January 28, 1991

CERTIFIED RRR

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Pennzoil Exploration and Production Company Post Office Box 2967 Houston, Texas 77252

Attention: Mr. Lonnie Whitfield

RE: Airport Prospect

Boeing Federal Com 2-1 N/2 Section 2, T-23-S, R-26-E 1980' FNL and 814' FWL Eddy County, New Mexico

Gentlemen:

Please be advised that Pacific Enterprises Oil Company (USA) is filing an application with the New Mexico Oil Conservation Division for an unorthodox location of the referenced well due to topographic problems.

Enclosed please find a plat indicating our proposed location. As can be seen, we are drilling in the Carlsbad Airport and FAA Regulations require us to remain 750' from the runways.

Pacific Enterprises Oil Company (USA) requests that you waive objection to this location. If you are agreeable to waiving objection to said location, please so indicate by signing below and returning one (1) copy of this letter. Should you have any questions or problems, please do not hesitate to contact.

Vêry struly yours, PACIFIC ENTERPRISES OIL COMPANY (USA)

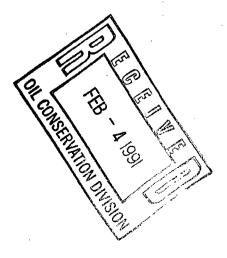
M. Craig Clark Landman

MCC/dsr

ACCEPTED AND AGREED TO this day of , 1991

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

By:	
Name:	
Title:	



January 28, 1991

)

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Exxon Company, U.S.A. Post Office Box 1600 Midland, Texas 79702

Attention: Mr. Joe Thomas

RE: Airport Prospect

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Very truly yours,

**PACIFIC ENTERPRISES** OIL COMPANY<sub>(1</sub> (USA)

M. Craig Clark

Landman

MCC/dsr

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 1991

EXXON COMPANY, U.S.A.

By:	
Name:	
Title:	

January 29, 1991

CERTIFIED RRR

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Texaco, Inc. Post Office Box 2100 Denver, Colorado 80200

Attention: Mr. David Sleeper

RE:

Airport Prospect

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PACIFIC ENTERPRISES OIL COMPANY

M. Craig Clark Landman

MCC/dsr

ACCEPTED AND AGREED TO this day of , 1991

TEXACO, INC.

By:		
Name:		_
Title:	·	_

January 29, 1991

#### CERTIFIED RRR

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Fortson Oil Company 500 Throckmorton, Suite 3000 Fort Worth, Texas 76102

Attention: Mr. Brett Taylor

RE: Airport Prospect

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PACIFIC ENTERPRISES OIL COMPANY (USA)

M. Craig)Clark Landman

MCC/dsr

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 1991

FORTSON OIL COMPANY

By:			
Name:			
Title:			 -

January 28, 1991

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Merit Energy Company 12221 Merit Drive #1040 Dallas, Texas 75251

> RE: Airport Prospect Boeing Federal Com 2-1 N/2 Section 2, T-23-S, R-26-E 1980' FNL and 814' FWL Eddy County, New Mexico

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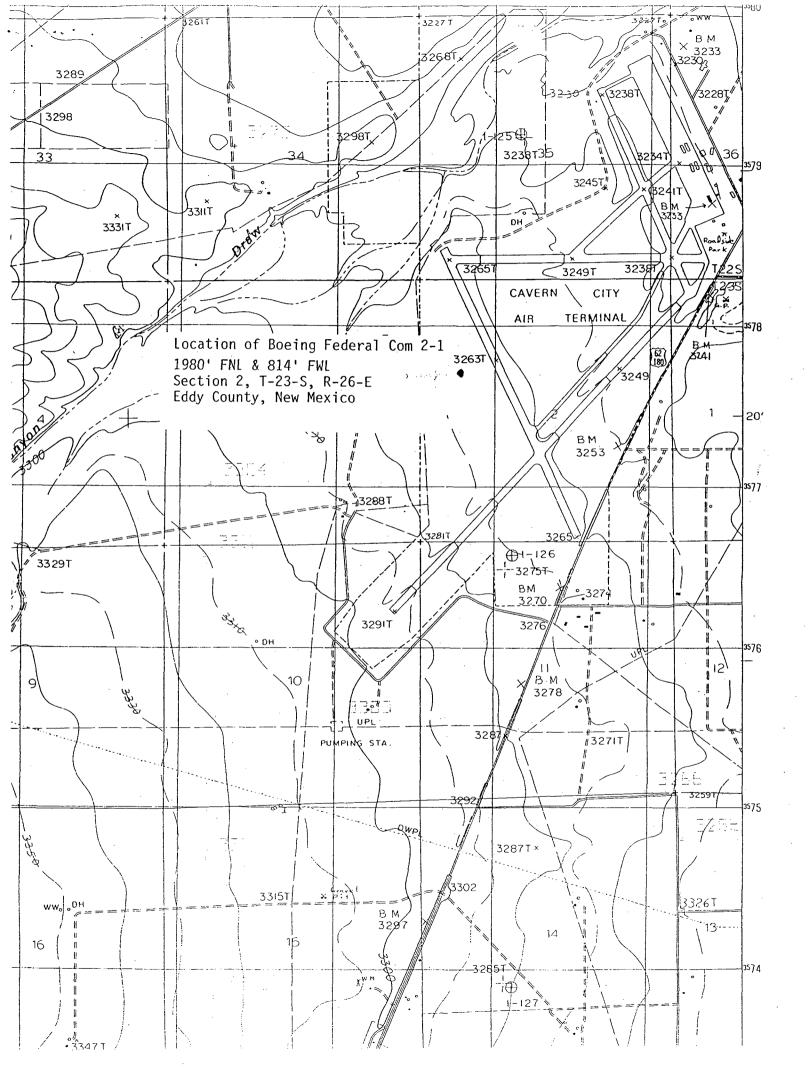
M. Craig Clark Landman

MCC/dsr

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 1991

MERIT ENERGY COMPANY

By:	· ·		
Name:		 	
Title:			



Subseiz as Apropriate District Office State Lease - 4 copies For Lease - 3 copies

125630

DESTRICT I P.O. Box 1980, Hobbs, NM \$8240

DISTRICT II P.O. DERWER DD, Asteria, NM \$8210

DISTRICT III 1000 Ris Bernos Rd., Antor, NM \$7410

#### State of New Mexico ergy, Minerals and Natural Resources Depart

-1

### OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

## WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator				Louis				Well No.
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<u>All Sec 23 24,26,27435 (R-4915, 12-1-74)</u> <u>Ext: 5/2 Sec 16 (R-5015, 6-1-75)Ext: <sup>E</sup>/2 Sec 10, <sup>N</sup>2 Sec 34(R-5204, 5-1-76) Ext: 5/2 Sec 34 (R-5456, 7-1-77)Ext: <sup>N</sup>2 Sec 28 (R-5876, 12-1-78) Ext: <sup>5</sup>12 Sec 36 (R-6923, 3-9-82)</u>

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#### BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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

CASE No. 4398 Order No. R-4034

APPLICATION OF MICHAEL P. GRACE AND CORINNE GRACE FOR COMPULSORY POOLING AND UNORTHODOX GAS WELL LOCATIONS, EDDY COUNTY, NEW MEXICO.

> ORDER OF THE COMMISSION

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BY THE COMMISSION: 2.35 3.5 3.4

This cause came on for hearing at 9 a.m. on August 5, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 2nd day of October, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

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(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof. A great dam a great as the second as a and the second 
(2) That the applicants, Michael P. Grace and Corinne Grace, seek an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2 and the S/2 of Section 2, Township 23 South, Range 26 East, NMPM, South Carlsbad Field area, Eddy County, New Mexico, to be dedicated, respectively to gas wells to be drilled at unorthodox locations as follows: Bart fast marters .....

N/2 of Section 2 - Well to be located 2500 feet from the

North line and 330 feet from the East the star s to had line; not well a star

S/2 of Section 2 - Well to be drilled 990 feet from the treatist of four second South line and 660 feet from the East

line.

-2- KOLEANTYLO JULINU 15700 210 299 290324 CASE NO. 4398 LUCING 24 1 10 EDATE 112 MO Order No. R-4034

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#### WELLSTER STRATES AND CONTRACT

(3) That the runways of the Carlsbad Airport and a highway cross said Section 2, thereby creating severe well location problems at standard locations.

(4) That the establishment of spacing units comprising the E/2 and the W/2 of said Section 2 would make available one standard location in each of said half sections.

(5) That the establishment of spacing units comprising the N/2 and the S/2 of said Section 2 as requested by the applicants precludes the availability of a standard location in either of said half sections.

(6) That the applicants have the right and propose to drill a well in each of the aforesaid half sections at the abovedescribed unorthodox locations to test any and all formations down to and including the Morrow formation.

(7) That there are interest owners in the proposed spacing units who have not agreed to pool their interests.

(8) That the evidence indicates both the N/2 and S/2 of said Section 2 may be productive of gas from the South Carlsbad-Strawn, South Carlsbad-Atoka, or South Carlsbad-Morrow Gas Pools.

(9) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the N/2 of said Section 2 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the South Carlsbad-Strawn, South Carlsbad-Atoka, and South Carlsbad-Morrow Gas Pools, all mineral interests, whatever they may be in said pools, underlying the N/2 of said Section 2 should be pooled and dedicated to a well to be drilled as proposed by the applicants.

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(10) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the S/2 of said Section 2 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the South Carlsbad-Strawn, South Carlsbad-Atoka, and South Carlsbad-Morrow Gas Pools, all mineral interests, whatever they may be in said pools, underlying the S/2 of said Section 2 should be pooled and dedicated to a well to be drilled as proposed by the applicants.

(11) That the applicants should be designated the operators of the subject wells and units.

-3-CASE No. 4398 Order No. R-4034

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

(13) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be drilled in the N/2 of said Section 2 should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling and completion of the well.

(14) That any non-consenting working interest owner that does not pay his share of estimated well costs for the well to be drilled in the S/2 of said Section 2 should have withheld from production from said well his share of the reasonable well costs of said well plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling and completion of the well.

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

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

(17) That \$100.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for each of the subject wells; that the operators of the subject wells should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject wells, not in excess of what are reasonable, attributable to each nonconsenting working interest.

(18) That all proceeds from production from the subject wells which are not disbursed for any reason should be placed in escrow

CASE No. 4398 Order No. R-4034

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to be paid to the true owner thereof upon demand and proof of ownership.

(19) That due to the unorthodox locations of the abovedescribed wells, the correlative rights of some offset operators will be impaired if unrestricted production by the subject wells is permitted.

(20) That to offset the advantage to be gained over offset operators, the well to be drilled in the N/2 of Section 2 should be assigned a ratable-take factor of 51 per cent as to each producing zone.

(21) That to offset the advantage to be gained over offset operators, the well to be drilled in the S/2 of Section 2 should be assigned a ratable-take factor of 61 per cent as to each producing zone.

(22) That approval of the proposed unorthodox locations will not violate correlative rights and will afford the applicants the opportunity to produce their just and equitable share of the gas in the above-described pools, 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 otherwise prevent waste, provided the abovedescribed ratable-take factors are assigned to the subject wells.

#### IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the South Carlsbad-Strawn, South Carlsbad-Atoka, and South Carlsbad-Morrow Gas Pools underlying the N/2 of Section 2, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas spacing unit and dedicated to a well to be drilled at an unorthodox location 2500 feet from the North line and 330 feet from the East line of said Section 2;

PROVIDED HOWEVER, that as to each of said pools, said well is assigned a ratable-take factor of 51%;

PROVIDED FURTHER, that in the event any of said pools be prorated, the subject well as to such prorated pool shall be assigned an acreage factor for proration purposes of 0.51.

(2) That all mineral interests, whatever they may be, in the South Carlsbad-Strawn, South Carlsbad-Atoka, and South Carlsbad-Morrow Gas Pools underlying the S/2 of Section 2, Township 23 -5-CASE No. 4398 Order No. R-4034

. . .

South, Range 26 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas spacing unit and dedicated to a well to be drilled at an unorthodox location 990 feet from the South line and 660 feet from the East line of said Section 2;

PROVIDED HOWEVER, that as to each of said pools, said well is assigned a ratable-take factor of 61%;

<u>PROVIDED FURTHER</u>, that in the event any of said pools be prorated, the subject well as to such prorated pool shall be assigned an acreage factor for proration purposes of 0.51.

(3) That Michael P. Grace and Corinne Grace are hereby designated the operators of the subject wells and units.

(4) That the operators shall furnish the Commission and each known working interest owner in the N/2 of said Section 2 an itemized schedule of estimated well costs, as to the well to be drilled in the N/2 of said Section 2, at least 30 days prior to commencing the drilling of said well.

(5) That the operators shall furnish the Commission and each known working interest owner in the S/2 of said Section 2 an itemized schedule of estimated well costs, as to the well to be drilled in the S/2 of said Section 2, at least 30 days prior to commencing the drilling of said well.

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

(7) That the operators shall furnish the Commission and each known working interest owner in the subject units an itemized schedule of actual well costs as to each well within 30 days following completion of each well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following completion of each well, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well (3) costs after public notice and hearing.

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-6-CASE No. 4398 Order No. R-4034

(8) That within 30 days following determination of reasonable well costs, as to each well, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operators his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operators his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) That the operators are hereby authorized, as to each well, 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 and completion of the well, 25% 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.

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

(11) That \$100.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for each of the subject wells; that the operators are hereby authorized, as to each of the subject wells, to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operators are hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) -7-CASE No. 4398 Order No. R-4034

royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(14) That all proceeds from production from the subject wells which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operators shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

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February 12, 1991

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OIL CONSERVED ON DIVISION

#### \*9 200 N. Loraine, #400 9 45 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861

(915) 684-6426 (Fax)

Mr. William J. LeMay State of New Mexico Oil Conservation Division Post Office Box 2208 Santa Fe, New Mexico 87504

RE: Airport Prospect #6290

Boeing Federal Com 2-1 N/2 Section 2, T23S, R26E Eddy County, New Mexico

Dear Mr. LeMay:

Reference is made to our letter of February 1, 1991 requesting an unorthodox location for the drilling of the above referenced well.

Enclosed please find a waiver of objection from Pennzoil Exploration and Production Company, one of the offset operators in the area.

Very truly yours,

PACIFIC ENTERPRISES OIL COMPANY (USA)

M. Craig glark Landman

MCC/dsr

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

PENNZOIL PLACE • P.O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

110-040-0430

February 8, 1991

Pacific Enterprises Oil Company (USA) P. O. Box 3083 Midland, Texas 79702-3083

FEFUU

Attention: Mr. Craig Clark

10.40

RE: Waiver of Objection to Unorthodox Well Location Boeing Federal Com. 2-1 Well 1980' FNL and 814' FWL, Section 2, T23S, R26E Eddy County, New Mexico South Carlsbad Area X-Ref. Pennzoil Lease File No. 017522-000 X-Ref. Pennzoil Unit File No. 037994-000

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Dear Craig:

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Pursuant to your request, please find attached one (1) copy of the captioned wavier executed on behalf of Pennzoil.

Please advise if I can be of any further assistance in this regard.

Very truly yours,

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

Robert F. Blucher Advanced Landman

RFB:1s Attachment

RB04691L

cc: A. Bell R. Burton

J. Butler

Kornega cCuillough **Mabao** 

a subsidiary of PENNZOIL COMPANY

January 28, 1991

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CERTIFIED RRR

1 HUL.000

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-8426 (Fax)

Pennzoil Exploration and Production Company Post Office Box 2967 Houston, Texas 77252

Attention: Mr. Lonnie Whitfield

RE:

Airport Prospect Boeing Federal Com 2-1 N/2 Section 2, T-23-S, R+26-E 1980' FNL and 814' FWL Eddy County, New Mexico

Gentlemen:

Please be advised that Pacific Enterprises Oil Company (USA) is filing an application with the New Mexico Oil Conservation Division for an unorthodox location of the referenced well due to topographic problems.

Enclosed please find a plat indicating our proposed location. As can be seen, we are drilling in the Carlsbad Airport and FAA Regulations require us to remain 750' from the runways.

Pacific Enterprises Oil Company (USA) requests that you waive objection to this location. If you are agreeable to waiving objection to said location, please so indicate by signing below and returning one (1) copy of this letter. Should you have any questions or problems, please do not hesitate to contact.

Very truly yours,

PACIFIC ENTERPRISES OIL COMPANY (USA)

¢ M. Craig Chark

Landman

MCC/dsr

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ACCEPTED AND AGREED TO this 8th\_ day of <u>February</u>, 1991

PENNZOIL EXPLORATION AND PRODUCTION COMPANY
By: Michael K. M. Callour
Name: Michael L. McCullough
Title: Agent and Attorney-in-Fact
NA