

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT SOUTHWESTERN DIVISION

AND IVAN (188-6100)

March 10, 1989

17-18-19 17-18-19 19-19-19

New Mexico "FH" State Com. Well No. 1 Lea County, New Mexico

New Mexico Oil Conservation Division P.O. Box 1980 Hobbs, New Mexico 88240

Attention Jerry Sexton, Supervisor

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

This well was staked at the optimum geologic location, 1980 feet from the North and 1420 feet from the West line of Section 32, T20S, R33E in Lea County. It is too close to an interior quarter quarter section line.

By copy of this letter, offset operators are notified of our intend to drill this well at an unorthodox location.

Offset operators notified are:

Enron Oil & Gas Company, 508 W. Wall, Ste. 900, Midland, TX 79701 Grace Petroleum, 6501 N. Broadway, Oklahoma City, OK 73116 Texaco Producing Inc., 1401 N. turner, P.O. Box 728, Hobbs, NM 88240 Southwestern Resources, 1111 W. Country Club Road, Roswell, NM 88201 Enerloc Resources, 1221 Mechem Drive, Ruidoso, NM 88345 Bass Enterprises Production Co., 3700 Claydesta Nat'l Bank, P.O. Box 2760, Midland, TX 79702

Sincerely

Charlotte Harper Permits Supervisor



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SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
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12 1/4	9 5/8	40	4800±	950 sx CLC	Surf
8 1/2	5 1/2	20, 17	13800	1150 sx CLC	7500 <b>'</b> ± ·

BOPs: Minimum W.P. 3000 psi, sketches attached.

\*Salt Lake Morrow South - Morrow Salt Lake Atoka South - Atoka Salt Lake Bone Springs - Bone Springs

Charlotte Harper /	and complete to the best of my knowledge and belief.	
Signed ( hope list te Lar	Tule_Permits Supervisor	Dase 1-3-89
(This space for State Use)		
APPROVED BY		DATE
CONDITIONS OF APPROVAL, IF ANYI		
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ederal Lse. No		- All distances must	be from the outer boundaries		- W-11 N-
Operator Exxon Co	rporation		Lease New Mexico	> FH State Com	Well No.
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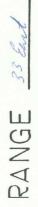
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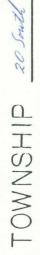
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# EXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT SOUTHWESTERN DIVISION

January 9, 1989

New Mexico FH State Com Well No. 1 Lea County, New Mexico

New Mexico Oil Conservation Division P.O. Box 1980 Hobbs, New Mexico 88240

Attention Jerry T. Sexton, Supervisor

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

This well was staked at the optimum geologic location, 1980 feet from the North and 1420 feet from the West line of Section 32, T2OS, R33E in Lea County. It is too close to an interior guarter guarter section line.

By copy of this letter, offset operators are notified of our intent to drill this well at an unorthodox location.

Offset operators notified are:

Enron Oil & Gas Company, 508 W. Wall, Ste. 900, Midland, TX 79701 Grace Petroleum, 6501 N. Broadway, Oklahoma City, OK 73116 Texaco Producing Inc., 1401 N. Turner, P.O. Box 728, Hobbs, NM 88240 Southwestern Resources, P.O. Box 1756, Roswell, NM 88201 Bass Enterprises Production Co., 3700 Claydesta Nat'l Bank, P.O. Box 2760, Midland, TX 79702

Sincerely

rlotte Larper

Charlotte Harper Permits Supervisor

CHH:jjf Attachments

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新教 人名福利

a division of exxon corporation 고파티아 전화(하네

Received 3/23/89

EXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

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PRODUCTION DEPARTMENT SOUTHWESTERN DIVISION

<u>,</u> .

March 22, 1989

Administrative Application for Unorthodox Location New Mexico "FH" State Com. Well No. 1 Lea County, New Mexico '

Oil Conservation Division 310 Old Santa Fe Trail Santa Fe, New Mexico 87503

Attention Michael E. Stogner

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

Per your request of February 15, 1989, we have attached geologic support for an unorthodox location, proof of notice to offset operators, ownership plat showing offsetting tracts, and plat for the Salt Lake Bone Springs Pool.

If you have any questions concerning this application, please call me at (915) 688-7548.

Sincerely

Charlotte Darper

Charlotte Harper Permits Supervisor

CHH:jjf Attachments

not within Bene Spring zone

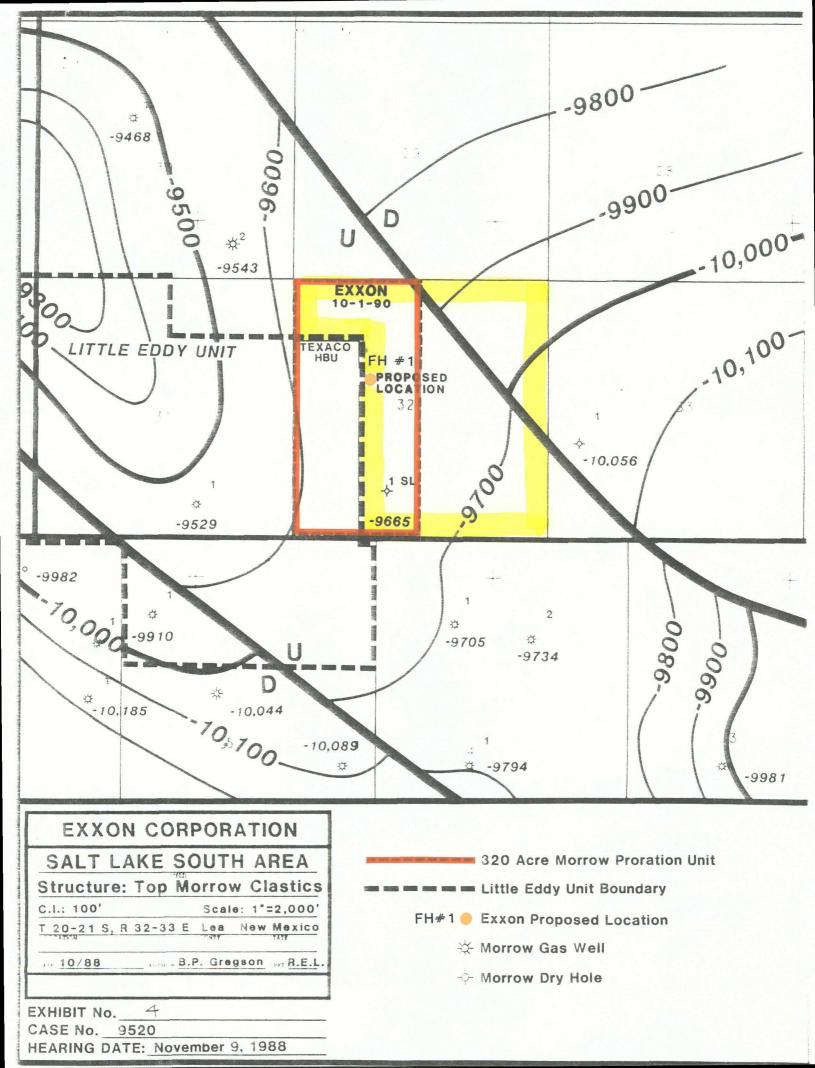
## Exxon Corp. New Mexico "FH" State Com. #1 Request for Unorthodox Location Geologic Justification

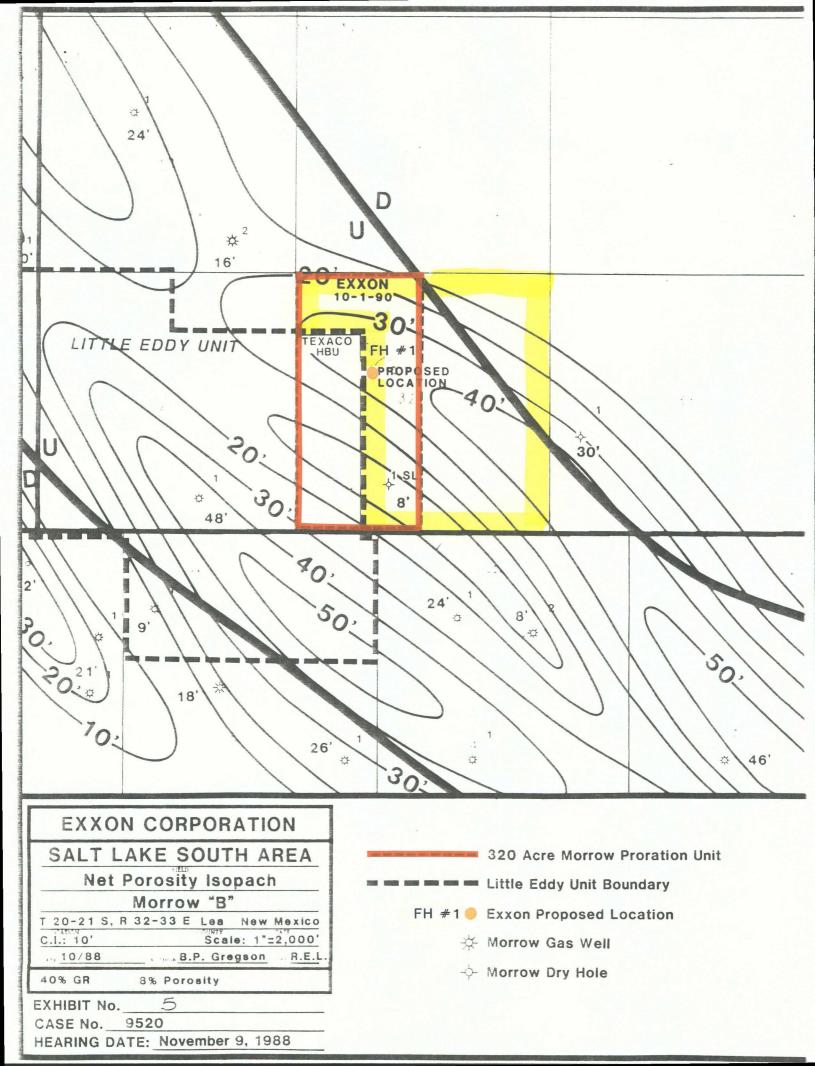
Exxon's New Mexico "FH" State Com. #1 has been staked at an unorthodox location 1980' FNL and 1420' FWL, Sec. 32, T-20-S, R-33-E, Lea County, New Mexico. Two Geologic controls on production were considered in recommending this location. First, the "FH" #1 location needs to be on the upthrown side of a northwest-southeast trending fault (The Morrow well in Sec. 33 was non-productive because of its location on the downthrown side). The fault is interpreted to cut the northeast corner of Sec. 32 (see attached structure map). Our proposed location is expected to be a reasonable distance from this fault.

The second control on production is the position of the well within the Morrow porosity trend. Our proposed location for the "FH" #1 would place the well along the axis of the northwest-southeast porosity trend running through Sec. 32 (see net porosity isopach map.)

This unorthodox location will provide Exxon with the best chance of establishing economic production from the Morrow.

B.P. Gregson March 10, 1989





SENDER: Complete items 4 and 2 when additional services are desired, and complete items 3  $\Psi$  and 4, Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will pre-card from being returned to you. The return resist for using RETURN RECE ent this fee will provide you the nem ees the following services are a vice(s) requested. idress. 2. 3 Restricted Dell f(Extra charge)f returned to you. The return receipt fee w the date of dailyery. For additional fees the ses and check box(es) for additional service(s) you the name of the pe services are available. Co DATE DELIVERED delivered to and Insured Postmaster for fees and check buckles, 1. D Show to whom delivered, date, 1 (Extra charge) addr Delivery and addressee's addre Always obtain alguature of or agant and DATE DELIV 3. Article Addressed to: essee's Address (0 isted and fee paid) 4. Article Number P303 416579 Enerloc Resources 1221 Mechem Dr. Raudoso, NM 88345 ESTIC Service: Type of Service: Article Numbe Registered Certified Express Mail Begistered Insured Certified Certified Express Mail D Addr Always obtain signature of addressee or agent and DATE DELIVERED. - Addre 8. Addressee's Address (ONLY if requested and fee paid) Signature Viena X Dunil 6. Signature - Agent 3.P.O. 1987-1 FFB FB X 7. Date of Delivery 50 -89 PS Form 3811, Mai. 1987 + U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT 1.7.3 è 1.2.3.9 SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult Ses Claydesta t fee will provide you the name of fees the following services are availa ervice(s) requested. address. 2. □ Restricted Delivery 2760 Enterpri delivered to and the date of delivery. For additional postmaster for fees and check box(es) for additional 1. Show to whom delivered, date, and addressee's i 1.(Extra charge) , Mar. X 2 BOX Article Add 3 Article Addressed to: Southwestern Resources 1111 W. Country Club Rd. Ruswell, N.M. 88201 4 Article Number P 54 9 Type of Service: Form. 381 3. Article Addressed to: 429 Bass 3700 P.O. D Begistered Certified COD Server States Tatent 21 Express Mail Always obtain signature of addressee or agent and DATE DELIVERED. 8. Addressee's Address (ONLY if requested and fee paid) Signature - A Seth Mary esmor 6. Signature X 7. Date of Delivery RECEIP Always obtain signature of addresses \* U.S.G.P.O. 1987-178-268 **PS Form 3811,** Mar. 1987 DOMESTIC RETURN RECEIPT agent and DATE DELIVERED. DOMESTIC RETURN Insured NM FH St. Com #1 - APD 6337 SENDER: Complete items 1 and 2 when additional services are desired, and complete Addressee's Address requested and fee pa and 4. Put your address in the "RETURN TO" card from being returned to you. The " Space on the reverse side. Failure to do this will pr Put your address in the "HE LOHN LO" space on the reverse side. Failure to do this will prevent this card from being returned to you. <u>The return receipt fee will provide you the name of the person delivered to and the date of delivery</u>. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested. 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery t(Extra charge) the date of additional service(s) for additional service(s) requested. Article 3. Article Addressed to: 4. Article Number 369868 Grace Petroleum 5 æ 6501 N. Broadway Type of Service: Registered Oklahoma City, OK 73116 Certified Express Mail Always obtain signature of addressee 9 or agent and <u>DATE DELIVERED</u>. <u>کر</u> Addressee's Address (ONLY if requested and fee paid) Signature 8. M 6 anature アン n X Date of Delivery 7 88 86 PS Form 3811, Mar. 1987 DOMESTIC RETURN RECEIPT Mar. NE WAR kaco ð SENDER: Complete items 1 and 2 when additional services are used, and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are evailable. Consult postmester for fees and check box (ee) for additional service(s) requested. 1. Show to whom delivered, date, and addresse's address. 2. C. Restricted Delivery t(Extra charge)t (Extra charge)t SENDER: Complete items 1 and 2 when 8 5 Ô Date For 3 Article Addressed to: Enron Oil & Gas Co. 508 W. Wall, Ste. 900 Midland, TX 79701 4. Article Number 59872 Type of Service: Registered Certified 🗋 Insured **CD COD** Express Mail Always obtain signature of addressee or agent and DATE DELIVERED. 5. Signature Addre Addressee's Address (ONLY if requested and fee paid) 8. Х Date

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#### STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS GOVERNOR POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87504 (505) 827-5800

February 15, 1989

Exxon Company, USA P.O. Box 1600 Midland, TX 79702-1600

Attention: Charlotte Harper

RE: Provisions of Division Order No. R-8790. Administrative Application for an unorthodox location. New Mexico "FH" State Com Well No. 1; 980 FNL - 1420 FWL, 32-T20S-R33E, Lea County, New Mexico.

Dear Ms. Harper:

I am in receipt of your letter to our Hobbs District Office concerning the subject filing, however, that information is insufficient for the Santa Fe office to approve this location. Please make a proper filing with this office pursuant to the requirements of General Rule 104.F.

Such a filing shall include:

- 1. Adequate geological data;
- 2. Adequate proof notice; and
- 3. An ownership plat showing these offsets and designated acreage for those zones which will be spaced on units smaller than 320-acres.

If you should have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner Administrative Application Reviewer

MES/ag

cc: Oil Conservation Division - Hobbs Case File: 9520 Jim Bruce Bill Duncan

3/20/89 Received concern from Pon Norther (982-0757) Pon Norther (Buss) repressing anoff-set (Buss)

## STATE OF NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 9520 Order No. R-8790

-

APPLICATION OF EXXON CORPORATION FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

En mar an age

This cause came on for hearing at 8:15 a.m. on November 9, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this <u>30th</u> day of November, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

### FINDS THAT:

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

(2) The applicant, Exxon Corporation, seeks an order pooling all mineral interests from the surface to the base of the Undesignated South Salt Lake-Morrow Gas Pool underlying the W/2 of Section 32, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre spacing. CASE NO. 9520 Order No. R-8790 Page -2-

(3) At the time of the hearing, it was determined that the proposed well, which is to be dedicated to the above described proration unit, is located at an unorthodox gas well location 1980 feet from the North line and 1420 feet from the West line (Unit F) of said Section 32.

(4) The applicant has the right to drill and proposes to drill a well at the above described unorthodox gas well location.

(5) Prior to commencing drilling operations, the applicant should be required to obtain Division approval for the above described unorthodox gas well location.

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

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

(10) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well. CASE NO. 9520 Order No. R-8790 Page -3-

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

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

(13) The applicant proposed that overhead rates of \$6068.00 per month while drilling and \$660.00 per month while producing be fixed as reasonable charges for supervision (combined fixed rates).

(14) Average overhead rates obtained from Ernst & Whinney 1988 Survey of Combined Fixed-Rate Overhead Charges for Oil and Gas Producers are substantially lower than those proposed by the applicant.

(15) The overhead rates proposed by the applicant should be adjusted to reflect amounts more in line with current industry averages.

(16) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each nonconsenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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CASE NO. 9520 Order No. R-8790 Page -4-

(18) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before March 1, 1989, the order pooling said unit should become null and void and of no effect whatsoever.

(19) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(20) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

#### IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the W/2 of Section 32, Township 20 South, Range 33 East, NMPM, Undesignated South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre spacing, said unit to be dedicated to a well to be drilled at a proposed unorthodox gas well location 1980 feet from the North line and 1420 feet from the West line (Unit F) of said Section 32.

<u>PROVIDED HOWEVER</u>, the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown. CASE NO. 9520 Order No. R-8790 Page -5-

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PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

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(2) Prior to commencing drilling operations on the subject well, the applicant shall be required to obtain Division approval for the above described unorthodox gas well location.

(3) Exxon Corporation is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

CASE NO. 9520 Order No. R-8790 Page -6-

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

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

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

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

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures CASE NO. 9520 Order No. R-8790 Page -7-

required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 9520 Order No. R-8790 Page -8-

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION WILLIAM J. LEMAY Director

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STATE OF NEW MEXICO



ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

HOBBS DISTRICT OFFICE

**GARREY CARRUTHERS** GOVERNOR

RE:

1-13-89

POST OFFICE BOX 1980 HOBBS, NEW MEXICO - 88241-1980 (505) 393-6161

OIL CONSERVATION DIVISION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

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Gentlemen:

I have examined the application for the:

A. H. M. Charles &

<u>m. FII St Com #1-F 32-20-33</u> Lease & Well No. Unit S-T-R Operator

and my recommendations are as follows:

Force Potash aRea  $N \leq 1$ Wa. 00 R-8790

Yours very truly,

Jerry Sexton Supervisor, District 1

/ed

