue interest is extremely low and we made this offer in an attempt to work out this matter as fast as possible and drill the well. We think this was clearly set out in the farmout letter that was submitted to you (copy attached hereto and please refer to the underlined part on page 2).

We feel that your re-draft confuses a net override (of, for example, 5% or 1/16) with a gross override of 30% that is to bear all royalty and other burdens.

For example, assume under your farmout letter that Mr. Deck owns 100% of the working interest with 1/8 royalty and 1/8 override (ie, 100% working interest on 75% net revenue interest):

- (a) The revenue interest is 75% (per your paragraph stating: "If the revenue interest ... is less than 100% ..." and the computation would be as follows:

75% x 30% =	22.5% net override to Deck
	12.5% royalty
	<u>12.5% override</u>
	47.5% total overrides and royalty

W/D 1/1/79

Mr. Phillip R. Bishop  
Page 2  
August 10, 1978

(b) This leaves the net revenue interest for Hartman at 52.5% (rather than 70% as agreed to).

Therefore we respectfully request that you allow us to amend the farmout letter to provide that Mr. Hartman receive a 70% net revenue interest on the actual working interest farmed out by Mr. Deck (which we believe is 27/32 gross working interest).

Your consideration will be very much appreciated and please let us hear from you as soon as possible.

Very truly yours,

James A. Davidson

JAD/mv

cc: Mr. Millard Deck  
P. O. Box 1047  
Eunice, N. M. 88231

Mr. Doyle Hartman  
508 C & K Petroleum Building  
Midland, TX 79701

gram Western Union Telegram

RECEIVED

SEP 17 1979

Oil Conservation

Case 6650

IPMFEKA SANA

4-044329S260 09/17/79

ICS IPMBNGZ CSP

8173354911 TDBN FORT WORTH TX 68 09-17 0210P EST

PMS RICHARD L STAMETS RPT DLY MGM

STATE LAND OFFICE

SANTA FE NM

REFERENCE: SECTION 36, TOWNSHIP 24 SOUTH, RANGE 36 EAST, LEA COUNTY, NEW MEXICO

MILLARD DECK OIL COMPANY WILL AGREE TO POOL THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 36 WITH DOYLE HARTMAN'S ACREAGE IF HARTMAN'S PENDING APPLICATION FOR FORCED POOLING IS WITHDRAWN.

SHELL OIL COMPANY HAS INFORMED ME THAT ITS FORMAL OF THIS ACREAGE TO MILLARD DECK OIL COMPANY SHOULD BE FORTHCOMING BY OCTOBER 1, 1979.

MILLARD DECK OIL CO BY: MILLARD DECK, PRESIDENT  
1500 FIRST NATIONAL BANK BLDG  
FORT WORTH TX 76102

1413 EST

IPMFEKA SANA

**AUTHORITY FOR EXPENDITURE  
DETAIL WELL ESTIMATE**

LEASE NO. \_\_\_\_\_ APPR. NO. \_\_\_\_\_  
 LEASE NAME Custer State Com WELL NO. 1 W. I. 100%  
 COUNTY Lea STATE New Mexico FIELD Jalmat Gas Pool  
 LOCATION: NW/4 NE/4 Section 36, T-24-S, R-36-E

**DRILLING INTANGIBLES:**

		PRODUCER	DRY HOLE
1. Drilling Cost	3400 Feet @ 12.97 Per Foot	44,100	44,100
2. Day Work	2 days @ 3200/day	6,400	6,400
3. Coring Service	Well Surveys 6000	6,000	6,000
4. Testing			
5. Fuel	Water	7,000	7,000
6. Mud 5,000	Mud Logging 7000	5,000	5,000
7. Cementing Service	Cement Floats	12,000	3,000
8. Company Labor	Contract Labor	600	300
9. Digging Pits	Filling Pits 700	700	---
10. Roads & Location 6000	Dredging & Grading	6,000	6,000
11. Acidizing 4000	Fracturing 30,000 Perforating 1,700	35,700	---
12. Plugging		---	2,000
13. Trucking Cost		700	300
14. Development Superintendence 20	days @ \$ 250 /day	5,000	2,800
15. Rental Equipment		2,000	500
16. Swabbing and Testing 6 days @ 700/day		4,200	---
17. Other Costs Abstract, title opinion, etc.		3,000	3,000
	pit lining	1,200	1,200
	other	6,000	6,000
	Total Intangibles	145,600	93,600

**WELL EQUIPMENT:**

18. Casing	500 Ft. of 8 5/8 @ 6.50 Per Ft.		
	3450 Ft. of 5 1/2 @ 4.56 Per Ft.		
		19,000	3,300
19. Tubing	3400 Ft. of 2 3/8 @ 2.30 Per Ft.	7,900	---
20. Casing Head		1,200	600
21. Xmas Tree or Pumping Connections		2,800	300
22. Pumping Unit		15,000	---
23. <del>Motor</del> Motor, Controller, Transformer, Power line		11,000	---
24. Sucker Rods		6,000	---
25. Pump		1,200	---
26. Tank Battery Water tank and connections		8,000	---
27. Separator or Dehydration Equip.		2,500	---
28. Metering Equipment			
29. Flow Lines		1,500	---
30. Other		1,000	1,000
	Total Tangibles	77,100	5,200
	TOTAL COST OF WELL	222,700	98,800

REMARKS: The above cost estimate is based on a Jalmat Gas well completion. Please notice under WELL EQUIPMENT that pumping equipment has been included in the cost estimate. Based on nearby wells, water production has been a problem over the Jalmat interval and a means of handling water should be included in a realistic cost estimate.

Originated by Doyle Hart Title \_\_\_\_\_ Date August 1, 1979

Approved BEFORE EXAMINER STAMETS

OIL CONSERVATION DIVISION

FILE NO. V

CASE NO. 6650

Submitted by DOYLE HARTMAN

Hearing Date 9/5/79

BEFORE EXAMINER STAMETS  
 Oil Conservation Commission  
 Exhibit No. \_\_\_\_\_  
 Case No. 6650

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT—1956  
Non-Federal Lands

OPERATING AGREEMENT

DATED

August 31, 1979,

FOR UNIT AREA IN W/2 NE/4 Section 36, Township 24 South, Range 36 East N.M.P.M.

Lea COUNTY, STATE OF New Mexico

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
EXHIBIT NO. VI

CASE NO. 6650  
Submitted by DOYLE HARTMAN  
Hearing Date 9/5/79

BEFORE EXAMINER STAMETS  
Oil Conservation Commission  
Exhibit No. \_\_\_\_\_  
Case No. 6650

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## OPERATING AGREEMENT

THIS AGREEMENT, entered into this 31st day of August, 19 79, between  
Doyle Hartman

hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

## 1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

- (1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- (2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- (3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.
- (5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- (6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- (8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

## 2. TITLE EXAMINATION, LOSS OF LEASES, AND OIL AND GAS INTERESTS.

A. Title Examination: furnished on request. Cost of title examination will be charged to the ~~Joint Account~~ <sup>title is presently being examined and a copy of the opinion will be</sup>

~~There shall be no examination of title to leases, or to oil and gas interests, except that title to the lease covering the land upon which the exploratory well is to be drilled in accordance with Section 7, shall be examined on a complete abstract record by Operator's attorney, and the title to both the oil and gas lease and to the fee title of the lessors must be approved by the examining attorney, and accepted by all parties. A copy of the examining attorney's opinion shall be sent to each party immediately after the opinion is written, and also, each party shall be given, as they are written, a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy the examining attorney's requirements shall be made by the party owning the lease covering the drillsite.~~

~~If title to the proposed drillsite is not approved by the examining attorney or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall select a new drillsite for the first exploratory well; provided, if the parties are unable to agree upon another drillsite, this agreement shall, in that case, come to an end and all parties shall then forfeit their rights and be relieved of obligations hereunder. If a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be approved or accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not approved or accepted, other drillsites shall be successively selected and title examined, until a drillsite is chosen.~~

~~to which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.~~

~~No well other than the first test shall be drilled in the Unit Area until after (1) the title to the lease covering the lands upon which such well is to be located has been examined by Operator's attorney, and (2) the title has been approved by the examining attorney and the title has been accepted by all of the parties who are to participate in the drilling of the well.~~

#### B. Failure of Title:

Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and

- (1) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and
- (2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and
- (3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and
- (4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and
- (5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production.

#### C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

#### ~~5. UNLEASED OIL AND GAS INTERESTS~~

~~If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as "Exhibit B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.~~

#### 4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.



If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth ( $\frac{1}{8}$ ) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

#### 5. OPERATOR OF UNIT

Doyle Hartman shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

#### 6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

#### 7. TEST WELL

On or before the 1st day of November, 1979, Operator shall commence the drilling of a well for oil and gas in the following location:

SW/4 NE/4 Section 36, Township 24 South, Range 36 East N.M.P.M., Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a sufficient depth to thoroughly test the Jalmat Yates-Seven Rivers-Queen productive zones of the Jalmat Field, or to a total depth of three thousand four hundred (3,400) feet, whichever is the shallower depth.

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall <sup>thoroughly log, but not core or DST</sup> make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to <sup>evaluate</sup> test, ~~unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.~~

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall <sup>make a reasonable effort to</sup> first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

#### 8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of <sup>twelve (12%)</sup> ~~six~~ percent (6%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

## 9. OPERATOR'S LIEN

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

## 10. TERM OF AGREEMENT

This agreement shall remain in full force and effect until the well hereinabove provided for in Section 7 is completed and only as long thereafter as there is (a) production from the area and depths covered by this agreement, or (b) there is a well capable of production from such area and depths, or (c) drilling or workover operations are being conducted on such area and depth after the well provided for in Section 7 has been drilled with no cessation of operations; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from such area and depths, then at the end of ninety (90) days after the abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue until such well or wells shall have been drilled and completed. If production results therefrom, this agreement shall continue in force as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

## 11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty Thousand and No/100 Dollars (\$20,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$20,000.00.

## 12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

- (A) <sup>300%</sup>~~400%~~ of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and
- (B) <sup>300%</sup>~~200%~~ of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and <sup>300%</sup>~~200%~~ of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

### 13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production which it takes or sells and shall hold the other parties free from liability therefor. Any extra expenditures incurred in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

#### 14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

#### 15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

#### 16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

## 17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

- (1) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;
- (2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs; the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and
- (3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

18. ~~PREFERENTIAL RIGHT TO PURCHASE~~

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

## 19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

**20. MAINTENANCE OF UNIT OWNERSHIP**

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

**21. RESIGNATION OF OPERATOR**

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

**22. LIABILITY OF PARTIES**

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

**23. RENEWAL OR EXTENSION OF LEASES**

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

## 24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

## 25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

## 26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".



**27. INSURANCE**

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

**28. CLAIMS AND LAWSUITS**

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand (\$1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

**29. FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

**30. NOTICES**

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

- A. If any party hereto hereafter shall create any overriding Royalty, Production payment, or other burden against its working interest production and if any party or parties shall conduct non-consent operations pursuant to any provision of this agreement and, as a result, become entitled to receive the working interest production otherwise belonging to the nonparticipating party, the party or parties entitled to receive the working interest production of the nonparticipating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.
- B. Costs not of a minor nature caused by requirements of the Federal Energy Regulatory Commission and/or provisions of The Natural Gas Policy Act of 1978 shall be charged to the Joint Account. This charge shall be in addition to the regular overhead charge.
- C. Computer charges shall be made proportionately to the Joint Account. This charge shall be in addition to the regular overhead charge.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

OPERATOR

DOYLE HARTMAN

By Doyle Hart

EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated August 31, 1979 and covering the W/2 NE/4 Section 36, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico between DOYLE HARTMAN as Operator and J.A. DAVIDSON, RICHARD W. STUMP et al as Non-Operators:

I. a) Land Subject to Agreement

T-24-S, R-36-E, NMPM

Section 36: W/2 NE/4  
(State of New Mexico Lease No. 10709)  
Lea County, New Mexico

b) Depth Limitations

From the surface to a depth sufficient to thoroughly test the Jalmat-Seven Rivers-Queen productive zones of the Jalmat Field, or to a depth of three thousand four hundred (3,400) feet, whichever is the shallower depth.

c) Drilling Unit for Initial Test

T-24-S, R-36-E, NMPM

Section 36: SW/4 NE/4  
Lea County, New Mexico

II. Percentages of Interests and Addresses of Parties

Doyle Hartman, et al	100%
508 C & K Petroleum Building	
Midland, Texas 79701	
(915-684-4011)	

EXHIBIT "B"

There is no Exhibit "B".

## EXHIBIT " C "

Attached to and made a part of the Operating Agreement dated August 31, 1979, and covering the W/2 NE/4 Section 36, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico between Doyle Hartman, as Operator, and J. A. Davidson, Richard W. Stump, et al, as Non-Operators.

## ACCOUNTING PROCEDURE JOINT OPERATIONS

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering; geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

#### 2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

#### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

#### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

#### 5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

#### 6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## H. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

#### 10. Taxes

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

#### 11. Insurance

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

#### 12. Other Expenditures

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

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

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

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

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

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

#### A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 2,250.00

Producing Well Rate \$ 225.00

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

##### (a) Drilling Well Rate

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

##### (b) Producing Well Rates

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

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

## B. Overhead - Percentage Basis

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

## (a) Development

Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

## (b) Operating

Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

~~2. Overhead - Major Construction~~

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property; Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ \_\_\_\_\_:~~

~~A. \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus~~

~~B. \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus~~

~~C. \_\_\_\_\_ % of total costs in excess of \$1,000,000.~~

~~Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

## 3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

## IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

## 1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

## 2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

## A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

## (2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

## B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

## (1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

## (2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or



(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**E. Pricing Conditions**

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

**3. Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

**4. Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

**V. INVENTORIES**

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

**3. Special Inventories**

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

Attached to and made a part of the Operating Agreement dated August 31, 1979 and covering the W/2 NE/4 Section 36, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico between DOYLE HARTMAN as Operator and J. A. DAVIDSON, RICHARD W. STUMP et al as Non-Operators:

Operator, at all times while operations are conducted hereunder, shall carry, and require its contractors to carry insurance to indemnify, protect and hold the parties hereto harmless as follows;

1. Insurance which shall comply with the Workmen's Compensation, Employers Liability and Occupational Disease laws of the State in which operations hereunder are conducted;
2. Comprehensive general liability insurance with limits of not less than:
  - A. Bodily Injury:  
\$100,000 per person and \$300,000 for each occurrence and,
  - B. Property Damage:  
\$100,000 for each occurrence and \$300,000 in the aggregate.
3. Automobile liability insurance with limits of not less than:
  - A. \$100,000 per person and \$300,000 per accident pertaining to bodily injury to, or death of persons; and,
  - B. \$100,000 per accident pertaining to loss of, or damage to, property.

Upon successful completion of first well, all premiums paid on such insurance shall be charged to the joint account. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance shall be charged to the joint account.

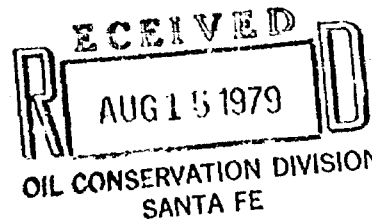
Operator shall not be liable to Non-Operator (s) for loss suffered on account of the insufficiency of insurance carried, or of the insurer with whom carried, nor shall Operator be liable to Non-Operator (s) for any loss accruing by reason of Operator's inability to provide or maintain the insurance above mentioned; provided, however, that if at any time during the life of this agreement Operator is unable to obtain or maintain such insurance, Operator shall promptly notify Non-Operator (s) in writing of such fact.

- CASE 6645: Application of Depco Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apache Springs Unit Area, comprising 31,199 acres, more or less, of State, federal, and fee lands in Townships 10, 11, and 12 South, Ranges 30 and 31 East.
- CASE 6646: Application of Belco Petroleum 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 drilling of its James Ranch Unit Well No. 10 to be located in Unit H of Section 1, Township 23 South, Range 30 East, Morrow formation, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6638: (Continued from August 22, 1979, Examiner Hearing)
- Application of Ladd Petroleum Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Largo-Gallup and Basin-Dakota production in the wellbore of its Lindrith Well No. 24 located in Unit F of Section 4, Township 26 North, Range 7 West.
- CASE 6647: Application of O. H. Berry for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Seven Rivers well to be located 1650 feet from the North line and 330 feet from the East line of Section 15, Township 24 South, Range 36 East, Jalmat Gas Pool, the NE/4 of said Section 15 to be dedicated to the well.
- CASE 6648: Application of Morris R. Antweil for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Mississippian oil pool for its Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, and special rules therefor, including 160-acre oil well spacing and a 4,000 to 1 gas-oil ratio.
- CASE 6649: Application of Morris R. Antweil for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be located 660 feet from the South line and 1980 feet from the East line of Section 5, Township 12 South, Range 32 East, the E/2 of said Section 5 to be dedicated to the well.
- CASE 6650: Application of Doyle Hartman for compulsory pooling, non-standard gas proration unit, and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, to form an 80-acre non-standard gas proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the North line and 1650 feet from the East line of said Section 36. 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 6651: Application of Alpha Twenty-One Production Company for a non-standard proration unit, unorthodox well location, and 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 El Paso Plant Well No. 1 at an unorthodox location 1650 feet from the South line and 660 feet from the West line of Section 32, Township 23 South, Range 37 East, Jalmat Gas Pool, is necessary to effectively and efficiently drain that portion of the non-standard proration unit, to comprise the N/2 SW/4 of said Section 32, which cannot be so drained by the existing well.
- CASE 6652: Application of Shell Oil Company for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of a pressure maintenance project, all mineral interests in the North Hobbs Grayburg-San Andres Unit encompassing 10,650 acres, more or less, underlying all or portions of the following lands in Lea County, New Mexico: Sections 13, 14, 23, 24, 25, 26, and 36, Township 18 South, Range 37 East; Sections 17 thru 21 and 27 thru 34, Township 18 South, Range 38 East.
- The unitized interval would be the Grayburg-San Andres Formation between the depths of 3,698 feet and 4,500 feet in Shell's State A Well No. 1, located in Unit H of Section 32, Township 18 South, Range 38 East.
- Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations. (This case will be continued to September 19, 1979.)

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL



POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 988-4421

August 14, 1979

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

Dear Mr. Ramey:

Enclosed herewith, in triplicate, is the application of Doyle Hartman for Compulsory Pooling, Unorthodox Well Location and Non-standard Proration Unit, Lea County, New Mexico.

Mr. Hartman requests that this case be set for the examiners hearing to be held on September 5, 1979.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

WFC:tn

Enclosure

cc: James A. Davidson  
Post Office Box 494  
Midland, Texas 79702

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

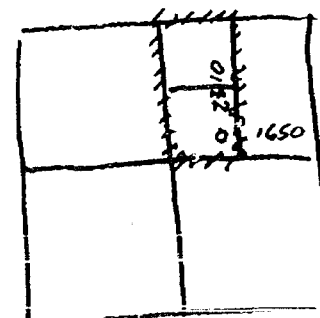
IN THE MATTER OF THE APPLICATION  
OF DOYLE HARTMAN FOR COMPULSORY  
POOLING, UNORTHODOX WELL LOCATION  
AND NON-STANDARD PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.

CASE 6650

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Comp., hereby makes application for an order pooling all of the mineral interests in the Jalmat formation in and under the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Applicant further seeks approval of the Oil Conservation Division for an unorthodox gas well location and a non-standard proration unit and in support of this application respectfully states:

1. Applicant has the right to drill and develop the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico.
2. Applicant seeks approval to drill a well to test the Jalmat Gas Pool at an unorthodox well location 2310 feet from the North line and 1650 feet from the East line of said Section 36.
3. Applicant further seeks approval of an 80 acre non-standard gas proration unit for said well.



4. Applicant seeks an order pooling all mineral interests underlying said 80 acre track.

5. Pursuant to a farmout agreement dated May 6, 1969 Shell Oil Company assigned its interest in the NW/4 NE/4 of said Section 36 to certain individuals. This assignment provided that on cessation of production the acreage governed by the assignment would be reassigned to Shell.

6. As of the date of this application Shell Oil Company has indicated that they will oppose this application for compulsory pooling but to date applicant is unaware of any reassignment of the interest to Shell. If the assignment has been made Shell owns the mineral interests underlying the NW/4 NE/4 of said Section 36; if not, the property belongs to those holding interests in the property through the farmout agreement.

7. Applicant, therefore, has been unable to obtain the consent of the following interest owners in the NW/4 NE/4 of Section 36 if the interest has not been reassigned to Shell:

<u>Name and Address</u>	<u>Interest</u>
Millard Deck and Millard Deck Oil Co. Post Office Box 1047 Funice, New Mexico 88231	----- 27/32
General Petroleum Inc. Post Office Box 840 Hobbs, New Mexico 88240	----- 1/16
John Bryant 911 Silver Ave. Hobbs, New Mexico 88240	----- 1/16
M. F. Nelson Post Office Box 603 Hobbs, New Mexico 88240	----- 1/32

If the interest has been reassigned to Shell, applicant has been unable to obtain the consent of the following:

Shell Oil Company - 100% of the working interest in the NW/4 NE/4 or 50% of the working interest in the unit to be pooled.

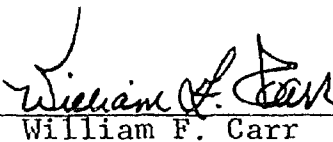
8. Approval of this application will be in the best interest of conservation, prevention of waste and protection of correlative rights.

WHEREFORE, applicant prays that this application be set for hearing before the Commission's duly appointed examiner and that after notice and hearing as provided by law the Division enter its order (1) pooling all of the mineral interests underlying the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, (2) approving a well at an unorthodox well location 2310 feet from the North line and 1650 feet from the East line of said Section 36 and (3) dedicating an 80 acre non-standard proration unit to said well. Applicant further prays that the order contain provisions designating him operator of the well, providing for him to recover his costs of drilling, equipping and completing the well, his costs of supervision while drilling and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By

  
William F. Carr

Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF DOYLE HARTMAN FOR COMPULSORY  
POOLING, UNORTHODOX WELL LOCATION  
AND NON-STANDARD PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.

CASE 6650

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Comp., hereby makes application for an order pooling all of the mineral interests in the Jalmat formation in and under the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Applicant further seeks approval of the Oil Conservation Division for an unorthodox gas well location and a non-standard proration unit and in support of this application respectfully states:

1. Applicant has the right to drill and develop the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico.
2. Applicant seeks approval to drill a well to test the Jalmat Gas Pool at an unorthodox well location 2310 feet from the North line and 1650 feet from the East line of said Section 36.
3. Applicant further seeks approval of an 80 acre non-standard gas proration unit for said well.



4. Applicant seeks an order pooling all mineral interests underlying said 80 acre track.

5. Pursuant to a farmout agreement dated May 6, 1969 Shell Oil Company assigned its interest in the NW/4 NE/4 of said Section 36 to certain individuals. This assignment provided that on cessation of production the acreage governed by the assignment would be reassigned to Shell.

6. As of the date of this application Shell Oil Company has indicated that they will oppose this application for compulsory pooling but to date applicant is unaware of any reassignment of the interest to Shell. If the assignment has been made Shell owns the mineral interests underlying the NW/4 NE/4 of said Section 36; if not, the property belongs to those holding interests in the property through the farmout agreement.

7. Applicant, therefore, has been unable to obtain the consent of the following interest owners in the NW/4 NE/4 of Section 36 if the interest has not been reassigned to Shell:

<u>Name and Address</u>	<u>Interest</u>
Millard Deck and Millard Deck Oil Co. Post Office Box 1047 Eunice, New Mexico 88231	----- 27/32
General Petroleum Inc. Post Office Box 840 Hobbs, New Mexico 88240	----- 1/16
John Bryant 911 Silver Ave. Hobbs, New Mexico 88240	----- 1/16
M. F. Nelson Post Office Box 603 Hobbs, New Mexico 88240	----- 1/32

If the interest has been reassigned to Shell, applicant has been unable to obtain the consent of the following:

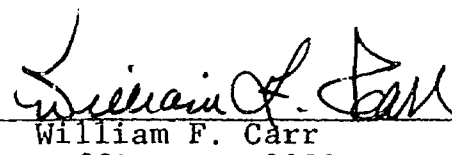
Shell Oil Company - 100% of the working interest  
in the NW/4 NE/4 or 50% of the working interest  
in the unit to be pooled.

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By   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

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IN THE MATTER OF THE APPLICATION  
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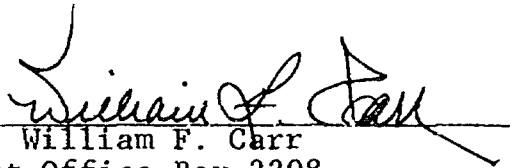
Shell Oil Company - 100% of the working interest  
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Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

# Memo

From

FLORENE DAVIDSON  
ADMINISTRATIVE SECRETARY

To

Called in by Bill Carr  
8/13/79

Hoyle Hartman

Compulsory Pooling, Non-Standard  
Gas Proration Unit, Unorthodox  
Well Location

Jalmat Pool Lea County  
W/2 NE/4

36-24S-36E

80-acre NSP

2310/N + 1650/E of Section 36

OIL CONSERVATION COMMISSION-SANTA FE

DRAFT

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

dr/

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

CASE NO. 6650

Order No. R- 6181

APPLICATION OF DOYLE HARTMAN  
FOR COMPULSORY POOLING, NON-STANDARD  
GAS PRORATION UNIT, AND UNORTHODOX WELL  
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 5,  
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this \_\_\_\_\_ day of November, 1979, the Division  
Director, having considered the record and the recommendations of  
the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED:

That Case No. 6650 is hereby dismissed.

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

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Alpha Twenty-One ) CASE  
Production Company for a non- ) 6651  
standard proration unit, unortho- )  
dox well location, and approval of )  
infill drilling, Lea County, 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 the Applicant: William F. Carr, Esq.  
CAMPBELL AND BLACK P. A.  
Jefferson Place  
Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
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## I N D E X

## WILLIAM B. AYCOCK

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1 MR. STAMETS: We'll call next Case 6651.

2 MR. PADILLA: Application of Alpha Twenty-  
3 One Production Company for a non-standard proration unit,  
4 unorthodox well location, and approval of infill drilling,  
5 Lea County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 I'm William F. Carr, Campbell and Black, P. A., Santa Fe,  
8 appearing on behalf of the applicant.

9 I have one witness who needs to be sworn.

10  
11 (Witness sworn.)

12  
13 WILLIAM B. AYCOCK

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

16  
17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q Will you state your full name and place  
20 of residence?

21 A William B. Aycock, Midland, Texas.

22 Q Mr. Aycock, by whom are you employed and  
23 in what capacity?

24 A I'm a consulting engineer employed by  
25 Alpha Twenty-One Corporation in connection with this appli-

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1 cation.

2 Q Have you previously testified before this  
3 Commission, had your credentials accepted and made a matter  
4 of record?

5 A On numerous previous occasions, yes.

6 Q Are you familiar with the application in  
7 this case?

8 A Yes, I am.

9 MR. CARR: We tender Mr. Aycock as an ex-  
10 pert witness in engineering.

11 MR. STAMETS: We consider the witness  
12 qualified.

13 Q (Mr. Carr continuing.) Mr Aycock, will  
14 you briefly summarize what the applicant seeks with this  
15 case?

16 A The applicant is seeking a non-standard  
17 proration unit, an unorthodox well location, and approval  
18 of infill drilling for its El Paso Plant No. 1 Well at a  
19 location 1650 feet from the south and 650 feet from the  
20 west lines of Section 32, Township 23 South, Range 37 East,  
21 Jalmat Gas Pool, Lea County, New Mexico.

22 Q Mr. Aycock, will you refer to what has  
23 been marked for identification as Applicant's Exhibit Number  
24 One and explain to the Examiner what it is and what it shows?

25 MR. CARR: And, Mr. Examiner, at this point

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1 I would point out that Exhibits One through Eleven are  
2 stapled together and have a cover letter on top of them.

3 A Exhibit Number One is a letter which con-  
4 cerns the application for-- of course, which procedure was  
5 not followed -- an application for administrative approval  
6 of an infill gas development well at this location.

7 What it purports to do is to furnish the  
8 technical evidence that's required under the Natural Gas  
9 Policy Act as promulgated by the OCC's order R-6013, Case  
10 6526, of June 7th, 1979.

11 It goes into --

12 MR. STAMETS: Hold it just a second. Be-  
13 fore we get a lot of stuff in the record that we may not  
14 need, let's clarify something here.

15 You're asking for a nonstandard proration  
16 unit. Is there already an existing well on the nonstandard  
17 proration unit?

18 A It is, but it's been inactive for some  
19 time.

20 MR. STAMETS: Okay, so you do need this  
21 information?

22 A Yes, sir.

23 MR. STAMETS: Okay.

24 MR. CARR: And also, Mr. Examiner, we're  
25 looking at a very tight time situation where they may have

1 to spud the well very quickly, and so we feel like there  
2 would be some risk in not going ahead and seeking the infill  
3 requirement.

4 A. This letter purports to provide the tech-  
5 nical information that is requested in this Order, R-6013,  
6 as substantiation for the drilling of this -- of the proposed  
7 well.

8 What I have done is to take the nearest  
9 wells, the well which this will essentially replace has been  
10 inactive, and the nearest six wells, and compare their cumu-  
11 lative and estimated ultimate production and by analogy, then,  
12 come up with the additional recovery that might be anticipated  
13 from the proposed well, being the difference between what  
14 has already been produced from the existing well and what  
15 would be produced under the various criteria that I have  
16 developed here. Basically the mean recovery for the sur-  
17 rounding six wells, the minimum recovery from the surrounding  
18 six wells, and the maximum recovery from the surrounding  
19 six wells.

20 Q. Mr. Aycock, will you now refer to what  
21 has been marked for identification as Exhibit Number Two and  
22 explain this to the Examiner?

23 A. Exhibit Number Two is a land map of the  
24 area in which the proposed location is to be -- is located.  
25 The Commission will note that all of the Langlie Mattix wells

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1 have been taken off and only those wells which are completed  
2 in the Jalmat Pool are indicated on Exhibit Two.

3 Q Now would you direct your attention to  
4 Exhibit Number Three and review this for the Examiner?

5 A Exhibit Number Three, and by the way, you  
6 will also note the cross section traces, which those exhibits  
7 will subsequently be presented on exhibits, too.

8 Exhibit Three is a complete land map of  
9 the immediate area, including all wells, both Langlie Mattix  
10 Queen wells as well as Jalmat-Tansill-Seven Rivers-Yates  
11 wells.

12 Q Will you now refer to Exhibit Number Four?

13 A Exhibit Number Four is the Yates regional  
14 map for the entire area, including the data that could be  
15 derived from Langlie Mattix wells, as well as those com-  
16 pleted in the Jalmat Pool.

17 Q And, Mr. Aycock, will you review Exhibits  
18 Five through Nine?

19 A Five through Nine are the gas production  
20 graphs as a function of time for the surrounding wells that  
21 are still active. I think they're somewhat self-explanatory.

22 Mr. Examiner will note, as has been pre-  
23 viously discussed in another hearing, that when the rate  
24 declines to between 500 and 1000 Mcf per month, generally  
25 enough water is produced that we see precipitous losses in

1 productivity at that point.

2 Q Now, the ---

3 A Pardon me.

4 MR. STAMETS: That would be such as shown  
5 on Exhibit Number Seven?

6 A Yes, Seven, Eight, and Nine also shows  
7 how the Texaco well that's the immediate offset to the west,  
8 has apparently experienced severe declines and it was -- I  
9 don't know whether they swabbed it or put a pumping unit on  
10 it, but you can see it returned to production to the pre-  
11 vious trend, and that's the reason I put the line on there  
12 so it would be obvious.

13 Q Now, Mr. Aycock, will you review Exhibit  
14 Number Ten for the Examiner?

15 A Exhibit Number Ten is a shut-in wellhead  
16 pressure as a function of cumulative production at the date  
17 of test for all of the immediately surrounding six wells  
18 that we could find available from the records.

19 All of this information, Mr. Examiner, is  
20 intended as substantiation for the next exhibit, which is  
21 a summary of individual well data, and it purports to show  
22 all of the statistics, including the location of the well,  
23 the date it was apparently completed, as near as we can as-  
24 certain it, realizing that many of these wells were -- or  
25 some of these wells were originally completed or tested in

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1 the Langlie Mattix zone before they were completed in the  
2 Jalmat, and some of them are -- are pretty old.

3 Here's one over here that was apparently  
4 completed in '49 and has since been plugged and abandoned.  
5 We have the cumulative production as of March 1st, '79, which  
6 is the most recent available to us at the time this exhibit  
7 was prepared; the completion intervals in the Yates and  
8 Seven Rivers; the volumetric analysis results, including the  
9 mean effective porosity, the mean connate water saturation,  
10 net effective pay, and original gas in place in MMCF per  
11 acre; the estimated original gas in place in MMCF, as esti-  
12 mated from the production data previously presented; the  
13 estimated ultimate gas recovery, which was developed from an  
14 extrapolation of the production curves for those wells still  
15 active, and was taken as the cumulative recovery for those  
16 wells that are not currently active; the estimated gas re-  
17 covery factor as a percent of original gas in place; and  
18 the estimated drainage area for subject well and the imme-  
19 diately westerly offsetting well, which are the only two  
20 that there was a complete suite of information for, and which  
21 it could be estimated.

22 I think it's consequential to note that  
23 based upon the performance of the well for which the subject  
24 well will be the replacement, I estimated it effectively  
25 drained sixteen acres and the well immediately to the west,

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1 268 acres.

2 Q Mr. Aycock, in your opinion, do you believe  
3 the proposed well is necessary to effectively and efficiently  
4 drain the proposed non-standard proration unit?

5 A Yes, sir, I do.

6 Q Will you now refer to what has been marked  
7 for identification as Applicant's Exhibit Number Twelve, and  
8 review this for the Examiner?

9 A Exhibit Number Twelve is our west/east  
10 cross section, the trace of which is labeled A-A' on our land  
11 map, which I believe was Exhibit Number Two, and it shows  
12 the completion intervals, both in the Queen and the Jalmat  
13 zones, as well as the cumulative production for the wells in  
14 the immediate vicinity of the proposed location, including  
15 that to the immediate west, the well that is inactive, for  
16 which the proposed location is 330 feet due south and the  
17 southwesterly well, the Texaco Fanning Well.

18 Q Will you now refer to Exhibit Number Thir-  
19 teen and review this for the Examiner?

20 A This exhibit is a cross section, the trace  
21 of which is labeled B-B' on our land map and on the index  
22 map that is a portion of this exhibit, and it shows in a --  
23 basically in a north/southwest direction, including the well  
24 for which the projected well will be a replacement, the same  
25 type of information, that is the logs, the completion inter-

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1 vals in both the Queen and the Jalmat, and the production  
2 history.

3 You'll note that all the wells we don't  
4 find in this area, including the latest activity, any wells  
5 that have been dry at inception in the -- in the Jalmat zones.  
6 Apparently water production or mechanical problems or deple-  
7 tion have been responsible for those that have been plugged  
8 and abandoned.

9 Q Mr. Aycock, has notice been given to offset-  
10 ting operators?

11 A. Yes, sir, it has.

12 Q And are copies of those letters marked  
13 Exhibit Number Fourteen?

14 A. Yes, sir, they are, including copies of  
15 the receipts by those operators.

16 Q And I direct your attention to Exhibit  
17 Number Fifteen, is this the farmout agreement from Black  
18 River Corporation to Alpha Twenty-One?

19 A. Yes, sir, it is.

20 Q Mr. Aycock, will the creation of the pro-  
21 posed non-standard proration unit and the drilling of the  
22 new well in the north half of the southwest quarter of Sec-  
23 tion 32 result in the recovery of hydrocarbons that would  
24 not otherwise be recovered?

25 A. I believe it's reasonable to expect that

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1 it would, yes, sir.

2 Q Now why does this well have to be drilled  
3 at the unorthodox location?

4 A The reason it has to be drilled at an un-  
5 orthodox location is in order to reduce the risk of entangling  
6 the wellbores in the existing well and the projected well,  
7 so we chose as being the best compromise to move 330 feet  
8 due south of the existing well and maintain the same 660 feet  
9 from the west line of the section as the existing well has.

10 Q In your opinion will granting this appli-  
11 cation be in the best interest of conservation, the prevention  
12 of waste, and the protection of correlative rights?

13 A Yes, sir. My analysis of the available  
14 data indicates that it would.

15 Q How soon does Alpha Twenty-One plan to  
16 commence operations on this well?

17 A We would like to commence operations as  
18 soon as possible within two weeks to a month.

19 Q It's therefore important that we request  
20 the Commission to expedite the order?

21 A Yes, sir, simply because, as I'm sure the  
22 Commission is aware, that drilling rig availability, while  
23 it was not a factor a month to six weeks ago, is now a  
24 factor.

25 Q Were Exhibits One through Fifteen either

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1 prepared by you or have you reviewed them and can you testify  
2 as to their accuracy?

3 A They were prepared under my supervision,  
4 yes, sir; I have reviewed them. Yes, sir, I can testify as  
5 to their accuracy.

6 MR. CARR: At this time, Mr. Examiner, we  
7 would like to offer into evidence Applicant's Exhibits One  
8 through Fifteen.

9 MR. STAMETS: These exhibits will be ad-  
10 mitted.

11 MR. CARR: I have nothing further of Mr.  
12 Aycock on direct.

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q What's the problem with the El Paso 13-L  
16 Shell State Well that it cannot now produce?

17 A I don't know, Mr. Examiner. It has been  
18 inactive. I believe I stated in my letter when the last  
19 production was, but the curve is in here as well for your  
20 examination. It's part of the exhibits.

21 Mine is not labeled, but it's the second --  
22 it's the second of the production curves that you have there,  
23 and it was last produced continuously as of August of 1977,  
24 and there was a partial month production in April of 1978,  
25

1 and that's the last it's been reported in to the Commission,  
2 and I cannot tell you what the reason that it is -- has  
3 proven to be nonproductive.

4 Q What acreage is currently dedicated to that  
5 well? Was dedicated to that well?

6 A The same -- the same proration unit as has  
7 been proposed to be dedicated to the proposed well, and that  
8 is marked on your, I believe, on the land map that is sub-  
9 mitted to you. I have the proration unit in yellow and then  
10 the immediately offsetting to the west well I have it in  
11 green on your copy, the same 80 acres.

12 Of course, we expected that the Commission  
13 would require that the other -- they be satisfied that the  
14 other well has been plugged and abandoned before an allowable  
15 would be given to the proposed well.

16 Q In order for me to make a finding or to  
17 recommend a finding that this second well is needed to pro-  
18 duce gas from the proration unit which would not be produced  
19 from any other well thereon, I think I need some evidence  
20 of what's wrong with the original well, why it can't produce.

21 A Why the productivity is low? We can ob-  
22 tain that, Mr. Examiner, but we don't -- we don't have it  
23 at this present time.

24 The last production test was at an unecon-  
25 omical rate. That's all I can tell you. I can't tell you

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1 the exact reason for that.

2 (There followed a discussion

3 off the record.)

4 MR. STAMETS: The hearing will please come  
5 to order.

6 Mr. Carr, you have something further?

7 MR. CARR: Well, I'd like to ask Mr. Aycock  
8 a couple of more questions.

9  
10 REDIRECT EXAMINATION

11 BY MR. CARR:

12 Q Mr. Aycock, have you reviewed the well  
13 file on the El Paso State No. 1 Well?

14 A The Commission's file, yes, sir.

15 Q And have you talked with representatives  
16 of the El Paso concerning the condition of this well?

17 A Yes, sir, I've reviewed their well file  
18 orally with them, as well.

19 Q And based on your knowledge of the situa-  
20 tion in that well, could you recommend to Alpha Twenty-One  
21 that they do remedial work on the well to attempt to restore  
22 production?

23 A According to what El Paso told me, that's  
24 already been tried.

25 Q And could you recommend to Alpha Twenty-One

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1 that they do anything to rework the well, recomplete?

2 A. No, sir.

3 Q. Do you know of any other way other than  
4 drilling an additional well in the unit to recover the hydro-  
5 carbons that are underneath the unit?

6 A. No, sir.

7 MR. CARR: I have nothing further on re-  
8 direct.

9

10 RECROSS EXAMINATION

11 BY MR. STAMETS:

12 Q. Mr. Aycock, why did the Shell State Well  
13 cease to produce?

14 A. They say that it's making -- according to  
15 the records, Getty Oil Company is actually physically the  
16 operator of the well for El Paso. The well has been plugged  
17 back according to the Commission's records and according to  
18 their records. The well was originally plugged back from  
19 the Langlie Mattix zone to the Jalmat zone.

20 They do not know the full history, but  
21 their records indicate that it's making so much water that  
22 they can't keep it flowing continuously, and enough that they  
23 felt -- they indicated, they didn't go into specifics with  
24 me, but they indicated that they felt like anything other  
25 than the tests that they -- where they attempted to restore

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1 production would not be feasible. They have no further  
2 plans to do anything with the well.

3 Q Did Getty make these attempts or did El  
4 Paso?

5 A Getty physically made the attempts and El  
6 Paso is not satisfied that they know the full story or that  
7 they would have approved the procedure that was used, from  
8 what they told me.

9 Q Is the workover information reflected in  
10 our well file?

11 A The plug back information from the -- from  
12 the Langlie Mattix reflects -- it reflects the workover, yes,  
13 sir. It's dated April 17th, '78, and that's about the time  
14 that last test was reported to the Commission, the last gas  
15 production was reported to the Commission.

16 Q 4-17 what year?

17 A '78.

18 Q '78. What does that report show?

19 A It says the original intent was to squeeze  
20 off water production. Abandon attempt to squeeze off water zone  
21 in Langlie Mattix. Return wellbore to El Paso Natural Gas  
22 Company, is what it says under the subsequent report of.

23 And under item seventeen, describe proposed  
24 or completed operations, the original intent was to squeeze  
25 off water production; however, El Paso Natural Gas Company,

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1 operator of the Jalmat zone, felt that this workover could  
2 not be accomplished without irreparably damaging this zone.  
3 We therefore abandoned the Langlie Mattix and returned the  
4 wellbore to them. The workover was as possible, and he goes  
5 into the workover procedure.

6 According to what El Paso told me, they  
7 were not satisfied that this procedure had not damaged the  
8 Jalmat zone and was not responsible for the fact that they  
9 were unable to restore commercial gas production from it.

10 Q Well, we will certainly look at the well  
11 file in this case and see what that reflects and what may be  
12 in there that will be of assistance to the Examiner in this  
13 particular case.

14 A Well, this is the C-103 that's right here  
15 on top that I'm reading from.

16 MR. STAMETS: Anything -- any other ques-  
17 tions of the witness? He may be excused.

18 Anything further in this case?

19 MR. CARR: Nothing further.

20 MR. STAMETS: The case will be taken under  
21 advisement.

22

23

(Hearing concluded.)

24

25

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## 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 report of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Alpha Twenty-One ) CASE  
Production Company for a non- ) 6651  
standard proration unit, unortho- )  
dox well location, and approval of )  
infill drilling, Lea County, 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 the Applicant: William F. Carr, Esq.  
CAMPBELL AND BLACK P. A.  
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## I N D E X

## WILLIAM B. AYCOCK

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E X H I B I T S

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1 MR. STAMETS: We'll call next Case 6651.

2 MR. PADILLA: Application of Alpha Twenty-  
3 One Production Company for a non-standard proration unit,  
4 unorthodox well location, and approval of infill drilling,  
5 Lea County, New Mexico.

6 MR. CARR: May it please the Examiner,  
7 I'm William F. Carr, Campbell and Black, P. A., Santa Fe,  
8 appearing on behalf of the applicant.

9 I have one witness who needs to be sworn.

10  
11 (Witness sworn.)

12  
13 WILLIAM B. AYCOCK

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

16  
17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q Will you state your full name and place  
20 of residence?

21 A William B. Aycock, Midland, Texas.

22 Q Mr. Aycock, by whom are you employed and  
23 in what capacity?

24 A I'm a consulting engineer employed by  
25 Alpha Twenty-One Corporation in connection with this appli-

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1 cation.

2 Q Have you previously testified before this  
3 Commission, had your credentials accepted and made a matter  
4 of record?

5 A On numerous previous occasions, yes.

6 Q Are you familiar with the application in  
7 this case?

8 A Yes, I am.

9 MR. CARR: We tender Mr. Aycock as an ex-  
10 pert witness in engineering.

11 MR. STAMETS: We consider the witness  
12 qualified.

13 Q (Mr. Carr continuing.) Mr. Aycock, will  
14 you briefly summarize what the applicant seeks with this  
15 case?

16 A The applicant is seeking a non-standard  
17 proration unit, an unorthodox well location, and approval  
18 of infill drilling for its El Paso Plant No. 1 Well at a  
19 location 1650 feet from the south and 650 feet from the  
20 west lines of Section 32, Township 23 South, Range 37 East,  
21 Jalmat Gas Pool, Lea County, New Mexico.

22 Q Mr. Aycock, will you refer to what has  
23 been marked for identification as Applicant's Exhibit Number  
24 One and explain to the Examiner what it is and what it shows?

25 MR. CARR: And, Mr. Examiner, at this point



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1 I would point out that Exhibits One through Eleven are  
2 stapled together and have a cover letter on top of them.

3 A. Exhibit Number One is a letter which con-  
4 cerns the application for-- of course, which procedure was  
5 not followed -- an application for administrative approval  
6 of an infill gas development well at this location.

7 What it purports to do is to furnish the  
8 technical evidence that's required under the Natural Gas  
9 Policy Act as promulgated by the OCC's order R-6013, Case  
10 6526, of June 7th, 1979.

11 It goes into --

12 MR. STAMETS: Hold it just a second. Be-  
13 fore we get a lot of stuff in the record that we may not  
14 need, let's clarify something here.

15 You're asking for a nonstandard proration  
16 unit. Is there already an existing well on the nonstandard  
17 proration unit?

18 A. It is, but it's been inactive for some  
19 time.

20 MR. STAMETS: Okay, so you do need this  
21 information?

22 A. Yes, sir.

23 MR. STAMETS: Okay.

24 MR. CARR: And also, Mr. Examiner, we're  
25 looking at a very tight time situation where they may have

1 to spud the well very quickly, and so we feel like there  
2 would be some risk in not going ahead and seeking the infill  
3 requirement.

4 A. This letter purports to provide the tech-  
5 nical information that is requested in this Order, R-6013,  
6 as substnatiation for the drilling of this -- of the proposed  
7 well.

8 What I have done is to take the nearest  
9 wells, the well which this will essentially replace has been  
10 inactive, and the nearest six wells, and compare their cumu-  
11 lative and estimated ultimate production and by analogy, then  
12 come up with the additional recovery that might be anticipated  
13 from the proposed well, being the difference between what  
14 has already been produced from the existing well and what  
15 would be produced under the various criteria that I have  
16 developed here. Basically the mean recovery for the sur-  
17 rounding six wells, the minimum recovery from the surrounding  
18 six wells, and the maximum recovery from the surrounding  
19 six wells.

20 Q. Mr. Aycock, will you now refer to what  
21 has been marked for identification as Exhibit Number Two and  
22 explain this to the Examiner?

23 A. Exhibit Number Two is a land map of the  
24 area in which the proposed location is to be -- is located.  
25 The Commission will note that all of the Langlie Mattix wells

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1 have been taken off and only those wells which are completed  
2 in the Jalmat Pool are indicated on Exhibit Two.

3 Q Now would you direct your attention to  
4 Exhibit Number Three and review this for the Examiner?

5 A Exhibit Number Three, and by the way, you  
6 will also note the cross section traces, which those exhibits  
7 will subsequently be presented on exhibits, too.

8 Exhibit Three is a complete land map of  
9 the immediate area, including all wells, both Langlie Mattix  
10 Queen wells as well as Jalmat-Tansill-Seven Rivers-Yates  
11 wells.

12 Q Will you now refer to Exhibit Number Four?

13 A Exhibit Number Four is the Yates regional  
14 map for the entire area, including the data that could be  
15 derived from Langlie Mattix wells, as well as those com-  
16 pleted in the Jalmat Pool.

17 Q And, Mr. Aycock, will you review Exhibits  
18 Five through Nine?

19 A Five through Nine are the gas production  
20 graphs as a function of time for the surrounding wells that  
21 are still active. I think they're somewhat self-explanatory.

22 Mr. Examiner will note, as has been pre-  
23 viously discussed in another hearing, that when the rate  
24 declines to between 500 and 1000 Mcf per month, generally  
25 enough water is produced that we see precipitous losses in

1 productivity at that point.

2 Q Now, the --

3 A Pardon me.

4 MR. STAMETS: That would be such as shown  
5 on Exhibit Number Seven?

6 A Yes, Seven, Eight, and Nine also shows  
7 how the Texaco well that's the immediate offset to the west,  
8 has apparently experienced severe declines and it was -- I  
9 don't know whether they swabbed it or put a pumping unit on  
10 it, but you can see it returned to production to the pre-  
11 vious trend, and that's the reason I put the line on there  
12 so it would be obvious.

13 Q Now, Mr. Aycock, will you review Exhibit  
14 Number Ten for the Examiner?

15 A Exhibit Number Ten is a shut-in wellhead  
16 pressure as a function of cumulative production at the date  
17 of test for all of the immediately surrounding six wells  
18 that we could find available from the records.

19 All of this information, Mr. Examiner, is  
20 intended as substantiation for the next exhibit, which is  
21 a summary of individual well data, and it purports to show  
22 all of the statistics, including the location of the well,  
23 the date it was apparently completed, as near as we can as-  
24 certain it, realizing that many of these wells were -- or  
25 some of these wells were originally completed or tested in

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1 the Langlie Mattix zone before they were completed in the  
2 Jalmat, and some of them are -- are pretty old.

3 Here's one over here that was apparently  
4 completed in '49 and has since been plugged and abandoned.  
5 We have the cumulative production as of March 1st, '79, which  
6 is the most recent available to us at the time this exhibit  
7 was prepared; the completion intervals in the Yates and  
8 Seven Rivers; the volumetric analysis results, including the  
9 mean effective porosity, the mean connate water saturation,  
10 net effective pay, and original gas in place in MMCF per  
11 acre; the estimated original gas in place in MMCF, as esti-  
12 mated from the production data previously presented; the  
13 estimated ultimate gas recovery, which was developed from an  
14 extrapolation of the production curves for those wells still  
15 active, and was taken as the cumulative recovery for those  
16 wells that are not currently active; the estimated gas re-  
17 covery factor as a percent of original gas in place; and  
18 the estimated drainage area for subject well and the imme-  
19 diately westerly offsetting well, which are the only two  
20 that there was a complete suite of information for, and which  
21 it could be estimated.

22 I think it's consequential to note that  
23 based upon the performance of the well for which the subject  
24 well will be the replacement, I estimated it effectively  
25 drained sixteen acres and the well immediately to the west,

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1 268 acres.

2 Q Mr. Aycock, in your opinion, do you believe  
3 the proposed well is necessary to effectively and efficiently  
4 drain the proposed non-standard proration unit?

5 A Yes, sir, I do.

6 Q Will you now refer to what has been marked  
7 for identification as Applicant's Exhibit Number Twelve, and  
8 review this for the Examiner?

9 A Exhibit Number Twelve is our west/east  
10 cross section, the trace of which is labeled A-A' on our land  
11 map, which I believe was Exhibit Number Two, and it shows  
12 the completion intervals, both in the Queen and the Jalmat  
13 zones, as well as the cumulative production for the wells in  
14 the immediate vicinity of the proposed location, including  
15 that to the immediate west, the well that is inactive, for  
16 which the proposed location is 330 feet due south and the  
17 southwesterly well, the Texaco Fanning Well.

18 Q Will you now refer to Exhibit Number Thir-  
19 teen and review this for the Examiner?

20 A This exhibit is a cross section, the trace  
21 of which is labeled B-B' on our land map and on the index  
22 map that is a portion of this exhibit, and it shows in a --  
23 basically in a north/southwest direction, including the well  
24 for which the projected well will be a replacement, the same  
25 type of information, that is the logs, the completion inter-

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1 vals in both the Queen and the Jalmat, and the production  
2 history.

3 You'll note that all the wells we don't  
4 find in this area, including the latest activity, any wells  
5 that have been dry at inception in the -- in the Jalmat zones.  
6 Apparently water production or mechanical problems or deple-  
7 tion have been responsible for those that have been plugged  
8 and abandoned.

9 Q Mr. Aycock, has notice been given to offset-  
10 ting operators?

11 A Yes, sir, it has.

12 Q And are copies of those letters marked  
13 Exhibit Number Fourteen?

14 A Yes, sir, they are, including copies of  
15 the receipts by those operators.

16 Q And I direct your attention to Exhibit  
17 Number Fifteen, is this the farmout agreement from Black  
18 River Corporation to Alpha Twenty-One?

19 A Yes, sir, it is.

20 Q Mr. Aycock, will the creation of the pro-  
21 posed non-standard proration unit and the drilling of the  
22 new well in the north half of the southwest quarter of Sec-  
23 tion 32 result in the recovery of hydrocarbons that would  
24 not otherwise be recovered?

25 A I believe it's reasonable to expect that

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1 it would, yes, sir.

2 Q Now why does this well have to be drilled  
3 at the unorthodox location?

4 A The reason it has to be drilled at an un-  
5 orthodox location is in order to reduce the risk of entangling  
6 the wellbores in the existing well and the projected well,  
7 so we chose as being the best compromise to move 330 feet  
8 due south of the existing well and maintain the same 660 feet  
9 from the west line of the section as the existing well has.

10 Q In your opinion will granting this appli-  
11 cation be in the best interest of conservation, the prevention  
12 of waste, and the protection of correlative rights?

13 A Yes, sir. My analysis of the available  
14 data indicates that it would.

15 Q How soon does Alpha Twenty-One plan to  
16 commence operations on this well?

17 A We would like to commence operations as  
18 soon as possible within two weeks to a month.

19 Q It's therefore important that we request  
20 the Commission to expedite the order?

21 A Yes, sir, simply because, as I'm sure the  
22 Commission is aware, that drilling rig availability, while  
23 it was not a factor a month to six weeks ago, is now a  
24 factor.

25 Q Were Exhibits One through Fifteen either

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1 prepared by you or have you reviewed them and can you testify  
2 as to their accuracy?

3 A. They were prepared under my supervision,  
4 yes, sir; I have reviewed them. Yes, sir, I can testify as  
5 to their accuracy.

6 MR. CARR: At this time, Mr. Examiner, we  
7 would like to offer into evidence Applicant's Exhibits One  
8 through Fifteen.

9 MR. STAMETS: These exhibits will be ad-  
10 mitted.

11 MR. CARR: I have nothing further of Mr.  
12 Aycock on direct.

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q What's the problem with the El Paso 13-L  
16 Shell State Well that it cannot now produce?

17 A. I don't know, Mr. Examiner. It has been  
18 inactive. I believe I stated in my letter when the last  
19 production was, but the curve is in here as well for your  
20 examination. It's part of the exhibits.

21 Mine is not labeled, but it's the second --  
22 it's the second of the production curves that you have there,  
23 and it was last produced continuously as of August of 1977,  
24 and there was a partial month production in April of 1978,  
25

1 and that's the last it's been reported in to the Commission,  
2 and I cannot tell you what the reason that it is -- has  
3 proven to be nonproductive.

4 Q What acreage is currently dedicated to that  
5 well? Was dedicated to that well?

6 A The same -- the same proration unit as has  
7 been proposed to be dedicated to the proposed well, and that  
8 is marked on your, I believe, on the land map that is sub-  
9 mitted to you. I have the proration unit in yellow and then  
10 the immediately offsetting to the west well I have it in  
11 green on your copy, the same 80 acres.

12 Of course, we expected that the Commission  
13 would require that the other -- they be satisfied that the  
14 other well has been plugged and abandoned before an allowable  
15 would be given to the proposed well.

16 Q In order for me to make a finding or to  
17 recommend a finding that this second well is needed to pro-  
18 duce gas from the proration unit which would not be produced  
19 from any other well thereon, I think I need some evidence  
20 of what's wrong with the original well, why it can't produce.

21 A Why the productivity is low? We can ob-  
22 tain that, Mr. Examiner, but we don't -- we don't have it  
23 at this present time.

24 The last production test was at an unecon-  
25 omical rate. That's all I can tell you. I can't tell you

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1 the exact reason for that.

2 (There followed a discussion  
3 off the record.)

4 MR. STAMETS: The hearing will please come  
5 to order.

6 Mr. Carr, you have something further?

7 MR. CARR: Well, I'd like to ask Mr. Aycock  
8 a couple of more questions.

9  
10 REDIRECT EXAMINATION

11 BY MR. CARR:

12 Q Mr. Aycock, have you reviewed the well  
13 file on the El Paso State No. 1 Well?

14 A The Commission's file, yes, sir.

15 Q And have you talked with representatives  
16 of the El Paso concerning the condition of this well?

17 A Yes, sir, I've reviewed their well file  
18 orally with them, as well.

19 Q And based on your knowledge of the situa-  
20 tion in that well, could you recommend to Alpha Twenty-One  
21 that they do remedial work on the well to attempt to restore  
22 production?

23 A According to what El Paso told me, that's  
24 already been tried.

25 Q And could you recommend to Alpha Twenty-One

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1 that they do anything to rework the well, recomplete?

2 A. No, sir.

3 Q. Do you know of any other way other than  
4 drilling an additional well in the unit to recover the hydro-  
5 carbons that are underneath the unit?

6 A. No, sir.

7 MR. CARR: I have nothing further on re-  
8 direct.

9

10 RECROSS EXAMINATION

11 BY MR. STAMETS:

12 Q. Mr. Aycock, why did the Shell State Well  
13 cease to produce?

14 A. They say that it's making -- according to  
15 the records, Getty Oil Company is actually physically the  
16 operator of the well for El Paso. The well has been plugged  
17 back according to the Commission's records and according to  
18 their records. The well was originally plugged back from  
19 the Langlie Mattix zone to the Jalmat zone.

20 They do not know the full history, but  
21 their records indicate that it's making so much water that  
22 they can't keep it flowing continuously, and enough that they  
23 felt -- they indicated, they didn't go into specifics with  
24 me, but they indicated that they felt like anything other  
25 than the tests that they -- where they attempted to restore

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (506) 471-2482  
Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
8020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

1 production would not be feasible. They have no further  
2 plans to do anything with the well.

3 Q Did Getty make these attempts or did El  
4 Paso?

5 A Getty physically made the attempts and El  
6 Paso is not satisfied that they know the full story or that  
7 they would have approved the procedure that was used, from  
8 what they told me.

9 Q Is the workover information reflected in  
10 our well file?

11 A The plug back information from the -- from  
12 the Langlie Mattix reflects -- it reflects the workover, yes,  
13 sir. It's dated April 17th, '78, and that's about the time  
14 that last test was reported to the Commission, the last gas  
15 production was reported to the Commission.

16 Q 4-17 what year?

17 A '78.

18 Q '78. What does that report show?

19 A It says the original intent was to squeeze  
20 off water production. Abandon attempt to squeeze off water zone  
21 in Langlie Mattix. Return wellbore to El Paso Natural Gas  
22 Company, is what it says under the subsequent report of.

23 And under item seventeen, describe proposed  
24 or completed operations, the original intent was to squeeze  
25 off water production; however, El Paso Natural Gas Company,

1 operator of the Jalmat zone, felt that this workover could  
2 not be accomplished without irreparably damaging this zone.  
3 We therefore abandoned the Langlie Mattix and returned the  
4 wellbore to them. The workover was as possible, and he goes  
5 into the workover procedure.

6 According to what El Paso told me, they  
7 were not satisfied that this procedure had not damaged the  
8 Jalmat zone and was not responsible for the fact that they  
9 were unable to restore commercial gas production from it.

10 Q Well, we will certainly look at the well  
11 file in this case and see what that reflects and what may be  
12 in there that will be of assistance to the Examiner in this  
13 particular case.

14 A Well, this is the C-103 that's right here  
15 on top that I'm reading from.

16 MR. STAMETS: Anything -- any other ques-  
17 tions of the witness? He may be excused.

18 Anything further in this case?

19 MR. CARR: Nothing further.

20 MR. STAMETS: The case will be taken under  
21 advisement.

22

23

(Hearing concluded.)

24

25

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (996) 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 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  
3026 Plaza Blanca (605) 471-2462  
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 6651  
heard by me on 9-5 1979.  
Richard L. Smith, Examiner  
Oil Conservation Division





STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 6651  
Order No. R-6127

APPLICATION OF ALPHA TWENTY-ONE PRODUCTION  
COMPANY FOR A NON-STANDARD PRORATION UNIT,  
UNORTHODOX WELL LOCATION, AND APPROVAL OF  
INFILL DRILLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 5, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 24th 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, Alpha Twenty-One Production Company, seeks approval of an 80-acre non-standard gas proration unit comprising the N/2 SW/4 of Section 32, Township 23 South, Range 37 East, NMPM, to be dedicated to its El Paso Plant Well No. 1 to be drilled at an unorthodox gas well location 1650 feet from the South line and 660 feet from the West line of said Section 32.

(3) That the standard spacing unit in the Jalmat Gas Pool is 640 acres.

(4) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Jalmat Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

-2-

Case No. 6651

Order No. R-6127

(5) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(6) That no offset operator objected to the proposed unorthodox location.

(7) That the proposed non-standard proration unit was previously approved by Division Administrative Order No. NSP-785 being dedicated to the El Paso Natural Gas Company Shell State Well No. 13 located 1980 feet from the South line and 660 feet from the West line of said Section 32.

(8) That said Shell State Well No. 13 has ceased to produce and the prospect of a successful workover operation thereon is very remote.

(9) That the evidence presented demonstrated that the drilling and completion of applicant's proposed well at an unorthodox location may result in the production of at least 0.75 billion cubic feet of gas from applicant's acreage which would not otherwise be recovered from the proration unit.

(10) That such additional recovery from the proration unit will result in said unit being more efficiently and economically drained.

(11) That while there are no present plans to produce said Shell State Well No. 13, nor evidence that said well could be produced, applicant's proposed well might be considered as an infill well on said non-standard proration unit.

(12) That in order to permit the drainage of a portion of the reservoir covered by said 80-acre non-standard proration unit which cannot be effectively and efficiently drained by the existing well thereon, the subject application for infill drilling should be approved as an exception to the standard well spacing requirements for said Jalmat Gas Pool.

(13) That Division Administrative Order No. NSP-785 should be superseded.

(14) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Jalmat Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

-3-

Case No. 6651  
Order No. R-6127

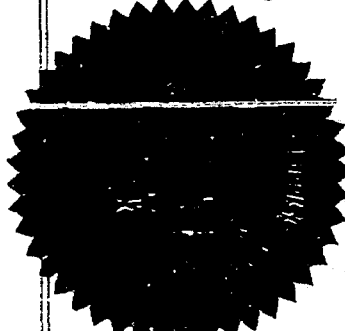
IT IS THEREFORE ORDERED:

(1) That an 80-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the N/2 SW/4 of Section 32, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby established and approved to be dedicated to the Alpha Twenty-One Production Company El Paso Plant Well No. 1 to be drilled at an unorthodox location (hereby approved) 1650 feet from the South line and 660 feet from the West line of said Section 32 as an infill well on said non-standard proration unit. The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements and is necessary to permit the drainage of a portion of the reservoir covered by said 80-acre non-standard proration unit which cannot efficiently and economically be drained by any existing well thereon.

(2) That Division Administrative Order No. NSP-785 is hereby superseded.

(3) 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  
Director

fd/

D. E. RADTKE & ASSOCIATES, INC.

Petroleum Consultants

P. O. BOX 1703

MIDLAND, TEXAS 79701

310 WALL TOWERS WEST

TELEPHONE 915-684-8044

August 10, 1979

Alpha 21 Corporation  
2100 First National Bank Tower  
Midland, Texas 79701

Attention Mr. Tom Phipps

Subject: Application for NGPA Infill Gas  
Development Well, Section 32,  
T-23-S, R-37-E, Jalmat Pool  
Lea County, New Mexico

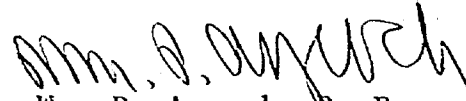
Gentlemen:

Attached are the following, that have been prepared in  
accordance with your instructions.

1. Structure Map of Area
2. Cross-sections A-A' and B-B'
3. Letter of Explanation, including reserve  
estimate for proposed well, with attach-  
ment, Rate - Time Gas Production Graphs,  
Graph of Shut-in Wellhead Pressures and  
Function of Cumulative Gas Recovery for  
Selected Wells.

We trust that this material will suffice to complete your  
application; please advise if we may be of further service in  
this connection. We appreciate having served you in this  
professional capacity.

Very truly yours,

  
Wm. P. Aycock, P. E.

WPA/bw

Attachments

AFFIDAVIT

STATE OF NEW MEXICO     )  
                                  ) ss.  
COUNTY OF SANTA FE     )

COMES NOW, William P. Aycock, upon his oath deposes and says:

1. That he is a Registered Petroleum Engineer employed by Alpha Twenty-One Production Company to assist them in preparing evidence for submission in Oil Conservation Division Case No. 6651 which was heard by Examiner Stamets on September 5, 1979.
2. That he appeared at the hearing on September 5 and testified for Alpha Twenty-One in support of their application for a finding that the drilling of Alpha Twenty-One's El Paso Plant Well No. 1 in the N/2 of the SW/4 of Section 32, Township 23 South, Range 37 East, was necessary to effectively and efficiently drain the non-standard proration unit consisting of the N/2 of the SW/4 of said Section 32, which cannot be so drained by the existing well on said unit.
3. At present the El Paso No. 13 Shell State Well, located 1980 feet from the South line and 660 feet from the West line of said Section 32 has the N/2 of the SW/4 of said Section dedicated: the well proposed by Alpha Twenty-One would, therefore, be an infill well.
4. At the hearing, I testified that the El Paso No. 13 Shell State Well could not effectively and efficiently drain the proration unit due to problems with the well and damage to the formation and that I could not recommend that the well be reworked.

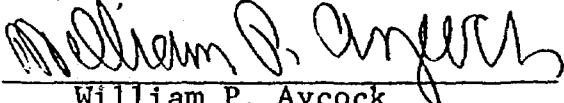
5. Following the hearing I contacted El Paso Natural Gas Company and have reviewed all available data on the El Paso No. 13 Shell State Well. This well was drilled as a 3703 foot Queen Sandstone Well and was purchased by El Paso Natural Gas from Shell Oil Company in July 1967 having produced only 3968 barrels of oil from the Queen Sandstone. El Paso plugged back and completed the well in the Yates Sandstone for a calculated absolute open flow of 538 Mcfgpd. This well had produced 351,016 Mcfg through September, 1977.

6. To further expand on my testimony about the condition of the well and why I cannot recommend reworking the existing well on the unit, it is my expert professional opinion based on the research I have done that the Yates Sandstone Pay Section in the El Paso No. 13 Shell State Well has experienced irreversible formation damage during a workover operation performed by Getty Oil Company in an attempt to duly complete the well from the Langlie-Mattix (Queen) and Yates intervals. Several subsequent attempts by El Paso to restore gas deliverability at rates comparable to the pre-workover experience from the Yates interval resulted in failure. Efforts were then made to regain the well as a single Yates completion from Getty. In March, 1978 Getty Oil Company plugged the well back from the Langlie-Mattix to the Yates and returned the well to El Paso. Subsequent remedial workovers failed to restore gas production from the Yates. A final alternative recommendation was tendered for a major stimulation of the Yates plus several upper Sandstone Stringers that indicated some

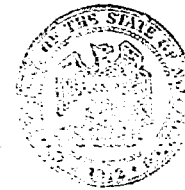
Promise; however, since El Paso Natural Gas has previously attempted similar Jalmat gas well stimulations unsuccessfully as follows:

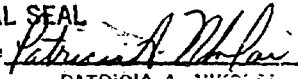
<u>WELL</u>	<u>LOCATION</u>	<u>DATE</u>
Harrison 1	27 (L)-25S-37E	1977
Pritchard 1	9 (6)-25S-37E	1977

Accordingly, the prospective economics of re-stimulation of the El Paso Natural Gas Company Shell State B were unfavorable, so the recommendation was not approved. El Paso's Production Department has recommended that the Shell State B be plugged and abandoned.

  
William P. Aycock

SUBSCRIBED AND SWORN to before me this 19th day of September, 1979.



OFFICIAL SEAL  
Signature   
PATRICIA A. NIKOLAI  
NOTARY PUBLIC - NEW MEXICO  
Notary Bond Filed with Secretary of State  
My Commission Expires 1/23/83

Notary Public

My Commission Expires:

1/23/83

## D. E. RADTKE &amp; ASSOCIATES, INC.

Petroleum Consultants

P. O. BOX 1703

MIDLAND, TEXAS 79701

310 WALL TOWERS WEST

TELEPHONE 915-854-0044

August 10, 1979

Alpha 21 Corporation  
2100 First National Bank Building  
Midland, Texas 79701

Attention Mr. Tom Phipps

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Applicants EXHIBIT NO. 1

CASE NO. 6651

Submitted by Alpha Twenty One

Hearing Date 9/5/79

Subject: Application for Administrative  
Approval of Infill Gas  
Development Well, N/2, SW/4  
Section 32, T-23-S, R-37-E,  
Jalmat Pool  
Lea County, New Mexico

Gentlemen:

This letter is being furnished to you as a part of this application, as required by Section 10, "Special Rules and Regulations, Natural Gas Policy Act Infill Findings Administrative Procedure". These rules were promulgated by the Conservation Division, State of New Mexico, Energy and Mineral Department on June 7, 1979, Case No. 6526, Order No. R-6013.

As you are aware, there is an inactive existing well located on the subject acreage, the El Paso Natural Gas Co., Shell - State B. This well is apparently effectively economically depleted, having recovered 351 MMCF of gas at March 1, 1979. The six immediately offsetting wells, as documented on the attached Table 1, have recovered 21,042 MMCF of gas, or a mean recovery of 3,507 MMCF of gas per well at March 1, 1979. The estimated ultimate recovery for those six wells is 22,478 MMCF of gas, or a mean estimated ultimate gas recovery of 3,738 MMCF. The maximum gas recovery at March 1, 1979, and minimum estimated ultimate gas recoveries for these six nearby wells are respectively, 123 MMCF and 1,142 MMCF.

The gas recoveries can then be compared as follows:

Gas Recovery at March 1, 1979 Production

<u>Well</u>	<u>Cumulative</u>	<u>Estimated Ult.</u>
EPNG Shell State B	351	351
Mean of Nearest Six Jalmat Gas Wells	3,507	3,738
Minimum of Nearest Six Jalmat Gas Wells	179	1,142
Maximum of Nearest Six Jalmat Gas Wells	7,499	7,499



The volume of increased gas recovery can then be estimated as follows:

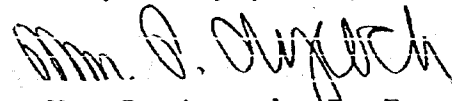
<u>Basis from Six Nearest Jalmat Gas Wells</u>	<u>Estimated Increased Gas Recovery, MMCF</u>
Mean	3,387
Minimum	791
Maximum	7,148

This approach is reasonably verified by the observation that the initially reported shut-in casinghead and tubinghead pressures were generally quite similar, indicating that in spite of well completion dates between November 18, 1949, and January 24, 1978, detectable drainage had apparently not occurred.

It is also worthy of mention that the calculated drainage area for the El Paso Shell - State B is only 16 acres, which is abnormally low as compared to the other six wells and is much less than the established normal development pattern of one well per 160 acres.

From all of the above considerations, we believe the drilling of the proposed well to be justified by the Natural Gas Policy Act criteria, as promulgated in NMOCC Order No. R-60B. We should be pleased to render whatever elaboration you may require concerning this matter. We appreciate having served you in this professional capacity.

Very truly yours,

  
Wm. P. Aycock, P. E.

WPA/bw

Attachment

	<h2 style="margin: 0;">R-37-E</h2>	<p>BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION</p> <p><i>Exhibit</i> EXHIBIT NO. <u>2</u></p> <p>CASE NO. <u>4451</u></p> <p>Submitted by <u>Alpha Twenty-One</u></p> <p>Hearing Date <u>9/28/79</u></p>
<div style="border: 1px solid black; padding: 2px; width: 40px; float: right;">T 23 S</div>		
<div style="border: 1px solid black; padding: 2px; width: 40px; float: right;">T 24 S</div>		

LAND MAP

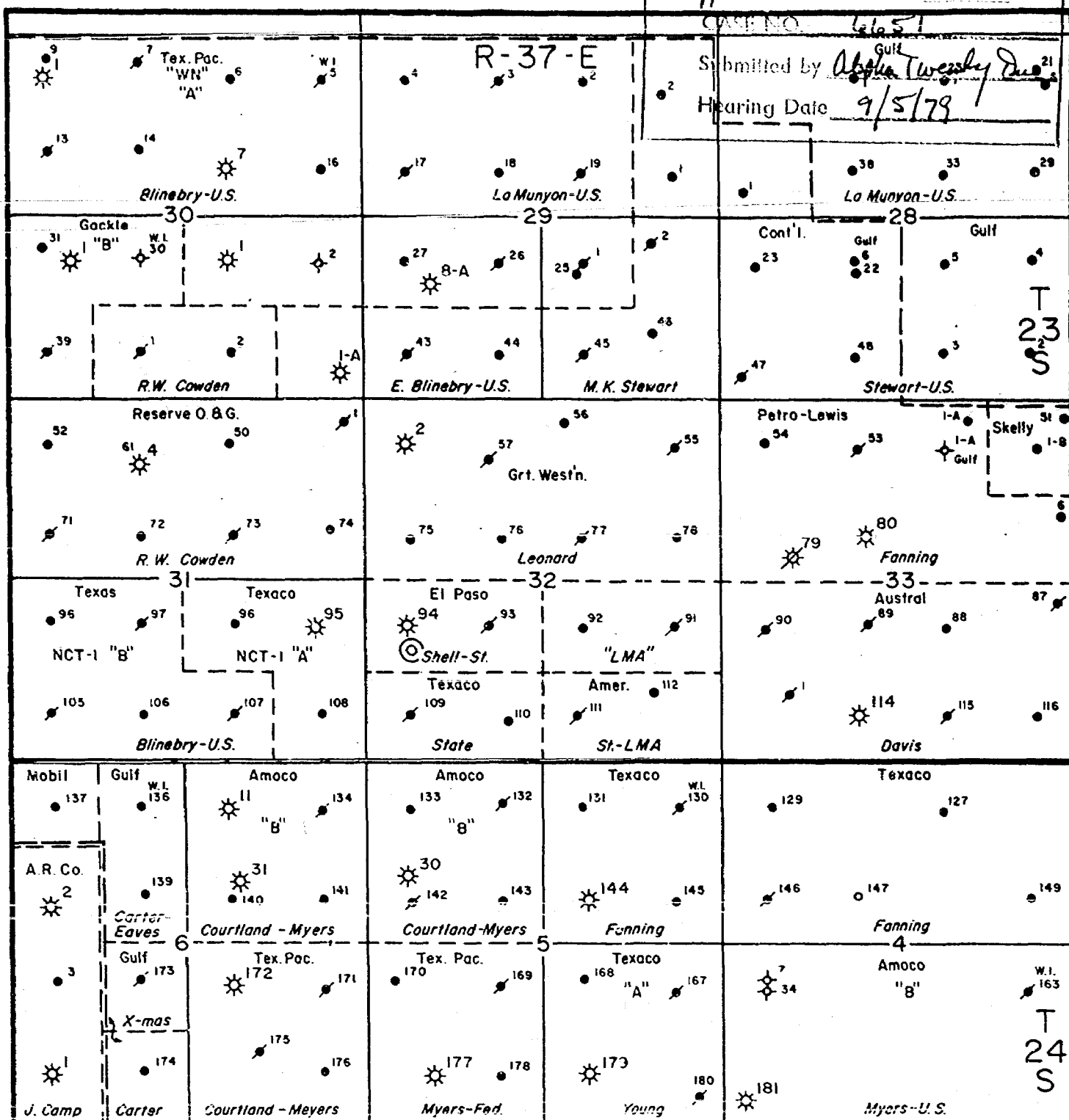
JALMAT (YATES) POOL

FIELD LAGLIE MATTIX		County LEA		State N. MEX.	
Engineer W. P. A.		Drawn By H's		Date 6-22-79	
D E. RADTKE & ASSOCIATES, INC.				Ref. No.	
310 Wall Towers West				9.2472	
Midland, Texas				EXHIBIT NO.	

CASE NO. 66-51

Submitted by Alpha Twenty One

Hearing Date 9/5/79



## LAND MAP

## JALMAT (Tansil-Yates-7 Rivers) POOL

FIELD LANGLEIE MATTIX

County LEA

State N. MEX.

Engineer W. P. A.

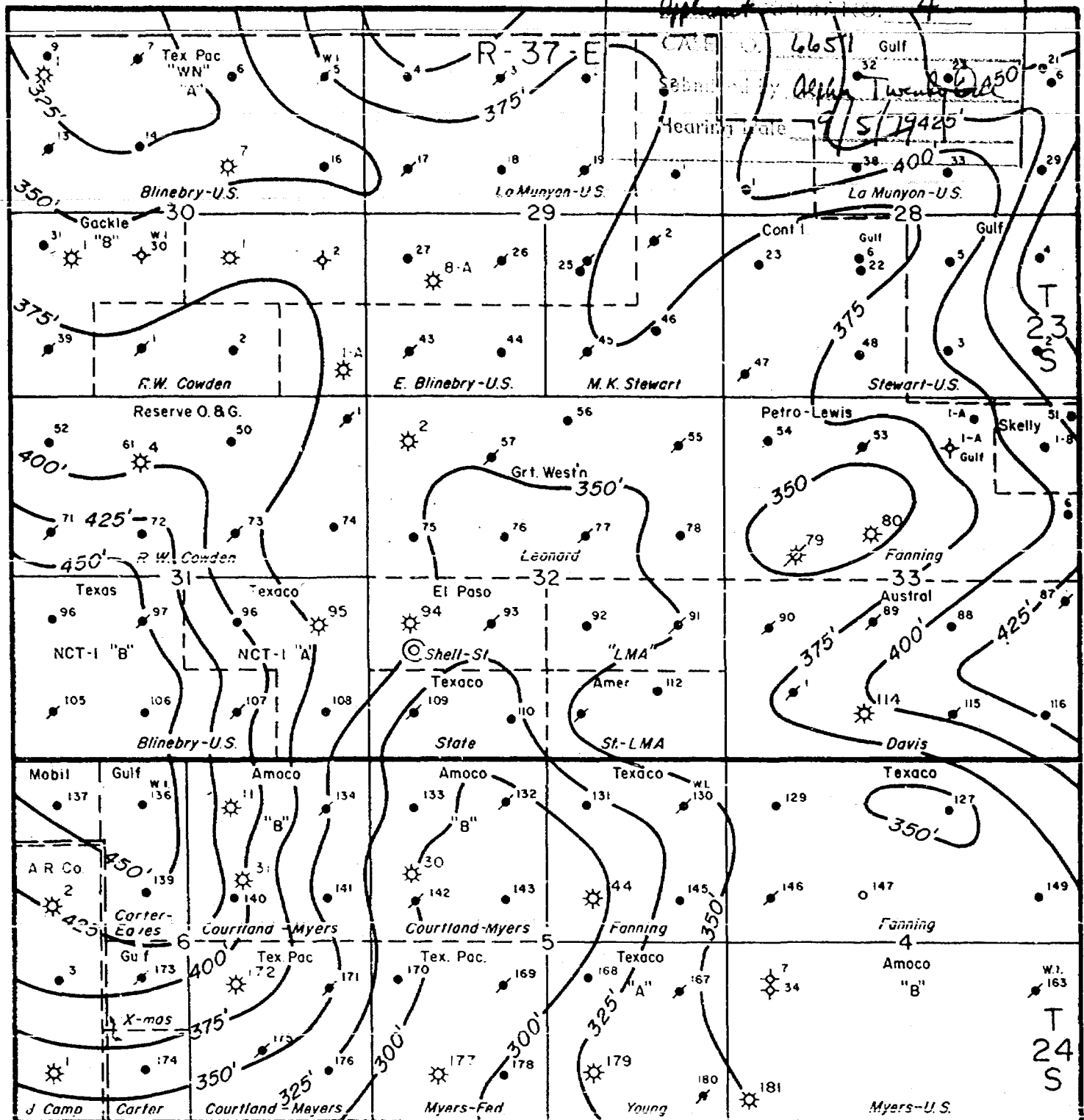
Drwn. By H's

Date 6-22-79

File ALPHA 21 CORP.

D. E. RADTKE & ASSOCIATES, INC.  
310 Wall Towers West Midland, Texas

EXHIBIT NO.



YATES REGIONAL TRENDING  
C.I. - 25'

FIELD LANGLEIE MATTIX		County LEA		State N. MEX.	
Engineer W P A		Drawn By H's		Date 6-22-79	
				File ALPHA 21 CORP.	
D. E. RADTKE & ASSOCIATES, INC. 310 Wall Towers West Midland, Texas				EXHIBIT NO.	

EXHIBIT NO.

D. E. RADTKE &amp; ASSOCIATES, INC.

310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701FIELD: JALMAT-Tansill, Yates, 7 Rivers  
OPERATOR: Amoco Production Company

LEASE: Myers B Federal RA A

LOCATION: 5E-24S-77E

COUNTY: Lea

STATE: New Mexico

NO. OF WELLS: 1

WELL NO: 30

DATE PRODUCTION BEGAN: 3-78

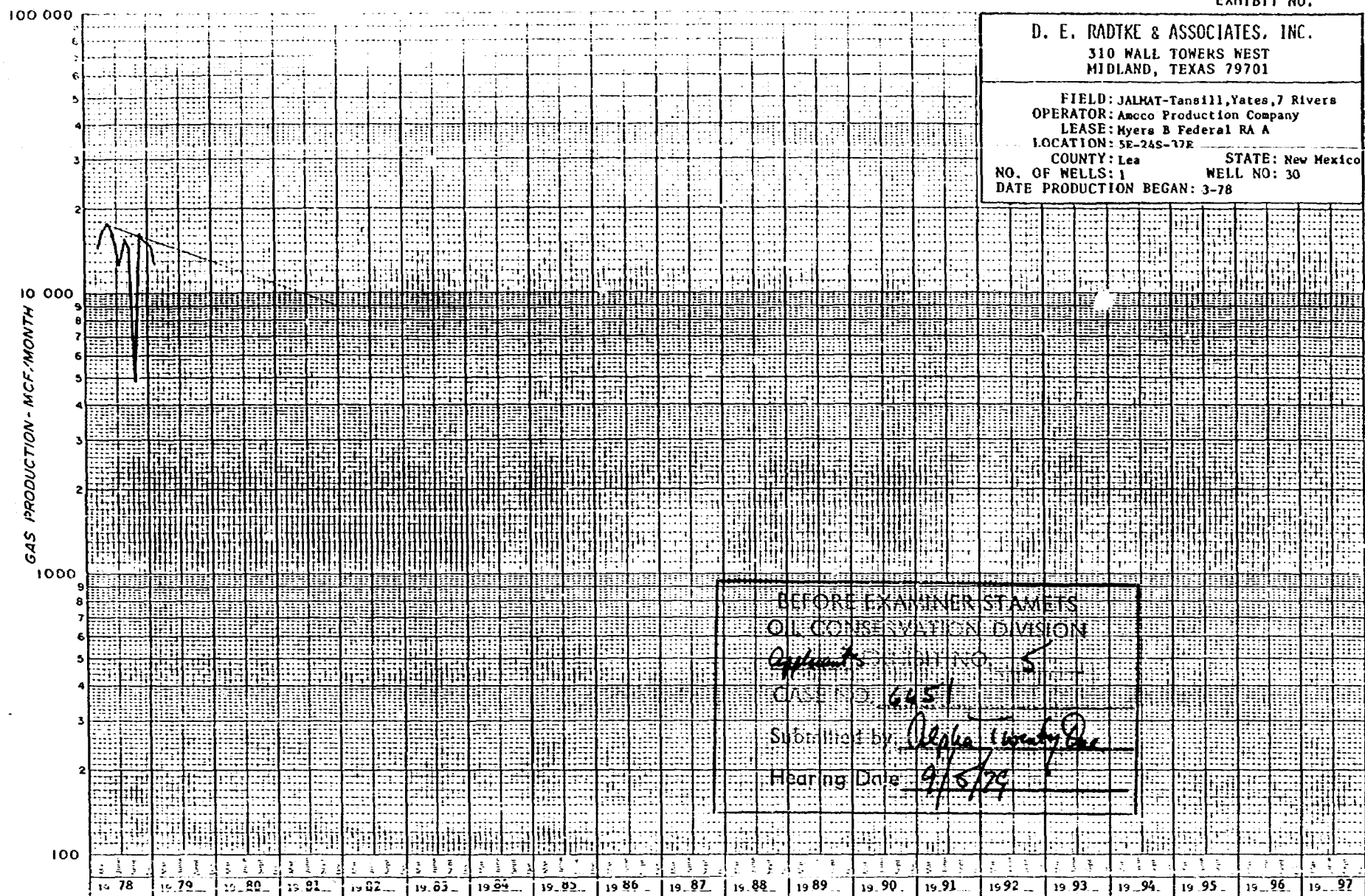


EXHIBIT NO.

D. E. RADTKE &amp; ASSOCIATES, INC.

310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701FIELD: JALMAT-Tansill, Yates, 7 Rivers  
OPERATOR: El Paso Natural Gas Company

LEASE: Shell State

LOCATION: 32L-23S-37E

COUNTY: Lea

STATE: New Mexico

NO. OF WELLS: 1

WELL NO: 13-JL

DATE PRODUCTION BEGAN:

GAS PRODUCTION - MCF/MONTH

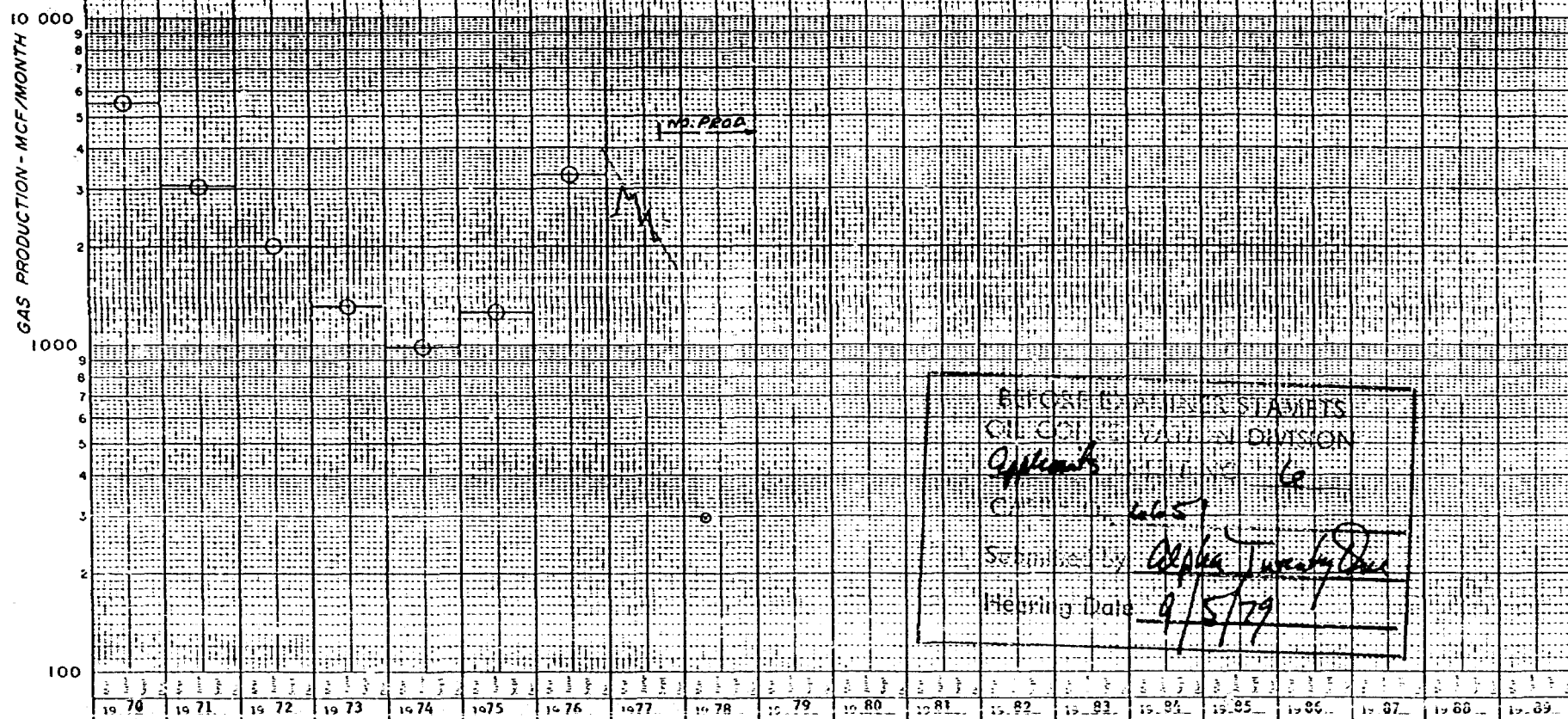


EXHIBIT NO.

D. E. RADTKE &amp; ASSOCIATES, INC.

310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701

FIELD: JALMAT-Tansill, Yates, 7 Rivers

OPERATOR: Albert Gackle

LEASE: R. W. Cowden "C"

LOCATION: 31C-23S-37E

COUNTY: Lea

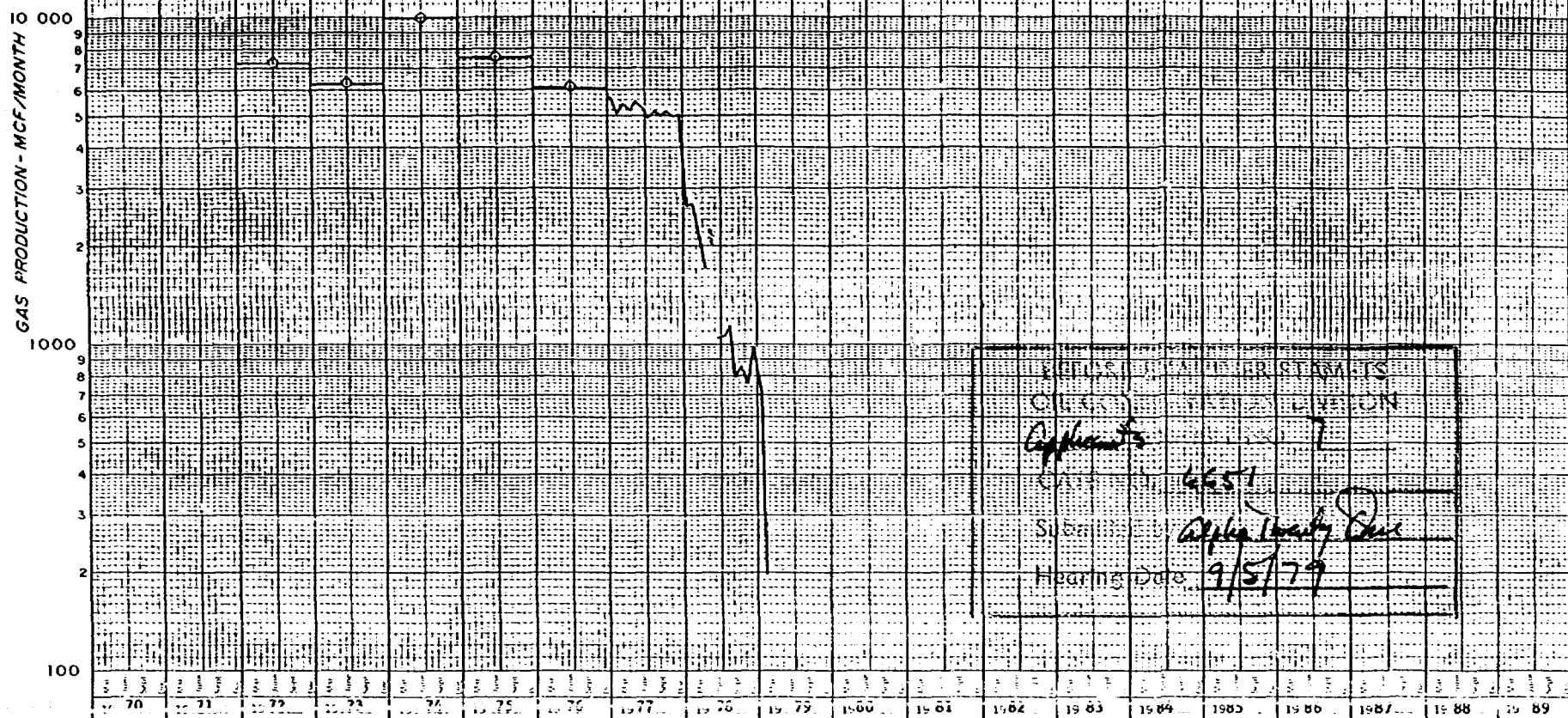
STATE: New Mexico

NO. OF WELLS: 1

WELL NO: 4

DATE PRODUCTION BEGAN:

GAS PRODUCTION - MCF/MONTH



D. E. RADTKE &amp; ASSOCIATES

CIVIL ENGINEERS

CITY OF MIDLAND, TEXAS

CIVIL ENGINEER

CIVIL ENGINEER

CIVIL ENGINEER

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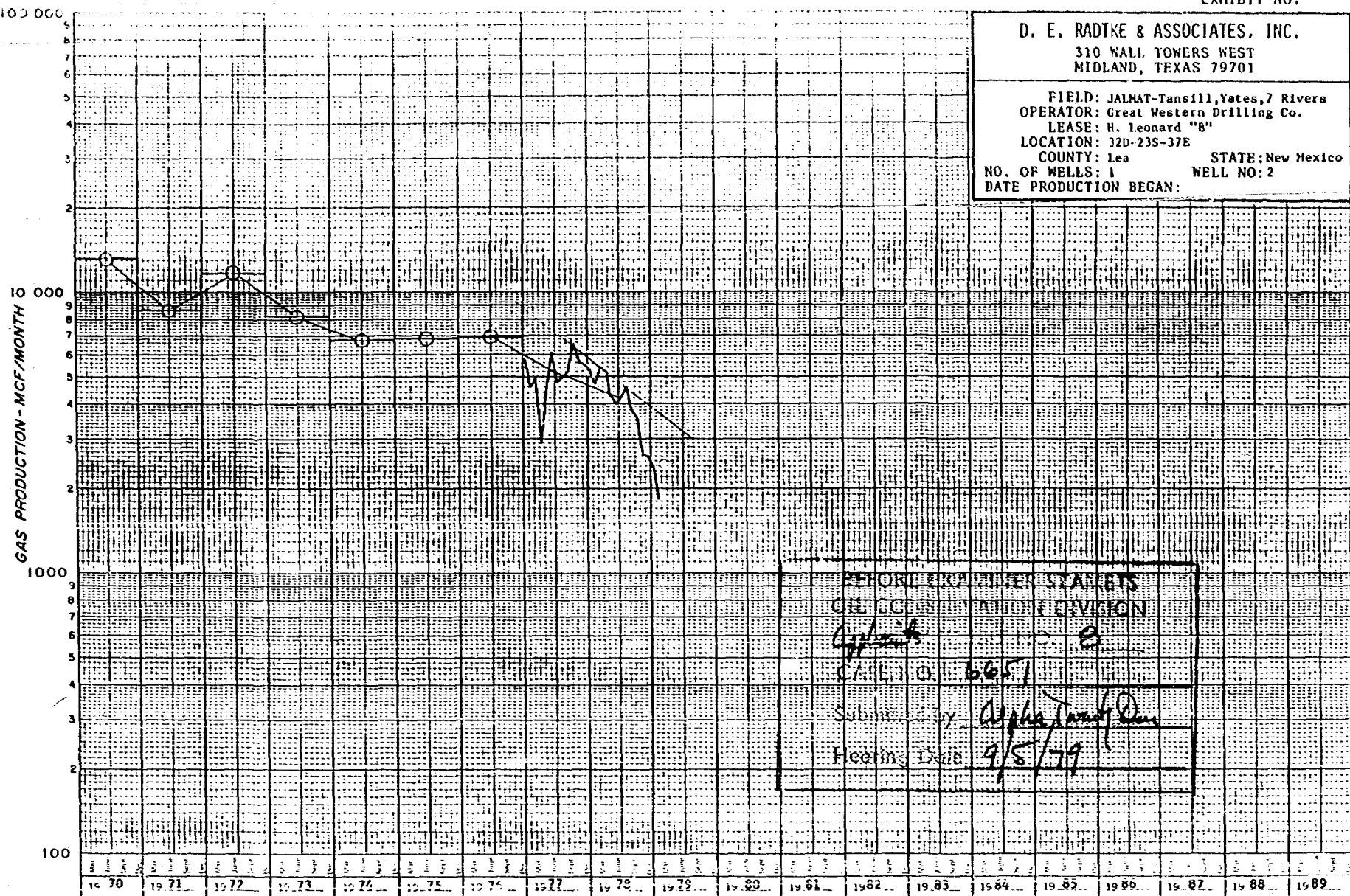
CIVIL ENGINEER



D. E. RADTKE & ASSOCIATES, INC.  
310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701

FIELD: JALMAT-Tansill, Yates, 7 Rivers  
OPERATOR: Great Western Drilling Co.  
LEASE: H. Leonard "B"  
LOCATION: 32D-23S-37E  
COUNTY: Lea STATE: New Mexico  
NO. OF WELLS: 1 WELL NO: 2  
DATE PRODUCTION BEGAN:

GAS PRODUCTION - MCF/MONTH



REPORT FOR THE STATE OF TEXAS  
OIL FIELD DIVISION

CASE NO. 6651

Submitted by Alpha Drilling Co.

Hearing Date 9/5/79



EXHIBIT NO.

D. E. RADTKE &amp; ASSOCIATES, INC.

310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701

FIELD: JALMAT-Tensill, Yates, 7 Rivers

OPERATOR: Texaco, Inc.

LEASE: E. E. Blinberry "A" Fed. NCT 1 CO

LOCATION: 311-23S-37E

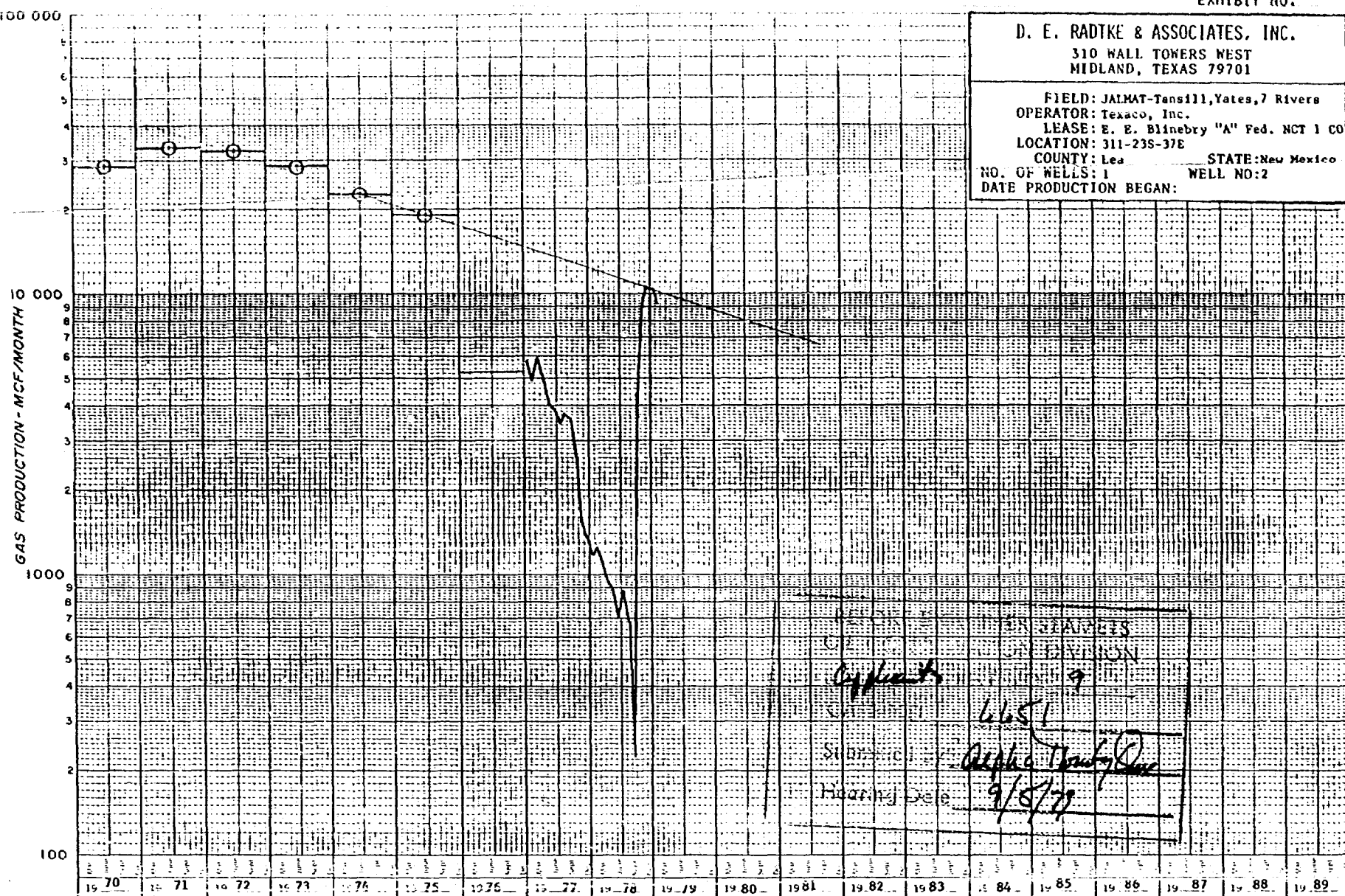
COUNTY: Lea

STATE: New Mexico

NO. OF WELLS: 1

WELL NO: 2

DATE PRODUCTION BEGAN:



D. E. RADTKE & ASSOCIATES, INC.

310 WALL TOWERS WEST  
MIDLAND, TEXAS 79701

FIELD: JALMAT-Tansill, Yates, 7 Rivers

OPERATOR: Various

LEASE: Various

LOCATION: Various

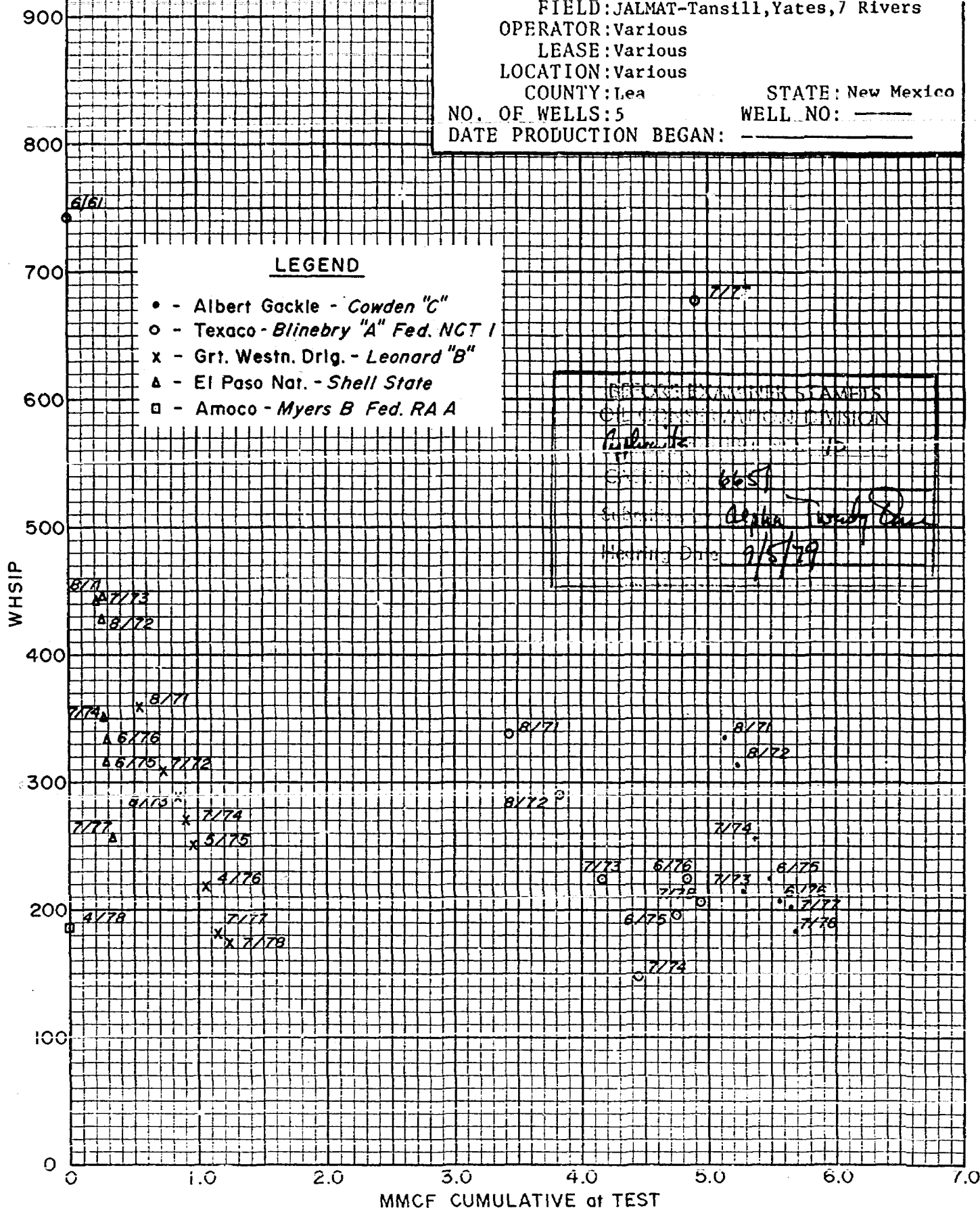
COUNTY: Lea

STATE: New Mexico

NO. OF WELLS: 5

WELL NO: \_\_\_\_\_

DATE PRODUCTION BEGAN: \_\_\_\_\_



**SUMMARY OF INDIVIDUAL WELL DATA**  
**JALMAT (TANILL-YATES-SEVEN RIVERS) POOL**  
**VICINITY OF N/2, SW/4, 32, 23S, 37E**  
**LEA COUNTY, NEW MEXICO**

LOCATION OF WELL COMPLETION DATE DISTANCE AND DIRECTION OF WELL FROM PROSPECTIVE LOCATION, MILES	EL PASO N.G. CO. SHELL-ST. 13	TEXACO INC. "A"-2 E.E. BLINDBERRY	AMOCO PROD. CO. MYERS "B" FED. 30	GREAT WESTERN DRUG. CO. "B" ? H. LEONARD	ALBERT GACKLE "C"-4 R. W. COWDEN	TEXACO INC. ? E. D. FANNING	AMOCO PROD. CO. "B"-11 C. MEYERS
32(L), 23S, 37E 9-20-67 0.34, SE	31(I), 23S, 37E 11-13-60 0.53, NW	5(E), 24S, 37E 1-24-78 0.47, SW	32(D), 23S, 37E 5-26-66 0.76, NNW	31(C), 23S, 37E 11-18-49 1.16, NW	5(G), 24S, 37E 7-23-61 0.54, SSE	6(G), 24S, 37E 5-18-52 0.84, SW	
CUMULATIVE PRODUCTION ON 3-1-79, MCF	351,313	4,974,454	173,007	1,237,748	5,699,269	1,458,549	7,499,129
COMPLETION INTERVALS YATES FORMATION	3001-3184'	3037-3050; 3083-3118; 3142-3158; 3177-3184; 3212-3220'	3054-3080; 3137-3162 3170-3190'	2992-3109'	Unknown	3064-3100'	2994-3230'
SEVEN RIVERS FORMATION	None	None	None	None	-	None	None
VOLUMETRIC ANALYSIS RESULTS MEAN EFFECTIVE POROSITY, % OF BULK VOLUME	20.3	18.1	13.6	Not Available	Not Available	21.2	-
MEAN COHESIVE WATER SATURATION, % NET	22.0	24.0	62.0	"	"	22.0	-
EFFECTIVE PORE SPACE	76	49	30	"	"	24	65
NET EFFECTIVE PAY, FEET	35.6	19.9	4.33	"	"	11.7	-
ORIGINAL GAS-IN-PLACE, MMCF/AC	560	6400	Not Available	1700	6500	Not Available	Not Available
ESTIMATED ORIGINAL GAS-IN-PLACE, MMCF*	560	6400	Not Available	1700	6500	Not Available	Not Available
ESTIMATED ULTIMATE GAS RECOVERY, MMCF**	351	5333	1142	1299	5697	1458	7499
ESTIMATED GAS RECOVERY FACTOR, % OF ORIGINAL GAS-IN-PLACE	62.7	83.3	-	76.4	87.6	-	-
ESTIMATED DRAINAGE AREA, ACRES	16	268	-	-	-	-	-

\*FROM EXTRAPOLATION OF EHP/Z AS F (CUM GAS).  
 \*\*FROM DECLINE CURVE PROJECTION TO AN EST. EC. LMT. OF 503 MCF/MO.

RECORD INFORMATION STATEMENTS  
 OF THE  
 APPENDIX 11  
 Submitted by Alpha Energy Services  
 Hearing Date 7/5/79

**ALPHA TWENTY-ONE PRODUCTION COMPANY**

2100 FIRST NATIONAL BANK BUILDING  
MIDLAND, TEXAS 79701

August 21, 1979

**915/683-5384**

Great Western Drilling Company  
P. O. Box 1659  
Midland, Texas 79702

Attention: W. T. Cowan

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Applicants EXHIBIT NO. 14

CASE NO. 6651

Submitted by Alpha, Theta, Chi

Hearing Date 9/5/79

Re: El Paso Plant No. 1  
1650' FSL 660' FWL  
Sec. 32, T-23-S, R-37-E  
Lea County, New Mexico

**Gentlemen:**

This is notification to offset operators that Alpha Twenty-One Production Company has requested a hearing before the Oil Conservation Division, on the captioned well, for an eighty acre non-standard Jalmat Proration Unit covering the N/2 SW/4 and an unorthodox location as stated in the caption.

**The hearing will take place September 5, 1979.**

Very truly yours,

**Tommy Phipps**  
**Executive Vice President**

**TP: ds**

**Certified Mail-  
Return Receipt**

PS Form 3800, Apr. 1976	
TOTAL POSTAGE AND FEES \$ <u>1.00</u> POSTMARK OR DEDUCTION <u>1.00</u>	RETURN RECEIPT SERVICE SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY <input type="checkbox"/> <u>4</u> SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY <input type="checkbox"/> <u>4</u> SHOW TO WHOM AND DATE ADDRESS OF DELIVERY <input type="checkbox"/> <u>4</u> RESTRICTED DELIVERY <input type="checkbox"/> <u>4</u>
MIDLAND AUG 22 1979 USPO	CONSULT POSTMASTER FOR FEES OPTIONAL SERVICES RETURN RECEIPT SERVICE SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY <input type="checkbox"/> <u>4</u> SHOW TO WHOM AND DATE ADDRESS OF DELIVERY <input type="checkbox"/> <u>4</u> RESTRICTED DELIVERY <input type="checkbox"/> <u>4</u>

No. 936678  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE ~~COVERAGES~~ PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

No. 939677  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE OR LOSS PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)







# ALPHA TWENTY-ONE PRODUCTION COMPANY

2100 FIRST NATIONAL BANK BUILDING  
MIDLAND, TEXAS 79701

August 21, 1979

915/683-5384

Amarada Hess Corporation  
P. O. Box 840  
Seminole, Texas 79360

Attention: Ira Johnson

Re: El Paso Plant No. 1  
1650' FSL 660' FWL  
Sec. 32, T-23-S, R-37-E  
Lea County, New Mexico

Gentlemen:

This is notification to offset operators that Alpha Twenty-One Production Company has requested a hearing before the Oil Conservation Division, on the captioned well, for an eighty acre non-standard Jalmat Proration Unit covering the N/2 SW/4 and an unorthodox location as stated in the caption.

The hearing will take place September 5, 1979.

Very truly yours,

*Tommy Phipps*  
Tommy Phipps

Executive Vice President

TP:ds

Certified Mail-  
Return Receipt

PS Form 3800, Apr. 1976

CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
POSTAGE	CERTIFIED FEE
POSTAGE AND FEE	SPECIAL DELIVERY
POSTAGE AND FEE	RESTRICTED DELIVERY
POSTAGE AND FEE	DELIVERY TO ADDRESSEE
POSTAGE AND FEE	DELIVERY TO ADDRESSEE AND DATE
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POSTAGE AND FEE	DELIVERY TO ADDRESSEE AND DATE AND ADDRESS OF DELIVERER AND ADDRESS OF DELIVERER AND ADDRESS OF DELIVERER

POSTMARK OR POSTAGE AND FEE

MIDLAND AUG 22 1979 USPO

SEN TO: Amarada Hess Corp  
STREET AND NO: 840  
PO BOX AND ZIP CODE: Box 840, 79360

POSTAGE \$

No. 939674  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)



No. 939673  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

No. 935872  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

No. 939671  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL



BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*Applicant* EXHIBIT NO. 15  
CASE NO. 6651

August 2, 1979

Submitted by Alpha Twenty One  
Hearing Date 7/5/79

Black River Corporation  
2100 First National Bank Building  
Midland, Texas 79701

Re: Farmout Agreement dated March 12,  
1979 between El Paso and Black  
River

Gentlemen:

As requested in your letter of July 26, 1979, El Paso consents to the transfer of all rights granted by the subject Farmout Agreement to Alpha Twenty-One Production Company. This consent is given with the understanding and on the condition that Alpha Twenty-One Production Company is a wholly owned subsidiary of Black River's parent company, Alpha Twenty-One Corporation.

EL PASO NATURAL GAS COMPANY

By

T. W. Bittick  
T. W. Bittick  
Vice President

TWB:DI:ec

ASSIGNMENT

Reference is made to a Farmout Agreement from El Paso Natural Gas Company to Black River Corporation, dated March 12, 1979, and covering the lands described in Exhibit "A" hereto (hereinafter referred to as "the Farmout"). For an adequate consideration, the receipt of which is acknowledged, BLACK RIVER CORPORATION (hereinafter referred to as "Assignor") hereby grants, sells, conveys and assigns all of its interest in the Farmout, and all rights thereunder, to ALPHA TWENTY-ONE PRODUCTION COMPANY (hereinafter referred to as "Assignee"), a wholly owned subsidiary of Alpha Twenty-One Corporation, and Assignee's successors and assigns.

This assignment is made subject to the terms of the Farmout, any and all revisions thereto, and any and all agreements between Assignor and other parties affecting the lands covered by the Farmout and the production from such lands; and Assignee agrees to comply with the terms thereof. Assignor agrees that, as to any leased acreage which has previously been earned by Assignor under the terms of the Farmout, Assignor will assign such earned acreage as directed by Assignee.

EXECUTED this the 16<sup>th</sup> day of AUGUST, 1979.

Attest:

Ruby Moore  
Secretary

BLACK RIVER CORPORATION

By: William B. Schumaker  
President

Attest:

Ruby Moore  
Asst. Secretary

ALPHA TWENTY-ONE PRODUCTION COMPANY

By: Curtis C. Miley  
Vice President

THE STATE OF Texas  
COUNTY OF Midland

I  
I  
I

The foregoing instrument was acknowledged before me this 16<sup>th</sup>  
day of August, 1979, by William B. Abkenne II,  
President of BLACK RIVER CORPORATION, a cor-  
poration, on behalf of said corporation.

My Commission Expires:  
DONNA PADGETT-Notary Public  
In and for Midland County, Texas  
~~My Commission Expires June 27, 1981~~

Donna Padgett  
\_\_\_\_\_, Notary Public  
in and for Midland County, Texas

THE STATE OF Texas  
COUNTY OF Midland

I  
I  
I

The foregoing instrument wa. acknowledged before me this 16<sup>th</sup>  
day of August, 1979, by Curtis A. Nealey,  
Vice President of ALPHA TWENTY-ONE PRODUCTION COM-  
PANY, a corporation, on behalf of said corporation.

My Commission Expires:  
DONNA PADGETT-Notary Public  
In and for Midland County, Texas  
~~My Commission Expires June 27, 1981~~

Donna Padgett  
\_\_\_\_\_, Notary Public  
in and for Midland County, Texas

EXHIBIT "A"

(To Assignment from BLACK RIVER CORPORATION to ALPHA TWENTY-ONE PRODUCTION COMPANY)

TRACT NO. 1

Lease: NM 10

Oil and Gas Lease made and entered into by and between the State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167-16, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-23-South, Range-36-East, NMPM  
Section 22: N/2 SE/4, containing 80.0  
acres, more or less

Proposed Depth: 3,550 feet  
Interval: Jalmat Gas Pool

TRACT NO. 2

Lease: NM 10-A

Oil and Gas Lease made and entered into by and between the State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-23-South, Range-37-East, NMPM  
Section 32: N/2 SW/4, containing 80.0  
acres, more or less

Proposed Depth: 3,250 feet  
Interval: Jalmat Gas Pool



TRACT NO. 3

Lease: NM 16

Oil and Gas Lease made and entered into by and between James Franklin Black as Lessor, and Roxana Petroleum Corp., as Lessee, dated effective May 25, 1927, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-24-South, Range-37-East, NMPM  
Section 21: NW/4 SE/4, SE/4 SW/4, containing 80.0 acres, more or less

Proposed Depth: 3,225 feet  
Interval: Jalmat Gas Pool

TRACT NO. 4

Lease: NM 46

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective July 1, 1962, bearing Serial No. LC-032511 (E) insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-25-South, Range-37-East, NMPM  
Section 8: S/2 SE/4, NE/4 SE/4, containing 120.0 acres, more or less

Proposed Depth: 3,250 feet  
Interval: Jalmat Gas Pool

TRACT NO. 5

Leases: (1) NM 67

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and El Paso Natural Gas Company as Lessee, dated effective September 1, 1960, bearing Serial No. LC-060942, recorded in Book 187, page 502 of the records of Lea County, New Mexico, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-25-South, Range-37-East, NMPM  
Section 11: S/2 SE/4, containing 80.0  
acres, more or less

(2) NM 82

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective September 1, 1960, bearing Serial No. NM-0140977 insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-25-South, Range-37-East, NMPM  
Section 11: N/2 SE/4, containing 80.0  
acres, more or less

Proposed Depth: 3,500 feet  
Interval: Langlie-Mattix

TRACT NO. 6

Leases: (1) NM 52

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., as Lessee, dated effective February 1, 1960, bearing Serial No. LC-032579-B, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township-25-South, Range-37-East, NMPM  
Section 27: S/2 NE/4, NE/4 NW/4, con-  
taining 120.0 acres, more or less

(2) NM 71

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective November 1, 1961, bearing Serial No. LC-032579-F, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Page 4 of Exhibit "A"

Township-25-South, Range-37-East, NMPM  
Section 27: S/2 NW/4, containing 80.0  
acres, more or less

Proposed Depth: 3,150 feet  
Interval: Jalmat Gas Pool

TRACT NO. 7

Lease: NM 58

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective March 1, 1950, bearing Serial No. LC-054667, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

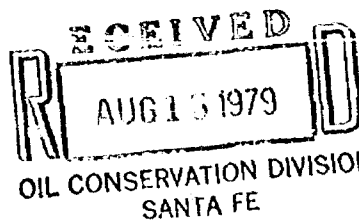
Township-25-South, Range-37-East, NMPM  
Section 33: NW/4 NW/4, S/2 NW/4, NE/4  
SW/4, containing 160.0 acres, more or  
less

Proposed Depth: 3,300 feet  
Interval: Langlie-Mattix

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL



POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 988-4421

August 14, 1979

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

Dear Mr. Ramey:

Enclosed herewith, in triplicate, is the application of Alpha Twenty-One Production Company for unorthodox well location, non-standard proration unit and infill findings, Lea County, New Mexico. The applicant requests that this case be set for the examiners hearing to be held on September 5, 1979.

Very truly yours,

*William F. Carr*  
William F. Carr

WFC:tn

Enclosure

cc: Mr. Tom Phipps  
Alpha Twenty-One Production Co.  
First National Bank Building  
21st Floor  
Midland, Texas 79701

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF ALPHA TWENTY-ONE PRODUCTION  
COMPANY FOR UNORTHODOX WELL LOCATION,  
NON-STANDARD PRORATION UNIT AND  
INFILL FINDINGS, LEA COUNTY,  
NEW MEXICO.

CASE 6651

APPLICATION

Comes now, Alpha Twenty-One Production Company by and through its undersigned attorneys and hereby makes application for an order for wellhead price ceiling category determination pursuant to the Special Rule of the Division and Part 271.305 (b) of the Federal Energy Regulatory Commission's Regulations Implementing the Natural Gas Policy Act of 1978 and for approval of an unorthodox gas well location and creation of a non-standard proration unit and in support of this application respectfully states:

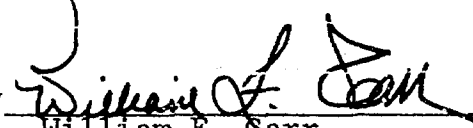
1. Applicant is the operator of the N/2 SW/4, Section 32, Township 23 South, Range 37 East, N.M.P.M., Lea County, New Mexico.
2. Applicant seeks the establishment of an 80-acre non-standard proration unit in the Jalmat Formation comprising all of the above described acreage. Said non-standard unit is to be dedicated to the El Paso Plant No. 1 Well which applicant proposes to drill.
3. Applicant seeks an exception to the well location requirements of Oil Conservation Division Rule 104 C II (a) for the drilling of the well at the above mentioned unorthodox location.

4. At present there is an existing well on this proration unit located 1980 feet from the South line and 660 feet from the West line of said Section 32 which was completed in and produced from the Jalmat Formation.

5. Applicant seeks a determination pursuant to Part 271.305 (b) of the Federal Energy Regulatory Commission Regulations Implementing the Natural Gas Policy Act of 1978 that the subject well is necessary to effectively and efficiently drain the portion of the Jalmat Gas Pool covered by the proposed proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

WHEREFORE, applicant respectfully requests that this matter be set for hearing on September 5, 1979 and that, after notice and hearing as required by law, the Division enter its order granting the application for unorthodox well location, non-standard proration unit and infill findings and making such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By   
William F. Garr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF ALPHA TWENTY-ONE PRODUCTION  
COMPANY FOR UNORTHODOX WELL LOCATION,  
NON-STANDARD PRORATION UNIT AND  
INFILL FINDINGS, LEA COUNTY,  
NEW MEXICO.

CASE 6651

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1. Applicant is the operator of the N/2 SW/4, Section 32, Township 23 South, Range 37 East, N.M.P.M., Lea County, New Mexico.
2. Applicant seeks the establishment of an 80-acre non-standard proration unit in the Jalmat Formation comprising all of the above described acreage. Said non-standard unit is to be dedicated to the El Paso Plant No. 1 Well which applicant proposes to drill.
3. Applicant seeks an exception to the well location requirements of Oil Conservation Division Rule 104 C II (a) for the drilling of the well at the above mentioned unorthodox location.

4. At present there is an existing well on this proration unit located 1980 feet from the South line and 660 feet from the West line of said Section 32 which was completed in and produced from the Jalmat Formation.

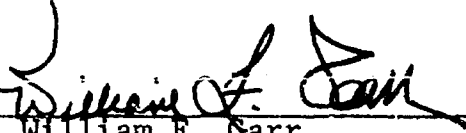
5. Applicant seeks a determination pursuant to Part 271.305 (b) of the Federal Energy Regulatory Commission Regulations Implementing the Natural Gas Policy Act of 1978 that the subject well is necessary to effectively and efficiently drain the portion of the Jalmat Gas Pool covered by the proposed proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

WHEREFORE, applicant respectfully requests that this matter be set for hearing on September 5, 1979 and that, after notice and hearing as required by law, the Division enter its order granting the application for unorthodox well location, non-standard proration unit and infill findings and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By

  
William F. Carr

Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant



BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF ALPHA TWENTY-ONE PRODUCTION  
COMPANY FOR UNORTHODOX WELL LOCATION,  
NON-STANDARD PRORATION UNIT AND  
INFILL FINDINGS, LEA COUNTY,  
NEW MEXICO.

CASE 6651

APPLICATION

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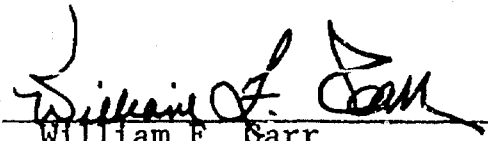
1. Applicant is the operator of the N/2 SW/4, Section 32, Township 23 South, Range 37 East, N.M.P.M., Lea County, New Mexico.
2. Applicant seeks the establishment of an 80-acre non-standard proration unit in the Jalmat Formation comprising all of the above described acreage. Said non-standard unit is to be dedicated to the El Paso Plant No. 1 Well which applicant proposes to drill.
3. Applicant seeks an exception to the well location requirements of Oil Conservation Division Rule 104 C II (a) for the drilling of the well at the above mentioned unorthodox location.

4. At present there is an existing well on this proration unit located 1980 feet from the South line and 660 feet from the West line of said Section 32 which was completed in and produced from the Jalmat Formation.

5. Applicant seeks a determination pursuant to Part 271.305 (b) of the Federal Energy Regulatory Commission Regulations Implementing the Natural Gas Policy Act of 1978 that the subject well is necessary to effectively and efficiently drain the portion of the Jalmat Gas Pool covered by the proposed proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

WHEREFORE, applicant respectfully requests that this matter be set for hearing on September 5, 1979 and that, after notice and hearing as required by law, the Division enter its order granting the application for unorthodox well location, non-standard proration unit and infill findings and making such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By   
William F. Garr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

- CASE 6645: Application of Depco Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apache Springs Unit Area, comprising 31,199 acres, more or less, of State, federal, and fee lands in Townships 10, 11, and 12 South, Ranges 30 and 31 East.
- CASE 6646: Application of Belco Petroleum 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 drilling of its James Ranch Unit Well No. 10 to be located in Unit II of Section 1, Township 23 South, Range 30 East, Morrow formation, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6638: (Continued from August 22, 1979, Examiner Hearing)
- Application of Ladd Petroleum Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Largo-Gallup and Basin-Dakota production in the wellbore of its Lindrith Well No. 24 located in Unit F of Section 4, Township 26 North, Range 7 West.
- CASE 6647: Application of O. H. Berry for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Seven Rivers well to be located 1650 feet from the North line and 330 feet from the East line of Section 15, Township 24 South, Range 36 East, Jalmat Gas Pool, the NE/4 of said Section 15 to be dedicated to the well.
- CASE 6648: Application of Morris R. Antwell for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Mississippian oil pool for its Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, and special rules therefor, including 160-acre oil well spacing and a 4,000 to 1 gas-oil ratio.
- CASE 6649: Application of Morris R. Antwell for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be located 660 feet from the South line and 1980 feet from the East line of Section 5, Township 12 South, Range 32 East, the E/2 of said Section 5 to be dedicated to the well.
- CASE 6650: Application of Doyle Hartman for compulsory pooling, non-standard gas proration unit, and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the 1/2 NE/4 of Section 36, Township 24 South, Range 36 East, to form an 80-acre non-standard gas proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the North line and 1650 feet from the East line of said Section 36. 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 6651: Application of Alpha Twenty-One Production Company for a non-standard proration unit, unorthodox well location, and 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 El Paso Plant Well No. 1 at an unorthodox location 1650 feet from the South line and 660 feet from the West line of Section 32, Township 23 South, Range 37 East, Jalmat Gas Pool, is necessary to effectively and efficiently drain that portion of the non-standard proration unit, to comprise the N/2 SW/4 of said Section 32, which cannot be so drained by the existing well.
- CASE 6652: Application of Shell Oil Company for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of a pressure maintenance project, all mineral interests in the North Hobbs Grayburg-San Andres Unit encompassing 10,650 acres, more or less, underlying all or portions of the following lands in Lea County, New Mexico: Sections 13, 14, 23, 24, 25, 26, and 36, Township 18 South, Range 37 East; Sections 17 thru 21 and 27 thru 34, Township 18 South, Range 38 East.

The unitized interval would be the Grayburg-San Andres Formation between the depths of 3,698 feet and 4,500 feet in Shell's State A Well No. 7, located in Unit II of Section 32, Township 18 South, Range 38 East.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations. (This case will be continued to September 19, 1979.)

Exdedit  
Needs to be signed Monday

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

CASE NO. 6651

Order No. R-6127

APPLICATION OF ALPHA TWENTY-ONE PRODUCTION  
COMPANY FOR A NON-STANDARD PRORATION UNIT,  
UNORTHODOX WELL LOCATION, AND APPROVAL OF INFILL  
DRILLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 5  
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ 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, Alpha Twenty-One Production  
Company seeks approval of a 80-acre non-standard gas proration unit  
comprising the N/2 SW/4 of Section 32, Town-  
ship 23 South, Range 37 East, NMPM, to be dedicated to  
its E/Paso Plant Well No 1 to be drilled at an unorthodox  
gas well location 1650 feet from the south line and 660 feet from the  
Unit of said Section 32.

*unit line*

*Tulmut*

(3) That the standard spacing unit in the Winchester Horizon  
Gas Pool is 520 acres.

(4) That the entire non-standard proration unit may reasonably  
be presumed productive of gas from the Tulmut  
Gas Pool and that the entire non-standard gas proration unit can  
be efficiently and economically drained and developed by the  
aforesaid well.

(5) That a well at said unorthodox location will better  
enable applicant to produce the gas underlying the proration unit.

(6) That no offset operator objected to the proposed unorthodox  
location.

(1) That the proration unit was previously approved by Division Administrative Order No NSP 785 being dedicated to the El Paso Natural Gas Company Shell State Well No 13 located 1980 feet from the South line and 660 feet from the West line of said Section 32.

(8) That said Shell State Well No 13 has ceased to produce and the prospects of ~~further~~<sup>a</sup> successful workover operation there on ~~is~~ very remote.

(9) ~~at least~~  
at least  
0.75 billion  
cubic feet  
of gas

(9) ~~That~~ That the evidence presented ~~thereby~~<sup>proposed</sup> demonstrated that the drilling and completion of applicant's ~~said~~ well at an unorthodox location may result in the production of additional gas in excess of one billion cubic feet from applicant's acreage which would not otherwise be recovered from the proration unit.

(10) ~~That~~ That such additional recovery from the proration unit will result in said unit being more efficiently and economically drained.

(11) That while there are no <sup>present</sup> plans to produce ~~said~~ Shell State Well No 13, nor evidence that said well could be produced, applicant's proposed well might be considered as an infill well on ~~the~~ said non-standard proration unit.

80-acre non standard

(12) That in order to permit the drainage of a portion of the reservoir covered by said ~~320-acre standard~~ proration unit which cannot be effectively and efficiently drained by the existing well thereon, the subject application for infill drilling should be approved as an exception to the standard well spacing requirements for said ~~Winchester-Morrow~~<sup>Jalmar</sup> Gas Pool.

(13) That Division Administrative Order No NSP 785 should be superseded.

(14) ~~That~~ That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Jalmar Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(1) That an 80 -acre non-standard gas proration unit in the Jalmat Gas Pool comprising the N/2 SW/4 of Section 32, Township 23 South, Range 37 East, NHPM, Lea County, New Mexico, is hereby established and approved *The Alpha Twenty-One Production Company To be drilled (Cheney approved)* dedicated to ~~is~~ El Paso Plant Well No. 1 at an unorthodox location 1650 feet from the South line and 660 feet from the West line of said Section 32.

*to be*  
*as an infill well on said non-standard proration unit*  
*said 80-acre non-standard*  
The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements and is necessary to permit the drainage of a portion of the reservoir covered by ~~the existing 320-acre~~ proration unit which cannot efficiently and economically be drained by any existing well thereon.

~~(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.~~

~~(3) 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.

*(2) That Division Administrative Order No NSP 785 is hereby superseded.*

APPLICATION OF SUELL OIL COMPANY  
FOR STATUTORY UNIFICATION  
LEA COUNTY, NEW MEXICO

DOCKET MARKED  
8/21/72  
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