

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

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April 7, 1992

HAND-DELIVERED

RECEIVED

APR 07 1992

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

OIL CONSERVATION DIVISION

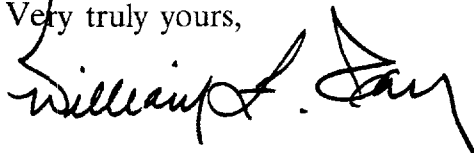
Case 10471

Re: In the Matter of the Application of Southwest Royalties, Inc. for Compulsory  
Pooling, Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Southwest Royalties, Inc. in the above-referenced case. Southwest Royalties, Inc. respectfully requests that this matter be placed on the docket for the April 30, 1992 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. Jon P. Tate  
Southwest Royalties, Inc.  
Post Office Box 11390  
Midland, Texas 79702-8390

BEFORE THE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST ROYALTIES, INC.,  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

APR 04 1992

OIL CONSERVATION DIVISION

CASE NO. 10471

APPLICATION

SOUTHWEST ROYALTIES, INC., by its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all of the mineral interests from the surface to the base of the Upper Pennsylvanian formation, North Dagger Draw-Upper Pennsylvanian Pool, for any and all formations and/or pools developed on 160-acre spacing in and under the NE/4 of Section 17, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant owns or represents 12.5% of the working interest in and under the NE/4 of Section 17, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to a well located at a standard location in the NE/4 of said Section 17, to a depth of approximately 8000 feet to test the Upper Pennsylvanian formation.
3. Applicant has sought and has been unable to obtain voluntary agreement for development of this acreage from Conoco, Inc., 10 Desta Drive, Suite 100 West, Midland, Texas 797505, the owner of approximately 87.5% of the working interest in this tract.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 30, 1992 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper.

Respectfully submitted,

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.

By: 

WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR SOUTHWEST  
ROYALTIES, INC.

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DUANE C. GILKEY  
MARK K. ADAMS  
ROBERT G. McCORKLE  
PETER G. PRINA  
BRUCE HALL  
JOHN P. SALAZAR  
WILLIAM S. DIXON  
JOHN P. BURTON  
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TRAVIS R. COLLIER  
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S. I. BETZER, JR.  
EDWARD RICCO  
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PATRICK M. SHAY  
NANCY J. APPELEY  
WAYNE G. CHEW  
DAVID C. DAVENPORT, JR.  
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ELLEN G. THORNE  
TRACY E. McGEE  
CHARLES E. STUCKEY  
HENRY M. BOHNHOFF

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ANDREW G. SCHULTZ  
JOHN M. BRANT  
JOSEPH B. ROCHELLE  
SCOTT D. GORDON  
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PATRICIA M. TAYLOR  
OGDEN M. REID  
BRIAN H. LEMATTA  
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NICOLE M. VADNAIS  
LISA PISTORIO FORD  
MARK L. ALLEN  
BARBARA G. STEPHENSON  
DONALD L. JONES  
THOMAS L. STAHL  
DAVID W. BUNTING  
JENNIFER L. STONE  
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**RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.**

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SANTA FE, NEW MEXICO 87501

P. O. BOX 1357

SANTA FE, NEW MEXICO 87504-1357

TELEPHONE (505) 984-0100

FACSIMILE (505) 989-9542

August 14, 1992

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PEARCE C. RODEY (1889-1958)

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SUITE 2200  
P. O. BOX 1888  
ALBUQUERQUE, NM 87103  
TELEPHONE 765-5900  
AREA CODE 505  
FACSIMILE 768-7395

WRITER'S DIRECT NUMBER

Hand Delivered

Mr. William J. LeMay, Director  
Oil Conservation Division  
State of New Mexico  
Santa Fe, New Mexico 87501

Re: Order No. R-9673

Dear Mr. LeMay:

Your letter of August 7, 1992 denying the request of Southwest Royalties, Inc. for a nunc pro tunc order was received, and pursuant thereto, an application has been prepared to again approve the well's changed location to the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. The same is enclosed herewith for filing.

Applicant respectfully requests that this matter be placed on the earliest possible docket of the Division Examiner for hearing.

Copies of this Application (and letter) are being mailed this date to all interested parties.

Very truly yours,



Paul A. Cooter

PAC/tao  
Enclosure

Case 10471

RECEIVED

AUG 14 1992

OIL CONSERVATION DIVISION

10471

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

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES INC. FOR AN ORDER  
APPROVING THE CHANGE OF WELL LOCATION  
PROVIDED FOR IN ORDER NO. R-9673 AND, IF  
APPROPRIATE, RESTATEMENT OF THAT ORDER  
POOLING ALL MINERAL INTERESTS FROM THE  
SURFACE TO THE BASE OF THE UPPER  
PENNSYLVANIAN FORMATION, NORTH DAGGER  
DRAW-UPPER PENNSYLVANIAN POOL, EDDY  
COUNTY, NEW MEXICO

RECEIVED

AUG 14 1992

OIL CONSERVATION DIVISION

CASE No. 10471

APPLICATION

Southwest Royalties, Inc., by its undersigned attorneys, hereby makes this Application for an Order approving the change of the well location provided for in Order No. R-9673 of the Oil Conservation Division dated May 6, 1992, and, if appropriate, restating that Order pooling all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

In support thereof, Applicant states:

(1) By its Order No. R-9673 dated May 6, 1992, the Director of the Oil Conservation Division entered the Order of this Division providing, in part, that:

i) all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico were pooled to form a standard 160 acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent, which included, but not necessarily limited to the North Dagger Draw-Upper Pennsylvania Pool,

ii) the unit was dedicated to a well to be drilled at a standard location within the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17, and

iii) Applicant was designated operator of the subject well and unit, which well was to be commenced on or before August 1, 1992 and thereafter drilled with due diligence to a depth sufficient to test the Canyon Formation.

(2) Subsequent to the entry of that Order, Applicant changed the location of that well from the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17 to a standard location within the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17. Applicant's Application for Permit to Drill, Deepen, or Plug Back (Form C-101) at that changed location was duly filed with the appropriate office of this Division, and approved by the Division on July 16, 1992. A copy of that Application, so approved by this Division, is attached hereto, marked Exhibit "A".

(3) Applicant timely commenced the drilling of that well at its approved location on or before August 1, 1992, the time provided for in Order No. R-9673 and thereafter drilled the same to test the Canyon Formation. The casing has now been set in that well, and the well is awaiting completion.

(4) Objection has been made to that change by Conoco, Inc.

Applicant respectfully prays, therefore, that this Application be set for hearing before an Examiner of this Division at the earliest time possible, and after notice and hearing as required by law, the Division enter its Order once again approving the drilling of that well at its location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17, and, if appropriate, restating its prior Order No. R-9673 pooling all mineral interests from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of said Section 17, as well as all other provisions of Order No. R-9673.

Respectfully submitted,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: 

Paul A. Cooter  
Post Office Box 1357  
Santa Fe, New Mexico 87504-1357  
Telephone: (505) 984-0100

Submit to Appropriate  
District Office  
State Lease - 6 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-101  
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Aramis, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Alamogordo, NM 87410

API NO. (assigned by OGD on New Wells)  
**30-015-27847**

5. Indicate Type of Lease  
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK					
1a. Type of Work: DRILL <input checked="" type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>			7. Lease Name or Unit Agreement Name Dagger Draw		
1b. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>			8. Well No. #1.		
2. Name of Operator Southwest Royalties, Inc.			9. Pool name or Wildcat Dagger Draw, North (Penn)		
3. Address of Operator c/o Box 953, Midland, Texas 79702					
4. Well Location Unit Letter <u>B</u> : <u>660</u> Feet From The <u>North</u> Line and <u>1980</u> Feet From The <u>East</u> Line Section <u>17</u> Township <u>T-19-S</u> Range <u>25-E</u> NMMN <u>Eddy</u> County					
10. Proposed Depth 8200'		11. Formation Penn		12. Rotary or C.T. Rotary	
13. Elevations (Show whether DF, RT, GR, etc.) 3538.3 GL		14. Kind & Status Plug Bond Blanket Bond		15. Drilling Contractor Will notify	
16. Approx. Date Work will start July 19, 1992					
17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
14-3/4"	9-5/8"	36 #	1200'	1000 sx C1 C	surface
8-3/4"	7"	23 & 26 #	8200'	700 sx C1 H	1st stage
				1050 sx Lite	2nd stage

Intend to move rig in by 7-20-92.

Drilling and casing program as stated above.

Intend to test Upper Penn at approximately 7500 - 7700'.

Blowout preventer diagram attached.

APPROVAL VALID FOR 180 DAYS  
PERMIT EXPIRES 1-15-93  
UNLESS DRILLING UNDERWAY

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVITY ZONE. GIVE BLOWOUT PREVENTER PROGRAM IF ANY.

I hereby certify that the information above is true and correct to the best of my knowledge and belief.

SIGNATURE Ann E. Ritchie TITLE Regulatory Agent DATE 7-13-92  
6-30-92

TYPE OR PRINT NAME Ann E. Ritchie (915) TELEPHONE NO 684-638

(This space for State Use)

ORIGINAL SIGNED BY MIKE DATE JUL 16 1992

APPROVED BY SUPERVISOR DISTRICT II TITLE  DATE

CONDITIONS OF APPROVAL IF ANY:

NOTIFY N.M.O.C.D. IN SUFFICIENT  
TIME TO WITNESS CEMENTING THE

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-83

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1940, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Azusa, NM 88210

DISTRICT III  
1000 Rio Arriba Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator <b>Southwest Royalties Inc.</b>			Lease <b>Dagger Draw</b>		Well No. <b>1</b>
Unit Letter <b>B</b>	Section <b>17</b>	Township <b>19 South</b>	Range <b>25 East</b>	County <b>Eddy</b>	
Actual Forage Location of Well: <b>660</b> feet from the <b>North</b> line and <b>1980</b> feet from the <b>East</b> line					
Ground level Elev. <b>3538.3</b>	Producing Formation <b>Penn</b>		Pool <b>Dagger Draw, N. Penn</b>		Dedicated Acreage: <b>160</b> Acres

1. Outline the acreage dedicated to the subject well by colored pencil or ink on the plat below.

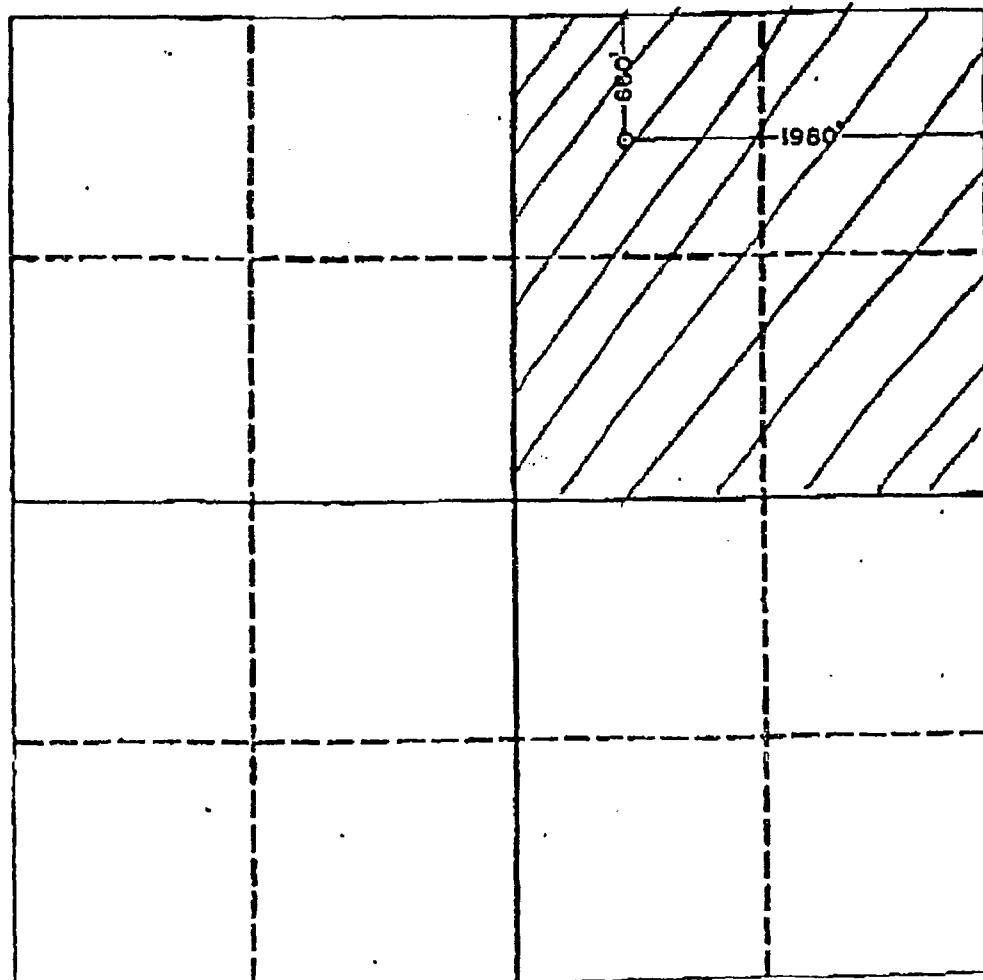
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, forced-pooling, etc.?

☐ Yes ☐ No If answer is "yes" type of consolidation

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature *Ann E. Ritchie*

Printed Name **Ann E. Ritchie**

Position **Agent**

Company **Southwest Royalties, Inc**

Date **6-30-92**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

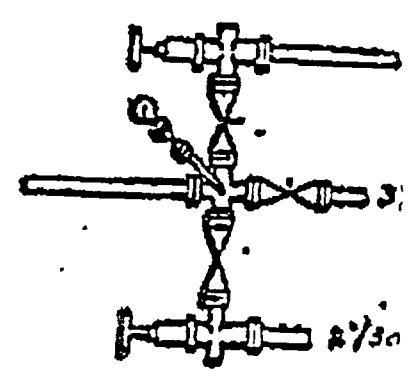
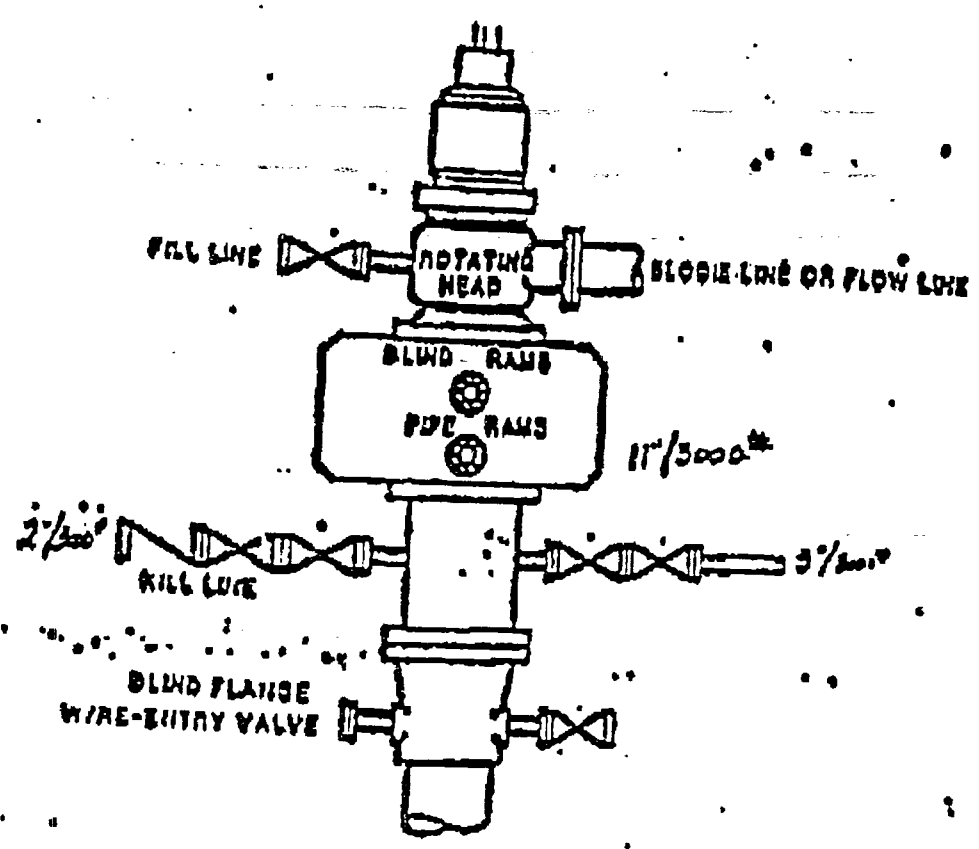
Date Surveyed

**June 17, 1992**

Signature & Seal of Professional Surveyor

*Ronald J. Burt*  
Certification No. **676**  
**RONALD J. BURT**  
**REGISTERED LAND SURVEYOR**  
**NEW MEXICO**  
**8223**





**BEFORE THE  
OIL CONSERVATION DIVISION  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
STATE OF NEW MEXICO**

**IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES INC. FOR AN ORDER  
APPROVING THE CHANGE OF WELL LOCATION  
PROVIDED FOR IN ORDER NO. R-9673 AND, IF  
APPROPRIATE, RESTATEMENT OF THAT ORDER  
POOLING ALL MINERAL INTERESTS FROM THE  
SURFACE TO THE BASE OF THE UPPER  
PENNSYLVANIAN FORMATION, NORTH DAGGER  
DRAW-UPPER PENNSYLVANIAN POOL, EDDY  
COUNTY, NEW MEXICO**

**RECEIVED**

**AUG 14 1992**

**OIL CONSERVATION DIVISION**

CASE No. 10471

**APPLICATION**

Southwest Royalties, Inc., by its undersigned attorneys, hereby makes this Application for an Order approving the change of the well location provided for in Order No. R-9673 of the Oil Conservation Division dated May 6, 1992, and, if appropriate, restating that Order pooling all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

In support thereof, Applicant states:

(1) By its Order No. R-9673 dated May 6, 1992, the Director of the Oil Conservation Division entered the Order of this Division providing, in part, that:

i) all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico were pooled to form a standard 160 acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent, which included, but not necessarily limited to the North Dagger Draw-Upper Pennsylvania Pool,

ii) the unit was dedicated to a well to be drilled at a standard location within the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17, and

iii) Applicant was designated operator of the subject well and unit, which well was to be commenced on or before August 1, 1992 and thereafter drilled with due diligence to a depth sufficient to test the Canyon Formation.

(2) Subsequent to the entry of that Order, Applicant changed the location of that well from the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17 to a standard location within the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17. Applicant's Application for Permit to Drill, Deepen, or Plug Back (Form C-101) at that changed location was duly filed with the appropriate office of this Division, and approved by the Division on July 16, 1992. A copy of that Application, so approved by this Division, is attached hereto, marked Exhibit "A".

(3) Applicant timely commenced the drilling of that well at its approved location on or before August 1, 1992, the time provided for in Order No. R-9673 and thereafter drilled the same to test the Canyon Formation. The casing has now been set in that well, and the well is awaiting completion.

(4) Objection has been made to that change by Conoco, Inc.

Applicant respectfully prays, therefore, that this Application be set for hearing before an Examiner of this Division at the earliest time possible, and after notice and hearing as required by law, the Division enter its Order once again approving the drilling of that well at its location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17, and, if appropriate, restating its prior Order No. R-9673 pooling all mineral interests from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of said Section 17, as well as all other provisions of Order No. R-9673.

Respectfully submitted,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: 

Paul A. Cooter  
Post Office Box 1357  
Santa Fe, New Mexico 87504-1357  
Telephone: (505) 984-0100

Submit to Appropriate  
District Office  
State Lease - 5 copies  
Fee Lease - 5 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-101  
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Alamogordo, NM 87410

API NO. (assigned by OCD on New Wells)

30-015-27847

3. Indicate Type of Lease

STATE ☐ FEE ☒

4. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:

DRILL ☒ RE-ENTER ☐ DEEPEN ☐ PLUG BACK ☐

1b. Type of Well:

OIL WELL ☒ GAS WELL ☐ OTHER ☐

SINGLE ZONE ☐

MULTIPLE ZONE ☐

7. Lease Name or Unit Agreement Name

Dagger Draw

2. Name of Operator

Southwest Royalties, Inc.

8. Well No.

#1.

3. Address of Operator

c/o Box 953, Midland, Texas 79702

9. Pool name or Wildcat

Dagger Draw, North (Penn)

4. Well Location

Unit Letter B : 660 Feet From The North Line and 1980 Feet From The East Line

Section 17

Township T-19-S

Range 25-E

NMDM

Eddy

County

10. Proposed Depth

8200'

11. Formation

Penn

12. Rotary or C.T.

Rotary

13. Elevations (Show whether DF, RT, GR, etc.)

3538.3 GL

14. Kind & Status Plug Bond

Blanket Bond

15. Drilling Contractor

Will notify

16. Approx. Date Work will start

July 19, 1992

17.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
14-3/4"	9-5/8"	36 #	1200'	1000 sx C1 C	surface
8-3/4"	7"	23 & 26 #	8200'	700 sx C1 H	1st stage
				1050 sx Lite	2nd stage

Intend to move rig in by 7-20-92.

Drilling and casing program as stated above.

Intend to test Upper Penn at approximately 7500 - 7700'.

Blowout preventer diagram attached.

APPROVAL VALID FOR 180 DAYS  
PERMIT EXPIRES 7-15-93  
UNLESS DRILLING UNDERWAY

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM IF ANY.

I hereby certify that the information shown on this permit is true to the best of my knowledge and belief.

SIGNATURE

*Ann E. Ritchie*

Regulatory Agent

DATE

7-13-92

6-30-92

TYPE OR PRINT NAME

Ann E. Ritchie

(915)

TELEPHONE NO 654-638

(This space for State Use)

ORIGINAL SIGNED BY

MIKE

TITLE

DATE

JUL 16 1992

CONDITIONS OF APPROVAL

SUPERVISOR DISTRICT II

NOTIFY N.M.O.C.D. IN SUFFICIENT  
TIME TO WITNESS CEMENTING THE

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-83

**OIL CONSERVATION DIVISION**

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1940, Hobbs, NM 88240

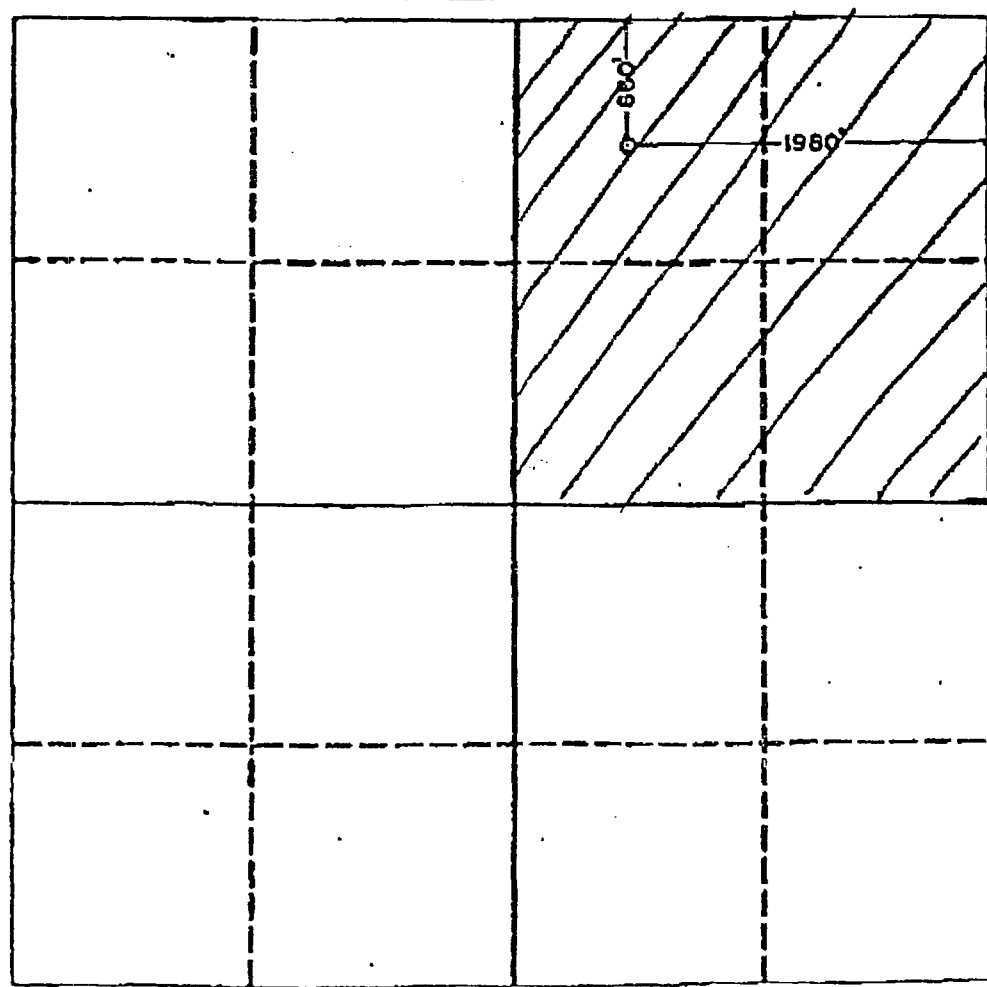
DISTRICT II  
P.O. Drawer DD, Azusa, NM 88210

DISTRICT III  
1000 Rio Arriba Rd., Aztec, NM 87410

**WELL LOCATION AND ACREAGE DEDICATION PLAT**  
All Distances must be from the outer boundaries of the section

Operator <b>Southwest Royalties Inc.</b>			Lease <b>Dagger Draw</b>		Well No. <b>1</b>
Unit Lease <b>B</b>	Section <b>17</b>	Township <b>19 South</b>	Range <b>25 East</b>	County <b>Eddy</b>	
Actual Forage Location of Well: <b>660</b> feet from the <b>North</b> line and <b>1980</b> feet from the <b>East</b> line					
Ground level Elev. <b>3538.3</b>	Producing Formation <b>Penn</b>	Pool <b>Dagger Draw, N. Penn</b>		Dedicated Acreage: <b>160</b> Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hand-drawn marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, forced-pooling, etc?  
☐ Yes ☐ No If answer is "yes" type of consolidation \_\_\_\_\_  
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



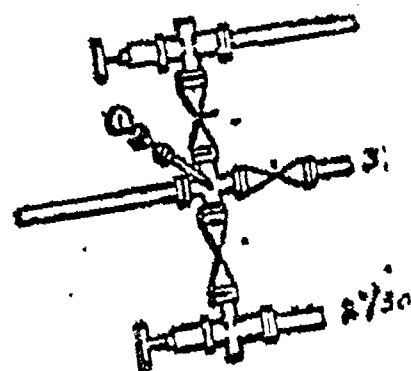
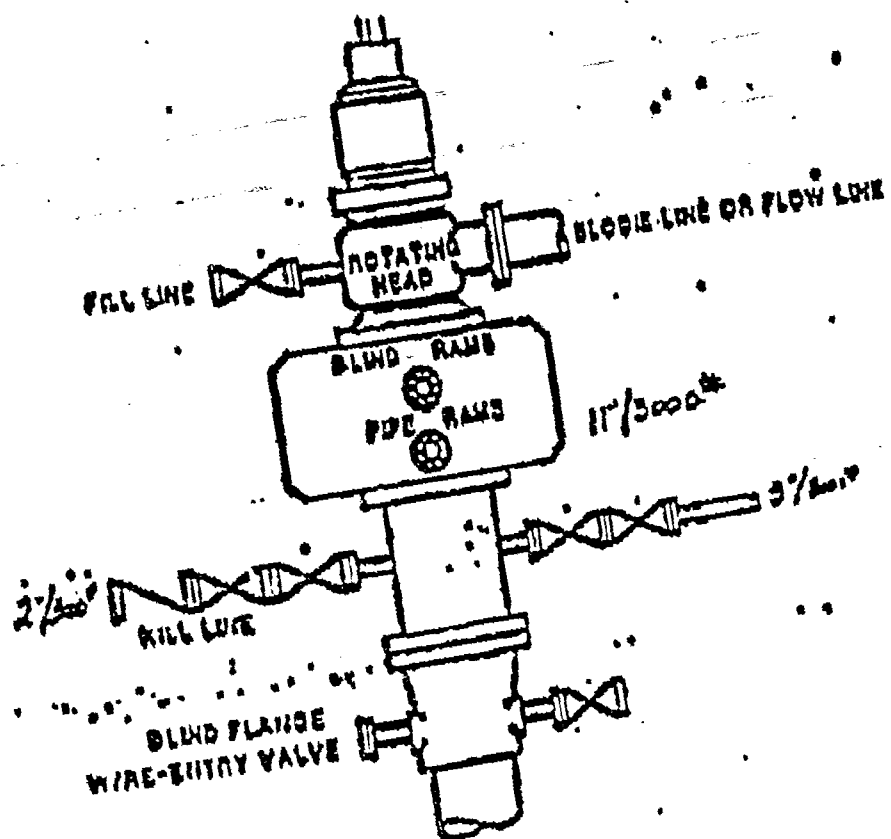
**OPERATOR CERTIFICATION**  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Signature]*  
Printed Name: **Ann E. Ritchie**  
Position: **Agent**  
Company: **Southwest Royalties, Inc**  
Date: **6-30-92**

**SURVEYOR CERTIFICATION**  
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **June 17, 1992**  
Signature & Seal of Professional Surveyor: *[Signature]*  
Professional Surveyor Seal: **REGISTERED LAND SURVEYOR**  
Certificate No. **676**  
Name: **RONALD W. JESON**  
Exp. Date: **8-23-93**

12-00-90



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

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES INC. FOR AN ORDER  
APPROVING THE CHANGE OF WELL LOCATION  
PROVIDED FOR IN ORDER NO. R-9673 AND, IF  
APPROPRIATE, RESTATEMENT OF THAT ORDER  
POOLING ALL MINERAL INTERESTS FROM THE  
SURFACE TO THE BASE OF THE UPPER  
PENNSYLVANIAN FORMATION, NORTH DAGGER  
DRAW-UPPER PENNSYLVANIAN POOL, EDDY  
COUNTY, NEW MEXICO

RECEIVED

AUG 14 1992

OIL CONSERVATION DIVISION

CASE No. 10471

APPLICATION

Southwest Royalties, Inc., by its undersigned attorneys, hereby makes this Application for an Order approving the change of the well location provided for in Order No. R-9673 of the Oil Conservation Division dated May 6, 1992, and, if appropriate, restating that Order pooling all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

In support thereof, Applicant states:

(1) By its Order No. R-9673 dated May 6, 1992, the Director of the Oil Conservation Division entered the Order of this Division providing, in part, that:

i) all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico were pooled to form a standard 160 acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent, which included, but not necessarily limited to the North Dagger Draw-Upper Pennsylvania Pool,

ii) the unit was dedicated to a well to be drilled at a standard location within the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17, and

iii) Applicant was designated operator of the subject well and unit, which well was to be commenced on or before August 1, 1992 and thereafter drilled with due diligence to a depth sufficient to test the Canyon Formation.

(2) Subsequent to the entry of that Order, Applicant changed the location of that well from the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of said Section 17 to a standard location within the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17. Applicant's Application for Permit to Drill, Deepen, or Plug Back (Form C-101) at that changed location was duly filed with the appropriate office of this Division, and approved by the Division on July 16, 1992. A copy of that Application, so approved by this Division, is attached hereto, marked Exhibit "A".

(3) Applicant timely commenced the drilling of that well at its approved location on or before August 1, 1992, the time provided for in Order No. R-9673 and thereafter drilled the same to test the Canyon Formation. The casing has now been set in that well, and the well is awaiting completion.

(4) Objection has been made to that change by Conoco, Inc.

Applicant respectfully prays, therefore, that this Application be set for hearing before an Examiner of this Division at the earliest time possible, and after notice and hearing as required by law, the Division enter its Order once again approving the drilling of that well at its location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of said Section 17, and, if appropriate, restating its prior Order No. R-9673 pooling all mineral interests from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of said Section 17, as well as all other provisions of Order No. R-9673.

Respectfully submitted,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: 

Paul A. Cooter  
Post Office Box 1357  
Santa Fe, New Mexico 87504-1357  
Telephone: (505) 984-0100



Submit to Appropriate  
District Office  
State Lease - 6 copies  
Fee Lease - 5 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-101  
Revised 1-1-89

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Alamogordo, NM 87410

API NO. (assigned by OCD on New Wells)  
30-015-27847  
5. Indicate Type of Lease  
STATE ☐ FEE ☒  
6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK					
1a. Type of Work: DRILL <input checked="" type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> 1b. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			7. Lease Name or Unit Agreement Name Dagger Draw		
2. Name of Operator Southwest Royalties, Inc.			8. Well No. #1.		
3. Address of Operator c/o Box 953, Midland, Texas 79702			9. Pool name or Wildcat Dagger Draw, North (Penn)		
4. Well Location Unit Letter <u>B</u> : <u>660</u> Feet From The <u>North</u> Line and <u>1980</u> Feet From The <u>East</u> Line Section <u>17</u> Township <u>T-19-S</u> Range <u>25-E</u> NMDM <u>Eddy</u> County					
10. Proposed Depth 8200'			11. Formation Penn		12. Rotary or C.T. Rotary
13. Elevations (Show whether DF, RT, GR, etc.) 3538.3 GL		14. Kind & Status Plug Bond Blanket Bond		15. Drilling Contractor Will notify	
16. Approx. Date Work will start July 19, 1992					
17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
14-3/4"	9-5/8"	36 #	1200'	1000 ex C1 C	surface
8-3/4"	7"	23 & 26 #	8200'	700 ex C1 H	1st stage
				1050 ex Lira	2nd stage

Intend to move rig in by 7-20-92.

Drilling and casing program as stated above.

Intend to test Upper Penn at approximately 7500 - 7700'.

Blowout preventer diagram attached.

APPROVAL VALID FOR 180 DAYS  
PERMIT EXPIRES 1-15-93  
UNLESS DRILLING UNDERWAY

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVITY ZONE, GIVE BLOWOUT PREVENTER PROGRAM IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Ann E. Ritchie TITLE Regulatory Agent DATE 7-13-92

TYPE OR PRINT NAME Ann E. Ritchie (915) TELEPHONE NO 654-638

(This space for State Use)

ORIGINAL SIGNED BY MIKE DATE JUL 16 1992

APPROVED BY SUPERVISOR DISTRICT II TITLE  DATE

CONDITIONS OF APPROVAL IF ANY:

NOTIFY N.M.O.C.D. IN SUFFICIENT  
TIME TO WITNESS CEMENTING THE

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT I  
P.O. Box 1940, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Azusa, NM 88210

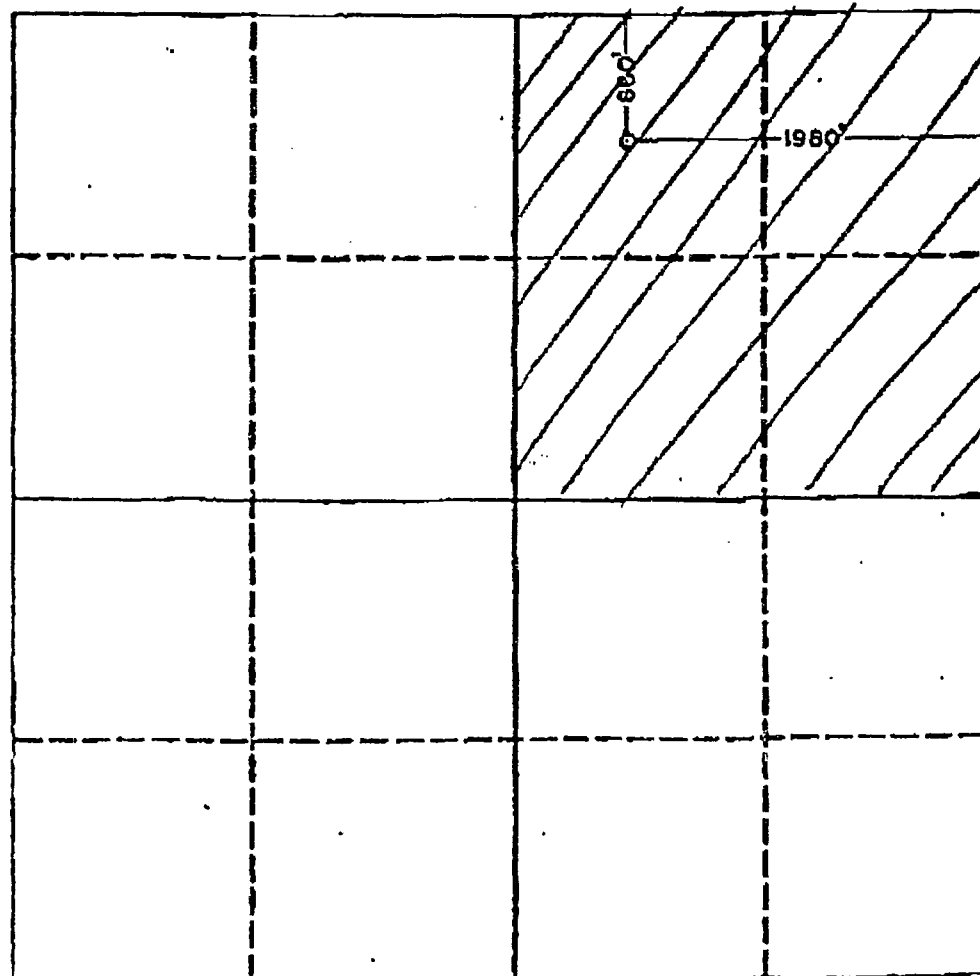
DISTRICT III  
1000 Rio Arriba Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator <b>Southwest Royalties Inc.</b>			Lease <b>Dagger Draw</b>		Well No. <b>1</b>
Unit Letter <b>B</b>	Section <b>17</b>	Township <b>19 South</b>	Range <b>25 East</b>	County <b>Eddy</b>	
Actual Footage Location of Well: <b>660</b> feet from the <b>North</b> <b>Ene and</b> <b>1980</b> feet from the <b>East</b> <b>Ene</b>					
Ground level Elev. <b>3538.3</b>	Producing Formation <b>Penn</b>		Pool <b>Dagger Draw, N. Penn</b>		Dedicated Acreage: <b>160</b> Acres

- Outline the acreage dedicated to the subject well by colored pencil or highlight marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?  
☐ Yes ☐ No If answer is "yes" type of consolidation \_\_\_\_\_  
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  
No allowable well be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Date \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

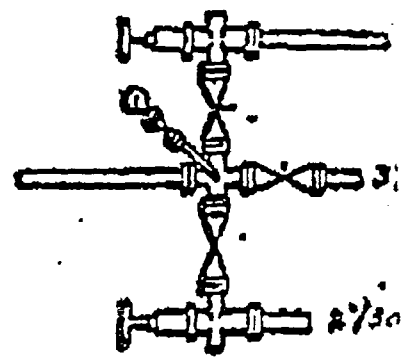
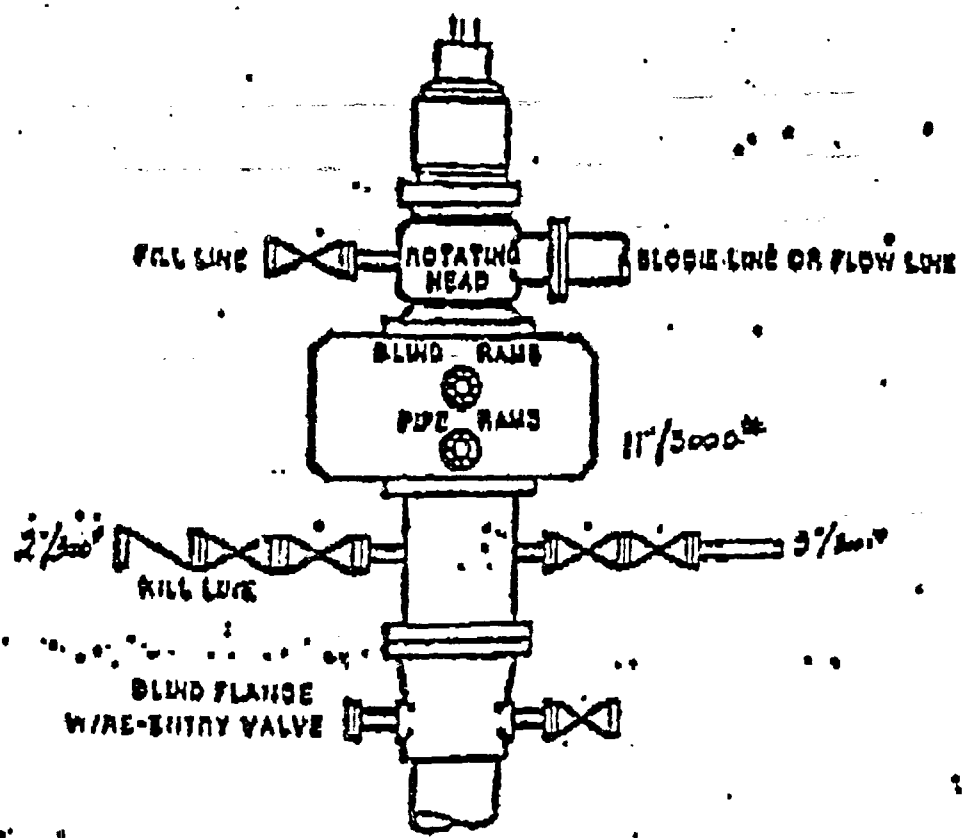
Date Surveyed \_\_\_\_\_

June 17, 1992

Signature & Seal of Professional Surveyor \_\_\_\_\_

Professional Seal of **Ronald J. Gibson**  
Certification No. **676**  
**RONALD J. GIBSON** **8233**

125030



OIL CONSERVATION DIVISION  
KELLAHIN, KELLAHIN AND AUBREY RECEIVED

W. THOMAS KELLAHIN\*  
KAREN AUBREY†

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW  
†ALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1991)

ATTORNEYS AT LAW  
EL PATIO BUILDING  
117 NORTH GUADALUPE  
POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

'92 AUG 7 AM 11 57

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

August 6, 1992

*Bill*

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

VIA FACSIMILE  
(505) 827-5741

Re: APPLICATION FOR EMERGENCY ORDER  
by Conoco Inc. concerning  
Southwest Royalties Inc.'s  
Dagger Draw #1 well  
660 feet FNL and 1980 feet FEL,  
Sec 17, T19S, R25E  
North Dagger Draw-Upper Penn Pool  
Eddy County, New Mexico.

*Case 10471*

Dear Mr. LeMay:

On behalf of Conoco Inc., and in accordance with Division Rule 1202, we hereby seek an EMERGENCY ORDER of the Division directing that Southwest Royalties Inc. immediately cease operations on its Dagger Draw #1 Well and that it specifically be order NOT to commence completion operations on that well pending a hearing before the Division.

As grounds therefore, Conoco states:

(1) On April 30, 1992, the Division held a hearing in Case 10471 upon the application of Southwest Royalties Inc. for compulsory pooling of all minerals from the surface to the base of the Canyon formation in the NE/4 of Section 17, T19S, R25E, Eddy County, New Mexico.

(2) Conoco Inc. through counsel appeared before the New Mexico Oil Conservation Division at that hearing.

(3) On May 6, 1992, the Division issued Order R-9673 which pooled Conoco's interest in the NE/4 of this section for the drilling of a well

William LeMay  
August 6, 1992  
Page Two

specifically ordered to be drilled in the SW/4NE/4 of Section 17.

(4) Conoco Inc. elected to go "non-consent" under the terms of the pooling order because the applicant's well location in the SW/4NE/4 was too risky.

(5) Now, in violation of that order and without notice to Conoco Inc. and without a Division hearing, Southwest Royalties Inc. has commenced the well not in the SW/4NE/4 but in the NW/4NE/4. A copy of the Oil Reports & Services Inc. weekly report of July 28, 1992 shows the commencement of the subject well in the wrong quarter-quarter section.

(6) On August 3, 1992, Conoco Inc. (via facsimile) notified the Division of this issue with a copy to Mr. Paul Cooter, counsel for Southwest Royalties Inc.

(7) On August 5, 1992, at the direction of Mr. Michael Stogner, OCD-Santa, I contacted Mr. Paul Cooter in an effort to see if Southwest Royalties Inc. would voluntarily cease operations on the well pending resolution of the issues involved in this matter.

(8) Mr. Jerry Hoover, petroleum engineer (Conoco-Midland) has been advised by Southwest Royalties Inc. that it will not voluntarily suspend operations on this well.

(9) Conoco Inc. is very concerned about the continued drilling of this well and is particularly concerned that Southwest Royalties Inc. will use completion techniques that will not give the best opportunity for a successful well.

(10) Wells in the South Dagger Draw are notoriously difficult to complete in such a way as to minimize water influx.

William LeMay  
August 6, 1992  
Page Three

(11) At this point, the subject well has been cased and is awaiting the arrival of a completion unit. The ordering of cessation of operations at this point will not harm the reservoir, the interest owners or any party.

(12) It is highly probable that unless extreme care is utilized, completion of the well will cause excess water production and will result in a poor well.

(13) Conoco Inc. has participated in the completion of dozens of such wells while Southwest Royalties Inc. has yet to compete its first well in this pool.

(14) In addition, the Order required the well to be commenced on August 1, 1992 at the required location. That did not happen and the pooling order is now void. Had Southwest Royalties Inc. proposed to Conoco Inc. the well at this new location, Conoco Inc. would have participated and would have sought to be operator of the well.

(15) Because Southwest Royalties Inc. has violated the terms and conditions of Order R-9673 and failed to comply with the provision of Section 70-2-17, an emergency now exists which requires the immediate action of the Division in order to protect Conoco's correlative rights, to prevent waste, and avoid irreparable harm.

Accordingly, Conoco Inc. urges the Division to issue an Emergency Order and direct Southwest Royalties Inc. to immediately cease operations on the well and specifically not to attempt to complete the subject well pending hearing of these issues before the Division.

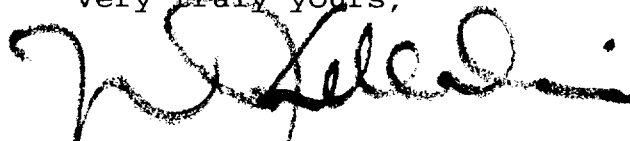
Yesterday, I advised Mr. Cooter I would contact him at the conclusion of the examiner hearings today. This afternoon I was advised by Mr. Cooter that he was not available and was gone until Monday.

William LeMay  
August 6, 1992  
Page Four

In support of Conoco's Application please find enclosed Mr. Hoover's affidavit.

A proposed form of emergency order is enclosed.

Very truly yours,



W. Thomas Kellahin

WTK/kkl  
ltrt806.089

cc: Conoco Inc. (Midland)  
Conoco Inc. (Houston)

cc: Paul Cooter, Esq.  
Attorney for Southwest Royalties, Inc  
Via Facsimile (505) 989-9542

cc: Earnest Carroll, Esq.  
Attorney for Yates, et al.  
Via Facsimile (505) 746-6316

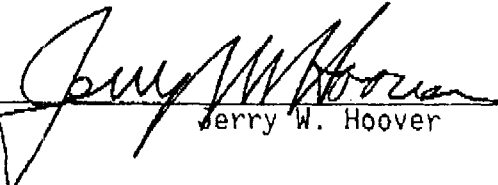
A F F I D A V I T

I, Jerry W. Hoover, do verify that the following statements represent the true understanding and position of Conoco Inc. concerning the actions of Southwest Royalties Inc. as related to the specific requirements of the Division Order R-9673 issued in Case No. 10471 May 6, 1992.

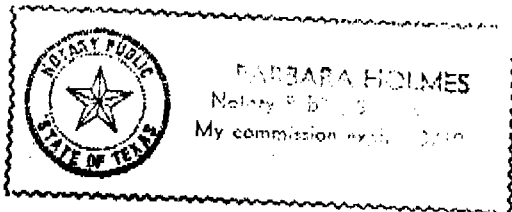
1. That Southwest Royalties was authorized by OCD Order R-9673 to drill and operate a Cisco Canyon well in the SW1/4 NE1/4 (UNIT G) of Sec. 17, T-19S, R-25E, Eddy County, New Mexico through the pooling of Conoco interests in the entire NE1/4 of Sec. 17. This was the location requested by Southwest Royalties in the AFE and other correspondence that was received by Conoco and in their application to the NMOC.
2. That Southwest Royalties, without notice to the Director of the Oil Conservation Division or to Conoco Inc. drilled its Dagger Draw #1 well instead in the NW1/4 NE1/4 (UNIT B) of Sec. 17, a location that does not fulfill the requirement of Order R-9673 to extend the pooling order beyond August 1, 1992. This is a location in which Conoco would have voluntarily joined with Southwest Royalties to develop and would have retained operatorship.
3. That Mr. Jon Tate of Southwest Royalties confirmed to Conoco in a telephone conversation, on August 5, 1992, that drilling and logging of the subject well has been completed and 7" production casing had been set in the well. Conoco requested that Southwest Royalties suspend any further completion activity until the Division could review and resolve the issues of participation and operatorship in this well. Mr. Tate's response was that when the drilling rig could be moved from the location and further completion activities be reasonably scheduled, that they would proceed without any commitment to wait for the Division's review.
4. That the North Dagger Draw Pool is extremely complex and that Southwest Royalties' inexperience in completing wells in this pool can easily result in producing an uneconomical well that would be of little value to either party. Therefore, with the possibility that Conoco might ultimately have an opportunity to participate in and perhaps even operate this well, we would request that the OCD direct Southwest Royalties to immediately suspend any further completion activity until these issues have been decided by the Division.
5. That with the wellbore now fully cased from surface to TD, further completion activity can be suspended indefinitely without damage or loss of potential to this well pending the outcome of the Division's review. Conoco believes that this action would be in the interest of protecting the correlative rights of both parties.

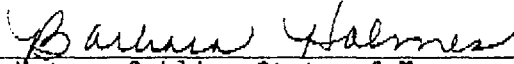


This Affidavit is duly sworn to by me, Jerry W. Hoover, as Senior Conservation Coordinator of Conoco Inc., this 6th day of August, 1992.

  
Jerry W. Hoover

Sworn to and subscribed before me this 6th day of August, 1992, to certify which witness my hand and seal of office.



  
Notary Public, State of Texas  
Barbara I. Holmes

My commission expires:

3-19-95

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF CONOCO INC. FOR AN EMERGENCY ORDER  
OF THE DIVISION

EMERGENCY ORDER OF THE DIVISION

BY THE DIVISION:

This matter having come before the Division upon the application of Conoco Inc. dated August 6, 1992 for an Emergency Order directing that Southwest Royalties Inc. be ordered to immediately cease operations on its Dagger Draw #1 well located 660 feet FNL and 1980 feet FEL, Section 17, T19S, R25E, NMPM, Eddy County, New Mexico, and the Division Director having considered the Application and being fully advised in the premises.

NOW on this 6th day of August, 1992, the Division Director:

FINDS:

(1) That it appears that Southwest Royalties Inc. has failed to comply with Division Order R-9673.

(2) That Southwest Royalties Inc. has refused to voluntarily cease operations on the well.

(3) That if Southwest Royalties Inc. completes the subject well irreparable harm is likely to occur to Conoco Inc.

(4) That a dispute exists over the proper completion techniques exists between Southwest Royalties Inc. and Conoco Inc. which must be resolved before the well is completed.

(5) That suspension of the operations on the subject well will not cause harm or waste to occur.

Emergency Order of the Division  
Page Two

IT IS THEREFORE ORDERED:

(1) That pursuant to Division Rule 1202, Southwest Royalties Inc. is hereby order to suspend operations on its Dagger Draw #1 Well, located in Unit B (NW/4NE/4) Section 17, T19S, R25E, NMPM, Eddy County, New Mexico pending further order of this Division

(2) That Southwest Royalties Inc. is specifically precluded from perforating the casing in the subject well or undertaking any completion operations on the well.

(3) That a hearing on the suspension of operations shall be held before the Division Director at 9:00 AM on August 18, 1992 (within 15 days of the date of this order) at the Division Offices, Santa FE, New Mexico.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

1trt806.089

## KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*  
KAREN AUBREY\*\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

\*ALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1994)

FACSIMILE COVER SHEETDATE: August 6, 1992NUMBER OF PAGES: 9  
(including cover sheet)TIME: 3:45TO: William LeMayFROM: W. Thomas KellahinOF: OCD

Special Instructions:

FAX #: 827-5741RE: App. for Emergency☐ Confidential☒ Urgent☐ FYIorder by Conoco☐ Please reply

\*\*\*\*\*  
The information contained in this Facsimile Message is Attorney privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service. Thank you.  
\*\*\*\*\*

MESSAGE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREYTELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED AS AN ADVISOR IN THE AREA OF  
NATURAL RESOURCES AND GAS LAWS  
ALSO ADMITTED IN ARIZONA

JAMES KELLAHIN (RETIRED 1990)

August 6, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

VIA FACSIMILE  
(505) 827-5741

Re: APPLICATION FOR EMERGENCY ORDER  
by Conoco Inc. concerning  
Southwest Royalties Inc.'s  
Dagger Draw #1 well  
660 feet FNL and 1980 feet FEL,  
Sec 17, T19S, R25E  
North Dagger Draw-Upper Penn Pool  
Eddy County, New Mexico.

Dear Mr. LeMay:

On behalf of Conoco Inc., and in accordance with Division Rule 1202, we hereby seek an EMERGENCY ORDER of the Division directing that Southwest Royalties Inc. immediately cease operations on its Dagger Draw #1 Well and that it specifically be order NOT to commence completion operations on that well pending a hearing before the Division.

As grounds therefore, Conoco states:

(1) On April 30, 1992, the Division held a hearing in Case 10471 upon the application of Southwest Royalties Inc. for compulsory pooling of all minerals from the surface to the base of the Canyon formation in the NE/4 of Section 17, T19S, R25E, Eddy County, New Mexico.

(2) Conoco Inc. through counsel appeared before the New Mexico Oil Conservation Division at that hearing.

(3) On May 6, 1992, the Division issued Order 9673 which pooled Conoco's interest in the NE/4 this section for the drilling of a well

William LeMay  
August 6, 1992  
Page Two

specifically ordered to be drilled in the SW/4NE/4 of Section 17.

(4) Conoco Inc. elected to go "non-consent" under the terms of the pooling order because the applicant's well location in the SW/4NE/4 was too risky.

(5) Now, in violation of that order and without notice to Conoco Inc. and without a Division hearing, Southwest Royalties Inc. has commenced the well not in the SW/4NE/4 but in the NW/4NE/4. A copy of the Oil Reports & Services Inc. weekly report of July 28, 1992 shows the commencement of the subject well in the wrong quarter-quarter section.

(6) On August 3, 1992, Conoco Inc. (via facsimile) notified the Division of this issue with a copy to Mr. Paul Cooter, counsel for Southwest Royalties Inc.

(7) On August 5, 1992, at the direction of Mr. Michael Stogner, OCD-Santa, I contacted Mr. Paul Cooter in an effort to see if Southwest Royalties Inc. would voluntarily cease operations on the well pending resolution of the issues involved in this matter.

(8) Mr. Jerry Hoover, petroleum engineer (Conoco-Midland) has been advised by Southwest Royalties Inc. that it will not voluntarily suspend operations on this well.

(9) Conoco Inc. is very concerned about the continued drilling of this well and is particularly concerned that Southwest Royalties Inc. will use completion techniques that will not give the best opportunity for a successful well.

(10) Wells in the South Dagger Draw are notoriously difficult to complete in such a way as to minimize water influx.

William LeMay  
August 6, 1992  
Page Three

(11) At this point, the subject well has been cased and is awaiting the arrival of a completion unit. The ordering of cessation of operations at this point will not harm the reservoir, the interest owners or any party.

(12) It is highly probable that unless extreme care is utilized, completion of the well will cause excess water production and will result in a poor well.

(13) Conoco Inc. has participated in the completion of dozens of such wells while Southwest Royalties Inc. has yet to compete its first well in this pool.

(14) In addition, the Order required the well to be commenced on August 1, 1992 at the required location. That did not happen and the pooling order is now void. Had Southwest Royalties Inc. proposed to Conoco Inc. the well at this new location, Conoco Inc. would have participated and would have sought to be operator of the well.

(15) Because Southwest Royalties Inc. has violated the terms and conditions of Order R-9673 and failed to comply with the provision of Section 70-2-17, an emergency now exists which requires the immediate action of the Division in order to protect Conoco's correlative rights, to prevent waste, and avoid irreparable harm.

Accordingly, Conoco Inc. urges the Division to issue an Emergency Order and direct Southwest Royalties Inc. to immediately cease operations on the well and specifically not to attempt to complete the subject well pending hearing of these issues before the Division.

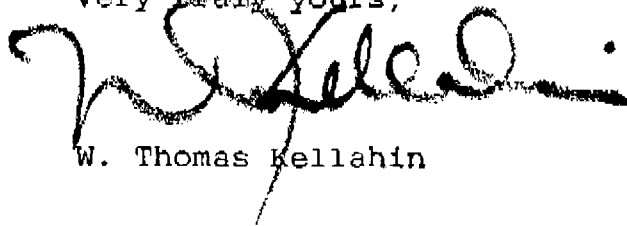
Yesterday, I advised Mr. Cooter I would contact him at the conclusion of the examiner hearings today. This afternoon I was advised by Mr. Cooter that he was not available and was gone until Monday.

William LeMay  
August 6, 1992  
Page Four

In support of Conoco's Application please find enclosed Mr. Hoover's affidavit.

A proposed form of emergency order is enclosed.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping horizontal stroke at the end.

W. Thomas Kellahin

WTK/kkl  
ltrt806.089

cc: Conoco Inc. (Midland)  
Conoco Inc. (Houston)

cc: Paul Cooter, Esq.  
Attorney for Southwest Royalties, Inc  
Via Facsimile (505) 989-9542

cc: Earnest Carroll, Esq.  
Attorney for Yates, et al.  
Via Facsimile (505) 746-6316

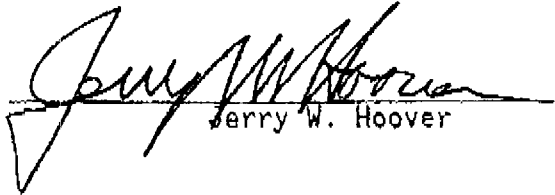


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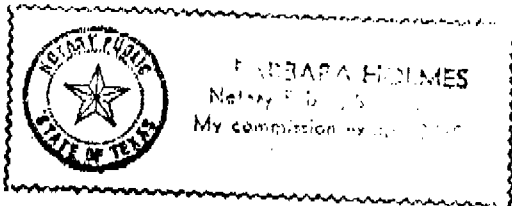
I, Jerry W. Hoover, do verify that the following statements represent the true understanding and position of Conoco Inc. concerning the actions of Southwest Royalties Inc. as related to the specific requirements of the Division Order R-9673 issued in Case No. 10471 May 6, 1992.


1. That Southwest Royalties was authorized by OCD Order R-9673 to drill and operate a Cisco Canyon well in the SW1/4 NE1/4 (UNIT G) of Sec. 17, T-19S, R-25E, Eddy County, New Mexico through the pooling of Conoco interests in the entire NE1/4 of Sec. 17. This was the location requested by Southwest Royalties in the AFE and other correspondence that was received by Conoco and in their application to the NMOCD.
2. That Southwest Royalties, without notice to the Director of the Oil Conservation Division or to Conoco Inc. drilled its Dagger Draw #1 well instead in the NW1/4 NE1/4 (UNIT B) of Sec. 17, a location that does not fulfill the requirement of Order R-9673 to extend the pooling order beyond August 1, 1992. This is a location in which Conoco would have voluntarily joined with Southwest Royalties to develop and would have retained operatorship.
3. That Mr. Jon Tate of Southwest Royalties confirmed to Conoco in a telephone conversation, on August 5, 1992, that drilling and logging of the subject well has been completed and 7" production casing had been set in the well. Conoco requested that Southwest Royalties suspend any further completion activity until the Division could review and resolve the issues of participation and operatorship in this well. Mr. Tate's response was that when the drilling rig could be moved from the location and further completion activities be reasonably scheduled, that they would proceed without any commitment to wait for the Division's review.
4. That the North Dagger Draw Pool is extremely complex and that Southwest Royalties' inexperience in completing wells in this pool can easily result in producing an uneconomical well that would be of little value to either party. Therefore, with the possibility that Conoco might ultimately have an opportunity to participate in and perhaps even operate this well, we would request that the OCD direct Southwest Royalties to immediately suspend any further completion activity until these issues have been decided by the Division.
5. That with the wellbore now fully cased from surface to TD, further completion activity can be suspended indefinitely without damage or loss of potential to this well pending the outcome of the Division's review. Conoco believes that this action would be in the interest of protecting correlative rights of both parties.

This Affidavit is duly sworn to by me, Jerry W. Hoover, as Senior Conservation Coordinator of Conoco Inc., this 6th day of August, 1992.

  
Jerry W. Hoover

Sworn to and subscribed before me this 6th day of August, 1992, to certify which witness my hand and seal of office.



  
Notary Public, State of Texas  
Barbara I. Holmes

My commission expires:

3-19-95

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF CONOCO INC. FOR AN EMERGENCY ORDER  
OF THE DIVISION

EMERGENCY ORDER OF THE DIVISION

BY THE DIVISION:

This matter having come before the Division upon the application of Conoco Inc. dated August 6, 1992 for an Emergency Order directing that Southwest Royalties Inc. be ordered to immediately cease operations on its Dagger Draw #1 well located 660 feet FNL and 1980 feet FEL, Section 17, T19S, R25E, NMPM, Eddy County, New Mexico, and the Division Director having considered the Application and being fully advised in the premises.

NOW on this 6th day of August, 1992, the Division Director:

FINDS:

(1) That it appears that Southwest Royalties Inc. has failed to comply with Division Order R-9673.

(2) That Southwest Royalties Inc. has refused to voluntarily cease operations on the well.

(3) That if Southwest Royalties Inc. completes the subject well irreparable harm is likely to occur to Conoco Inc.

(4) That a dispute exists over the proper completion techniques exists between Southwest Royalties Inc. and Conoco Inc. which must be resolved before the well is completed.

(5) That suspension of the operations on the subject well will not cause harm or waste to occur.

Emergency Order of the Division  
Page Two

IT IS THEREFORE ORDERED:

(1) That pursuant to Division Rule 1202, Southwest Royalties Inc. is hereby order to suspend operations on 'ts Dagger Draw #1 Well, located in Unit B (NW/4NE/4) Section 17, T19S, R25E, NMPM, Eddy County, New Mexico pending further order of this Division

(2) That Southwest Royalties Inc. is specifically precluded from perforating the casing in the subject well or undertaking any completion operations on the well.

(3) That a hearing on the suspension of operations shall be held before the Division Director at 9:00 AM on August 18, 1992 (within 15 days of the date of this order) at the Division Offices, Santa FE, New Mexico.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

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

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES, INC., FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 10471 (Reopened)

**SUPPLEMENTAL APPLICATION**

Southwest Royalties, Inc., by its undersigned attorneys, hereby makes this Supplemental Application for an Order extending the time for the commencement of a well to be drilled at a standard location within the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico from August 1, 1992, as provided for in Order No. R-9673 of the Oil Conservation Division dated May 6, 1992, to November 15, 1992.

In support thereof, Applicant states:

(1) By its Order No. R-9673, the Director of the Oil Conservation Division entered the Order of this Division providing, in part, that:

i) all mineral interests, whatever they may be, from the surface to the base of the Canyon Formation underlying the NE $\frac{1}{4}$  of Section 17 were pooled to form a standard 160 acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent, which included, but not necessarily limited to the North Dagger Draw-Upper Pennsylvania Pool,

ii) the unit was dedicated to a well to be drilled at a standard location within the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of Section 17, and

iii) Applicant was designated operator of the subject well and unit, which well was to be commenced on or before August 1, 1992 and thereafter drilled with due diligence to a depth sufficient to test the Canyon Formation.

(2) Subsequent to the entry of that Order, Applicant changed the location of its well from the SW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit G) of Section 17 to a standard location within the NW $\frac{1}{4}$ NE $\frac{1}{4}$  (Unit B) of Section 17. Applicant's Application for Permit to Drill, Deepen, or Plug Back (Form C-101) at that changed location was duly filed with the appropriate office of this Division, and approved by the Division on July 16, 1992.

(3) Applicant timely commenced the drilling of that well at its approved location on or before August 1, 1992, the time provided for in Order No. R-9673, and thereafter drilled the same to test the Canyon Formation.

(4) Objection was made to that change of location by Conoco, Inc., which subsequently filed its Application for compulsory pooling in Case No. 10560, seeking an Order pooling all mineral interests from the surface to the base of the Canyon Formation underlying that same NE¼ of Section 17.

(5) Applicant and Conoco resolved their differences and entered into an Operating Agreement providing, in part, that Applicant be designated operator of the S½NE¼ of Section 17 for a well to be drilled at a standard location in the SW¼NE¼ (Unit G) Section 17, but no closer than 330 feet to the common boundary between the N½NE¼ and S½NE¼ of Section 17. That Operating Agreement further provides that \$5,600 per month while drilling and \$560 per month while producing are reasonable charges for supervision (combined fixed rates).

Applicant respectfully prays, therefore, that the Division enter its Order extending the time for the commencement of the drilling of the well at a standard location within the SW¼NE¼ (Unit G) of Section 17 from August 1, 1992 to November 15, 1992 and, if appropriate, restate its prior Order No. R-9673 pooling all mineral interests from the surface to the base of the Canyon Formation underlying the NE¼ of Section 17 as well as all other provisions thereof, except as herein modified.

Respectfully submitted,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.



By: \_\_\_\_\_  
Paul A. Cooter  
Post Office Box 1357  
Santa Fe, New Mexico 87504-1357  
Telephone: (505) 984-0100

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SEP 10 1992

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION  
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES, INC. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

*CASE FILE 10471*  
CASE NO. 10471

IN THE MATTER OF THE APPLICATION OF  
CONOCO, INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO. 10560

**MOTION TO QUASH  
SUBPOENA DUCES TECUM**

Southwest Royalties, Inc. ("SRI") by and through its attorneys, Rodey, Dickason, Sloan, Akin & Robb, P.A. (Paul A. Cooter), responds to the Subpoena Duces Tecum issued by the Division and served on SRI ("Subpoena") and asks that the Division quash the Subpoena on the grounds that the Subpoena (i) seeks information that is not pertinent to any question that is lawfully before the Division and (ii) is unreasonable and oppressive.

The scope of the Division's subpoena power is defined in N.M. Stat. Ann. § 70-2-8 (1987 Repl. Pam.) which provides generally for the issuance of subpoenas but contains the caveat that "nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before" the Division. The matter presently before the Division is the validity of Pooling Order R-9673, which Conoco, Inc. ("Conoco") has placed at issue. The Subpoena seeks proprietary information of SRI that pertains to the drilling, testing and potential production of the well together with SRI's economic studies and reserve calculations

that SRI has developed at its sole cost and expense. Those matters are not at issue before the Division by virtue of either of the captioned applications. Conoco is attempting to exploit the subpoena power of the Division to Conoco's benefit by trying to obtain proprietary information from SRI under the guise of court-authorized discovery.

The Rules of Civil Procedure applicable to proceedings in the state district courts include reasonable restrictions on the subpoena power of the courts. Rule 45(B) directs the court to quash or modify a subpoena upon motion by a party if the subpoena is unreasonable and oppressive. Courts in New Mexico have recognized that despite the generally liberal construction and application of discovery rules, a party cannot discover confidential information where the party seeking the discovery has not established the relevancy of or need for the requested information. See Centurion Industries v. Warren Steurer, 665 F.2d 323, 325 (1981).

The information that Conoco has requested is outside the scope of the subpoena power of the Division and is inconsistent with the general rules of discovery in New Mexico. The Subpoena should be quashed.



Respectfully submitted:

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: 

Paul A. Cooter  
Attorneys for Southwest Royalties, Inc.  
Post Office Box 1357  
Santa Fe, New Mexico 87504-1357  
Telephone: (505) 984-0100

We hereby certify that a copy  
of the foregoing pleading was  
mailed to opposing counsel of  
record this 16 day of  
September, 1992.

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By: 

Paul A. Cooter

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES  
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST ROYALTIES, INC. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO CASE NO. 10471

IN THE MATTER OF THE APPLICATION OF  
CONOCO, INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO CASE NO. 10560

SUBPOENA DUCES TECUM

TO: SOUTHWEST ROYALTIES, INC.  
407 NORTH BIG SPRING  
MIDLAND, TEXAS 79701  
ATTN: MR. JON TATE

RECEIVED  
SEP 08 1992  
OIL CONSERVATION DIVISION

Pursuant to the power vested in this Division, you  
are commanded to produce at 8:15 a.m., September 17,  
1992, to the offices of the Oil Conservation Division,  
State Land Office Building, 310 Old Santa Fe Trail,  
Santa Fe, New Mexico 87501 and make available to W.  
Thomas Kellahin for copying, all the following  
documents under the possession or control of Southwest  
Royalties, Inc.:

I. For the following well:

Southwest Royalties, Inc. Dagger Draw #1 Well  
located in NW/4NE/4, Section 17, Township 19 South,  
Range 25 East, NMPM, Eddy County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
3. Any and all Gas Oil Ratio Tests;
4. Any and all specific gravity information on the liquids;
5. Any and all production information;
6. Any and all reserve calculations, including but not limited to volumetric calculations of reserves, including recoverable reserves;
7. Any and all reserve studies;
8. Any and all economic studies including but not limited to estimates of payout and rates of return; and
9. Complete daily drilling and completion reports from inception to the latest available data for the well.

II. For the Hearing:

Produce:

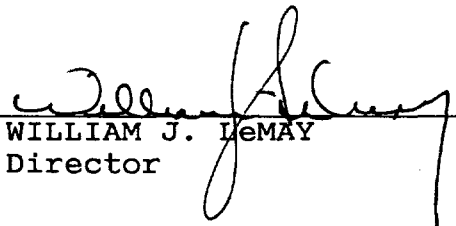
1. Geologic interpretations by which you justify the well and evaluate its risk;
2. In addition, copies of any possible exhibits for use by Southwest Royalties, Inc. at the subject hearing.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to including all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION  
DIVISION

BY:   
WILLIAM J. LEMAY  
Director

ISSUED THIS \_\_\_\_\_ day of \_\_\_\_\_  
1992 at Santa Fe, New Mexico

subt908.038