

CASE No.

48413

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Application,

Transcripts,

Small Exhibits

ETC.

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. 4843  
Order No. R-4435

APPLICATION OF DALPORT OIL  
CORPORATION FOR DESIGNATION  
OF THE SOUTHEAST CHAVES QUEEN  
GAS AREA AND SPECIAL RULES  
THEREFOR, CHAVES COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 1,  
1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of November, 1972, 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,

FINDS:

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

(2) That the applicant, Dalport Oil Corporation, is the  
operator of one or more gas wells and is the owner of one or  
more leases in that certain area of Chaves County, New Mexico,  
described as:

Township 12 South, Ranges 30 and 31 East, NMPM: All  
Township 13 South, Ranges 30 and 31 East, NMPM: All  
Township 14 South, Ranges 29, 30, and 31 East, NMPM: All  
Township 15 South, Ranges 29 and 30 East, NMPM: All

(3) That the applicant seeks the promulgation of special  
rules and regulations governing the Queen formation in the above-  
described area, including a provision for the classification of  
wells completed in the Queen formation as oil wells or gas wells,  
and providing for the dedication of 320 acres to wells classified  
as gas wells.

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(4) That the permeability and the drainage characteristics of the Queen formation in the general vicinity of the area described in Finding No. (2) above, as indicated by wells in the area and nearby thereto, are such as to indicate that one gas well will efficiently and economically drain the gas reserves underlying 320 acres.

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the special rules and regulations proposed by the applicant should be adopted, provided however, said rules should not be applicable within the limits of any designated Queen pool, nor within one mile of the limits of any Queen pool having rules governing gas wells which are in contradiction to these rules, and provided further, that provision should be made for restricting the production of gas from any well completed within one mile of an oil well producing from the same interval of the Queen formation.

(6) That this case should be reopened at an examiner hearing in November, 1974, at which time the operators in the subject area should be prepared to appear and show cause why this order should not be rescinded.

IT IS THEREFORE ORDERED:

(1) That effective December 1, 1972, and for a period of two years thereafter, a new area in Chaves County, New Mexico, classified for the production of gas from the Queen formation is hereby created and designated as the Southeast Chaves Queen Gas Area, with vertical limits comprising the Queen formation and horizontal limits comprising the following described area:

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM  
Sections 1 through 36: All

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM  
Sections 1 through 34: All

TOWNSHIP 13 SOUTH, RANGE 30 EAST, NMPM  
Sections 1 through 36: All

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Sections 4 through 9: All  
Sections 16 through 21: All  
Sections 28 through 32: All

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM  
Sections 1 through 36: All

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TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM  
Sections 1 through 36: All

TOWNSHIP 14 SOUTH, RANGE 31 EAST, NMPM  
Sections 5 through 7: All  
Sections 18 and 19: All  
Sections 30 and 31: All

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Sections 1 through 36: All

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM  
Sections 1 through 36: All

(2) That effective December 1, 1972, and for a period of two years thereafter, special rules and regulations for the Southeast Chaves Queen Gas Area are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
SOUTHEAST CHAVES QUEEN GAS AREA

RULE 1. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area which is not within the limits of any designated Queen pool governed by Special rules and regulations in conflict herewith, shall be spaced, drilled, operated and produced in accordance with the special rules and regulations hereinafter set forth.

RULE 2. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area shall be located on a standard unit containing 320 acres, more or less, comprising the N/2, S/2, W/2, or E/2 of a governmental section of the United States Public Land Surveys.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and an unorthodox size or shape of unit is necessitated by the variation in the legal subdivision of the United States Public Land Surveys or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a governmental half section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators

owning interests in the half section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each gas well shall be located not closer than 660 feet to the nearest side boundary line of the designated tract nor closer than 1980 feet to the nearest end boundary line nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimension; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

RULE 5. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox well location which relates to any well drilled (whether presently producing, shut-in or a dry hole) prior to the effective date of these rules or when the proposed unorthodox location is based upon topography.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 6. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

RULE 7. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon completion of the well and in any event such test shall be commenced not later than 30 days from the date of first production of the well; provided however, any well which is shut-in shall be exempt from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 8. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 8. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice for the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. Commission district supervisors may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 9. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate district office of the Commission of Commission Forms C-104 and C-116, properly executed. The supervisor of the district office is also authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 12. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

RULE 13. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 14. Any well whose classification has changed from oil to gas as the result of a gas-liquid test shall be permitted to produce as a gas well on the first day of the month following the month in which such test was reported provided that a plat (Form C-102) dedicating 320 acres to the well has been filed or a non-standard unit has been approved pursuant to the provisions of Rule 3 of these rules.

RULE 15. Any well whose classification has changed from gas to oil as the result of a gas-liquid test or which has been so reclassified by the Commission on the basis of production history shall immediately have assigned thereto by the Commission the 40-acre tract upon which the well is located and shall have an oil allowable assigned in accordance with the Commission's statewide rules.

RULE 16. Any gas well in the subject area which is not subject to any other special rules for any Queen gas pool or Queen associated pool, and which is within one mile of a well producing from the Queen formation which is classified as an oil well by the Commission, shall be subject to the above rules and in addition thereto, shall be subject to the following rules.

RULE 17. A gas well shall be permitted to produce only that amount of gas obtained by multiplying top unit allowable for a Queen oil well by 2,000 and by a fraction, the numerator of which is the number of acres dedicated to the well and the denominator of which is 40. In the event there is more than one gas well on the 320-acre unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

RULE 18. The date 7:00 a.m. January 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

RULE 19. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the

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Order No. R-4435

allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 20. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 21. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 22. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 23. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

IT IS FURTHER ORDERED:

(1) That pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing gas wells in the Southeast Chaves Queen Gas Area subject to the rules for said area shall have dedicated thereto 320 acres in accordance with the foregoing area rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the effective date of this order shall subject the well to cancellation of



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Order No. R-4435

allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each gas well presently drilling to or completed in the Southeast Chaves Queen Gas Area shall be limited to that amount of gas obtained by multiplying top unit allowable for a Queen oil well in said area by 2,000 and by a fraction, the numerator of which is 160 and the denominator of which is 40.

(2) That this case shall be reopened at an examiner hearing in November, 1974, at which time the operators in the subject area may appear and show cause why this order should not be rescinded.

(3) 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



*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIJO, Member

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

S E A L

dr/

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. 4843 (Reopened)  
Order No. R-4435-A

IN THE MATTER OF CASE NO. 4843  
BEING REOPENED PURSUANT TO THE  
PROVISIONS OF ORDER NO. R-4435,  
WHICH ORDER ESTABLISHED THE  
SOUTHEAST CHAVES QUEEN GAS AREA,  
CHAVES COUNTY, NEW MEXICO. AND  
PROMULGATED SPECIAL RULES AND  
REGULATIONS THEREFOR, INCLUDING A  
PROVISION FOR 320-ACRE SPACING  
UNITS FOR GAS WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 26,  
1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of December, 1974, 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,

FINDS:

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

(2) That by Order No. R-4435, dated November 13, 1972,  
temporary special rules and regulations were promulgated for  
the Southeast Chaves Queen Gas Area, Chaves County, New  
Mexico, including a provision for 320-acre spacing and  
proration units for gas wells.

(3) That this case was reopened pursuant to Order No.  
R-4435 to allow all interested parties to show cause why  
said Order No. R-4435 should not be rescinded.

(4) That development of the Southeast Chaves Queen Gas  
Area since the entry of Order No. R-4435 has not been sufficient  
to yield substantial additional information concerning the  
reservoir characteristics of the area.

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Case No. 4843 (Reopened)  
Order No. R-4435-A

(5) That the temporary special rules and regulations promulgated by Order No. R-4435 should be extended for an additional 18-months period in order to prevent the possibility of economic loss resulting from the drilling of unnecessary wells, and in order to allow the operators in the subject area additional time in which to gather information concerning the reservoir characteristics of the area.

(6) That this case should be reopened at an examiner hearing in June, 1976, at which time the operators in the subject area should appear and show cause why Order No. R-4435 should not be rescinded.

IT IS THEREFORE ORDERED:

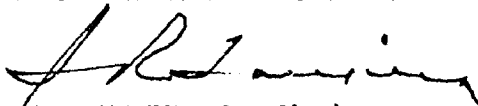
(1) That the Special Rules and Regulations governing the Southeast Chaves Queen Gas Area, promulgated by Order No. R-4435, shall remain in full force and effect for an additional period of 18 months.

(2) That this case shall be reopened at an examiner hearing in June, 1976, at which time the operators in the subject area shall appear and show cause why Order No. R-4435 should not be rescinded.


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

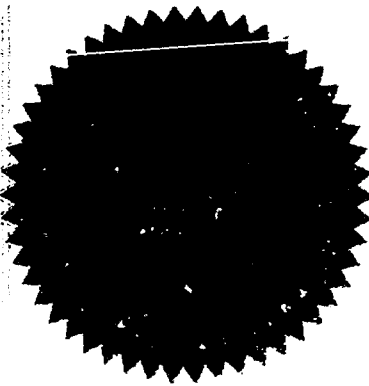
DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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



S E A L

jr/

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. 4843 (Reopened)  
Order No. R-4435-B

IN THE MATTER OF CASE 4843 BEING  
REOPENED PURSUANT TO THE PROVISIONS  
OF ORDER NO. R-4435 WHICH ORDER  
ESTABLISHED SPECIAL RULES AND REGULATIONS  
FOR THE SOUTHEAST CHAVES QUEEN GAS AREA,  
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 23, 1976,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of July, 1976, 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,

FINDS:

- (1) That due public notice having been given as required  
by law, the Commission has jurisdiction of this cause and  
the subject matter thereof.
- (2) That by Order No. R-4435, dated November 13, 1972,  
temporary special rules and regulations were promulgated for  
the Southeast Chaves Queen Gas Area, Chaves County, New Mexico,  
establishing temporary 320-acre spacing units and proration  
units.
- (3) That by Order No. R-4435-A, dated December 3, 1976,  
the temporary special rules and regulations for said Southeast  
Chaves-Queen Gas Area were extended for an additional 18 months.
- (4) That pursuant to the provisions of Order No. R-4435-A,  
this case was reopened to allow the operators in the subject  
pool to appear and show cause why the Special Rules and  
Regulations for the Southeast Chaves Queen Gas Area should  
not be rescinded.
- (5) That the evidence establishes that one well in the  
Southeast Chaves Queen Gas Area can efficiently and economically  
drain and develop 320 acres.

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Case No. 4843 (Reopened)  
Order No. R-4435-B

(6) That the Special Rules and Regulations promulgated by Order No. R-4435 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

(7) That the Special Rules and Regulations for the Southeast Chaves Queen Gas Area should be made permanent.

IT IS THEREFORE ORDERED:

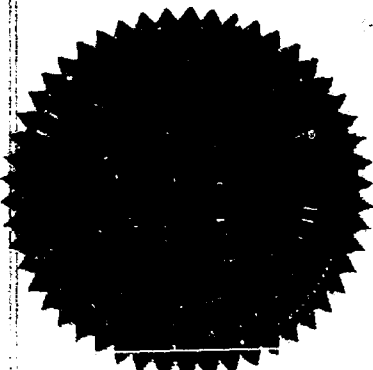
(1) That the Special Rules and Regulations governing the Southeast Chaves Queen Gas Area, promulgated by Order No. R-4435, shall remain in full force and effect until further order of the Commission.

(2) 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

PHIL R. LUCERO, Chairman



*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

dr/

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 26, 1974 TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
Bug Boell	Amoco	HOUSTON
DAN CURRENS	✓	✓
RALPH R. DENHAM	AMOCO PRODUCTIONS CO	HOUSTON, TX.
S. R. Denton	" " "	" "
Bruce A. Landis, Jr.	" " "	" "
Robert B Wilson	Union Texas Petr	Midland, TX
William E. Lorenz	" " "	" "
DON DENT	MESA PETR.	AMARILLO TX
L.M. CARNES	" "	" "
Dennis Flyer	" "	" "
Randy Waldman	El Paso Natural Gas	El Paso, TX.
H.P. Keadwell	El Paso Natural Gas	El Paso TX
Paul Eaton	Heible, Investment et al	Roswell
Fran Sampert	Delport Oil Corp	Dallas TX
James Dunning	General Bank of Egypt	Roswell
R.M. Wessinger	AMERICAN QUASAR Petr.	Midland, TX.
Edgar King		
J. V. Moore		

NEW MEXICO OIL CONSERVATION COMMISSION  
EXAMINER HEARING  
SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 26, 1974 TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
Tom Kellahin	Kellahin For CONTINENTAL OIL CO	Santa Fe HOBBS
VICTOR LYON	MICHAEL GRACE	ALBUQ
FARRELL LINES	White Oak Kelly & McCarty	Santa Fe
Kowdalenon		

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 26, 1974

EXAMINER HEARING

IN THE MATTER OF:

Case No. 4843 being reopened  
pursuant to the provisions of  
Order No. R-4435, which order  
established the Southeast Chaves  
Queen Gas Area and promulgated  
special rules and regulations  
therefor.

CASE NO. 4843

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

Thomas Derryberry, Esq.  
Legal Counsel for the  
Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant:

James T. Jennings, Esq.  
JENNINGS, CHRISTY & COPPLE  
Security National Bank Bldg.  
Roswell, New Mexico

For Michael Grace:

Farrell Lines, Esc.  
LAMB, METZGAR, FRANKLIN &  
LINES  
500 Second, N. W.  
Albuquerque, New Mexico



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I N D E X

PAGE

LEON LAMPERT

Direct Examination by Mr. Jennings  
Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant's Exhibits Nos. 1, 2 and 3

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THE NYE REPORTING SERVICE  
STATE-WIDE DEPOSITION NOTARIES  
225 JOHNSON STREET  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386

LAMPERT-DIRECT

MR. NUTTER: Case 4843.

MR. DERRYBERRY: Case 4843. In the matter of Case No. 4843 being reopened pursuant to the provisions of Order No. R-4435, which order established the Southeast Chaves Queen Gas Area and promulgated special rules and regulations therefor.

MR. NUTTER: We will call for appearances at this time.

MR. JENNINGS: James T. Jennings of Jennings, Christy and Copple, on behalf of Dalport and the original proponent of the rules, and we will have one witness, Mr. Nutter.

MR. LINES: Farrell Lines from the firm of Lamb, Metzgar, Franklin and Lines, appearing on behalf of Michael Grace.

MR. NUTTER: Are there other appearances? Would you proceed, Mr. Jennings?

(Witness sworn.)

LEON LAMPERT

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. JENNINGS:

THE NYE REPORTING SERVICE  
STATE-WIDE DEPOSITION NOTARIES  
225 JOHNSON STREET  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386

LAMPERT-DIRECT

Q Would you state your name and occupation, please, sir?

A Leon Lampert, Geologist with Dalport Oil Corporation of Corpus Christi, Texas.

Q Mr. Lampert, did you testify here in this same case at a hearing held in November of 1972?

A Yes, sir.

Q Have you testified many times before this Commission?

A Yes, I have.

MR. JENNINGS: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. JENNINGS:

Q Mr. Lampert, would you just briefly detail what has happened in connection with this pool and area since the original order establishing the special pool rules was promulgated in November, 1972?

A In 1972, we came in here to ask for 320-acre field rules for gas in this large area that includes 12 South -- this is Exhibit 1.

Q You are now referring to Exhibit 1?

A Exhibit 1. An area from 12 South to 15 South

LAMPERT-DIRECT

in Range 29 East to 31 East. This Queen gas is high in nitrogen content, averaging 450 to 475 BTU. The nitrogen is from 62 to 70 percent, so it is poor quality gas. Having done a study of a comparable field, being West Mesa, we thought, and we still do, that 320-acre field rules for this gas would adequately drain these reservoirs.

Now, this map shows in dashed lines some of the Queen Sand lenses that have produced gas and oil. Outside of the lines, the Queen Sand is tight and non-productive. Of course, future drilling could find some more of these porous lenticular bodies, but if you look at the lower right legend, you will see that in green it says, "Queen Gas." That was a Queen Gas Well that was drilled prior to November of '72. Bear in mind that in November of '72, all gas wells were shut in and most of them are still shut in. When we promulgated those rules two years ago, we didn't think it would take so long to have pipeline connections, but a pipeline has moved in in the last two or three months, and I know of about four wells that are currently producing into this pipeline.

Going back to the legend, in green, are wells drilled prior to November of '72. In yellow, would be completions since the Order was made in November of '72,

THE NYE REPORTING SERVICE  
STATE-WIDE DEPOSITION NOTARIES  
225 JOHNSON STREET  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386

either re-entry of a well that had gas shows or a brand new well.

The pipeline that has just come into the area starts at the south end of the map in 15, 29, and the line comes up to the wells there in Section 22, and then it heads northeast to those three green wells in Sections 12 and 13 and heads easterly into 15 South, 30. It has tied into some wells there in Sections 8 and 9, but we do not have any production history. We haven't had a run statement. We don't have any pressure information as far as decline is concerned, and so, in essence, we are asking that the Commission continue the Order for another two years so that we will have some background material as to the drainage pattern and as to the allowable situation.

Q Approximately how many wells have been drilled in the area during this --

A (Interrupting) We have drilled 9, and there are approximately 24 wells total, 24 wells or so total on this map. Dalport has 9 and with interest in two more drilled since November of '72, and prior to November, we had two other wells.

Q Have these all been completed and shut in?

A Well, we have drilled a number of dry holes. We have drilled about 9 or 10 dry holes with this. The sand bodies are very lenticular and we thought we had several excellent locations and they turned out to be dry. There will be more development in the next year or so, especially now that there is a line in there.

Let me add that Phillips Petroleum does have a casing headliner that goes into the oil fields there in 14, 15 and 29 East, and Phillips is also taking some dry gas, or will take some dry gas from two wells in 15 South, 30, 15 South, 29 East. Basically, most of the gas will be tied into this Chala Cryogenics which is a nitrogen extraction plant, set right on the County line just south of this 15, 29 area.

Q Mr. Lampert, has there been any noticeable changes in conditions in the area since the Order was entered in November of 1972?

A No, sir, other than the fact we have drilled more dry holes than we expected, but that is due to my geology.

MR. NUTTER: There is nothing wrong with the Order?

THE WITNESS: Nothing wrong with the Order. It is just us poor geologists that can't figure things out.

LAMPERT-DIRECT

The Order is fine. We think that everything in the Order is excellent. We find no fault with it. We would like to put it to use now that there will be a system in there to take this gas.

BY MR. JENNINGS:

Q Mr. Lampert, have you made some economic updated studies on the area?

A Yes, sir. As I mentioned earlier, I made a study of the West Mesa Queen Field which is just down here in Eddy County and going over to Lea County in 16 South, 30 or 31.

Q Your study has been designated as Exhibit 2?

A Correct. The study was made in November of '72, and I updated that study and it is shown on this Exhibit 2 and 3.

Q Would you explain these exhibits?

A What we have done is taken several wells that are drilled essentially on 320 spacing in the West Mesa and outlined the production that we would normally have in this Queen area of Southeast Chaves County. We are just using the production history of the West Mesa to estimate what will occur in Southeast Chaves, based on a 320 -- wells on 320-acre spacing in West Mesa and wells

on 160-acre spacing in West Mesa. We are just trying to use that information to see what will occur in this Queen area of Southeast Chaves.

MR. NUTTER: Is the Mesa Queen Gas 62 to 70 percent nitrogen also?

THE WITNESS: It is a little better grade, about 60 percent, 60 to 61, but it is a pinch-out of a Queen Sand just like this in Southeast Chaves with the tight sand updip and the oil down-dip. It is very similar and it is the only large field that has produced in the area. Some production has occurred in the Round Tank on this map in 15, 29, but it was very small and limited, but the production off the West Mesa is sort of large and we figured it would be very similar to the area here on this map.

We updated the investment from \$30,000 to \$50,000 because two years ago, these wells were \$30,000, and today, they are \$50,000 to \$55,000 for a gas well.

In essence, on Exhibit 2, what we have on the second page of Exhibit 2 is that for two wells on a section, your present net worth would be \$377,000 out of the Section. On the first page, the present net worth, the one well would be \$188,687, based on 320-acre spacing. That one



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well on the first page of Exhibit 2, the one well on the far left will produce 1.919 billion cubic feet of gas. So, if we will refer to Exhibit 3, this is the 160-acre spacing. This is, again, the Southeast Chaves Queen, but based on West Mesa production. One well will cause a net worth of \$93,914 on the lower right part of that page, and four wells, just multiplying by four, would be \$375,656. So, what we are saying here is, four wells will provide almost the same amount of money on a present net worth basis as two wells, but you have to drill two extra wells and fight obtaining a rig contractor and obtaining pipe and obtaining all the other necessary tangibles in order to do so.

So, this is why we still agree that 320 would be the most logical spacing pattern.

BY MR. JENNINGS:

Q Is it your recommendation, based on your study, that the 320-acre spacing be continued?

A Yes, sir. The rules provide that you should drill on a lesser spacing. The rules are based on a 2000 to 1 GOR times the State allowable of 80 which is 160,000 for a 40-acre tract. So, if you do drill on less acreage, your allowable is cut down accordingly, and the rules

LAMPERT-DIRECT

provide for this. So, if you drill on 160, you have 640,000 allowable per day, whereas, 320's will allow you 1,280,000 as the daily allowable. But the rules do provide that if you drill on lesser acreage, you have a lesser allowable, which I think is very fair and equitable.

Q One thing, referring to the exhibits, Mr. Lampert, in increasing the investment, did you increase the discount factor?

A Yes, sir, I sure did. I went from about  $6\frac{1}{2}$  to  $8\frac{1}{2}$  percent discount and that may not cut it.

Q I was wondering about that.

Mr. Lampert, in your opinion, would the continuation of these rules be in the interest of conservation and protect waste?

A Yes, sir.

Q Do you think that these rules now, and if they are continued, will protect the correlative rights of the operators in this pool?

A Yes, sir.

Q Were Exhibits 1, 2 and 3 prepared by you or under your supervision?

A Yes, sir, they sure were.

MR. JENNINGS: We would offer these exhibits

into evidence.

MR. NUTTER: Dalport Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 and 3 were marked for identification, and were admitted into evidence.)

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lampert, what is the capacity of this Cryogenics Plant that is operating down here?

A I believe they set it up at 15 million feet a day, and they have been having troubles with it and we are not sure whether it will take more than 12 million a day, but they did set it up at 15 million a day. If it works properly, they expect to drill another -- build another plant further northward in the Southeast Chaves. One plant wouldn't be able to take all of the gas.

Q What is the size of the pipeline coming down from the two green wells in 15, 29 to the County line?

A I am not certain as to the size. The diameter?

Q Yes.

A I think I heard four inches, but I am not positive about it. I am not positive.

Q So, in all probability, this particular facility you are talking about down here in the southwest portion of this area, the pipeline that is in there would be limited to that area and the rest of the area would probably have to have another facility if development warrants it?

A That is correct. They have talked about putting another one further north. In the contract, they had 18 months to tie in all wells, the Dalport Wells, and other people will have the same contract as Dalport. There won't be any change. The 18 months will be November of next year, of '75, so by November of '75, they will actually have everything tied up and if the Order is put in effect another two years, that will give us one more year to see how the production performs.

Q We really have no production or performance history to date?

A Not any. The only history we have is in the area of the oil field where we do know that the oil has -- the production has dropped the -- the oil production has dropped the pressures on the wells up in the gas caps to some extent, so we do know that there is a good drainage pattern. That is the one reason we go back to the 320 because we know that some of the wells, we have pressures

on them when they were originally drilled, and we noticed the pressures have gone down and the wells were shut in in the gas cap area and that is due to the production of oil and casinghead gas. Of course, casinghead gas is being sold to Phillips.

Q Well, Order No. 4435, which in 1972, established this area and promulgated the rules for it, based the justification for 320-acres on the permeability and drainage characteristics of the Queen Formation, but not on any performance history, so, any continuation of these rules would have to still be based on the parameters that we had available at that time if there is still no production history there.

A Yes.

Q And you are seeking a two-year extension of this Order?

A Correct.

Q You will expect to have some drainage and performance history at that time?

A Yes, sir. There are several wells on production now, but we haven't received a run. We don't have any information on it. In the last 60 days, we have been tied in.

MR. NUTTER: Are there any other questions of Mr. Lampert? He may be excused.

(Witness dismissed.)

MR. NUTTER: Do you have anything further at this time, Mr. Jennings?

MR. JENNINGS: No, sir, we have nothing further.

MR. NUTTER: Does anyone have anything they wish to offer in Case 4843?

MR. LINES: Yes. Mr. Grace asked me to make an appearance for him today indicating that he is opposed to the continuation of the rules. It would be our position that they have not met their burden in showing cause why the Order should not be rescinded. Mr. Grace has 5700 acres in this area and plans to do some work there and feels that the standard 160-acre spacing would be sufficient since there is no performance history, and it is our position that we should go ahead with the standard 160-acre spacing at the end of two years, and if then there is sufficient history to indicate that it would be better served by 320, it could be reverted to that spacing at that time.

That's all we have.

MR. NUTTER: Thank you. Mr. Jennings, do you

CASE 4843

Page.....15.....

have anything further?

MR. JENNINGS: No.

MR. NUTTER: Does anyone have anything they wish  
to offer in Case 4843?

We will take the case under advisement.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct recrod of the said proceedings, to the best of my knowledge, skill and ability.

*Richard L. Nye*  
\_\_\_\_\_  
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4843, heard by me on 11/26, 1974.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE  
STATE-WIDE DEPOSITION NOTARIES  
225 JOHNSON STREET  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386









1 MR. NUTTER: We will now call Case Number 4843,  
2 reopened.

3 MR. CARR: Case 4843, reopened, in the matter of  
4 Case 4843 being reopened pursuant to the provisions of  
5 Order No. R-4435-A, which order extended the special pool  
6 rules for the Southeast Chaves Queen Gas Area, Chaves County,  
7 New Mexico, including a provision for three-hundred-and-  
8 twenty-acre spacing and proration units for gas wells.

9 Mr. Examiner, we have received a request from the  
10 applicant that this case be continued to the June 23rd Examiner  
11 Hearing.


12 MR. NUTTER: Case 4843 will be continued to the  
13 Examiner Hearing scheduled to be held at this same place at  
14 nine o'clock A.M., June 23rd, 1976.

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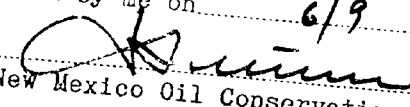
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 4843 (reopened)  
heard by me on 6/9, 19 76.  
  
Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
June 23, 1976

EXAMINER HEARING

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IN THE MATTER OF: )  
)  
)

Case 4843 being reopened pursuant to ) CASE  
the provisions of Order No. R-4435-A, ) 4843  
which order extended the special pool )  
rules for the Southeast Chaves Queen )  
Gas Area, Chaves County, New Mexico. )  
)  
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BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: Sim B. Christy, IV, Esq.  
JENNINGS, CHRISTY & COPPLE  
Attorneys at Law  
P. O. Box 1180  
Roswell, New Mexico

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Page

LEON LAMPERT

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MR. STAMETS: We will call next Case 4843.

MR. CARR: Case 4843, in the matter of Case 4843 being reopened pursuant to the provisions of Order No. R-4435-A, which order extended the special pool rules for the Southeast Chaves Queen Gas Area, Chaves County, New Mexico, including a provision for three-hundred-and-twenty-acre spacing and proration units for gas wells.

MR. CHRISTY: Sim Christy, Jennings, Christy and Copple, Roswell, New Mexico for the applicant. We have one witness, Mr. Examiner, Mr. Lampert.

MR. STAMETS: Mr. Lampert was sworn in the previous case and the record should show that he is still sworn.

LEON LAMPERT

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q. You stated your name and your address and occupation in the previous case, did you not?

A. Yes.

Q. And qualifications?

A. Yes.

Q. Are you generally familiar with what is sought in

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1 Case 4843?

2 A Yes, sir.

3 Q Now, what is sought?

4 A To actually make the Southeast Chaves temporary rules,  
5 to make them permanent with a couple of changes.

6 Q You did testify in the prior hearings with respect  
7 to the rules as they presently exist, temporary rules?

8 A Yes.

9 Q I refer you to what has been marked as Exhibit Number  
10 One, it appears to be a map, what is it generally?

11 A It is essentially the same map that was presented  
12 in November of '74 which was the date of the last hearing,  
13 except it is brought up-to-date and then there you see some  
14 gas wells with yellow on them, those wells are on a graph shown  
15 in Exhibit Two, decline curve on Exhibit Two, but basically  
16 it is just the Southeast Chaves area brought up-to-date.

17 Q Now, what is the purpose of Exhibit Two, you said it  
18 was a pressure versus cumulative production?

19 A Well, in November of '74 this case was continued  
20 because gas had just been produced, I think gas production  
21 commenced October of '74, so in November of '74 we had no  
22 information as to how the wells would perform and so I believe  
23 that was the reason the Commission continued the rules for a  
24 year-and-a-half to see -- we requested that this be done because  
25 we thought the rules were good and we wanted to see if they

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1 would work. Well, in that interim period it seemed like the  
2 rules have worked and this Exhibit Two shows the decline of  
3 five wells that are shown on Exhibit One in yellow.

4           The wells on the left side, now, this is pressure,  
5 these are Commission pressures, versus cumulative production  
6 and you will note that the four curves on the left side of  
7 the graph all recover, seem to have recovered less than five  
8 hundred million cubic feet and these wells -- I don't know if  
9 I need to go into exactly where they are -- are essentially  
10 on three-hundred-and-twenty-acre spacing with one exception.  
11 Now, the graph to the right which is the Holbrook Federal,  
12 is also on three-twenty and this is a better well and this  
13 will make over a billion feet.

14           Now, there are other wells that are producing in  
15 the area but I don't have the pressure data on the other wells,  
16 but this is a smattering of what we've got, what Dalport owns  
17 and it crosses from the Double L Associated into the South-  
18 east Chaves Field. There is one well actually in the  
19 Double L Associated which is the far left curve on the graph.

20           So, the reason I made the graph is to show that some  
21 of the wells, even though on three-twenties are going to be  
22 almost noncommercial or barely commercial which takes us to  
23 Exhibits Three and Four.

24           Now, Exhibit Three is a table showing what an  
25 average well on three-twenty spacing ought to make. It doesn't

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1 mean it is going to make it because on the far left column you  
2 see that it has a total of eight hundred and thirty-nine  
3 million while on the previous graph, previous exhibit, there  
4 were four wells that weren't going to recover over five  
5 hundred million but at eight hundred and thirty-nine million,  
6 the worth of the well after pay-out and after all expenses  
7 and after depletion is fifty-two thousand, a hundred and  
8 sixty-eight dollars on three-twenties, three-twenty spacing.  
9 That's using a net twenty-three cents per MCF for one through  
10 four years and twenty-five cents per MCF after from five to  
11 nine years.

12 Q On that point, what is the going rate out there for  
13 gas?

14 A It is right at fifty-one cents gross.

15 Q And how much nitrogen is there in it?

16 A It's over fifty percent, it's four hundred and fifty  
17 to five hundred BTU's so you are getting a little less than  
18 fifty percent of that value.

19 Q That brings you back to the price you showed on the  
20 exhibit?

21 A Right, and after tax it is about twenty-five cents  
22 to twenty-three cents.

23 Q Now, did you also build a similar graph on a hundred  
24 and-sixty acres, similar to Exhibit Three?

25 A Yes, sir, that is Exhibit Four and I used five hundred

1 and nineteen million as the gross cumulative there and I did  
2 that because in Exhibit Two so many of the wells we are going  
3 to recover between three hundred and forty-five, five hundred  
4 and seventeen million and using that figure the well would  
5 produce in seven years a profit of nine thousand dollars.

6 Q. Which is economical or uneconomical?  
7 A. Which is uneconomical?

8 your money back plus nine thousand dollars because you could  
9 put it in the bank, even a Texas bank would give you more than  
10 that.

11 Q. You mean our sister state to the east? Now, you  
12 said that you found that the rules did work well over this  
13 year-and-a-half, do you have any suggestions to the Commission  
14 with respect to changes in those rules?

15 A. Yes, sir. We definitely want to retain the three-  
16 twenty, we want to promulgate permanent rules in the Southeast  
17 Chaves Area because there are going to be more wells drilled  
18 and you always hope you are going to recover more than three  
19 hundred and fifty or four hundred or five hundred million but  
20 we want to keep the three-twenty. Without it, if we had to  
21 drill two wells on each of those tracts I know we wouldn't  
22 do it but Exhibit Five has several of the changes. We want  
23 to leave everything else in except the two items.

24 Q. Now, let's take them one by one. What is the first  
25 one, you propose to change the Rule Six?

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1           A.     The present rule states that a gas well would be one  
2 that has a gas-liquid ratio of thirty thousand to one or over,  
3 over thirty thousand to one. We would like to increase it,  
4 I think we brought this up once before some years ago that we  
5 would like to increase it, say a hundred thousand to one.

6           Q.     Why?

7           A.     Well, actually if a well is close to a gas-oil  
8 contact, it's more profitable as an oil well than a gas well  
9 because the oil price is eleven, forty out there, which is  
10 more or less standard from West Texas to New Mexico or South  
11 Texas but so you would rather have an oil well than a gas well  
12 due to the price difference. This price, this twenty-five  
13 cents net price that we are getting for gas should be seventy-  
14 five cents so what I'm saying here is that we would rather, if  
15 a well were on a borderline in an associated area there, we  
16 would rather have that well classified as an oil well rather  
17 than a gas well because as an oil well it would not be  
18 restricted due to high GOR, assuming a higher GOR was granted,  
19 and, therefore, would be more profitable.

20           Q.     All right, you propose a change in Rule Eight too,  
21 I believe to delete Rule Eight?

22           A.     That is the item that requires semiannual gas-liquid  
23 tests.

24           Q.     That kind of crept into the rules unknowingly?

25           A.     Yes, sir, I think it did because the Southeast Chaves

1 Rules were more or less taken from the Double L Associated  
2 Rules and these Rules were all in the Double L but I talked  
3 to my pumper and he tells me and he may be wrong but it is  
4 very difficult to run a gas-liquid test on one of these gas  
5 wells when they are tied into the pipeline and I'm not an  
6 engineer but from the way they are tied in you can't just  
7 unhook it and take a gas-liquid test very easily. There are  
8 some engineers around here, maybe they can dispute this but  
9 I'm getting this from our man and he says it is very hard to do  
10 and if you have a dry gas well, it is dry, it is awful dry.  
11 Now, in the situation where you would have a well that is making  
12 half a million feet of gas and four or five barrels of oil and  
13 maybe you are going to want to switch or change the category  
14 the well is in then, of course, you are going to need a  
15 GOR but if you have a basic dry gas well and it has been  
16 tested on four point, I don't see where the semiannual gas-  
17 liquid test is necessary.

18 Q You are recommending a removal of it except in those  
19 situations where you change classifications?

20 A Right, if you have a well that is in between and it  
21 is on a contact and you want to change the classification, of  
22 course, you are going to need a GOR test or your four point if  
23 you have a standard gas well and it is not making any liquid  
24 or any appreciable liquid other than one point five gpm or  
25 something and I don't think we need a semiannual gas-liquid

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1 test.

2 Q I gather also from your testimony that you recommend  
3 to the Commission that they adopt the rules permanently with  
4 three-hundred-and-twenty acre spacing to avoid economic waste?

5 A Right.

6 Q Were Exhibits Two, Three, Four and Five prepared  
7 by you or under your direct supervision?

8 A Yes, sir.

9 MR. CHRISTY: That's all for the applicant.

10  
11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q Referring to Exhibit Number Five, I'm a little bit  
14 confused by what real advantage will be gained by your proposed  
15 Rule Number Six. First off, as I recall, there is no definition  
16 of an oil well in these particular regulations. The regulations  
17 deal only with gas wells.

18 A Well, there is a stipulation in there for thirty  
19 thousand to one, I believe.

20 Q That's the definition of a gas well?

21 A Of a gas well.

22 Q But there are no special rules dealing with oil  
23 wells?

24 A Right.

25 Q And it seems to me that it has been the policy if

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1 oil is discovered to set up an oil pool or an associated pool  
2 with separate rules?

3 A Well, see, that is another thing, in this Southeast  
4 Chaves there is no provision other than this one item for oil,  
5 compared to the Double L Rule which is basically an oil field  
6 with gas provisions but still there is oil present in the  
7 Southeast Chaves gas area. In fact, this is a strange -- you  
8 know, we've gone into this, "what's one field and what's  
9 another field?" The whole area, Southeast Chaves Area, within  
10 the whole area there are three classified oil fields, the  
11 Vest Ranch, the Double L, and the South Lucky Lake and on this  
12 map there are one, two, three oil areas.

13 We have one well that is in the South Lucky Lake,  
14 back on the southwest side of your map, the lower left, and  
15 I believe it is called the Southeast Chaves Gas Well and it's  
16 actually in the South Lucky Lake Field, you see.

17 It isn't affected by any rules, it's not a very  
18 good gas well but, I mean, this is a peculiar area. If what  
19 you are saying is that if we find oil we have to issue new  
20 associated rules in this area, is that what you are saying,  
21 Mr. Stamets?

22 Q I'm saying it has been done up to this point.

23 A Well, I just thought in the Southeast Chaves Rules  
24 that the thirty thousand to one and that did come from the  
25 Double L hearings, I think would be a fair -- a hundred



1 thousand would be a fair figure because if we did drill a well  
2 and it had thirty thousand to one and was making twenty barrels  
3 of oil and we would have to cut the oil down because the  
4 thirty thousand to one figure, we're losing money because that  
5 oil is worth a lot more than that darn gas.

6 Q I'm confused to this point. What you are saying is  
7 the oil well would be allowed to declare the gas and produce  
8 the oil?

9 A No, you would hopefully get a pipeline connection  
10 but we have found that it has taken years to get a connection  
11 up in this country, so, in a situation like that you, say you  
12 had a thirty thousand to one and twenty barrel oil well and  
13 it was three miles from the pipeline, it may take a year to  
14 get the pipeline to come take that gas, so what would be  
15 doing?

16 Q Your oil well would be shut in in the interval?

17 A Right. With that thirty thousand figure, with a  
18 hundred thousand figure we could be producing that oil and  
19 making money, opposed to cutting it down on the thirty thousand  
20 figure for the sake of that gas which is almost worthless out  
21 there.

22 Q Do you have any indication of how many wells might  
23 be affected by this proposed change?

24 A The thirty thousand?

25 Q Yes.

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1 A. Dick, I really don't right now. Probably not very  
2 many really because the line is extended now from this lower-  
3 left area all the way to the upper right. There are lines  
4 all of the way up now and the drilling will be along this  
5 area of the lines and I wouldn't foresee flaring gas for a  
6 great period. It is possible that it would be flared for a  
7 great period but I don't foresee it particularly. I don't  
8 think there will be too many wells that will come under this  
9 classification. There haven't been up to this time, now,  
10 there were in the Double L Field, there were quite a few along  
11 that gas-oil contact, it was such a large gas cap and a large  
12 oil column. There are quite a few along the gas-oil contact  
13 on that fifteen to thirty thousand range but we haven't seen  
14 that elsewhere in the Vest Ranch nor have we seen it in the  
15 South Lucky Lake but it is a contingency that is in there that  
16 has not been used yet, this thirty thousand figure has not,  
17 to my knowledge, been used for any reason as yet but it could  
18 be with more drilling in the future.

19 Q. So, up to this point it has not really been a  
20 problem whether it was thirty thousand or a hundred thousand?

21 A. In the Southeast Chaves yet.

22 Q. If you have anymore information you would like to  
23 submit on this particular question subsequent to the hearing,  
24 wells which might have been affected, this type of information,  
25 I would appreciate it.

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1           A.    Okay.  Basically we like the rules.  The rules you  
2 all set up are good.

3           Q    I wonder, should there be a definition of an oil  
4 well in these rules and a procedure which should be followed  
5 if an oil well is found in the Southeast Chaves?

6           A.    I think it might save us a bunch of grief in the  
7 future if we had it.

8           MR. CHRISTY:  I believe, Mr. Examiner, at prior  
9 hearings this was discussed and the general feeling was that  
10 we defined this as a gas area and if they turn out to be an  
11 oil well they come under the state-wide rules for oil wells,  
12 whether you set up a pool or don't set up a pool is a different  
13 question.  I believe that the prior hearings will indicate  
14 that that was the reason they were not included, the definition  
15 of an oil well was not included in the rules as originally  
16 sought.  We, of course, have no objection except these rules  
17 don't apply to oil wells, they apply only to gas wells, so  
18 we defined what a gas well is and anything else is under the  
19 state-wide rules.

20           A.    Up until now all of the other wells drilled have  
21 usually been within the limits of the Vest Ranch, Double L  
22 or South Lucky Lake.

23           Q    (Mr. Stamets continuing.)  Getting back to Rule  
24 Eight, this does seem a little incongruous when you are  
25 talking about only gas wells, however, isn't there an exception

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1 in the rules, an exception procedure provided where the  
2 district supervisor can grant exceptions to the gas-liquid  
3 ratio test?

4 A. I've got a copy, I don't remember. I'm not sure.  
5 I wish I knew the answer to why it is so difficult  
6 to take those tests but since I'm not a production man or a  
7 petroleum engineer, I just really don't. I'm repeating  
8 exactly what our pumper has told me and he says it is very  
9 difficult.

10 Q. I would assume that if they don't make any liquids  
11 there is no tank?

12 A. No tank and sometimes there is no separator, no  
13 separator and there is just no connection. Usually you take  
14 it off your separator on an associated well. You take your  
15 GOR tube, your two-inch connection off the separator. To  
16 my knowledge, I'm not sure that any of the Southeast Chaves  
17 Wells have ever been tested to be very frank with you.

18 MR. CHRISTY: Is there an exception to Rule Eight?  
19 I don't find it.

20 MR. STAMETS: I would assume that it would in one  
21 of the following. It's normally in the associated pool rules.  
22 Would such an exception be a reasonable alternative to the  
23 deletion of Rule Eight completely, provided the district  
24 supervisor can grant an exception to test requirements when a  
25 well is making no liquids?

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1 MR. CHRISTY: Sure. That would be fine, Mr. Examiner,  
2 we would agree to that.

3 MR. STAMETS: Are there any other questions of  
4 the witness? He may be excused.

5 (THEREUPON, the witness was excused.)

6 MR. CHRISTY: We offer into evidence Applicant's  
7 Exhibits One to Five inclusive and that is all for the applicant.

8 MR. STAMETS: These exhibits will be admitted.

9 (THEREUPON, Applicant's Exhibits One through  
10 Five were admitted into evidence.)

11 MR. STAMETS: Is there anything further in this case?  
12 The case will be taken under advisement.

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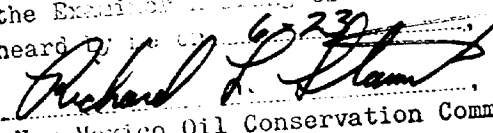
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I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner's hearing of Case No. 4843  
heard by me on 6/23, 1976  
, Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, November 1, 1972

EXAMINER HEARING

IN THE MATTER OF:  
  
Application of Dalport Oil Corporation  
for amendment of pool rules, Chaves  
County, New Mexico.  
  
AND  
  
Application of Dalport Oil Corporation  
for designation of a special gas area  
and special rules therefore, Chaves  
County, New Mexico.

Case No. 4850

Case No. 4843

BEFORE: Elvis A. Utz,  
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4850, the application of Dalport  
2 Oil Corporation for amendment of pool rules, Chaves County,  
3 New Mexico.

4 MR. CHRISTY: Sim Christy of Jennings, Christy and  
5 Cople, Roswell, appearing for the applicant, Dalport.

6 May I suggest to the Examiner, in view of the nature  
7 of the testimony, that we might consolidate for the hearing  
8 Case 4843 with 4850?

9 MR. UTZ: Well, is this the same area, Mr. Christy?

10 MR. CHRISTY: Yes, sir, and the testimony will be  
11 substantially the same.

12 MR. UTZ: Is the Double L area incorporated in your  
13 320 acres?

14 MR. CHRISTY: It is the same area, it would not be  
15 governed by the special rules, but the testimony in the Double  
16 L here goes to the question of 320-acre spacing, as does Case  
17 4843 with respect to Southwest Chaves; to that extent, they  
18 overlap.

19 MR. UTZ: My question was, I don't know the location  
20 of the Double L associated pool.

21 MR. CHRISTY: It's in the Southeast Chaves area.

22 MR. UTZ: It's within the area that you are  
23 recommending here, for the 320-acre spacing?

24 MR. CHRISTY: That is a correct statement.

25 MR. UTZ: I think in this case we can probably

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1 consolidate these, or will consolidate these cases for  
2 purposes of testimony. Of course, separate orders will be  
3 written.  
4 MR. CHRISTY: Yes, sir. We have one witness we'd  
5 like to have sworn.  
6 LEO LAMPERT,  
7 a witness, having been first duly sworn according to law,  
8 upon his oath, testified as follows:  
9 DIRECT EXAMINATION  
10 BY MR. CHRISTY:  
11 Q Would you state your name, address, by whom you are  
12 employed, and in what capacity?  
13 A Leo Lampert, Corpus Christi, Texas, Dalport Oil  
14 Corporation out of Dallas, Texas.  
15 Q Mr. Lampert, you are petroleum geologist and have had  
16 your qualifications previously accepted by this  
17 regulatory body?  
18 A Yes, sir.  
19 Q And are you familiar with what is sought in Cases 4850 and  
20 4843, and the general area?  
21 A Yes, sir.  
22 Q And have you made a study of the wells in the area that  
23 would be affected by these applications?  
24 A I have.  
25 MR. CHRISTY: Are the witness' qualifications

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1 acceptable?

2 MR. UTZ: Yes, sir, they are.

3 Q (By Mr. Christy) Now, first of all, I'd like you to  
4 tell me, this involves two cases, what are you seeking  
5 in the Double L application, which is Case 4850?

6 A We are seeking an amendment to Rule 2 (A) and Rule 7,  
7 special rules governing the Double L Associated Pool to  
8 increase the size of the standard gas well proration  
9 units from 160 acres to 320 acres and a corresponding  
10 increase in the gas allowable.

11 In Case 4843, we are seeking designation of Southeast  
12 Chaves-Queen area comprising all of Townships 12 and 13  
13 South, Ranges 30 and 31 East, Township 14 South, Ranges  
14 29, 30 and 31 East, and Township 15 South, Ranges 29 and  
15 30 East.

16 Q Now, let me refer you to applicant's Exhibit 1 and ask  
17 you if that is a map depicting this area you spoke of as  
18 Southeast Chaves?

19 A Yes, sir.

20 Q I'd like to have you look at Exhibit 1, I notice you have  
21 some pools, or areas marked in yellow. Would you please  
22 explain what those are?

23 A Those are gas areas that are depicted on this map, from  
24 drill-stem test information, or completion test information,  
25 and the outlines are slightly arbitrary, but they are in

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1 the areas of these gas tests. So, in essence, it's  
2 outlining possible gas areas based on test information  
3 in these wells.  
4 Q And we'll come to the quality of the gas here in a  
5 moment, will we not?  
6 A Right.  
7 Q Is the quality of the gas generally similar in this whole  
8 area?  
9 A Right.  
10 Q And is the depth of gas we are talking about Queen gas,  
11 is it similar?  
12 A It's all Queen gas, it's very similar, it's 65 to 70 per  
13 cent nitrogen gas.  
14 Q Now, I notice also on Exhibit 1 you have some red circles  
15 around wells and you have some green circles. Would you  
16 tell me what those two colors depict?  
17 A The red circles are wells that are shut-in, having been  
18 perforated in the Queen. They are shut-in gas wells.  
19 The green indicates that these are dry holes that had  
20 tested gas out of the Queen and then they were subsequently  
21 plugged.  
22 Q Now, I notice also opposite some of the wells you have a  
23 figure with a per cent sign. What does that per cent sign  
24 mean?  
25 A That is gas analysis that was obtained on that well showing

1 the nitrogen content of the gas.

2 Q And you have further exhibits to show on each of these  
3 wells?

4 A Right.

5 Q All right.

6 MR. UTZ: Excuse me a moment, which of these yellow  
7 areas is the Double L-Queen?

8 MR. CHRISTY: Right here (indicating).

9 THE WITNESS: In 14, 29; and 15, 29; along the east  
10 side of the township.

11 MR. CHRISTY: And this is Vest Ranch here.

12 Q (By Mr. Christy) Now, I notice also on Exhibit 1 you  
13 have some lines marked for exhibit, A to A', and so forth.  
14 Would you please explain those and let me refer you to  
15 Exhibit 2?

16 A Those are the cross-section lines that are in further  
17 exhibits, 2 and 3.

18 Q All right. Now, let's take Exhibit 2 and I think you  
19 are showing, first of all, A to A', which is up in 12  
20 South, 31 East?

21 A Right.

22 Q All right. What's the purpose of showing us the A to A'?

23 A Well, this is a gas area, the top cross section has three  
24 wells on it, from left to right, the left well being  
25 the up-dip well, and it indicates where you have a gas

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1 deposit, gas accumulation, with water down-dip.

2 Now, what we are going to show you in these cross  
3 sections is that most of these fields are very similar  
4 in nature, geologically; the fields are separate from  
5 each other, geologically.

6 Q Is this by a tight formation?

7 A By tight Queen sand, but the upper A-A' shows gas in the  
8 first two wells with water down-dip, the well down-dip  
9 being dry.

10 Q I think your tightness shows better in B to B' in Exhibit  
11 Number 2.

12 A That's correct, and that's in those fields further south  
13 in Exhibit 1, it's the next yellow area also shown in the  
14 index map on the cross section. And there are, in this  
15 cross section, B-B', it does show the tight sand that  
16 does surround the first two wells from left to right.  
17 You have a gas accumulation in the first well and it's  
18 separated from the accumulation in the second well.

19 Now, it's possible that the second and third well  
20 are connected.

21 Q You don't show them connected on Exhibit 1, but you don't  
22 show a tight spot in Exhibit 2 on B to B'?

23 A Right, it's possible that they are separated, but they  
24 could be one reservoir.

25 Q But they are still within the general area that we are

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1 talking about?

2 A That's right. The geological conditions do not vary  
3 within the whole Southeast Chaves gas area. There are  
4 tight sand conditions separating all these fields.

5 Q Now, I notice you have a C to C' moving on down into the  
6 Double L Vest Ranch area. Let me refer you to Exhibit  
7 3 in that connection and ask you what that depicts, if  
8 anything?

9 A If I'm going too fast, somebody please slow me down. C-C'  
10 is the cross section through the north end of the Double  
11 L, C being in Section 24, 14, 29.

12 Q That's in the Double L?

13 A In the Double L Gascap. That's Double L Associated, it  
14 extends eastward to an oil well in the oil part of the  
15 field. That is Dalport No. 11 and then it continues  
16 eastward to a well in the north end, a well in the Vest  
17 Ranch Field, which well was plugged, the Cities Service  
18 Holbeck is in the Vest Ranch. It was plugged.

19 So, what I'm showing in this cross section in the  
20 top left is gas in the Gascap of the Double L going down  
21 to oil in the Double L, then water in the Double L that  
22 shows up in blue, and then a tight zone, down-dip, from  
23 the oil and then down-dip from the tight zone is a gas  
24 zone in red in that Cities Service Holbeck. Again, the  
25 normal progression that we see throughout the whole

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1 southeast gas area.

2 Q Then, I think we have a D to D' starting over in the  
3 Lucky Lake going through the Double L and back into the  
4 Vest Ranch, again?

5 A Right. Now, the left well is in Section 15, 15 South,  
6 29 East. It's the Shell 1-15 Federal which tested gas  
7 and they perforated the well and subsequently plugged  
8 it because the gas was not commercial. This was about  
9 1957, and then going to the right there is a tight zone  
10 that separates this well, which I'm talking about in the  
11 Lucky Lake area, it separates it from gas in the Double  
12 L Gascap, which is the McClellan 1-B Lisa, that well is  
13 in the Gascap of the associated reservoir. That well is  
14 shut-in also, today.

15 Then, you move eastward to the Dalport No. 2 Sunset,  
16 which is in the oil portion of the Double L. It's the  
17 third well from the left with the green being oil and then  
18 down-dip from it is an oil-water contact, and then water.  
19 And then going further down-dip to the east, there is a  
20 tight sand, and then further down-dip to the Dalport  
21 Holbrook, which is a plugged well; but we drill-stem  
22 tested gas in it and so, this, I think, this last well on  
23 the east side will be a part of the Vest Ranch gas field.

24 Again, showing tight sands separating these yellow  
25 bodies that you saw on Exhibit 1.

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1 Q Now, Mr. Lampert, I believe, exclusive of some casing  
2 head being produced as casing-head gas, none of these  
3 areas alone in this area produced as gas reservoir?

4 A That's correct.

5 Q Now, do you have anything in the area that we might use  
6 for an example of gas production so that we can see how  
7 these might be produced, and I particularly refer you to  
8 Exhibit 4.

9 A Right, there is some comparable Queen production in the  
10 general vicinity. Now, it's not on this map, Exhibit 1.  
11 Let me say that in Exhibit 1, all the dry gas wells are  
12 shut-in for lack of market, like Mr. Christy said, there  
13 are several wells that are producing casing-head gas to  
14 Phillip's pipeline, but all the other dry gas wells are  
15 shut-in for lack of market. And the oil field that is  
16 nearby is in Lea and Eddy Counties, just to the south  
17 of Exhibit 1 in 16 South, 29 and 30 East, 30 and 31 East.

18 Q Now, let's take up Exhibit 4 and let's take 4-a first.  
19 What is 4-a?

20 A 4-a is a location plat of the Mesa Queen Field, which,  
21 that's the northwest corner of Lea County. As I said a  
22 minute ago, it's actually 31 and 32 East in 16 South.  
23 The Mesa Queen is a Queen oil reservoir, the wells on the  
24 east, southeast side of the plat, are Queen oil wells and  
25 it's the same stratigraphic horizon as what produces in



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1 the Caprock, Vest Ranch, Double L, all the fields in the  
2 southeast gas area. These Queen oil wells have a  
3 Gascap -- The wells in red show the wells in the Gascap.

4 Q Those are the gas wells, the ones in red are the gas  
5 wells in the Mesa Queen?

6 A In the area of the Mesa Queen, and the gas wells and the  
7 oil wells are not separated by any tight sands. They are  
8 all, it's actually one field as far as I can determine.

9 MR. UTZ: Has the Commission determined this an  
10 associated pool?

11 MR. CHRISTY: I don't think so.

12 THE WITNESS: I don't know.

13 MR. UTZ: Now, we have a Mesa Queen Associated Pool,  
14 I notice you call this West Mesa Queen.

15 THE WITNESS: The gas, I think, in the Commission  
16 Book is listed as Mesa Queen and was originally called West  
17 Mesa Queen.

18 So, these wells are part of the Mesa Queen  
19 production.

20 MR. UTZ: Okay.

21 THE WITNESS: But for my terminology, I'm calling it  
22 West Mesa.

23 Q (By Mr. Christy) Now, on Exhibit 4-a, again, I notice in  
24 Section 13 there are four wells in this section, and then  
25 over in the next township, in the section, there are only

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1 two wells. We will come to that in a minute, but I  
2 did want to point that out to the Commission.

3 A Yes, sir. We have four wells in one section, we have  
4 two wells in the other section, both being in the same  
5 area.

6 Q Now, let's move on, taking these West Mesa or Mesa Queen  
7 gas wells and referring specifically to those four wells  
8 in one section, two wells in the other, I'll ask you if  
9 you have done some calculations with respect to the  
10 production profitability, et cetera, and refer you to  
11 Exhibit 4-b.

12 A Yes, sir, I have. And what I'm trying to show here is  
13 a comparison of production and economics using 160-acre  
14 spacing versus one well per 320-acre spacing.

15 Now, we utilized that section 13 in 16, 31, since  
16 it did have four wells on 160-acre spacing. So I'm using  
17 the production and the histories from those four wells  
18 compared to the production history of the two wells in  
19 Section 7 to the northeast, two wells basically on 320-  
20 acre spacing. And so, from here on out, I'm going to  
21 compare the statistics using the information from these  
22 wells.

23 Q Now, do I understand from Exhibit 4-b that your  
24 recovery per well on the 160-acre wells is .739 billion,  
25 and on 320 acres is 1.464 billion. Now, is that actual

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1 production to date, or is that extrapolated out to  
2 lifetime?

3 A That is actual production extrapolated to ultimate  
4 production. The gas is sort of in the latter stages of  
5 depletion, and so they have maybe two to three years more  
6 to run before they will be depleted out. So most of  
7 this is ultimate production extrapolated no more than two  
8 years.

9 Q And do we note from Exhibit 4-b that the ultimate  
10 recovery of the section, or use of the 320 acres is  
11 approximately the same as for the 160 acres? You  
12 recover 2.959 billion for the 160 acres, and for the  
13 320 acres you recover 2.928 billion, or approximately the  
14 same?

15 A That is true. Now, the one on the left side is 160-acre  
16 spacing, and the one on the right side is 320-acre  
17 spacing.

18 Q So it would appear from actual production history in a  
19 comparable area that you would recover the same amount of  
20 gas, whether you drilled on 160-acre spacing or 320-  
21 acre spacing?

22 A This is the basis of the whole thing today, is that we  
23 feel that on two wells we can produce the same ultimate  
24 amount of gas as we could with four wells in the same  
25 section.

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1 Q Then, the exhibit also shows your profitability  
2 differential there for the 160 and 320?  
3 A In the red under 160, the little red curve shows that  
4 you will make \$23,394.00 after all expenses, royalty;  
5 compared to the red on the right of \$72,986.00 per well,  
6 if you had drilled on 320 acres.  
7 Q Now, --  
8 A And then in green, it's on a section basis, on the  
9 left side there is \$93,576.00 that would be the profit  
10 from four wells on one section, and to the right, there  
11 is \$145,972.00 in profit from a section with 320-acre  
12 spacing.  
13 Q Now, we will come to it in a moment, but my question at  
14 this point is did you use the same numbers on the 160 as  
15 for the 320, for royalty, taxes, and so forth?  
16 A Yes, sir.  
17 Q So we have a true comparison?  
18 A Right.  
19 Q Now, let me refer you to Exhibit 4-c and I ask if you will  
20 identify that and explain what it depicts?  
21 A 4-c is a graph showing the average decline per well,  
22 yearly decline per well, of those four wells that we  
23 talked about awhile ago on the 160. That's the average,  
24 their yearly production, that's taking their yearly  
25 production and then taking an average and then doing the

1 same thing with the 320-acre spacing, taking the yearly  
2 production and averaging it. And then just simply  
3 plotting the yearly production versus time and the graph  
4 shows that the 160 curve, which is the solid curve, has a  
5 steep decline. This is actual production, this is no  
6 extrapolated production, this is actual production  
7 through 1971.

8 The 160 curve has a steeper decline than the 320-acre  
9 curve. The wells on 160 did not have quite the yearly  
10 production as the wells on 320.

11 For instance, in 1966 on the 160-curve the well  
12 averaged 235,000,000 cubic feet, where as just above it,  
13 the wells on 320 averaged 259,000,000 feet. And then the  
14 next year, you will see the dotted curve, the wells  
15 averaged 380,000,000 cubic feet per year on the 320 acres,  
16 where as the 160-curve shows they averaged 180,000,000.  
17 So, the wells on 160 didn't quite ever produce as much as  
18 the wells on 320 acres, and their decline was steeper.

19 Q That would be because of more intense counterdrainage,  
20 wouldn't it?

21 A Right.

22 Q Now, I notice in 1970 the 320-acre dotted line drops  
23 perceptibly and then goes immediately back up. Would that  
24 be a true curve at that point, or should you take the  
25 point from '69 to '71 and kind of draw a line?

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1 A I would, for some reason, the production in 1970 was  
2 low and I don't have the reason, but that wouldn't be a  
3 true picture. I'd rather draw the curve through the '71  
4 figure, or close to the '71 figure.

5 Q Now, you mention these average production declines on 4-c.  
6 Do you have some back-up information on that, and may I  
7 refer you to Exhibit 4-d?

8 A This is taken from the Commission Books, the Oil  
9 Conservation Commission Books, and I've used all their  
10 information up through 8/1/72; and then, extrapolated the  
11 reserves on the various wells from that point, 8/1/72,  
12 through depletion.

13 Q Now, I think up to 4-c we'd been dealing strictly with  
14 these West Mesa Queen wells, the four on one section and  
15 two on the other; and at 4-d, we are now giving the  
16 Commission all of the wells, are we not?

17 A This is everything producing, or that did produce at one  
18 time or another in the Mesa area.

19 Q In the Mesa, or in the Southeast Chaves?

20 A This is strictly West Mesa area production.

21 Q All right, sir. And this is your back-up information for  
22 your figures shown and your conclusions arrived at on  
23 Exhibit 4-b and c?

24 A That's correct.

25 Q Now, let's talk a little bit about the profit picture as

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1 shown on Exhibit 4-L and I refer you to Exhibit 4-e and  
2 4-f.

3 Now, at this point, have we gone back to the two  
4 wells on one section and four wells on the other?

5 A Yes, sir. This is based on the West Mesa production,  
6 again.

7 Q Of those particular wells?

8 A Right.

9 Q Which are the four wells on one section and two wells on  
10 the other?

11 A We just don't know how the rest of the southeast area  
12 are going to produce, we have no history, and this is the  
13 best history, the longest history we can come up with.  
14 Right.

15 Q Now, in preparing 4-e and 4-f, let me ask you first of  
16 all what investments, drilling completion costs, you used?

17 A We are using an average investment of \$30,000.00 per well.

18 Q Does that coincide with your information for exhibits in  
19 Double L?

20 A Yes, sir. It will depend on depth, if the well is a  
21 little bit deeper, it's going to be more money; but that's  
22 the average.

23 Q What net working interest have you used in this?

24 A 79 per cent.

25 Q And have you taken off taxes?

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1 A This is reducing it with State taxes and royalties.  
2 Q And you've taken the standard discount factor?  
3 A Right.  
4 Q And I see your price of gas used in there, where did you  
5 get those figures?  
6 A These are just estimated figures from conversations with  
7 people with pipelines that we anticipate, is 12 cents to  
8 14 cents, hopefully, this, there will be more; but this  
9 is the estimated price.  
10 Q But you are using the same parameter in 4-e and 4-f?  
11 A Right.  
12 Q Now, tell me what the difference is in the income to the  
13 working interest, the economic situation?  
14 A Well, on the lower right in Exhibit 4-e, below the column  
15 of Cumulative Present Net Worth, is a figure of  
16 \$72,986.00, which represents the profit after all  
17 expenditures on a well 320 acres, it would produce  
18 \$72,000.00. Now, this goes back to the graph exhibit  
19 shown in red and green, these figures on the graph  
20 exhibits are taken from Exhibit 4-e and 4-f; on 4-b, the  
21 figures in green and red, the figures are taken from  
22 4-e and 4-f, so on 320 acres you would anticipate a  
23 profit of \$72,986.00, and for two wells on a section, the  
24 figures below that, would be \$145,972.00 profit; getting a  
25 net profit over investment ratio of 5 to 1, if you drilled



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1 on 320-acre spacing.

2 Q Now, that seems to take West Mesa Queen gas.

3 A Now, 4-f is the same comparison on 160-acre spacing,  
4 using on the lower right, present net worth per well of  
5 \$23,394.00 per well profit, and with four wells on the  
6 section, multiplying by four, the profit would be  
7 \$93,576.00, and giving you a ratio of net profit over  
8 investment of .779 to 1, if you drilled on 160-acre  
9 spacing.

10 Q Now, turn away from the West Mesa, which is the only  
11 comparison we had, let's go back to the Double L West  
12 Caprock and tell us what you found, geologically, what  
13 you estimated the economics in forecast, with respect to  
14 gas wells drilled in the southeast, proposed Southeast  
15 Chaves area, including Double L.

16 A The southeast area, including Double L, would have  
17 slightly less pay than the wells in the West Mesa Field,  
18 so I consider the production in the history in the West  
19 Mesa on the high side, on the optimistic side of the ledger.

20 I don't think the Double L and southeast area will  
21 produce quite as much gas because we do have slightly  
22 less pay, but it will compare, we might be slightly less  
23 on reserve, but it will compare with the figures I've  
24 previously testified to.

25 Q Let me refer you to Exhibit 5, it has an A, B, and C part,

1 I believe.

2 What are the average core data, let's talk about  
3 that. From what wells did you take that?

4 A The average core data?

5 Q I think 5-c shows your average core data and is backed  
6 up by your 5-b, which shows the actual cores taken.

7 A Correct. 5-b indicates analyses of wells in the Gascap.  
8 The first wells are in the Gascap of the Double L Field,  
9 the Cactus, Dalport, Grace Wells. It gives us the  
10 location, the number of feet of pay, the permeability,  
11 porosity, oil saturation, SW saturation; and these were  
12 all the wells that I could obtain, with core analyses.

13 Q Now, wait a minute. Where, in what area?

14 A In the entire area of Exhibit 1, Southeast Gas Area.  
15 That includes the Double L Field, this does not include  
16 the oil wells and we have cores on a number of oil  
17 wells.

18 MR. UTZ: Let's get these exhibits straight. You  
19 are talking about 5-b?

20 THE WITNESS: 5-b.

21 A These are true core analyses, the most analyses that we  
22 could obtain in the area, and we averaged them out.

23 Q Now, Exhibit 5-a.

24 A Exhibit 5-a.

25 Q Does that give us our nitrogen content?

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1 A These are gas analyses of the wells in the entire area,  
2 again, they are different wells, of course; but it's  
3 every analysis I could lay my hands on in the entire area,  
4 showing the date of test, mol. percentage of nitrogen,  
5 BTU's, and then the GPM. And if you will look down the  
6 list on nitrogen, most of these wells are 63 per cent  
7 to 67 per cent to 70 per cent to 86 per cent nitrogen,  
8 which is very poor quality gas.

9 Q Now, I think 5-c summarizes a and b, does it not, plus  
10 an economic forecast?

11 A Yes, sir. 5-c, this is for the Double L West Cap Area,  
12 it indicates the average core data, some of the reservoir  
13 data, the bottom hole pressure of 900 points, and the  
14 temperature, and then the reserve figures that I  
15 tentatively have come up with in the southeast area.

16 On the very bottom, on the very bottom on the left,  
17 I've forecast the 160-acre spacing production, estimated  
18 production, and the profit versus the 320-acre  
19 production and the profit. And on the bottom left, the  
20 profit on 160 would be \$15,080.00 and the bottom right,  
21 on 320-acre spacing, the profit would be \$60,166.00.

22 Q Now, as I understand you, in the Double L application,  
23 Case 4850, you seek amendments to Rules 2 (A) and 7 to  
24 change the word "160" to "320"?

25 A That's correct.

1 Q And is this done because it's more economical to do it,  
2 and that one well will still drain the recoverable gas  
3 under it's proration unit?

4 A That's right. We think on 320 we can produce as much gas  
5 as we would have drilled with two wells on that same 320  
6 acres. It will cost us less money, we can drill more  
7 wells, we can develop the entire area more feasibly.

8 Q And this will avoid waste, economic waste?

9 A Yes, sir.

10 Q And will it, in your opinion, violate the correlative  
11 rights of any interested parties?

12 A I don't think so.

13 Q Now, with respect to the application 4843, do you have  
14 any particular suggested rules to propose to the  
15 Commission?

16 MR. CHRISTY: At this time, I'd like to comment to  
17 the Commission. We have drafted them, they are part of our  
18 packet there, they are not marked as an exhibit per se.

19 We have first of all defined our area by land. We  
20 have tied down what Queen formation we are talking about and  
21 that is the identical one in the Double L. We have tried to  
22 track the Double L pool rules in so far as they affect gas.  
23 But because we do not have an associated pool in what we  
24 propose, we have deleted prorations and simply have talked about  
25 spacing.

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1 We used the number to define what is a gas well in  
2 Southeast Chaves as exactly what we call it in Double L, that  
3 is 30,000 to 1 GOR's.

4 We are proposing that the Southeast Chaves Gas Area  
5 not include any areas which are governed by other rules such  
6 as the Double L Special Rules, the West Mesa Queen. I don't  
7 think the West Mesa is involved. There are some over in the  
8 Caprock area which apply to oil. As far as I've been able to  
9 determine, the only gas special pool rules are in the Double L.  
10 There is none in the Vest Ranch.

11 Q (By Mr. Christy) Is that true?

12 A That's correct.

13 MR. CHRISTY: So that is what we have proposed here  
14 in the rules, 1 through 13 inclusive. We have done one other  
15 thing. We have granted the right to grant an exception.

16 We have granted the exception on the unorthodox  
17 wells, which is the standard thing that the Commission puts in  
18 all of it's rules. That's Rule 3.

19 Then in Rule 4, we have adopted the standard  
20 660-1980 state-wide rule for 320-acre spacing, but in Rule 5  
21 provided for an exception to that because of the fact that  
22 certain wells have already been drilled which would be  
23 unorthodoxed.

24 This would mainly be involved in a reentry  
25 situation where you have the present dry hole, you want to

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1 reenter and you would have Rule 5, which provides for an  
2 exception to it, referring back to Rule 3 (D), 3 (C), which  
3 again, the consent of all offset operators are notice and no  
4 objection being entered for 30 days.

5 We did that, as I mentioned a second ago, to protect  
6 again, a reentry on a present dry hole in Southeast Chaves area.

7 Outside of that, we have adopted almost uniformly  
8 state-wide rules with respect to tests.

9 Now, having heard my rather lengthy explanation,  
10 would you adopt that as your answer to my question a minute ago  
11 as to what your proposed rules are?

12 THE WITNESS: Yes, sir.

13 MR. CHRISTY: At this point, I would like to also  
14 mention to the Examiner that there are 12 or more pipeline  
15 purchasers interested in acquiring this nitrogen-gas. They  
16 obviously have their economic production with respect to more  
17 lines and it's, and they have, to my understanding, have been  
18 basing their calculations, have figured they could economically  
19 come into the area and take this gas which would otherwise be  
20 lost. They have been considering it on 320 spacing. They  
21 realize that this application has not been granted, but I was  
22 asked to make a short statement on their behalf.

23 Q (By Mr. Christy) Mr. Lampert, is there anything else  
24 that I have not asked that you think should be known by  
25 the Commission in the Cases 4850 and 4843?

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1 A I don't think so.

2 Q Were Exhibits 1 through 5, with their integral parts,  
3 prepared by you or under your direct supervision?

4 A Yes, sir.

5 MR. CHRISTY: I think that's all we have from this  
6 witness.

7 CROSS EXAMINATION

8 BY MR. UTZ:

9 Q Well, let me get this straight in my mind. I think I  
10 understand you.

11 As far as 4850 is concerned, you merely want to  
12 amend the rules to allow 320-acre spacing instead of  
13 160 for gas wells?

14 A In the Double L.

15 Q And in your Southeast Chaves-Queen Gas Area, Case 4843,  
16 you want to control the gas spacing and the gas well  
17 designation by an order for the entire area covering all  
18 Queen gas wells in the area?

19 A Correct, with the exception of the associated pool,  
20 Double L pool, with that exception.

21 Q Is that the only associated pool in the area?

22 A To this date, yes. That is the only pool with field rules  
23 in that area, entire area.

24 Q Now, the Mesa Queen --

25 A It's outside of that area.

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1 Q I'm sure, now, that it is an associated pool.

2 MR. CHRISTY: I might add to that, if the Vest  
3 Ranch comes in with associated pool rules comparable to Double  
4 L, then they would go outside the Southeast Chaves area because  
5 they would be governed by an associated Vest Ranch pool rule  
6 and therefore, not governed under Rule 1 by the Southeast  
7 Chaves area.

8 A If and when it ever comes up, it will be like the Double  
9 L, it came up two years ago, to promulgate rules for an  
10 associated pool.

11 Q Now, in regard to the oil wells, well, first let me say  
12 that you are recommending 30,000 to 1 as a gas well  
13 definition?

14 A We are using that figure because this was used by the  
15 Commission a year and a half ago in talking about the  
16 Double L. This figure 30,000 to 1 came from Commission  
17 testimony.

18 Q Okay. And then any well with less than 30,000 to 1  
19 GOR's would be an oil well?

20 A Correct, I believe.

21 Q And would become governed by a 2,000 to 1 State GOR,  
22 Special Pool Rules in the area?

23 A If they were requested, yes, sir.

24 MR. CHRISTY: I think properly stated, it would not  
25 be governed by Southeast Chaves area, it would be governed by



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1 state-wide, while there is 160-acre, 2,000 to 1, or by  
2 associated pool rules. It just wouldn't be involved.

3 A If, for instance, someone wanted to designate a certain  
4 area in this as an associated oil-gas pool, then they  
5 would probably promulgate, or request rules similar to  
6 Double L.

7 Q Then, the only associated pool in the area, being the  
8 Double L, then you would increase the gas takes by going  
9 from 160 to 320 wells. There are no gas takes, now,  
10 actually, is that right?

11 A Correct.

12 Q But if there were, you would double them, if the well was  
13 capable.

14 Now, how would that affect the oil wells?

15 A It wouldn't affect the oil wells because you are only  
16 taking out the same amount of gas that you would be  
17 taking out as of today, with two wells on 160, you would  
18 be taking out the same amount of gas from the Gascap, so it  
19 would not, the current allowable would be 160 acres per  
20 well, so if you changed the rules to 320 acres per well,  
21 you would be taking out the same amount of gas with one  
22 well as two, so the amount of gas would be identical.

23 So you wouldn't be affecting the oil reservoir.

24 Q I don't recall the GOR we set in the Double L.

25 A It's 20,000. The method there is taking the acreage

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1 designated to a gas well, times 2,000, times the oil  
2 allowable, which is what, 80, and give us your daily  
3 allowable in the associated reservoir. And so, we would  
4 be doing it now with 320-acre spacing, and the same  
5 amount of gas would be withdrawn from that half section  
6 with one well as opposed to two wells.

7 Q Now, in the balancing of the area in the Southeast  
8 Chaves area, do you think the increased gas takes in the  
9 area will affect the oil wells?

10 A No, sir.

MR. UTZ: Are there any questions of the witness?

MR. STAMETS: Yes, I've got a few.

CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Lampert, I noticed on Exhibit 1 that there seemed to  
16 be oil down-dip and associated with gas in several of  
17 these areas.

For instance, the Sulimar area.

18 A Yes, sir.

19 Q And the Double L, and the Caprock, and the Lucky Lake,  
20 and the Vest Ranch.

21 A Right.

22 Q Is this a common occurrence for the Queen gas, Queen  
23 oil series in there?

24 A It's been known to occur in this area, and it can happen  
25

1 again. And, it's fairly common on the southwest end of  
2 this map. It has not occurred, to date, up on the northern  
3 end of the map, that is west of the Caprock complex.

4 Now, let me say one thing. The Lucky Lake, that's  
5 on the far southwest part of the map in 15, 29. We  
6 drilled one well there, we drilled a gas well there in  
7 Section 22 and then just east of it, an oil well, which  
8 is a very poor well, and you have a very thin oil  
9 column and a much thicker gas column. So, I think it's  
10 more of a gas reservoir with an associated oil rim, as  
11 opposed to the Double L Field, which we have designated  
12 as an oil field with the associated gas.

13 Q This situation, though, is similar to the Double L, it  
14 could occur in other areas that have not been drilled as  
15 yet?

16 A Yes, sir, it could.

17 Q And you have proposed unlimited gas takes from these  
18 wells. Could that have any effect on any oil found?

19 A I don't think so, Mr. Stamets, because, assuming that  
20 there is another oil field in association with one of  
21 these other gas areas, at that stage of the game, or at  
22 some stage of the game, the operators of the Commission  
23 could call for special pool rules as they called for in  
24 the Double L, and your takes would then be regulated by  
25 your GOR's, like they are in the Double L.

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1 And this we anticipate, if a field, let's assume  
2 it's a Vest Ranch, assume there is some oil on the east  
3 side of the Vest Ranch, if the operators of the Commission  
4 desire to request field rules similar to the Double L  
5 rules, then, like Mr. Christy says, then that area would  
6 be withdrawn from the southeast gas area and it would have  
7 its own special rules.

8 And so, a large amount of the gas would not be  
9 taken from the gas wells that would adversely affect  
10 the oil wells, again, like in the Double L. And I think  
11 we are asking for, we are requesting that if some  
12 circumstance occur in the future, that the areas can be  
13 changed in this manner.

14 Q Would you anticipate takes from any of these gas wells  
15 exceeding 1 and a quarter million daily?

16 A No, I would not. There are some exceptionally good  
17 wells scattered around, but on the average I doubt if  
18 the wells will make one and a quarter per day on a long,  
19 over a long extended period.

20 Q Now, if all these wells were prorated in accordance with  
21 the Double L rules, if my rough calculations are right,  
22 that would be 1,280,000 a day on a 320-acre spacing. So,  
23 it would look like that the production could be limited  
24 to a 2,000 to 1, times the allowable, times the acreage,  
25 without causing Dalport any problem.

1 A Well, but that would be fine in the area, in an area  
2 where you have some oil. But what if you have an area  
3 just strictly of gas, then you would be reducing the  
4 maximum take to 1,200,000 - some odd thousand per day,  
5 when you wouldn't damage reservoirs taking 2 and a half  
6 million a day, out of a true reservoir.

7 So you would be penalizing a 100 per cent gas  
8 reservoir, if you did this, if you regulated it on a  
9 2,000 to 1 basis. Now, this is what worries us.

10 Q Referring to that Exhibit 4 series of exhibits, are the  
11 reservoir characteristics, the thickness, the porosity,  
12 comparable between wells developed on 160 and wells  
13 developed on 320?

14 A Would you repeat that?

15 Q What I'm getting at is, are the wells that were developed  
16 on the 320 just better wells than the ones developed  
17 on 160; and that's the reason that you show the 320 is  
18 better than the 160?

19 A I don't really know, and I don't have the core information  
20 down in West Mesa. I'm not certain of the answer of  
21 that question. I used that example because it's the  
22 only one I could locate with four wells versus two wells.

23 Q On Exhibit Number 4-a, you have a well in Section 18,  
24 developed on 640 acres, and if you carried this analogy  
25 to the limit, that ought to be the best well in the area,

1 and it isn't.

2 A That is the well, looking at 4-d, and I would, on 4-d,  
3 it gives us actual production. I would say that it's  
4 probably a tight zone in close association with that  
5 well and the well just northeast of that, causing that.  
6 As you can well notice, you have tight streams running  
7 through these areas that do affect the production, and  
8 I would suggest that that is the reason for that.

9 But what you asked is if you had one well on 640,  
10 you should have more production. If the reservoir  
11 conditions were alike between the two sections, that's  
12 true. The reservoir conditions will change, as some  
13 of those cross sections showed.

14 Q Now, on your Exhibit Number 5-b, are the averages  
15 reversed on the oil saturation and water saturation?

16 A Which was that?

17 Q 5-b.

18 A Are the averages reversed on the oil and water saturations?

19 Q The totals.

20 A Your keen eye has detected a slight error. Yes, the oil  
21 saturation would be 7.3 versus 46.4.

22 Q Did you have any information in the Double L area to  
23 indicate to you that there is a good drainage over the  
24 320-acre spacing?

25 A In Double L?

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1 Q Yes.

2 A I think so, based on the core analyses in the Double L  
3 Field. Now, we have more analyses there than we have  
4 throughout this southeast gas area, and the average  
5 permeability, for instance, in the Double L, is 67.7  
6 millidarcies and porosity is averaged at 20.3 per cent.  
7 I think that in that Gascap of the Double L you would  
8 have conditions very similar to what we found in the oil  
9 portion. Now, bear in mind, these gas analyses, these  
10 core analyses in the gas wells, are scattered; they are  
11 not in any one spot, and some are just a few feet of pay,  
12 and some have quite a bit more. And although that's all  
13 we have to work with, I'm hoping that the permeability  
14 and porosity would be slightly higher in the area, with  
15 more control I think they will be.

16 They are higher in the Double L oil field, is what  
17 I am getting at.

18 MR. STAMETS: That's all the questions I have.

19 RE-CROSS EXAMINATION

20 BY MR. UTZ:

21 Q Mr. Lampert, all the wells in this area are high  
22 nitrogen content?

23 A Yes, sir, from 65. We have had some up to 86 per cent  
24 nitrogen.

25 Q Is that a range or an average?

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1 A I didn't take just an average on that exhibit 5-a. I  
2 didn't average all that out but that's an average, from  
3 62, well, there is one at 60 and there is one at 58.

4 The range was from 60 per cent to 86 per cent, but  
5 if I were going to hazard a guess at an average, I'd say  
6 66 per cent over the entire area. In the Double L it  
7 stays at 64 to 65 per cent, it stays right in that  
8 vicinity.

9 Q Now, do you have any opinion, or knowledge, of who will  
10 take the gas in this area?

11 A Not really, sir. There are several pipelines that are  
12 interested in this gas, and we've had people interested  
13 for two years, and no one has ever done anything. But  
14 they are becoming more and more interested in these days  
15 and we think, if we can iron out these problems, that we  
16 will have a pipeline there within the foreseeable future.

17 Q You would have to build a nitrogen extraction plant?

18 A Not necessarily. Originally, years ago, at one of the  
19 hearings someone stood up and said they were ready to  
20 build one, and some others are still talking about it.  
21 But it seems that they are uneconomical. But what we  
22 are talking about is just mixing the gas.

23 Now, I'm not saying that there won't be a nitrogen  
24 plant, I don't know of one that would be definitely  
25 planned, but it's possible that there would be a nitrogen



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1 plant somewhere.

2 Q Have you made compilations as to how much gas would  
3 be available from this area?

4 A At one time I did, Mr. Utz, and it was somewhere in the  
5 vicinity of 80,000,000 to 1,000,000 feet.

6 Q Total?

7 A Gross, in the area. It's not in any of my exhibits and  
8 it's somewhere in that running.

9 Q Do you know how much a day they can get?

10 A Pardon?

11 Q Do you know how much a day would be available, on a  
12 daily basis?

13 A We're anticipating something like 40,000,000 or  
14 50,000,000 feet a day, when they are all on stream, and  
15 this is an estimate.

16 MR. UTZ: Are there any other questions of the  
17 witness?

18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q At one and a quarter million a day, would you have any  
21 problem with your economics?

22 A I'm not sure, Dick, I haven't run it out on a per day  
23 figure. I've totaled them out, I'm not sure, but like  
24 I say, the problem would be, in a poor gas area, you  
25 would have no reason to limit your daily take in an

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1 associated area, that limitation would be fine, but in  
2 a poor gas area, I don't know why it would be necessary.

3 But to answer your question, I have not run it out  
4 on a per day basis.

5 MR. STAMETS: That's all I have.

6 MR. LeMAY: May I ask a question?

7 MR. UTZ: Yes, go ahead.

8 CROSS EXAMINATION

9 BY MR. LeMAY:

10 Q One thing bothers me, and this doesn't pertain to your  
11 case entirely, but the fact that if they could allocate,  
12 well, say 320 acres in a very limited gas field, like the  
13 Sulimar, which is not to date treated as an associated  
14 pool, this withdrawal of rates to be such as to damage  
15 the reservoir, isn't that true, where you have limited  
16 gas wells?

17 A Not necessarily, Bill, because you do have such a small  
18 gas field. There is one well, to my knowledge, that is  
19 today a poor gas well.

20 You are referring to Exhibit 1, the southeast part of  
21 the Section 23. I'm sure there are some other wells that  
22 have some higher ratios, but if you had one well on 320  
23 acres and if you could designate the 320 acres correctly,  
24 it wouldn't damage the reservoir, I don't believe.

25 Q Well, in your proposed rules, I haven't read them, but

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there doesn't seem to be any automatic classification for an associated pool. So, anything outside of a Double L, you would have to go to the Commission? That's correct, this is what happened last time. We wanted to classify it, and it was so done. On a pool-by-pool basis?

Right.

MR. UTZ: Are there any other questions of the witness?

(No response.)

MR. UTZ: Are there any statements in the case?

MR. CHRISTY: At this time we'd like to, before the statements are offered, we'd like to offer Exhibits 1 through 5, with their integral components.

MR. UTZ: Those exhibits will be entered into this case.

MR. CHRISTY: At the conclusion, we are about to conclude, I would like to make a statement.

MR. UTZ: Statements are in order.

MR. CHRISTY: I'd simply like to mention to the Commission, we recognize that the southeast area application, it is unique, we recognize that we do not have as much information as perhaps you would like and perhaps we would like. We would suggest to the Commission that if it saw fit to grant the application, that it might well see fit to make the rules

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1 temporary, for a year or two, and let's see what develops.  
2 And then we could come back to you with more definitive  
3 information as these wells are drilled. We have the possibility  
4 of oil in the area, we think they are dry, but we don't know  
5 until we drill them out. We'd like to drill on 320, instead  
6 of drilling on 160 and it turning out that 320 was correct.  
7 From a waste and correlative rights, we suggest the Commission  
8 that if it consider this application at all, that it might  
9 consider the temporary rules with 320. That's all we have in  
10 this application.

11 MR. UTZ: In Case 4850 we have a letter from Amoco  
12 which states that they have no objection to 320-acre spacing  
13 of the pool.

14 Well, also, in Case 4843, from Amoco, we have a  
15 statement which opposes this designation.

16 I think that it might be well for me to read the  
17 last paragraph, I don't quite understand it myself. We have  
18 the letter here, so we won't need to take it down.

19 (Whereupon, a statement was read into the record.)

20 MR. UTZ: Now, you read that, because I don't think  
21 they understand the application.

22 We will take a ten-minute coffee break.

23 (Whereupon, the hearing was held in recess for ten  
24 minutes.)

25

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1 STATE OF NEW MEXICO )  
2 ) SS  
3 COUNTY OF BERNALILLO )

4 I, JOHN DE LA ROSA, Court Reporter, in and for the County  
5 of Bernalillo, State of New Mexico, do hereby certify that the  
6 foregoing and attached Transcript of Hearing before the New  
7 Mexico Oil Conservation Commission was reported by me; and that  
8 the same is a true and correct record of the said proceedings  
9 to the best of my knowledge, skill and ability.

10 John De la Rosa  
11 COURT REPORTER

22  
23  
24  
25

*[Handwritten signatures and initials]*

I N D E X

	<u>WITNESS</u>	<u>PAGE</u>
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3	LEO LAMPERT	4
4	Direct Examination by Mr. Christy	26
5	Cross Examination by Mr. Utz	29
6	Cross Examination by Mr. Stamets	34
7	Recross Examination by Mr. Utz	36
8	Recross Examination by Mr. Stamets	37
9	Cross Examination by Mr. LeMay	
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E X H I B I T S

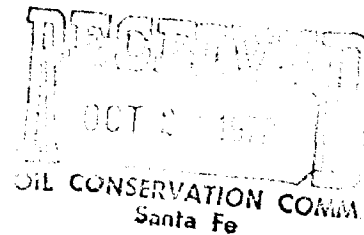
	<u>ADMITTED</u>	<u>OFFERED</u>
Exhibits # 1 - # 5	38	38

dearnley, meier & mc cormick report no. 37000-100

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*File  
Case 4843*

DALPORT OIL CORPORATION  
1134 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401



October 24, 1972

CODE 512-882-7863

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation  
Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: 48-hour flow test  
West Caprock Area  
Chaves County

Dear Sir:

With reference to your letter of October 10, 1972, we flowed the Reading & Bates #1 Terra Federal, sec. 17, 12S-31E for a period of about three hours. Since there is no tubing in the well and we did not have a separator, we decided to take no further tests.

However, we did obtain a flow test on the Reading & Bates #1 R & J Federal, sec. 20, 12S-31E, and copies of the four point and two gas analyses are enclosed. Since there is a wide discrepancy as to nitrogen composition in these two analyses, we are still uncertain as to their exact content.

If more information is desired, please contact me.

Very truly yours,

*Leon M. Lampert*  
Leon M. Lampert

LML:tdt  
Enclosure

cc: Mr. Joe Ramey  
NMOCC  
P. O. Box 1980  
Hobbs, New Mexico 88240

Mr. Jim Knauf  
USGS  
P. O. Drawer U  
Artesia, New Mexico 88210

Mr. Bill Gressett  
NMOCC  
P. O. Drawer DD  
Artesia, New Mexico 88210



# UNITED CHEMICAL CORPORATION

OF NEW MEXICO

P. O. BOX 1499

PHONE 393-7751

HOBBS, NEW MEXICO 88240

No. 2300  
 Run No. \_\_\_\_\_  
 Date of Run 10-8-72  
 Date Secured 10-7-72

## CERTIFICATE OF ANALYSIS

A Sample of R. J. Federal #1  
 Secured from \_\_\_\_\_  
 At \_\_\_\_\_ Secured by Deane Simpson  
 Time \_\_\_\_\_ Date \_\_\_\_\_  
 Sampling conditions \_\_\_\_\_ Press Sec. 20 T 12 S R 31 E  
 Temp. \_\_\_\_\_ Chaves Co., N. M.

### FRACTIONAL ANALYSIS

#### Percentage Composition

	MOL %	LIQ. %	G.P.M.
Carbon Dioxide	Absent		
Air			
Nitrogen	87.56		
Oxygen			
Hydrogen sulfide			
Hydrogen			
Methane	8.94		
Ethane	2.12		
Propane	.83		.228
Butanes			
Iso-Butane	.12		.039
N-Butane	.26		.082
Pentanes			
Iso-Pentane	.05		.018
N-Pentane	.05		.018
Hexanes	.02		.008
Heptanes Plus	.05		.021
TOTAL	100.00		.414

Calc. Sp. Gr. — 0.9431  
 Calc. A.P.I. — \_\_\_\_\_  
 Calc. Vapor Press. — \_\_\_\_\_ PSI  
 Sp. Gr. \_\_\_\_\_  
 Mol. Wt. \_\_\_\_\_

#### LIQUID CONTENT (GAL./MCF)

Propane Calc. G.P.M. .228  
 Butanes Calc. G.P.M. .121  
 Pentanes Plus. G.P.M. .065  
 Ethane Calc. G.P.M. \_\_\_\_\_  
 RVP Gasoline G.P.M. \_\_\_\_\_  
 B.T.U./Cu. Ft. @ 14.696 P.S.I.A.  
 Dry Basis 168  
 Wet Basis 165  
 Sulfur Analysis by Titration  
 Gr./100 Cu. Ft. Tutweiler 8 Gr.  
 Hydrogen Sulfide \_\_\_\_\_  
 Mercaptans \_\_\_\_\_  
 Sulfides \_\_\_\_\_  
 Residual Sulfur \_\_\_\_\_  
 Total Sulfur \_\_\_\_\_

Run by Deane Simpson Checked by FBZ Approved by F. B. Foster

Additional Data and Remarks

\_\_\_\_\_  
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 \_\_\_\_\_  
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NEW MEXICO OIL CONSERVATION COMMISSION  
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Form C-122  
Revised 9-1-65

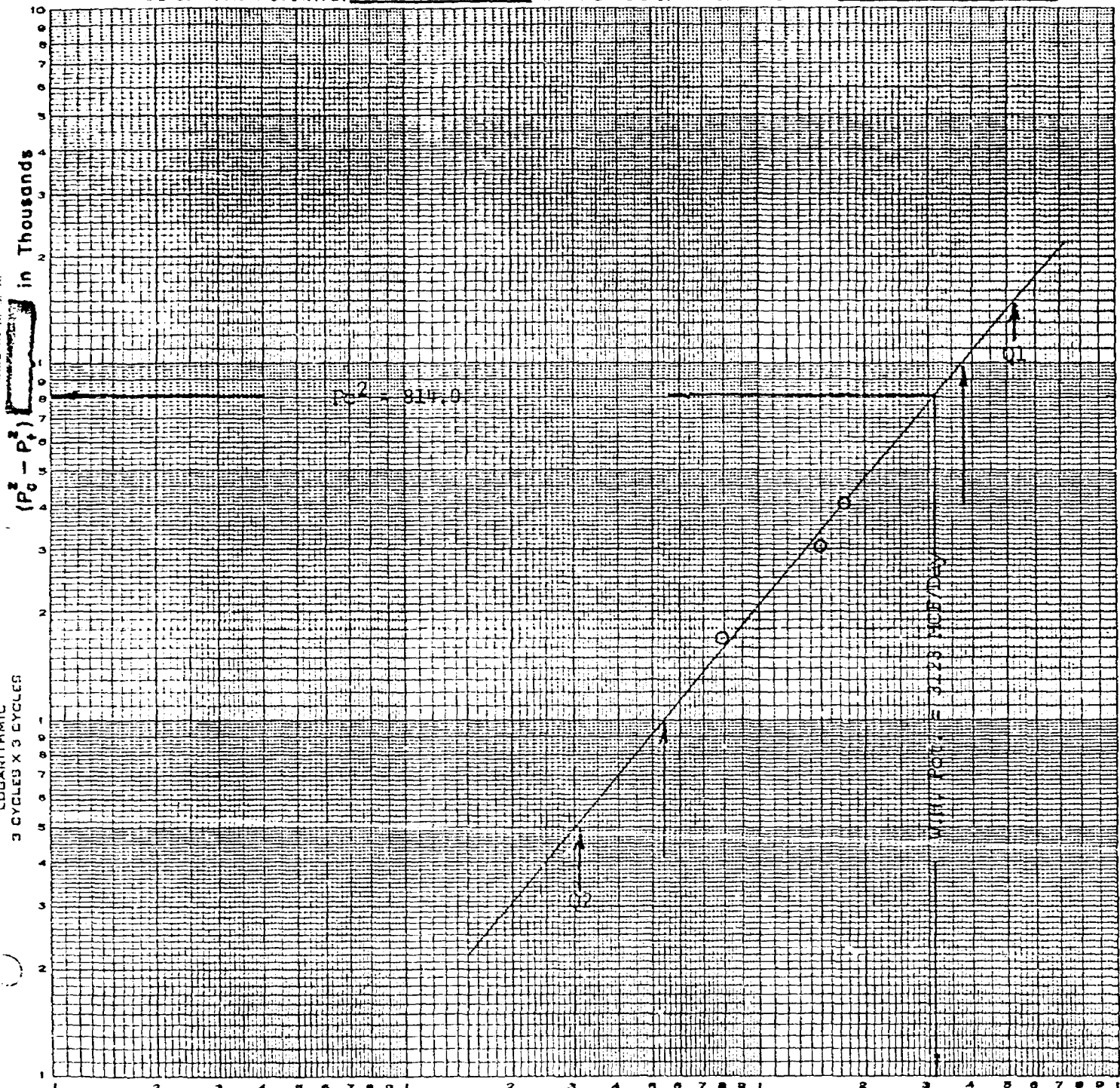
Type Test <input type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special		Test Date 10-7-72
Company Reading & Bates For Dalport Oil Corp.		Connection
Pool		Formation
Completion Date 12-30-70	Total Depth	Plug Back TD 2640
		Elevation 4143 KB
		Farm or Lease Name R & J Federal
		Well No. 1
Csq. Size 4 1/2	Wt.	Set At
		Perforations: From 2604 To 2609
Tbg. Size	Wt.	Set At
		Perforations: From To
Type Well - Single - Fractured - G.G. or G.O. Multiple Single		Packer Set At
		County Chaves
		State New Mexico
Producing Thru Tubing	Reservoir Temp. °F	Mean Annual Temp. °F
	60	60
		Base. Press. - P <sub>a</sub> 13.2
		% H <sub>2</sub> S
		4" owt
		Meter Run
		Taps
FLOW DATA		TUBING DATA
L	H	Press. p.s.i.g.
		Temp. °F
		Press. p.s.i.g.
		Temp. °F
		Duration of Flow
		2 Years
NO.	Prover Line Size	X
	Orifice Size	Press. In. Hg.
		Diff. hw
		Temp. °F
		Est.
1.	4" owt X 2.00	7.3
2.	4" owt X 2.00	22.5
3.	4" owt X 2.00	28.5
4.		
5.		
RATE OF FLOW CALCULATIONS		
NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$
		Pressure P <sub>m</sub>
		Flow Temp. Factor Fl.
		Gravity Factor F <sub>g</sub>
		Super Compress. Factor, F <sub>pv</sub>
		Rate of Flow Q, Mcfd
1		1.000
2		1.000
3		1.000
4		1.000
5		1.000
Gas Liquid Hydrocarbon Ratio		
A.P.I. Gravity of Liquid Hydrocarbons		
Specific Gravity Separator Gas		
Specific Gravity Flowing Fluid		
Critical Pressure		
Critical Temperature		
NO.	P <sub>r</sub>	Temp. °R
		T <sub>r</sub>
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$(1) \frac{P_c^2}{P_e^2 - P_w^2} = 2.0335$ $(2) \left[ \frac{P_c^2}{P_e^2 - P_w^2} \right]^n = 1.8230$		
NO.	P <sub>e</sub>	P <sub>w</sub>
	P <sub>e</sub> <sup>2</sup>	P <sub>w</sub> <sup>2</sup>
	P <sub>e</sub> <sup>2</sup> - P <sub>w</sub> <sup>2</sup>	P <sub>e</sub> <sup>2</sup> - P <sub>w</sub> <sup>2</sup>
1	813.2	645.1
2	713.2	508.7
3	643.2	413.7
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5		
W.H. Pot $\left[ \frac{P_e^2}{P_e^2 - P_w^2} \right]^n = 3,123$		
Well head potential 3,123 Mcfd @ 15.025		
Angle of Slope θ 49.8°		
W.H. Slope, n 0.846		
Remarks:		
Approved By Commission:	Conducted By: G.J.P.	Checked By: J.W.W.
	Calculated By: R.L.W.	

### BACK PRESSURE CURVE

Operator Reading & Bates  
 For Dalport Oil Corp. Lease R & J Federal Well No. 1  
 County Chaves Field \_\_\_\_\_ Location Sec 20, T12S, R31E  
 Date of Test 10-7-72 Slope "n" 0.846 W.H. 3,123 Abs. \_\_\_\_\_  
 Calc. W.H. Potential 3,123 MCF/D Calc. Abs. Potential \_\_\_\_\_ MCF/D

EUGENE DIETZGEN CO.  
MADE IN U.S.A.

NO. 341-L33 DIETZGEN GRAPH PAPER  
LOGARITHMIC  
3 CYCLES X 3 CYCLES



$Q$  in MCF/Day 3,123

Slope (n)  $Q_1 = 3750 = 7.5740313$       W.H. Pot. =  $1713 \left( \frac{814.0}{400.3} \right)^{.846} = 3,123$   
 $Q_2 = 535 = 6.7283538$   
 $\frac{6.7283538}{0.8456775}$



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

October 10, 1972

GOVERNOR  
BRUCE KING  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Dalport Oil Corporation  
1134 The 600 Building  
Corpus Christi, Texas 78401

Attention: Mr. Leon M. Lampert

Re: Proposed 48-hour Flow Tests

Gentlemen:

Reference is made to your letter dated October 5, 1972, requesting authority to produce the Reading & Bates Terra Federal No. 1 and the Reading & Bates R & J Federal No. 1, located in Sections 17 and 20, respectively, of Township 12 South, Range 31 East, Chaves County, New Mexico, for a period of 48 hours, during which time approximately 25 million cubic feet of high nitrogen content gas would be flared from the two wells and three objectives obtained: clean-up of the wells to obtain a pure sample of reservoir gas for analysis, a good open-flow potential on each well, and a 4-point test on each after stabilization of flow.

In view of the unique conditions involved in this area and the necessity of gathering as much data as possible to evaluate the feasibility of further development in the area and installation of gas gathering, treating, and transportation facilities, Dalport is hereby authorized to produce the above-described wells to the atmosphere for not to exceed 48 hours, provided that the gas analyses, open-flow potentials and 4-point tests shall be filed with the Commission.

Consent of the U.S.G.S. should also be obtained before conducting the tests.

Very truly yours,

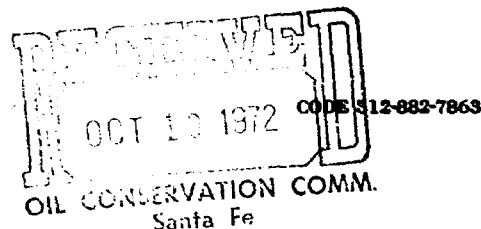
A. L. PORTER, Jr.  
Secretary-Director

ALP/DSN/dr

cc: U. S. Geological Survey - Roswell  
Oil Conservation Commission - Hobbs  
Oil Conservation Commission - Artesia  
Gas Proration Department - Santa Fe

DALPORT OIL CORPORATION  
1134 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401

October 5, 1972



Mr. Elvis Utz  
NMOCC  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: Request to Take 4-Point Tests  
West Caprock Area

Dear Sir:

Dalport wishes to take 48-hour 4-point tests on the following shut-in Queen gas wells:

Reading and Bates (Stringer) #1 Terra Federal  
Sec. 17, 12S-31E, completed on 8-30-70

Reading and Bates #1 R&J Federal  
Sec. 20, 12S-31 E, completed on 12-30-70

Due to the high nitrogen content of Queen gas in this area and the possibility that such gas is non-commercial, we wish to obtain gas analyses from pure formation gas. In order to secure such a sample, we feel that the wells should be flowed about 48 hours before the tests are taken. Total gas production during the two-day period would be approximately 25 million cubic feet.

At the same time, we wish to obtain open flow potentials to compare with those taken when the wells were initially shut in.

Therefore, we respectfully request permission to take 48-hour 4-point flow tests on the above wells.

Very truly yours,

  
Leon M. Lampert

cc: Mr. Joe Ramey  
NMOCC  
P. O. Box 1980  
Hobbs, New Mexico 88240

Mr. Bill Gressett  
NMOCC  
Drawer DD  
Artesia, New Mexico 88210

dearnley, meier & mc cormick report on services, Inc.

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE ROOM, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

October 17, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Dalport Oil  
Corporation for designation of  
a special gas area and special  
rules, Chaves County, New Mexico.

Case No. 4843.

BEFORE: Richard L. Stamets,  
Examiner.

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick

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1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87106

1 MR. STAMETS: Case 4843.  
2 MR. HATCH: Case 4843: Application of Dalport Oil  
3 Corporation for designation of a special gas area and special  
4 rules, Chaves County, New Mexico.  
5 The Applicant has requested the case be continued  
6 to November 1st.  
7 MR. STAMETS: Case 4843 will be continued to  
8 November 1st.  
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dearnley, meier & mc cormick reporting company

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1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87101

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO ) SS

3  
4 I, RICHARD E. McCORMICK, a Certified Shorthand  
5 Reporter, in and for the County of Bernalillo, State of New  
6 Mexico, do hereby certify that the foregoing and attached  
7 Transcript of Hearing before the New Mexico Oil Conservation  
8 Commission was reported be me; and that the same is a true  
9 and correct record of the said proceedings to the best of  
10 my knowledge, skill and ability.

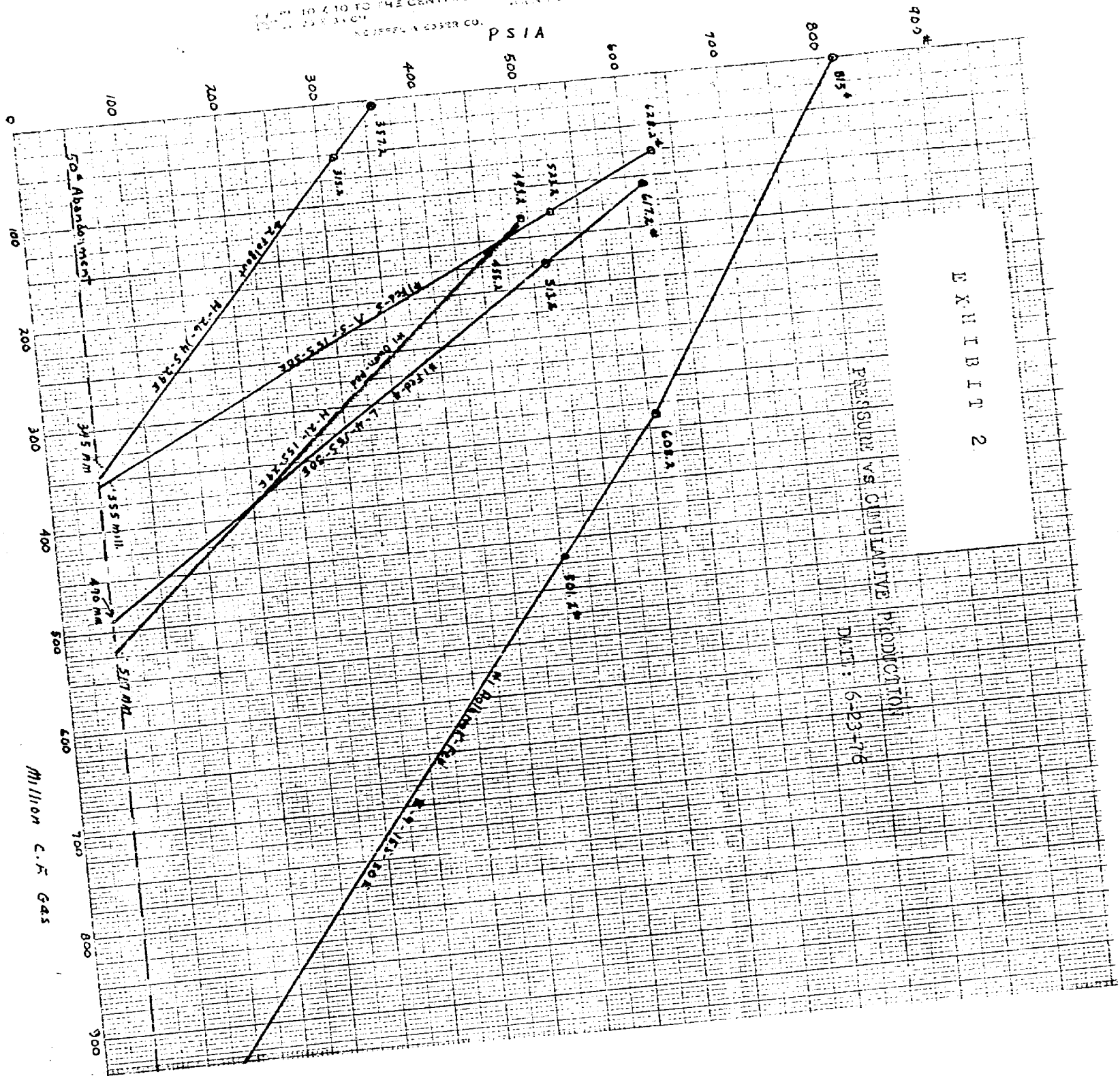
11  
12 *Richard E. McCormick*

13 CERTIFIED SHORTHAND REPORTER

14  
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22 I do hereby certify that the foregoing is  
23 the true and correct transcript of the  
24 hearing of the New Mexico Oil Conservation  
25 Commission held at Albuquerque, New Mexico, on  
the 11th day of April, 1943.  
Richard E. McCormick, Reporter  
New Mexico Oil Conservation Commission



SCALE 10 X 10 TO THE CENTIMETER 47 1512  
 MADE IN U.S.A.  
 WILCOX & COSSER CO.



BEFORE EXAMINER STATES  
 OIL CONSERVATION COMMISSION  
 DOCKET NO. 2, 3, 4, 5  
 CASE NO. 4843  
 Applicant  
 Hearing Date 6/23/76

DATE: 6-23-76

SOUTHEAST CHAVES GAS AREA  
PRODUCTION - PRESENT VALUE OF FUTURE INCOME  
320 ACRE SPACING (AVERAGE WELL)

<u>Year</u>	<u>Production MCF</u>	<u>Income*</u>	<u>Expense</u>	<u>Net Income</u>	<u>8 1/2% Discount Factor</u>	<u>Present Value Net Income</u>	<u>Invest- ment</u>	<u>Cumulative Present Net Worth</u>
1	310,000	\$ 49,600	\$ 1,800	\$ 47,800	.96003	\$ 45,889	\$50,000	\$(4,111)
2	180,000	28,800	1,800	27,000	.88482	23,890		19,779
3	98,000	15,680	1,800	13,880	.81550	11,319		31,098
4	80,000	12,800	1,800	11,000	.75162	8,268		39,366
5	57,000	10,260	1,800	8,460	.69273	5,860		45,226
6	40,000	7,200	2,200	5,000	.63846	3,192		48,418
7	32,000	5,760	2,200	3,560	.58845	2,095		50,513
8	22,000	3,960	2,200	1,760	.54235	955		51,468
9	<u>20,000</u>	<u>3,600</u>	<u>2,200</u>	<u>1,400</u>	.49986	<u>700</u>		52,168
<b>Total</b>	<b>839,000</b>	<b>\$137,660</b>	<b>\$15,600</b>	<b>\$119,860</b>		<b>\$101,468</b>		

PRESENT NET WORTH \$52,168

\* 1-4 years, gross 51.5¢/MCF X  $\frac{450 \text{ BTU}}{1,000}$  = 23¢/MCF  
 NET 16¢/MCF to .75 WI after 7% tax  
 5-9 years, gross 56¢/MCF X  $\frac{450 \text{ BTU}}{1,000}$  = 25¢/MCF  
 NET 18¢/MCF to .75 WI after 7% tax

NOTE: PRESENT NET WORTH \$104,336  
 FOR TWO WELLS ON  
 ONE SECTION

$\frac{\text{Net Profit}}{\text{Investment}} \text{ Ratio} = \frac{\$52,168}{50,000} = 1.04 \text{ to } 1$

EXHIBIT 4  
 DATE: 6-23-76

SOUTHEAST CHAVES GAS AREA  
PRODUCTION - PRESENT VALUE OF FUTURE INCOME  
160 ACRE SPACING (AVERAGE WELL)

<u>Year</u>	<u>Production MCF</u>	<u>Income*</u>	<u>Expense</u>	<u>Net Income</u>	<u>8½% Discount Factor</u>	<u>Present Value Net Income</u>	<u>Invest- ment</u>	<u>Cumulative Present Net Worth</u>
		\$24,000	\$ 1,800	\$22,200	.96003	\$21,313	\$50,000	\$(28,687)
1	150,000							(14,353)
2	112,500	18,000	1,800	16,200	.88482	14,334		( 4,812)
3	84,375	13,500	1,800	11,700	.81550	9,541		1,445
4	63,281	10,125	1,800	8,325	.75162	6,257		5,181
5	47,461	7,594	2,200	5,394	.69273	3,736		7,640
6	35,596	6,051	2,200	3,851	.63846	2,459		9,016
7	<u>26,697</u>	<u>4,538</u>	<u>2,200</u>	<u>2,338</u>	.58845	<u>1,376</u>		
Total	519,910	\$83,808	\$11,600	\$70,008		\$59,016		

PRESENT NET WORTH (before salvage) \$ 9,016

\* 1-4 years, gross 51.5¢/MCF X  $\frac{450 \text{ BTU}}{1,000} = 23\text{¢/MCF}$   
 NET 16¢/MCF to .75 WI after 7% tax

\* 5-6 years, gross 54¢/MCF X  $\frac{450 \text{ BTU}}{1,000} = 24.3\text{¢/MCF}$   
 NET 17¢/MCF to .75 WI after 7% tax

NOTE: PRESENT NET WORTH FOR  
4 WELLS ON ONE SECTION \$ 36,064

$\frac{\text{Net Profit}}{\text{Investment}} \text{ Ratio} = \frac{\$ 9,016}{50,000} = .18 \text{ to } 1$

DALPORT OIL CORPORATION  
1134 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401

June 23, 1976

CODE 512-882-7863

EXHIBIT 5

RECOMMENDATIONS

SOUTHEAST CHAVES GAS AREA

Case #4843, Order #P-4435

Rule 6 A gas well to have a gas liquid ratio of 100,000-1, rather than 30,000-1. Such a change is necessary because low gas price in area (25¢ net) causes oil to be much more valuable than gas; therefore, State-wide 100,000-1 ratio should be used.

Rule 8 Delete completely. Gas-liquid tests are difficult to take on gas wells since gas is being transported from wellhead directly to pipe line. Also, all gas is dry with no oil, unless near a gas-oil contact. If a well is to be reclassified from gas to oil or oil to gas, then a gas liquid test is to be taken.

Adopt permanent field rules for the Southeast Chaves Gas Area.

JAMES T. JENNINGS  
SIM B. CHRISTY IV  
ROGER L. COPPLE  
BRIAN W. COPPLE

LAW OFFICES OF  
**JENNINGS, CHRISTY & COPPLE**  
1012 SECURITY NATIONAL BANK BUILDING  
P. O. BOX 1180  
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432  
AREA CODE 505

September 26, 1972

*4843*

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

RECEIVED  
SEP 27 1972  
OIL CONSERVATION COMM.  
Santa Fe

Attention: A. L. Porter, Jr.

Gentlemen:

We enclose herewith Applications by Dalport Oil Corporation  
for:

1. Amendment to the Special Rules and Regulations for the  
Double L-Queen Associated Pool.

2. Establishment of the Southeast Chaves Queen Gas Area.

both in Chaves County, New Mexico.

It would be appreciated if these cases might be set on the  
next available Examiner's Docket and that the cases be heard con-  
secutively or concurrently.

Respectfully,

JENNINGS, CHRISTY & COPPLE

By

*S. B. Christy IV*  
S. B. Christy IV

SBC:pv  
Encls.

cc: Dalport Oil Corporation (Dallas)  
cc: Dalport Oil Corporation (Corpus Christi)

DOCKET MAILED

Date 11-15-74

*for 100.20*

*107872*

Docket No. 32-74

Dockets Nos. 1-75 and 2-75 are tentatively set for hearing on January 8, and January 22, 1975. Application for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - NOVEMBER 26, 1974

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

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

CASE 5081: (Reopened) (Continued from the November 13, 1974, Examiner Hearing)

In the matter of Case 5081 being reopened pursuant to the provisions of Order No. R-4657, which order established temporary special rules and regulations for the North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico, including a provision for 160-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing and proration units.

CASE 5082: (Reopened) (Continued from the November 13, 1974, Examiner Hearing)

In the matter of Case No. 5082 being reopened pursuant to the provisions of Order No. R-4658, which order established temporary special pool rules for the North Shoe Bar-Strawn Pool, Lea County, New Mexico, including a provision for 160-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing and proration units.

CASE 5367: (Continued from the November 13, 1974, Examiner Hearing)

Application of Yates Petroleum Corporation for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Hornbaker BA Well No. 1, located in Unit G of Section 25, Township 18 South, Range 25 East, Penasco Draw Yeso-San Andres Pool, Eddy County, New Mexico, to dispose of produced salt water into the Yeso and San Andres formations through the perforated intervals from 1400 to 2480 feet. Applicant further seeks an administrative procedure for approval of additional salt water disposal into the Yeso and San Andres formations in the subject pool without notice and hearing.

CASE 4843: (Reopened)

In the matter of Case No. 4843 being reopened pursuant to the provisions of Order No. R-4435, which order established the south-east Chaves Queen Gas Area and promulgated special rules and regulations therefor, including a provision for 320-acre spacing units for gas wells. All interested parties may appear and show cause why said Order No. R-4435 should not be rescinded.

CASE 5373: Application of Monsanto Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to test the Morrow formation at a point 660 feet from the North and West lines of Section 18, Township 23 South, Range 25 East, Rock Tank Gas Field, Eddy County, New Mexico.

CASE 5368: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the contraction of the vertical limits of the Jalmat Gas Pool underlying the Langlie Jal Unit Area in all or portions of Sections 31 and 32, Township 24 South, Range 37 East, and Sections 4, 5, 6, 8, 9, and 17, Township 25 South, Range 37 East, Lea County, New Mexico, to delete the Seven Rivers formation from said pool, and for the extension of the vertical limits of the Langlie-Mattix Pool underlying said area to include therein all of the Seven Rivers formation.

CASE 5369: Application of Texas Pacific Oil Company, Inc., for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Tidwell No. 1 Well, located 990 feet from the South line and 660 feet from the East line of Section 22, Township 17 South, Range 26 East, Kennedy Farms-Morrow Gas Pool, Eddy County, New Mexico, the E/2 of said Section 22 to be dedicated to the well.

CASE 5370: Application of American Quasar Petroleum Co. of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Tippin Ranch Unit Area comprising 3840 acres, more or less, of Federal, State, and fee lands in Township 23 South, Range 23 East, Eddy County, New Mexico.

CASE 5371: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its South Hobbs Unit Area comprising 5074 acres, more or less, of State and Fee lands in Townships 18 and 19 South, Range 38 East, Lea County, New Mexico.

CASE 5372: Application of Amoco Production Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its South Hobbs Unit by the injection of water into the Grayburg and San Andres formations through 45 injection wells in Sections 3, 4, 5, 6, 8, 9, 10, 15, and 16, Township 19 South, Range 38 East, Lea County, New Mexico, and the promulgation of special rules therefor including, among other things, an administrative procedure whereby the project may be expanded by the drilling or conversion of additional injection wells without further notice and hearing.

CASE 5374: Application of Continental Oil Company for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 23, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to its Meyer B-23 Wells Nos. 1, 2, 3, and 4, located at unorthodox locations in Units C, O, E, and G, respectively, of said Section 23.

Examiner Hearing - Tuesday - November 26, 1974

Docket No. 32-74

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CASE 5375: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Storey Well No. 4, located in Unit B of Section 34, Township 28 North, Range 8 West, San Juan County, New Mexico.

CASE 5376: Application of McClellan Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ishie Lake Unit Area comprising 3,404 acres, more or less, of Federal, State, and fee lands in Township 16 South, Ranges 28 and 29 East, Eddy County, New Mexico.

Docket No. 33-74

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 12, 1974

1:30 P.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

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

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for January, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for January, 1975.



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

November 20, 1974

Case 4843

C  
O  
P  
Y

Farrell L. Lines, Esq.  
Lamb, Metzgar, Franklin & Lines P.A.  
500 Second Street, N.W.  
Albuquerque, New Mexico 87101

Dear Farrell:

Enclosed is a copy of the docket for the Commission's November 26, 1974, hearing and a copy of Order No. R-4435.

As you will note from the docket, Mr. Grace only needs to appear at the hearing and he will be permitted to put on whatever testimony he cares to on any matter within the call of the case.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr  
encls.

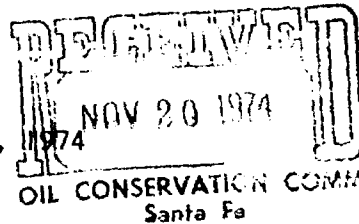
*Lamb, Metzgar, Franklin & Lines P.A.*

ATTORNEYS AND COUNSELLORS AT LAW

500 SECOND STREET NW  
ALBUQUERQUE, NEW MEXICO 87101  
TELEPHONE (505) 247-0107

LARRY L. LAMB  
BERNARD P. METZGAR  
NICK FRANKLIN  
FARRELL L. LINES

November 19, 1974



Mr. William Carr  
Oil Conservation Commission  
Santa Fe, New Mexico 87501

Dear Bill:

I received a call from Mike Grace yesterday inquiring about your hearing set for November 26. He is specifically interested in Case No. 4843 and wants to know what he needs to do to be allowed to get in that.

Since I don't have the hearing schedule and don't know what it is about, I would appreciate your sending me whatever information I need and we can then be in telephone contact to see what we can do.

I appreciate your assistance,

Very truly yours,

A handwritten signature in cursive script that reads "Farrell".

Farrell L. Lines

FLL:ml

DALPORT OIL CORPORATION  
1134 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401

November 1, 1972

CODE 512-882-7863

PROPOSED 320 ACRE/WELL SPACING  
Southeast Chaves Gas Area  
Chaves County, New Mexico

There are six parallel Queen gas reservoirs in the Southeast Chaves Area, each being separated from the other by tight red or gray sand. Due to high nitrogen content of the gas (62% - 70%), gas companies have not been interested in these gas reserves, and if gas-gathering facilities would ever be constructed, this gas would be sold for approximately 12¢ per MCF, well below current prices.

Queen gas has been produced in the West Mesa Field, Lea and Eddy Counties, since 1964. In this field four gas wells were drilled on 160 acre spacing in Sec. 13, 16S-31E. Ultimate reserves from these wells will be 2,959,455 MCF, yielding 739,000 MCF and \$23,394 profit per well. This compares to Sec. 7, 16S-32E, where two wells that are drilled on 320 acre spacing will produce 2,928,590 MCF, or 1,464,000 MCF and \$72,986 profit per well. Therefore, profit per section on 160 acre and 320 acre spacing is \$93,576 and \$145,972, respectively.

Core data in the West Caprock gas area show average permeability of 66 md and porosity of 20.3%. In the Double L Field permeability is 121 md and porosity is 21.8%. With high permeabilities exhibited in this area a well would adequately drain 320 acres and no economic waste would occur. If operators are forced to drill on 160 acre spacing, fewer wells will be drilled due to the resulting smaller profit.

We respectfully request adoption of 320 acre spacing in the high nitrogen gas area of southeast Chaves County, New Mexico.

DALPORT OIL CORPORATION

  
\_\_\_\_\_  
Leon M. Lampert

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE 4352 BEING REOPENED  
BY THE OIL CONSERVATION COMMISSION UPON  
ITS OWN MOTION TO GIVE ALL INTERESTED  
PERSONS AN OPPORTUNITY TO APPEAR AND  
PRESENT EVIDENCE TO WHETHER THE DOUBLE  
L-QUEEN AND SUBLE-QUEEN POOLS, CHAVES  
COUNTY, NEW MEXICO, ARE IN FACT SEPARATE  
RESERVOIRS OR ONE COMMON RESERVOIR.

CASE NO. 4352  
Order No. R-3981-A

NOMENCLATURE

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 30, 1971,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of August, 1971, 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,

FINDS:

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

(2) That Order No. R-3802, dated August 1, 1969, created  
the Double L-Queen Pool, Chaves County, New Mexico.

(3) That Order No. R-3981, dated June 18, 1970, issued  
in Case No. 4352, created the Suble-Queen Gas Pool, Chaves  
County, New Mexico.

(4) That Case No. 4352 was reopened by the Oil Conservation  
Commission on its own motion to give all interested persons an  
opportunity to appear and present evidence as to whether or not  
the Double L-Queen Pool and Suble-Queen Gas Pool, Chaves County,  
New Mexico, are in fact separate reservoirs or one common reser-  
voir and, further, in the event it was found that the two pools  
comprised one common reservoir, for the Commission to consider

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CASE NO. 4352  
Order No. R-3981-A

the adoption of special rules and regulations to provide for the classification of oil and gas wells, spacing and well location requirements for oil and gas wells, and an allocation formula for withdrawals from the gas wells and oil wells.

(5) That the evidence establishes that the Suble-Queen Gas Pool is not a separate common source of supply but is an extension of the Double L-Queen Pool.

(6) That while the said Double L-Queen Pool is presently classified as an oil pool, the evidence adduced indicates it is, in fact, an associated oil and gas reservoir.

(7) That the Double L-Queen (Oil) Pool and the Suble-Queen Gas Pool should be abolished.

(8) That a new pool in Chaves County, New Mexico, classified as an associated pool for the production of oil and gas from the Queen formation and designated the Double L-Queen Associated Pool should be created and Special Rules and Regulations should be promulgated therefor.

(9) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 160-acre spacing, and that the oil area can be efficiently and economically drained and developed on 40-acre spacing.

(10) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(11) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 2000 cubic feet of gas per barrel of liquid hydrocarbons.

(12) That special rules and regulations providing for 160-acre gas well spacing and 40-acre oil well spacing should be promulgated for the subject pool in order to 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, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

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CASE NO. 4352  
Order No. R-3981-A

(13) That the special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for a gas-liquid ratio of 2000 cubic feet of gas per barrel of liquid hydrocarbons in order to afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil or gas, or both, and for this purpose to use his just and equitable share of the reservoir energy.

(14) That the temporary special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective September 1, 1971, the Double L-Queen (Oil) Pool and the Suble-Queen Gas Pool, both in Chaves County, New Mexico, are hereby abolished.

(2) That effective September 1, 1971, a new pool in Chaves County, New Mexico, classified as an associated pool for the production of oil and gas from the Queen formation, is hereby created and designated the Double L Queen Associated Pool, with vertical limits comprising the Queen formation and horizontal limits comprising the following-described area:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM

Section 23: SE/4 SE/4  
Section 24: SW/4 SW/4  
Section 25: NW/4, E/2 SW/4, and SW/4 SE/4  
Section 36: NE/4 NW/4, NE/4, N/2 SE/4, and SE/4 SE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM

Section 31: S/2 NW/4 and S/2

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM

Section 1: E/2 E/2  
Section 12: E/2 and SW/4  
Section 13: NW/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM

Section 6: N/2 and SW/4  
Section 7: W/2

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CASE NO. 4352

Order No. R-3981-A

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. Commission District supervisors may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's district office is hereby authorized

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CASE NO. 4352  
Order No. R-3981-A

to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the



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CASE NO. 4352

Order No. R-3981-A

well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Double L-Queen Associated Pool or in the Queen formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location

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CASE NO. 4352  
Order No. R-3981-A

shall notify the appropriate district office of the Commission in writing of the name and location of the well on or before September 1, 1971.

(2) That all operators shall, prior to September 1, 1971, file with the Commission Form C-102 for each well showing the acreage dedicated to the well.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/



D. L. Ray  
Division Engineer

October 27, 1972

File: AWR-986.51NM-4324

Re: Case No. 4843  
Special Gas Area Rules  
Chaves County, New Mexico

Mr. A. L. Porter, Jr.,  
Secretary-Director  
Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

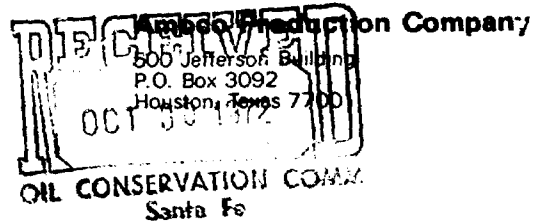
Case No. 4843 is the application of Dalport Oil Corporation scheduled to be held at the Examiner Hearing November 1, 1972, to designate a special gas area with special rules in Chaves County, New Mexico. It is our understanding that Dalport seeks the designation of over 300 Sections as the Southeast Chaves Queen Gas Area and seeks rules providing for 320-acre spacing for Queen Gas in that area.

Amoco Production Company, as operator of a large amount of acreage in the area covered by this application, opposes this designation. Amoco strongly feels that ample provision is made in existing rules of the N.M.O.C.C. to provide the opportunity for an operator to obtain 320-acre spacing for Queen Gas upon discovery of a new pool. We feel that spacing prior to the discovery of a pool for a single shallow horizon and for one product could cause a multitude of problems. For example, an exploratory well drilled on a 320-acre spacing unit might encounter production from the Queen formation but be an oil well, leaving the owners of that well with a unit inappropriate to spacing for the product discovered. Amoco Production Company strongly recommends that this application be denied.

Very truly yours,

*D. L. Ray*  
e.d.

DRC:as




*Mr. Porter -  
please note -  
d*

Case 4843  
Hazard 11-1-72  
Recd 11-3-72

Grant Halpinto request for  
a SF check Gas Cap + spacing  
rules.

This gas is 60-70% Nitrogen  
and this authority will assist  
operators to get an outlet for  
this gas.

Grant a 1 yr. temp.  
order - 

Dockets Nos. 19-76 and 20-76 are tentatively set for hearing on July 7 and July 21, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 23, 1976

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

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

CASE 5689: (Continued from June 9, 1976 Examiner Hearing)

Application of Dalport Oil Corporation for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jones Federal Well No. 4 to be drilled 990 feet from the South line and 1477 feet from the West line of Section 22, Township 15 South, Range 29 East, South Lucky Lake-Queen Pool, Chaves County, New Mexico.

CASE 4843: (Reopened) (Continued from June 9, 1976 Examiner Hearing)

In the matter of Case 4843 being reopened pursuant to the provisions of Order No. R-4435-A, which order extended the special pool rules for the Southeast Chaves Queen Gas Area, Chaves County, New Mexico, including a provision for 320-acre spacing and proration units for gas wells. All interested parties may appear and show cause why said Order No. R-4435 should not be rescinded.

CASE 5695: Application of Yates Petroleum Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its J Lazy J Well No. 13, to be drilled as the 5th well on the 40-acre tract, in the center of Unit G, of Section 22, Township 17 South, Range 25 East, Eagle Creek-San Andres Pool, Eddy County, New Mexico.

CASE 5696: Application of Yates Petroleum Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Eagle Creek-San Andres Pool by the injection of water into the San Andres formation through its J Lazy J Wells Nos. 3, 6, 9, and 11, all located in Unit G of Section 22, Township 17 South, Range 25 East, Eddy County, New Mexico.

CASE 5697: Application of Elk Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northeast Kernitz Unit Area comprising 3520 acres, more or less, of State land in Township 16 South, Range 34 East, Lea County, New Mexico.

CASE 5698: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Blanco Mesaverde gas production in the wellbore of its San Juan 23-7 Unit Well No. 82 located in Unit A of Section 4, Township 27 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 5699: Application of Dalport Oil Corporation for an exception to the provisions of Order No. R-3221, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Jones-Federal Well No. 3 located in Unit K of Section 22, Township 15 South, Range 29 East, South Lucky Lake-Queen Pool, Chaves County, New Mexico.

CASE 5700: Application of Morris R. Antwell for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 24, Township 20 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a proposed gas well to be drilled at an orthodox location in the S/2 of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5701: Application of Arako, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres, Abco and Luddick formations through the perforated interval from approximately 5845 feet to 6480 feet and the open-hole interval from approximately 6528 feet to 6900 feet in its State SWD Well No. 2, located in Unit F of Section 2, Township 17 South, Range 36 East, Lovington Field, Lea County, New Mexico.

CASE 5702: Application of Cities Service Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Tubb Gas Pool and Drinkard Oil Pool production in the wellbore of its Brunson "B" Well No. 7 located in Unit N of Section 3, Township 22 South, Range 37 East, Lea County, New Mexico.

case 4843

DALPORT OIL CORPORATION  
1124 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401

RECEIVED  
JUN - 7 1976  
OIL CONSERVATION COMM.  
Santa Fe

CODE 512-682-7863

June 1, 1976

Mr. Bill Carr  
NMOCC  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: Southeast Chaves Gas  
Area, Chaves County, N.M.  
Case No. 4843

Dear Sir:

Pursuant to our recent telephone conversation,  
please place the above case concerning temporary field  
rules and 320-acre spacing on your June 23, 1976, docket.

Thank you for your kind attention to this matter.

Very truly yours,

*Leon M. Lampert*  
Leon M. Lampert

LML/jb

JAMES T. JENNINGS  
SIM B. CHRISTY IV  
BRIAN W. COPPLE  
ROBERT G. ARMSTRONG

LAW OFFICES OF  
**JENNINGS, CHRISTY & COPPLE**  
1012 SECURITY NATIONAL BANK BUILDING  
P. O. BOX 1180  
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432  
AREA CODE 505

June 1, 1976

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

Attention: Mr. Joe Ramey  
Secretary-Director

Gentlemen:

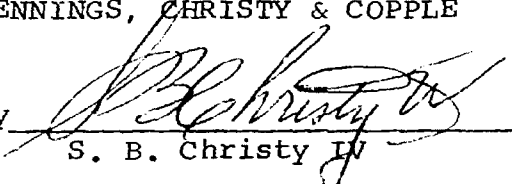
We represent Dalport Oil Corporation, and in connection with Case 4843 set for Examiner Hearing Wednesday, June 9, 1976, we understand that the case will be continued until Wednesday, June 23, 1976.

If we are incorrect in this assumption, we would appreciate a telephone call.

Respectfully,


JENNINGS, CHRISTY & COPPLE

BY

  
S. B. Christy IV

SBC:pv

cc: Dalport Oil Corporation (Corpus Christi)



Dockets Nos. 17-76 and 18-76 are tentatively set for hearing on June 16 and June 23, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 9, 1976

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

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

CASE 5690: Application of Mobil Oil Corporation for amendment of Order No. R-5120, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-5120, which order provided for the simultaneous dedication of a 320-acre non-standard gas proration unit, comprising the W/2 SW/4 and SE/4 SW/4 of Section 28 and the NW/4 and the SW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Dumont Gas Pool, Lea County, New Mexico, to applicant's E. O. Carson Wells Nos. 4 and 22, located at unorthodox locations in Units N and L, respectively, of said Section 28. Applicant seeks amendment of said Order No. R-5120 by authorizing the simultaneous dedication of said unit to the previously approved E. O. Carson Wells Nos. 4 and 22 and to its E. O. Carson Well No. 23 located 1980 feet from the North line and 2640 feet from the West line of Section 33, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 5689: Application of Dalport Oil Corporation for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jones Federal Well No. 4 to be drilled 990 feet from the South line and 1477 feet from the West line of Section 22, Township 15 South, Range 29 East, South Lucky Lake-Queen Pool, Chaves County, New Mexico.

CASE 4843: (Reopened)

In the matter of Case 4843 being reopened pursuant to the provisions of Order No. R-4435-A, which order extended the special pool rules for the Southeast Chaves Queen Gas Area, Chaves County, New Mexico, including a provision for 320-acre spacing and proration units for gas wells. All interested parties may appear and show cause why said Order No. R-4435 should not be rescinded.

CASE 5691: Application of Hanson Oil Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the North line and 2600 feet from the West line of Section 25, Township 26 South, Range 31 East, North Mason-Delaware Pool, Eddy County, New Mexico.

CASE 5692: Application of Cities Service Oil Company for a dual completion and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Owen "A" Well No. 1 located in Unit P of Section 35, Township 21 South, Range 37 East, Lea County, New Mexico, completing said well in such a manner as to commingle Blinbery and Drinkard oil production and to dually complete said zones with the Wantz-Granite Wash Pool.

CASE 5670: (Continued from May 12, 1976 Examiner Hearing)

Application of Read & Stevens, Inc. for an unorthodox location and directional drilling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to deviate its Harris-Federal Well No. 3, the surface location of which is 660 feet from the South line and 1930 feet from the East line of Section 27, Township 15 South, Range 23 East, Chaves County, New Mexico, by directionally drilling said well from a kick-off point at approximately 6000 feet and bottoming it at an unorthodox location in the Pennsylvanian formation within 250 feet of a point 990 feet from the South line and 1650 feet from the East line of said Section 27, the S/2 of the Section to be dedicated to the well.

CASE 5688: Application of Dugan Production Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Tapacito-Pictured Cliffs and Blanco-Mesa Verde production in the wellbore of its Jicarilla E Well No. 1, located in Unit M of Section 21, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.

CASE 5693: Application of Jerome P. McHugh for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to downhole commingle Fruitland and Pictured Cliffs production in that area described as being all of Township 24 through 28 North, Ranges 9 through 15 West, San Juan County, New Mexico, excluding however, those lands within the boundaries of the Ballard-, Fulcher Kutz-, and West Kutz- and also those lands within the boundary of the Gallegos Canyon Unit Area.



CASE 5694: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Lea and Eddy Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Bubbling Springs-Morrow Gas Pool. The discovery well is the American Quasar Petroleum Company of New Mexico Federal Well No. 1 located in Unit I of Section 24, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM  
Section 24: E/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Canyon production and designated as the Carlsbad-Canyon Gas Pool. The discovery well is the Morris R. Antweil Randall Well No. 1 located in Unit K of Section 21, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM  
Section 21: S/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the North Cemetery-Atoka Gas Pool. The discovery well is the Mark Production Company State B Com Well No. 1 located in Unit B of Section 33, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM  
Section 33: N/2

(d) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Strawn production and designated as the Washington Ranch-Strawn Pool. The discovery well is the Black River Corporation BR Federal Well No. 3 located in Unit M of Section 33, Township 25 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 24 EAST, NMPM  
Section 33: SW/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Willow Lake-Atoka Gas Pool. The discovery well is the Burmah Oil & Gas Company Willow Lake Unit Well No. 1 located in Unit C of Section 22, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM  
Section 22: N/2

(f) EXTEND the Atoka-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 21: NW/4 & W/2 SW/4  
Section 22: SW/4

(g) EXTEND the North Benson-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 29: S/2 NE/4  
Section 32: N/2 SE/4  
Section 33: NW/4 NW/4 & S/2 NW/4

(h) EXTEND the North Burton Flat-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 15: E/2

(i) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 25: NW/4  
Section 35: N/2

(j) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM  
Section 5: W/2

- (k) EXTEND the South Carlsbad-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM  
Section 36: E/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 1: W/2  
Section 2: S/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM  
Section 5: N/2

- (l) EXTEND the Double X-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM  
Section 13: N/2

- (m) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 7: SE/4

- (n) EXTEND the Kennedy Farms-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM  
Section 25: N/2

- (o) EXTEND the Kennedy Farms-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM  
Section 15: W/2

- (p) EXTEND the Midway-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM  
Section 10: S/2

- (q) EXTEND the Red Lake-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 9: N/2 SE/4 & SE/4 NE/4

- (r) EXTEND the Shugart Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM  
Section 2: N/2 SE/4

- (s) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 35: SE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 2: NE/4

- (t) EXTEND the Winchester-Wolfcamp Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM  
Section 1: NW/4 NW/4

Docket No. 17-76

Dockets Nos. 18-76 and 19-76 are tentatively set for hearing on June 23 and July 7, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: GAS ALLOWABLE HEARING - WEDNESDAY- JUNE 16, 1976

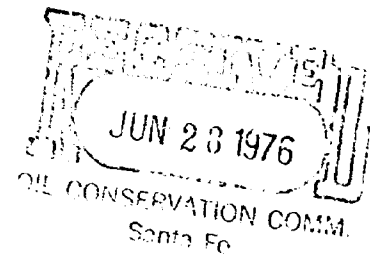
9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for July, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

DALPORT OIL CORPORATION  
1134 THE 600 BUILDING  
CORPUS CHRISTI, TEXAS 78401



CODE 512-882-7863

June 24, 1976

Mr. Dick Stamets  
NMOCC  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case #4843  
Southeast Chaves Gas Area

Dear Dick,

At the hearing we discussed the relative value of an oil well compared to a gas well and whether the 30,000-1 limitation should be increased to 100,000-1. There are no remote oil wells in the Southeast Chaves Area that have a GOR of 30,000-1 and which are unconnected to a casinghead line.

Your "Draft Proposal" for Associated Pools looks good. Rule 9 mentioned exactly what we need in Case 4843 concerning the supervisor being able to grant an exception to testing a gas well that produces no liquids. You mentioned this in the hearing, and it should be incorporated in the Southeast Chaves rules.

Since there will be more oil wells drilled adjacent to gas in the Southeast Chaves Area, a rule concerning oil wells is warranted. The rule could refer to your finalized form of General Rules for Associated Pools.

If I can provide any further information, please contact me.

Very truly yours,

  
Leon M. Lampert

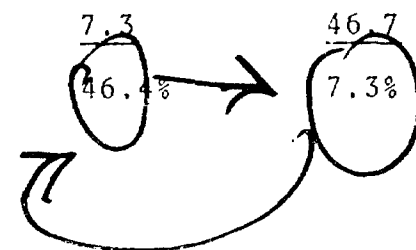
LML/ckc

cc: Mr. Sim Christy IV  
P.O. Box 1180  
Roswell, New Mexico 88201

CORE ANALYSES  
SOUTHEAST CHAVES GAS AREA

EXHIBIT 5-6

<u>Well</u>	<u>Location</u>	<u>Pay</u>	<u>Permeability</u> md	<u>Porosity</u> %	<u>Oil</u> <u>Saturation</u> %	<u>SW</u> <u>Saturation</u> %
<u>Double L Field</u>						
Cactus #1 Amoco	G-23-14-29	9	125	17.0	8.1	48.5
Dalport #1 State	M-36-14-29	2	38.5	24	2.9	46.0
Dalport #8 Spurck	P-36-14-29	7	114.0	23.5	15.3	51.0
Grace #1 State	A-1-15-29	8	108.0	22.7	12.4	48.3
Grace #2 State	B-1-15-29	7	84.0	22.4	5.53	47.9
<u>Vest Ranch Area</u>						
McGrath #1 Chorney	0-15-13-30	9	37.5	18.0	3.9	40.4
Texas Crude #1 State	M-16-14-30	4	17.5	21.4	9.0	50.4
<u>West Caprock Area</u>						
Coquina #1 SM	C-13-13-30	5	48.6	17.7	4.2	38.2
Reading & Bates #1 R & J	A-20-12-31	5	75.8	18.8	4.0	46.6
Yates #1 Holder	0-4-13-31	<u>4</u>	<u>17.9</u>	<u>17.8</u>	<u>7.3</u>	<u>46.7</u>
AVERAGE		6	66.7 md	20.3%	46.4%	7.3%



DOUBLE L - WEST CAPROCK AREA

Thickness	6.0'	<u>Average Core Data</u>	
Permeability	67 md	Porosity	20.3%
		Salt water	46.4%
		Oil Saturation	7.3%

Reservoir Data:

Bottom hole pressure	900#	
Temperature	80°	Abandonment Pressure 75#

Reserves

Recovery per acre foot		575 MCF
160 Acres:		
160 X 7 X 575	=	644,000 MCF
320 Acres:		
320 X 7 X 575	=	1,288,000 MCF

Economic Forecast

160 Acre Spacing

Gross production	644,000 MCF
Net Income at net 7¢/MCF	
Well Cost	\$ 45,080
	<u>30,000</u>
Net Profit	\$ 15,080

320 Acre Spacing

Gross production	1,288,000 MCF
Net Income at net 7¢/MCF	
Well Cost	\$90,160
	<u>30,000</u>
Net Profit	\$60,166

WEST MESA QUEEN GAS PRODUCTION - MCF

		<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u> to Aug.	<u>Cumulative</u> <u>8-1-72</u>	<u>Ultimate</u> <u>Reserves</u>	<u>Reserves</u> Per <u>Section</u>
<u>Sec. 7-16S-32E</u>													
Remuda #1-7 Mobil	E		101,530	209,964	422,131	296,722	199,874	78,194	205,767	49,116	1,563,298	1,696,182	
Remuda #1-7 Pan Am	K			307,226	330,507	214,605	205,295	33,018	49,757	27,992	1,168,400	1,252,408	2,923,590
<u>Sec. 17-16S-32E</u>													
Blue Danube #1 Tide	D		50,091	127,393	119,061	62,964	P-A				359,509		
<u>Sec. 18-16S-32E</u>													
Remuda #1 Sinclair	H		49,267	78,655	59,791	60,574	32,826	21,719	9,233	4,886	316,951	320,000	
<u>Sec. 12-16S-31E</u>													
Remuda #1 Bogle	J	44,958	241,846	226,551	259,066	143,305	71,982	16,796	35,210	15,876	1,055,590	1,081,714	
Read #1-A Bogle	N			129,318	399,771	283,513	114,605	62,708	36,491	4,629	1,031,035	1,036,406	
Read #4-A Bogle	F			168,003	376,246	376,156	300,649	199,985	132,869	16,427	1,570,335	1,593,908	
<u>Sec. 13-16S-31E</u>													
Read #1 Bogle	L			97,928	78,217	56,062	62,986	36,068	21,685	9,298	362,244	366,946	
Read #2 Bogle	E			395,866	183,573	78,158	57,657	32,663	22,546	7,705	778,168	780,463	
Remuda #1 Pan Am	A			217,804	313,460	123,980	77,002	81,434	74,940	33,849	922,469	996,620	
Remuda #1 So. Union	J				128,514	242,473	187,579	123,324	71,356	19,230	772,476	815,426	2,959,455
<u>Sec. 14-16S-31E</u>													
Remuda #3 Bogle	G			18,090	224						18,314		

November 1, 1972

LIST OF EXHIBITS  
SOUTHEAST CHAVES GAS AREA  
Chaves County, New Mexico

1. Area Land Map showing Gas Areas
2. E-W Cross-section A-A', B-B', West Caprock Area
3. E-W Cross-section C-C', D-D', Double L - Vest Ranch Area
4.
  - a. W. Mesa Gas Field - Location Map
  - b. W. Mesa Field - Graph, Reserves, Profit of 160 Ac vs. 320 Ac Spacing
  - c. W. Mesa Field - Graph, Average Yearly Production Decline Per Well, 160 Ac vs. 320 Ac Spacing
  - d. W. Mesa Field, Gas Production, Ultimate Reserves
  - e. 320 Acre Spacing, Economic Analysis
  - f. 160 Acre Spacing, Economic Analysis
5.
  - a. Southeast Chaves Gas Area - Gas Analyses
  - b. Southeast Chaves Gas Area - Average Core Data
  - c. Southeast Chaves Gas Area - Reserves - Economic Forecast



EXHIBIT 5-a

GAS ANALYSES  
SOUTHEAST CHAVES GAS AREA  
CHAVES COUNTY, NEW MEXICO

<u>Lease and Well Number</u>	<u>Location Sec., Twp., Range</u>	<u>Date of Test</u>	<u>Mol. % Nitrogen</u>	<u>BTU Wet Basis</u>	<u>GPM</u>
<u>Double L Field - Gas Cap</u>					
Dalport #1 Hill	26-14-29	3-3-71	63.84	478	2.38
Dalport #8 Spurck	36-14-29	6-1-71	63.93	469	1.093
McClellan #1 Patrick	12-15-29	9-5-68	62.93	491	1.186
<u>Lucky Lake, South Lucky Lake Area</u>					
Dalport #1 Jones	22-15-29	3-30-72	61.55	518	1.408
McClellan #1 Mark	4-15-29	1970	60.54	508	1.142
Shell #1 Federal	15-15-29	9-5-63	66.31	489	1.146
<u>Vest Ranch Area</u>					
Continental #1 Means	28-14-30	3-31-70	67.71	468	1.44
Texas Crude #1 State	16-14-30	6-10-55	64.0	460	
<u>West Caprock Area</u>					
Reading-Bates #1 R & J	20-12-31	12-30-70 10-12-72	58.78 66.96	530 449	1.14 1.2
Stringer #1 Terra	17-12-31	12-30-70 9-21-70	60.49 72.35	505 365	1.04 .742
Yates #1 Holder	4-13-31	9-68 1965	62.0 71.6	495 407	
Yates #1-AA Federal	4-13-31	9-19-72	86.36	179	.424

DETERMINATION - PRESENT VALUE OF FUTURE INCOME  
320 Acre Spacing (Based on West Mesa Production)

Production MCF	Income	Expense	Net Income*	Discount Factor	Present Value Net Income	Invest- ment	Cumulative Present Net Worth
310,000	\$27,621	\$1,350	\$26,271	.96674	\$25,396	\$30,000	\$ (4,604)
340,000	30,294	1,350	28,944	.90349	26,151		21,547
250,000	22,275	1,350	20,925	.84439	17,669		39,216
200,000	17,820	1,350	16,470	.78914	12,997		52,213
125,000	13,000	1,350	11,650	.73752	8,592		60,805
100,000	10,400	1,350	9,050	.68927	6,238		67,043
70,000	7,280	1,500	5,780	.64418	3,723		70,766
40,000	4,160	1,500	2,660	.60203	1,601		72,367
25,000	2,600	1,500	1,100	.56265	619		72,986
1,460,000	\$135,450		\$122,850		\$102,986		72,986

\* 1-4 years, gross 12¢/MCF; net 8.91¢ to 79% WI  
 5-9 years, gross 14¢/MCF; net 10.4¢ to 79% WI

Present Net Worth \$72,986

$\frac{\text{Net Profit}}{\text{Investment}}$  Ratio = 5 to 1

NOTE: For 2 wells on one section  
 present net worth

\$145,972

DETERMINATION - PRESENT VALUE OF FUTURE INCOME  
 160 Acre Spacing (Based on West Mesa Production)

Production MCF	Income	Expense	Net Income*	Discount Factor	Present Value Net Income	Invest- ment	Cumulative Present Net Worth
350,000	\$31,185	\$1,350	\$29,835	.96674	\$28,842	\$30,000	\$ (1,158)
180,000	16,038	1,350	14,688	.90349	13,270		12,112
98,000	8,732	1,350	7,382	.84439	6,233		18,345
57,000	5,079	1,350	3,729	.78914	2,943		21,288
32,000	3,328	1,350	1,978	.73752	1,459		22,747
<u>22,000</u>	<u>2,288</u>	<u>1,350</u>	<u>938</u>	<u>.68927</u>	<u>647</u>		<u>23,394</u>
739,000	\$66,646		\$58,550		\$53,394		Present Net Worth \$23,394

\* 1-4 years, gross 12¢/MCF; net 8.91¢ to 79% W.I.  
 5-6 years, gross 14¢/MCF; net 10.4¢ to 79% W.I.

Net Profit Ratio = .779 to 1  
Investment

NOTE: For 4 wells on one section Present Net Worth \$95,576

SOUTHEAST CHAVES GAS AREA  
PRODUCTION - PRESENT VALUE OF FUTURE INCOME

160 Acre Spacing (Based on West Mesa Production)

Year	Production MCF	Income*	Expense	Net Income	8 1/2% Discount Factor	Present Value Net Income	Investment	Cumulative Present Net Worth
1	195,000	\$ 33,184	\$2,000	\$ 31,184	.96003	\$ 29,938	\$50,000	\$(20,062)
2	250,000	42,500	2,000	40,500	.88482	35,835		15,773
3	185,000	31,450	2,000	29,450	.81550	24,061		39,789
4	135,000	22,950	2,000	20,950	.75162	15,745		55,534
5	100,000	19,000	2,300	16,700	.69273	11,569		67,103
6	90,000	17,100	2,300	14,800	.63846	9,449		76,552
7	70,000	13,300	2,300	11,000	.58845	6,473		85,025
8	60,000	11,400	2,300	9,100	.54235	4,935		89,960
9	40,000	7,600	2,600	5,000	.49986	2,499		92,459
10	25,000	5,250	2,600	2,650	.46070	1,221		93,680
11	15,000	3,150	2,600	550	.42461	234		93,914
	1,165,000	206,884		\$181,884		\$143,914		

Present Net Worth \$93,914

\* 1-4 years, gross 51.5¢/MCF X  $\frac{450 \text{ BTU}}{1,000} = 23.18¢/\text{MCF}$   
NET 17¢/MCF to .75 WI

5-9 years, gross 56¢/MCF X  $\frac{450 \text{ BTU}}{1,000} = 25.2¢/\text{MCF}$   
NET 19¢/MCF to .75 WI

10-11 years, gross 61¢/MCF X  $\frac{450 \text{ BTU}}{1,000} = 27.45¢/\text{MCF}$   
NET 21¢/MCF to .75 WI

1 WELL Net Profit Investment Ratio =  $\frac{\$93,914}{50,000} = 1.88$  to 1

NOTE:

FOR 4 WELLS ON ONE SECTION \$375,656  
Present Net Worth \$143,914

BEFORE EXAMINER NUTTER  
ON ONE SECTION \$375,656  
EXHIBIT NO. 22  
CASE NO. 4843

EXHIBIT 2  
 DATE: 11-26-74

SOUTHEAST CHAVES GAS AREA  
PRODUCTION - PRESENT VALUE OF FUTURE INCOME  
 (Based on West Mesa Production)

Year	Production MCF	Income*	Expense	Net Income	8 1/2% Discount Factor	Present Value Net Income	Investment	Cumulative Present Net Worth
		\$ 52,700	\$2,000	\$ 50,700	.96003	\$ 48,647	\$50,000	\$ (1,326)
1	310,000			59,200	.88482	52,361		51,055
2	360,000	61,200	2,000	47,300	.81550	38,573		89,628
3	290,000	49,300	2,000	38,800	.75162	29,163		118,791
4	240,000	40,800	2,000	32,850	.69273	22,756		141,547
5	185,000	35,150	2,300	23,350	.63846	14,844		156,391
6	135,000	25,650	2,300	16,700	.58845	9,827		166,218
7	100,000	19,000	2,300	14,610	.54235	7,924		174,142
8	89,000	16,910	2,300	10,700	.49986	5,349		179,491
9	70,000	13,300	2,600	10,000	.46070	4,607		184,098
10	60,000	12,600	2,600	7,900	.42461	3,354		187,452
11	40,000	10,500	2,600	2,650	.39134	1,037		188,489
12	25,000	5,250	2,800	2,650	.36069	198		188,687
13	15,000	3,150	2,800	550				
	1,919,000	\$345,510		\$315,310		\$238,687		\$188,687

**BEFORE EXAMINER NUTTER**  
**OIL CONSERVATION COMMISSION**  
*Daly*  
 EXHIBIT NO. 2  
 CASE NO. 4843

*11-26-74*  
*415-5-517*  
*12-10-74*

EXHIBIT 2 (CONT.)

DATE: 11-26-74

SOUTHEAST CHAVES GAS AREA

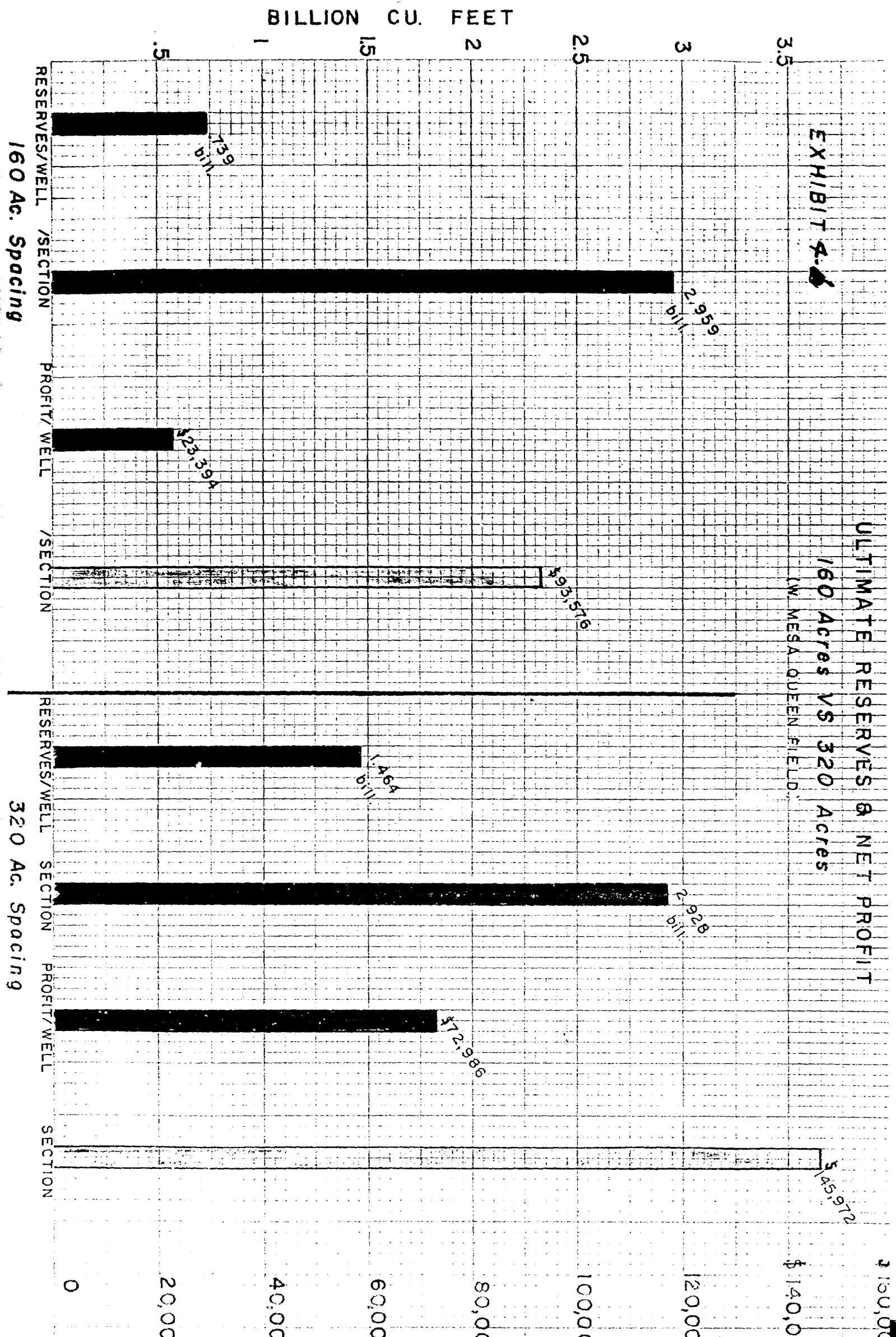
\* 1-4 years, gross 51.5¢/MCF X  $\frac{450 \text{ BTU}}{1,000}$  = 23.18¢/MCF  
NET 17¢/MCF to .75 WI

5-9 years, gross 56¢/MCF X  $\frac{450 \text{ BTU}}{1,000}$  = 25.2¢/MCF  
NET 19¢/MCF to .75 WI

10-13 years, gross 61¢/MCF X  $\frac{450 \text{ BTU}}{1,000}$  = 27.45¢/MCF  
NET 21¢/MCF to .75 WI

NOTE: FOR 2 WELLS ON ONE SECTION \$377,374  
Present Net Worth

1 WELL  $\frac{\text{Net Profit}}{\text{Investment}}$  Ratio =  $\frac{\$188,687}{50,000}$  = 3.77 to 1



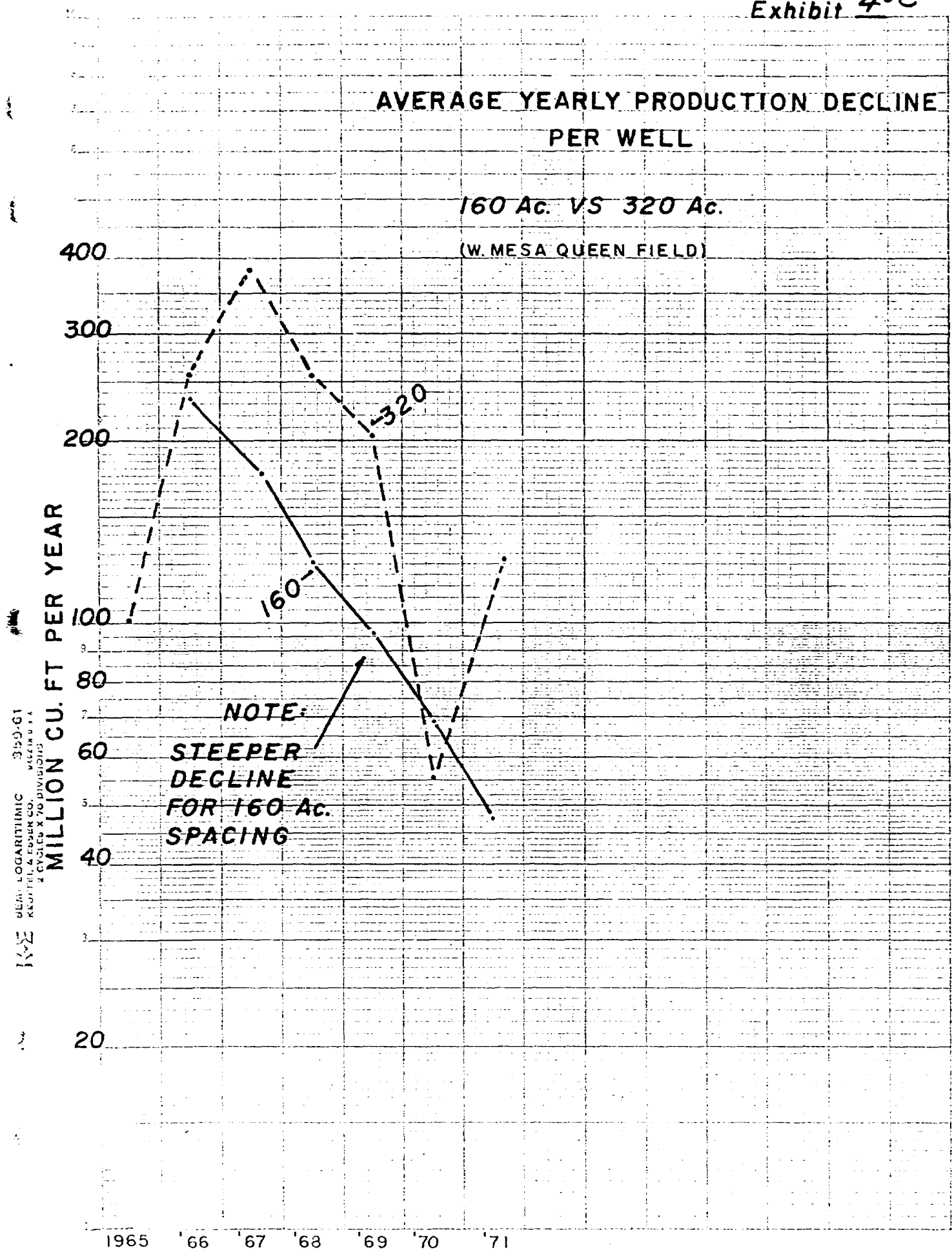
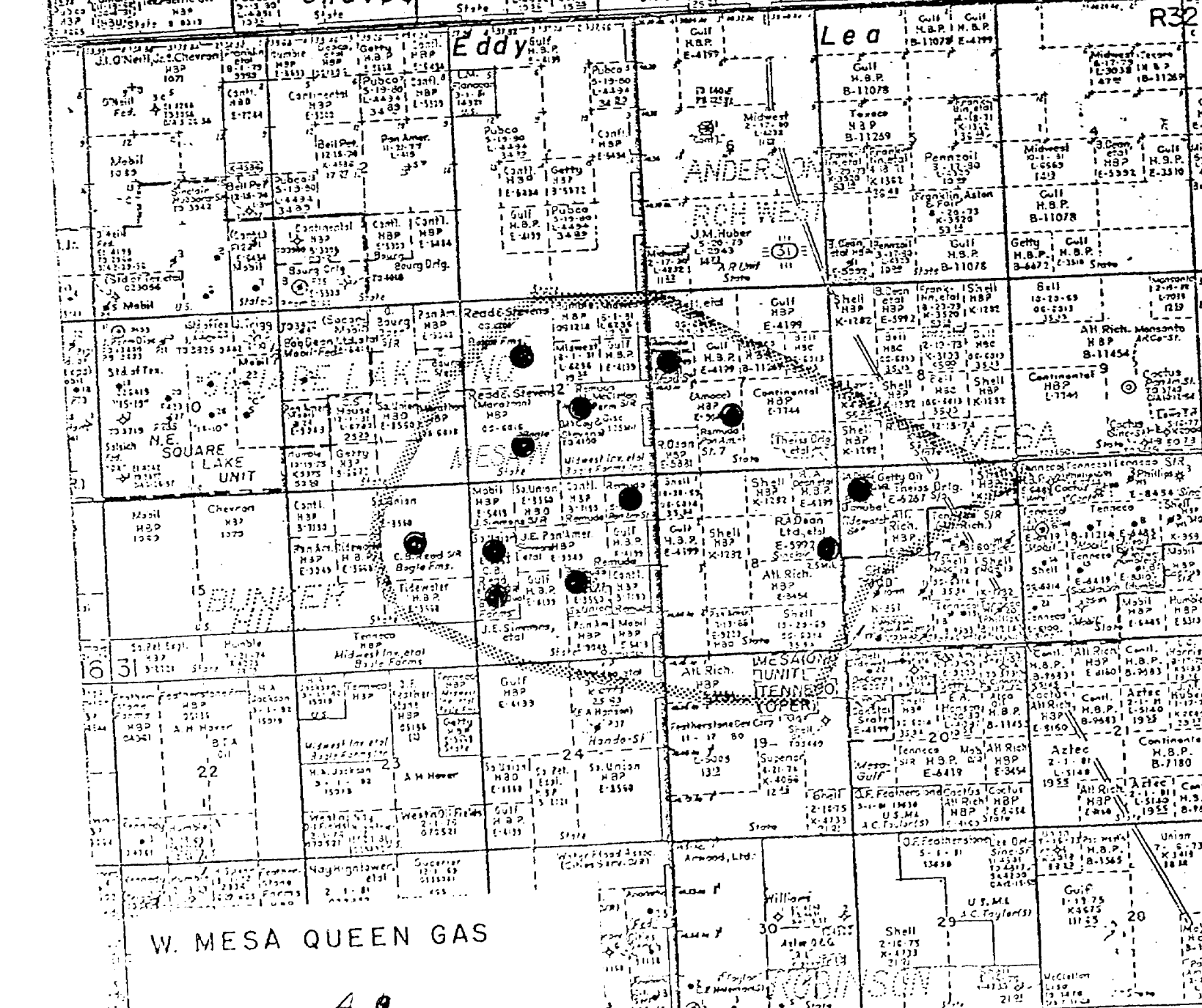
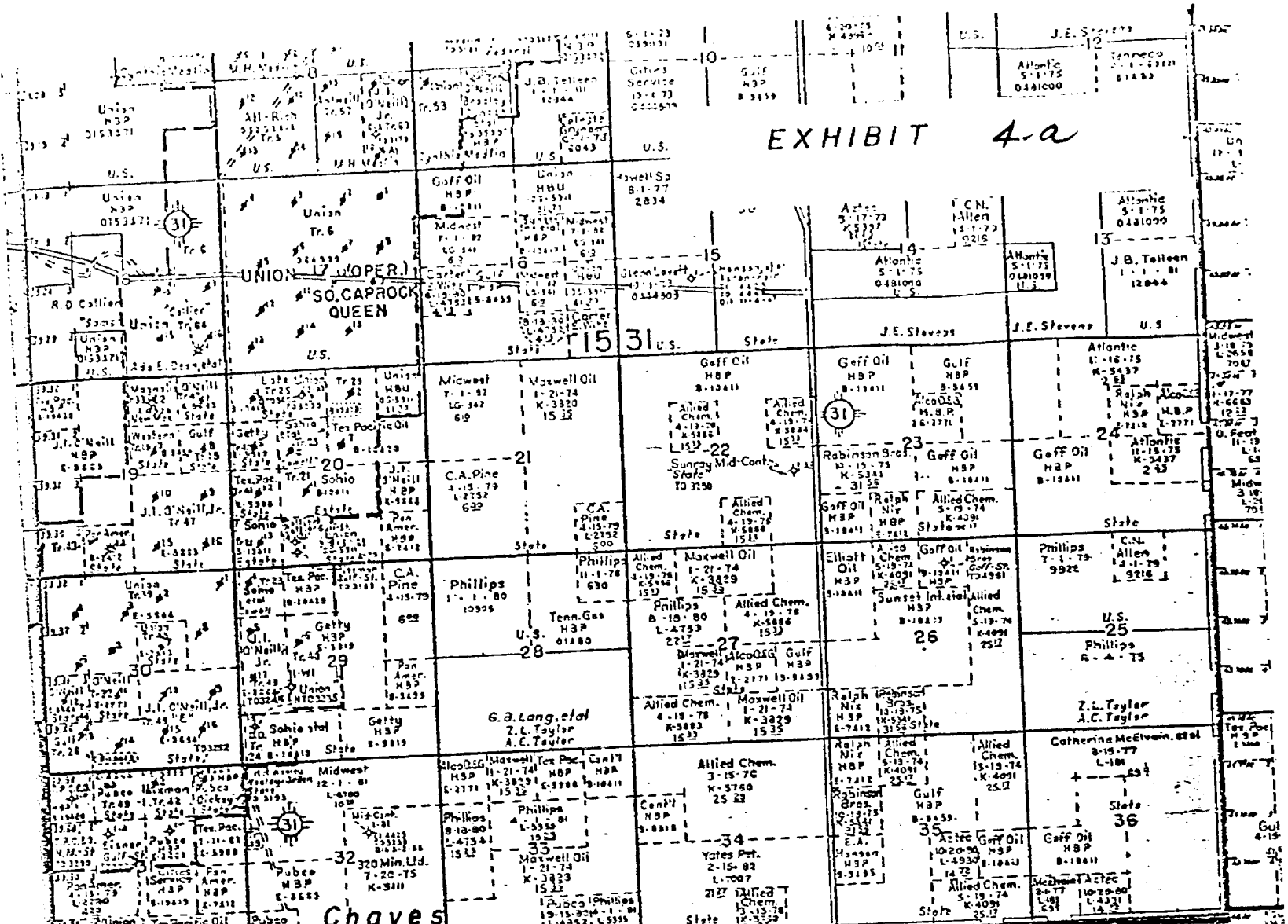
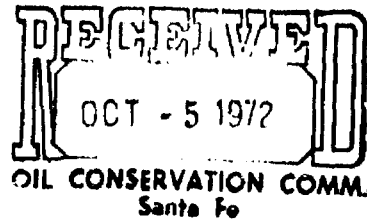




EXHIBIT 4-a



Case 4843  
Correction



That effective \_\_\_\_\_ 1, 197\_\_\_\_, a new area in Chaves County, New Mexico, classified for the production of gas from the Queen formation is hereby created and designated as the Southeast Chaves Queen Gas Area, with vertical limits comprising the Queen formation and horizontal limits comprising the following described area:

All of Townships 14 and 15 South, Range 29 East; All of Townships 12, 13, 14 and 15 South, Range 30 East; All of Townships 12, 13 and 14 South, Range 31 East; N.M.P.M.

the Queen formation being defined as that zone productive in the Dalport Oil Corporation No. 11 Spurck State, 2310' from south and west lines of Section 25, Township 14 South, Range 29 East, N.M.P.M., between the vertical limits 1908'-1922'.

That effective \_\_\_\_\_ 1, 197\_\_\_\_, special rules and regulations for the Southeast Chaves Queen Gas Area are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
SOUTHEAST CHAVES QUEEN GAS AREA

Rule 1. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area which is not within the limits of a designated Queen gas pool or Queen associated oil and gas pool, shall be spaced, drilled, operated and produced in accordance with the special rules and regulations hereinafter set forth.

Rule 2. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area shall be located on a standard unit containing 320 acres, more or less, comprising the  $N\frac{1}{2}$ ,  $S\frac{1}{2}$ ,  $W\frac{1}{2}$ , or  $E\frac{1}{2}$

of a governmental section of the United States Public Land Surveys.

Rule 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit and an unorthodox size or shape of unit is necessitated by the variation in the legal subdivisions of the United States Public Land Surveys or the following facts exist and the following provisions are complied with:

- (a) The nonstandard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The nonstandard unit lies wholly within a governmental half section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half section in which the nonstandard unit is situated and which acreage is not included in said nonstandard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such nonstandard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such nonstandard unit within 30 days after the Secretary-Director has received the application.

Rule 4. Each gas well shall be located not closer than 660 feet to the nearest side boundary line of the designated tract nor closer than 1980 feet to the nearest end boundary line nor closer

than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimension; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

Rule 5. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox well location which relates to any well drilled (whether presently producing, shut-in or a dry hole) prior to the effective date of these rules when the requirements of Rule 3(c) or the first sentence of Rule 3(d) have been complied with by the applicant.

Rule 6. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

Rule 7. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon completion of the well and in any event such test shall be commenced not later than 30 days from the date of first production of the well; provided, however, any well which is shut-in shall be exempt from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 8. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

Rule 8. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice for the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. Commission district supervisors may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

Rule 9. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

Rule 10. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

Rule 11. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

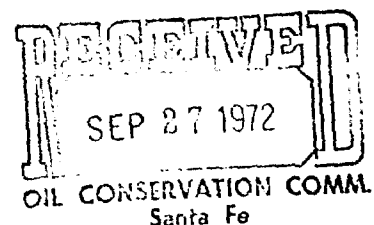
Rule 12. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

Rule 13. Wells whose classification have changed from oil to gas or gas to oil, and allowables therefor as to the latter, which result from a gas-liquid ratio test, shall commence on the 1st day of the month following the month in which such test was reported provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION )  
OF DALPORT OIL CORPORATION FOR PRO- )  
MULGATION OF A NEW AREA, CLASSIFIED )  
FOR THE PRODUCTION OF GAS FROM THE )  
QUEEN FORMATION, DESIGNATED AS THE )  
SOUTHEAST CHAVES QUEEN GAS AREA, AND )  
PROMULGATION OF SPECIAL RULES AND )  
REGULATIONS FOR THE SOUTHEAST CHAVES )  
QUEEN GAS AREA, ALL IN CHAVES COUNTY, )  
NEW MEXICO )



Case No. 4842

APPLICATION

COMES NOW Dalport Oil Corporation and applies for the creation of a new area in Chaves County, New Mexico, to be classified for the production of gas from the Queen formation and designated as the Southeast Chaves Queen Gas Area, and the promulgation of special rules and regulations for the Southeast Chaves Queen Gas Area, and states:

1. Applicant is the operator of one or more gas wells in the proposed area and is the owner of one or more leases affected by this Application.

2. That there exists in Southeast Chaves County an area comprised of:

All of Townships 14 and 15 South, Range 29 East;  
All of Townships 12, 13, 14 and 15 South, Range 30 East;  
All of Townships 12, 13 and 14 South, Range 31 East;  
N.M.P.M.,

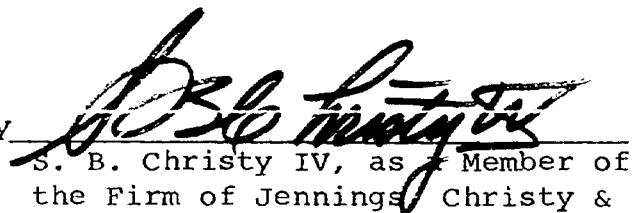
which is a common geological area susceptible to the production of low quality gas from the Queen formation, and it is believed by applicant that the productive characteristics of such gas will be substantially the same throughout the area.

3. That in order to prevent waste and protect the correlative rights of all interested parties it is advisable that gas from the Queen formation within said area be spaced, drilled and produced in a substantially uniform manner so as to most efficiently and effectively produce the maximum recoverable gas from the Queen formation within said area. That as a consequence special rules and regulations should be promulgated for the production of gas from the Queen formation within said area; proposed rules and regulations are attached hereto as Exhibit 1.

WHEREFORE, Applicant prays that, after notice and hearing, the Commission establish a new area in Chaves County, New Mexico, classified for the production of gas from the Queen formation, and designated as Southeast Chaves Queen Gas Area with vertical limits comprising the Queen formation and horizontal limits comprising the above described lands; and for the promulgation of special rules and regulations for the Southeast Chaves Queen Gas Area.

DALPORT OIL CORPORATION

By

  
S. B. Christy IV, as Member of  
the Firm of Jennings, Christy &  
Copple, P. O. Box 1180, Roswell,  
New Mexico 88201 (505) 622-8432

Attorneys for the Applicant



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EXHIBIT 1 TO APPLICATION

That effective \_\_\_\_\_ 1, 197\_\_\_\_, a new area in Chaves County, New Mexico, classified for the production of gas from the Queen formation is hereby created and designated as the Southeast Chaves Queen Gas Area, with vertical limits comprising the Queen formation and horizontal limits comprising the following described area:

All of Townships 14 and 15 South, Range 29 East; All of Townships 12, 13, 14 and 15 South, Range 30 East; All of Townships 12, 13 and 14 South, Range 31 East; N.M.P.M.

the Queen formation being defined as that zone productive in the Dalport Oil Corporation No. 11 Spurck State, 2310' from south and west lines of Section 25, Township 14 South, Range 29 East, N.M.P.M., between the vertical limits 1908'-1922'.

That effective \_\_\_\_\_ 1, 197\_\_\_\_, special rules and regulations for the Southeast Chaves Queen Gas Area are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
SOUTHEAST CHAVES QUEEN GAS AREA

Rule 1. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area which is not within the limits of a designated Queen gas pool or Queen associated oil and gas pool, shall be spaced, drilled, operated and produced in accordance with the special rules and regulations hereinafter set forth.

Rule 2. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area shall be located on a standard unit con-

out - see correction  
ned 10/5

taining 320 acres, more or less, comprising the  $N\frac{1}{2}$ ,  $S\frac{1}{2}$ ,  $W\frac{1}{2}$ , or  $E\frac{1}{2}$  of a governmental section of the United States Public Land Surveys.

Rule 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit and an unorthodox size or shape of unit is necessitated by the variation in the legal subdivisions of the United States Public Land Surveys or the following facts exist and the following provisions are complied with:

- (a) The nonstandard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The nonstandard unit lies wholly within a governmental half section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half section in which the nonstandard unit is situated and which acreage is not included in said nonstandard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such nonstandard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such nonstandard unit within 30 days after the Secretary-Director has received the application.

Rule 4. Each gas well shall be located not closer than 660 feet to the nearest side boundary line of the designated tract nor

closer than 1980 feet to the nearest end boundary line nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimension; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

Rule 5. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox well location which relates to any well drilled (whether presently producing, shut-in or a dry hole) prior to the effective date of these rules when the requirements of Rule 3(c) or the first sentence of Rule 3(d) have been complied with by the applicant.

Rule 6. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

Rule 7. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon completion of the well and upon recovery, if any, of all load oil from the well; provided, however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 10. Any

well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 8. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

Rule 8. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. Commission district supervisors may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

Rule 9. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

Rule 10. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility.

Rule 11. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods, the first balancing date to be 7 o'clock a.m. July first of 1973.

Rule 12. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Rule 13. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

Rule 14. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas

proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

Rule 15. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

Rule 16. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

Rule 17. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

Rule 18. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

Rule 19. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

Rule 20. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

Rule 21. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

DRAFT

*de*

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:

*AD*

CASE NO. 4843

Order No. R-4435

*How*  
*10/27*

*Application of Delport Oil  
Corporation for Designation  
South of Chavez Queen  
of the ~~Queen~~ Gas Area  
and Special Rules Therefor,  
Chaves County, New Mexico.*

*CP*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 1, 1972,  
at Santa Fe, New Mexico, before Examiner Elvis R. Uly.

NOW, on this        day of November, 1972, 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,

FINDS:

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

(2) That the applicant, *Delport Oil Corporation,* is the ~~owner~~ operator  
of one or more gas wells, and is the owner  
of one or more leases in that certain  
area of Chaves County, New Mexico, described  
as:

- Townships 12 South, Ranges 30 and 31 East, NMPM: A11
- Township 13 South, Ranges 30 and 31 East, NMPM: A11
- Township 14 South, Ranges 29, 30, and 31 East, NMPM: A11
- Township 15 South, Ranges 29 and 30 East, NMPM: A11



(3) That the applicant seeks the promulgation of special rules and regulations governing the Queen formation in the above described area, including a provision for the classification of ~~Queen~~ wells completed in the Queen formation as oil wells or gas wells, and providing for the dedication of 320 acres to wells classified as gas wells.

(4) That the permeability of the drainage characteristics of the Queen formation ~~as indicated by wells in~~ the general vicinity of the area described in Finding No. (3) above, as indicated by wells in the area and nearby thereto, are such as to indicate that one gas well will efficiently and economically drain the gas reservoir underlying 320 acres.

~~(5) That in order to prevent possible reservoir damage and waste~~

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the special rules and regulations proposed by the ~~for~~ should

(6) That this case should be reopened at an examiner hearing in Houston, 1974, at which time the questions in the subject case should be prepared to appear and show cause why this order should not be rescinded.

nor within one mile of the limits of any Queen pool having rules governing gas wells which are in contradiction to these rules

however, said rules should not be applicable ~~to wells~~ within the limits of any designated Queen pool, and provided further, that provision should be made for restricting the production of gas from any well completed within one mile of an oil well ~~in the~~ producing from the same interval of the Queen formation ~~within one mile~~

IT IS THEREFORE ORDERED:

and for a period of <sup>two years</sup> ~~one year~~ ~~change~~

(1) That effective December 1, 1972, a new area in Chaves County, New Mexico, classified for the production of gas from the Queen formation is hereby created and designated as the Southeast Chaves Queen Gas Area, with vertical limits comprising the Queen formation and horizontal limits comprising the following described area:

Township 12 South, Range 30 East, NMPM  
Sections 1 through 36: All

Township 12 South, Range 31 East, NMPM  
Sections 1 through 34: All

Township 13 South, Range 30 East, NMPM  
Sections 1 through 36: All

Township 13 South, Range 31 East, NMPM  
Sections 4 through 9: All  
Sections 16 through 21: All  
Sections 28 through 32: All

Township 14 South, Range 29 East, NMPM  
Sections 1 through 36: All

Township 14 South, Range 30 East, NMPM  
Sections 1 through 36: All

Township 14 South, Range 31 East, NMPM  
Sections 5 through 7: All  
Sections 18 and 19: All  
Sections 30 and 31: All

Township 15 South, Range 29 East, NMPM  
Sections 1 through 36: All

Township 15 South, Range 30 East, NMPM  
Sections 1 through 36: All

(2) That effective December 1, 1972, special rules and regulations for the Southeast Chaves Queen Gas Area are hereby promulgated as follows:  
*and for a period of <sup>two years</sup> ~~one year~~ <sup>hereafter,</sup>*

SPECIAL RULES AND REGULATIONS  
FOR THE  
SOUTHEAST CHAVES QUEEN GAS AREA

Rule 1. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area which is not within the limits of any designated Queen gas pool ~~or Queen associated oil and gas pool~~ shall be spaced, drilled, operated and produced in accordance with the special rules and regulations hereinafter set forth.  
*governed by special rules and regulations in conflict herewith,*

Rule 2. Each gas well completed or recompleted in the Southeast Chaves Queen Gas Area shall be located on a standard unit containing 320 acres, more or less, comprising the N $\frac{1}{2}$ , S $\frac{1}{2}$ , W $\frac{1}{2}$ , or E $\frac{1}{2}$

of a governmental section of the United States Public Land Surveys.

Rule 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit and an unorthodox size or shape of unit is necessitated by the variation in the legal subdivisions of the United States Public Land Surveys or the following facts exist and the following provisions are complied with:

(a) The nonstandard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The nonstandard unit lies wholly within a governmental half section and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half section in which the nonstandard unit is situated and which acreage is not included in said nonstandard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such nonstandard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such nonstandard unit within 30 days after the Secretary-Director has received the application.

Rule 4. Each gas well shall be located not closer than 660 feet to the nearest side boundary line of the designated tract nor closer than 1980 feet to the nearest end boundary line nor closer

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than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimension; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

Rule 5. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox well location which relates to any well drilled (whether presently producing, shut-in or a dry hole) prior to the effective date of these rules or *when the proposed unorthodox location is based upon topography.*

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

Rule 6. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

Rule 7. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon completion of the well and in any event such test shall be commenced not later than 30 days from the date of first production of the well; provided, however, any well which is shut-in shall be exempt from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by

Rule 8. If the gas-liquid ratio is 30,000 cubic feet of gas per

barrel of liquid hydrocarbons or more, the operator shall not produce

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Rule 8. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice for the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. Commission district supervisors may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

*Rule 9. Any well completed after the effective date of these rules shall receive an allowance only upon receipt by the ~~district~~ appropriate district office of the Commission of Commission Forms C-104 and C-116, properly executed. The District Supervisor of supervisor of the district office is ~~also~~ authorized to assign a temporary gas allowance to wells connected to a gas transportation facility during the recovery of load oil.*

Rule 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

Rule 11. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission

Rule 12. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

Rule 13. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

Rule 14. <sup>any</sup> Wells whose classification has changed from oil to gas as the result of a gas-liquid test shall be permitted to produce as a gas well on the first day of the month following the month in which such test was reported provided that a plat (Form C-102) dedicating 320 acres to the well has been filed on a non-standard unit has been approved pursuant to the provisions of Rule 3 of these rules.

Rule 15. Any well whose classification has changed from gas to oil as the result of a gas-liquid test or which has been so reclassified by the Commission on the basis of production history shall immediately have assigned thereto by the Commission the 40-acre tract upon which the well is located and <sup>shall have an oil</sup> ~~and~~ ~~allowance~~ ~~Rule 15. Any~~ assigned in accordance with the Commission's statewide rules.

Rule 16. <sup>any</sup> Any gas well in the subject area which is not subject to ~~any other special rules for any Queen gas pool or Queen assoc.~~ ~~shall be treated~~ which is within one mile of a well producing from the Queen formation which is classified as an oil well by the Commission, shall be subject to the above rules and in addition, <sup>thereto,</sup> shall be subject to the following

dated 10/20/11, cmh

rules.

Rule 17. A gas well shall be permitted to produce only that amount of gas obtained by multiplying top unit allowance for a Queen oil well by 2000 and by a fraction, the numerator of which is the number of acres dedicated to the well and the denominator of which is 40. In the event there is more than one gas well on the 320 <sup>acre</sup> unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

Rule 18. The date 7:00 am January 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

Rule 19. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Rule 20. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

Rule 21. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not ~~been~~ overproduction carried into a gas



proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

Rule <sup>N</sup>25. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

Rule <sup>3</sup>22. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

IT IS FURTHER ORDERED:

(1) That pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing gas wells in the Southeast Charles Queen gas area subject to the rules for said area shall have dedicated thereto 320 acres in accordance with the foregoing pool area rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Form C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days

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from the effective date of this order shall sub-  
ject the well to cancellation of allowance.  
Until said Form C-102 has been filed or  
until a non-standard unit has been  
approved, and subject to said 60-day  
limitation, such gas well presently drilling  
to or completed in the Southeast Chaves  
Queen Gas Area shall be limited to ~~that~~  
that amount of gas obtained by multiplying  
top unit allowance for a Queen oil well  
in said area by 2000 and by a fraction,  
the numerator of which is 160 and the  
denominator of which is 40.

~~(2) That jurisdiction of this~~

(2) That this case shall be reopened at an  
examiner hearing in November, 1974, at which  
time the operators in the subject area ~~shall~~  
may appear and show cause why this order  
should not be rescinded.

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

Dave at etc.

DRAFT

dr/

*JK*

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. 4843 (Reopened)

Order No. R-4435-A

IN THE MATTER OF CASE NO. 4843 BEING  
REOPENED PURSUANT TO THE PROVISIONS  
OF ORDER NO. R-4435, WHICH ORDER ESTABLISHED  
THE SOUTHEAST CHAVES QUEEN GAS AREA, CHAVES  
COUNTY, NEW MEXICO, AND PROMULGATED SPECIAL  
RULES AND REGULATIONS THEREFOR, INCLUDING A  
PROVISION FOR 320-ACRE SPACING UNITS FOR GAS  
WELLS.

*JK* *W/S*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 26, 1974  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        day of December, 1974, 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,

FINDS:

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

(2) That by Order No. R-4435, dated November 13, 1972,  
temporary special rules and regulations were promulgated for  
the Southeast Chaves Queen Gas Area, Chaves County, New  
Mexico, including a provision for 320-acre spacing and  
proration units for gas wells.

1 (3) That this case was reopened pursuant to Order No.  
2 R-4435 to allow all interested parties to show cause why said  
3 Order No. R-4435 should not be rescinded.

4 (4) That development of the Southeast Chaves Queen Gas Area  
5 since the entry of Order No. R-4435 has not been sufficient to  
6 yield ~~any~~ substantial additional information concerning the  
7 reservoir characteristics of the pool.

8 (5) That the temporary special rules and regulations  
9 promulgated by Order No. R-4435 should be extended for an  
10 additional 18-months period in order to prevent the possibility  
11 of economic loss resulting from the drilling of unnecessary wells,  
12 and in order to allow the operators in the subject pool  
13 additional time in which to gather information concerning the  
14 reservoir characteristics of the pool.

15 (6) That this case should be reopened at an examiner  
16 hearing in June, 1976, at which time the operators in the  
17 subject pool should appear and show cause why Order No. R-4435  
18 should not be rescinded.

19 IT IS THEREFORE ORDERED:

20 (1) That the Special Rules and Regulations governing the  
21 Southeast Chaves Queen Gas Area, promulgated by Order No. R-4435,  
22 shall remain in full force and effect for an additional period  
23 of 18 months.

24 (2) That this case shall be reopened at an examiner hearing  
25 in June, 1976, at which time the operators in the subject pool  
26 shall appear and show cause why Order No. R-4435 should not  
27 be rescinded.

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

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

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. 4843 (Reopened)

Order No. R- 4435-B

IN THE MATTER OF CASE 4843 BEING  
REOPENED PURSUANT TO THE PROVISIONS  
OF ORDER NO. R-4435 WHICH ORDER  
ESTABLISHED SPECIAL RULES AND REGULATIONS  
FOR THE SOUTHEAST CHAVES QUEEN GAS AREA, CHAVES COUNTY, NEW MEXICO.  
ORDER OF THE COMMISSION

BY THE COMMISSION:

*RLS*  
This cause came on for hearing at 9 a.m. on June 23,  
19 76, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this June day of July, 19 76, 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,

FINDS:

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

(2) That by Order No. R-4435, dated November 13, 1972,  
temporary special rules and regulations were promulgated for the  
Southeast Chaves Queen Gas Area, Chaves County, New Mexico,  
establishing temporary 320-acre spacing units and proration units.

(3) That pursuant to the provisions of Order No. R-4435-A,  
this case was reopened to allow the operators in the subject pool  
to appear and show cause why the Special Rules and Regulations for  
the Southeast Chaves Queen Gas Area should not be rescinded.

(4) That by Order No. R-4435-A, dated December 3, 1974,  
the temporary special rules and regulations for said  
Southeast Chaves-Queen Gas Area were extended  
for an additional 18 months.

(5) That the evidence establishes that one well in the Southeast Chaves Queen Gas Area can efficiently and economically drain and develop 320-acres.

(6) That the Special Rules and Regulations promulgated by Order R-4435 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

(7) That the Special Rules and Regulations for the Southeast Chaves Queen Gas Area should be made permanent.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Southeast Chaves Queen Gas Area, promulgated by Order No. R-4435, shall remain in full force and effect until further order of the Commission.

(2) 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 herein-  
above designated.