

CASE 5472: MESA PETROLEUM CO. FOR AN  
UNORTHODOX GAS WELL LOCATION, LEA  
COUNTY, NEW MEXICO.

CASE No.

5472

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
14 May, 1975

EXAMINER HEARING

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IN THE MATTER OF:

Application of Mesa Petroleum Co. for  
an unorthodox gas well location, Lea  
County, New Mexico. Applicant, in the  
above styled cause, seeks approval for  
the unorthodox gas well location of  
a well to be drilled at a point 660  
feet from the North and East line of  
Section 6, Township 26 South, Range  
33 East, Red Hills Field, Lea County,  
New Mexico.

NO. 5472

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BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

William H. Carr, Esq.  
Legal Counsel for the Com-  
mission  
State Land Office Building  
Santa Fe, New Mexico 87501

For the Applicant,  
Mesa Petroleum Co.:

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For Jerald Schuman,  
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A P P E A R A N C E S

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MR. NUTTER: Case 5472.

MR. CARR: Application of Mesa Petroleum Co. for an unorthodox gas well location, Lea County, New Mexico.

MR. EATON: Paul Eaton, representing the applicant. I'd like to swear in three witnesses, Mr. Schmidt, Mr. Carnes, and Mr. Jeffers.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, representing BTA Oil Producing Company.

MR. COHEN: Saul Cohen of Olmsted and Cohen, representing Gerald Schuman and related family and Robert Whitten, Trustee.

(Mr. Carr swore the witnesses.)

JOSEPH JEFFERS,

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

DIRECT EXAMINATION

BY MR. EATON:

Q Would you state your name, please?

A Joseph Jeffers.

Q And by whom you're employed and in what capacity?

A Employed by Mesa Petroleum as a Geologist in Midland, Texas.

Q Mr. Jeffers, have you previously testified before this Commission in that capacity?

A I have.

Q What does Union -- I mean what does Mesa Petroleum seek by its application in this case?

A A location 660 feet from the north line and 660 feet from the east line of Section 6, Township 26 South, Range 33 East in Lea County, New Mexico, for a projected 18,000 foot Siluro-Devonian test.

Q I refer you to what has been marked for identification as Applicant's Exhibit Number One and ask you to state what this exhibit reflects?

A Exhibit Number One is a land map on a scale of 1 to 2000 located in Lea County, New Mexico, covering the proposed location of Section 6 and indicating the surrounding production in the area and the total depths of all wells located in the area. It also indicates, well, it indicates the Mesa holdings as written on the map and outlines the Red Hills Unit adjacent to our proposed location to the east.

Q What is your knowledge with respect to the Red Hills Unit and production thereof?

A The Red Hills Field is a Red Hills Wolfcamp Gas Pool. It was discovered 12/26/1964. It was completed in the Wolfcamp formation and to date from those

perforations of 13,440 to 67, it's produced up to -- up to 1/1/75 it's produced ten billion ten thousand and fifty four MCF of gas - that's ten billion cubic feet of gas, approximately - and 375,340 barrels of condensate. The second well located in Section 5 as indicated on the map was completed after that, and let's see if I can find the completion date here -- I don't have the completion date written down here but it was completed shortly after that, about a year or so, and it's produced cumulative 1/1/75 eight billion six hundred and fifty million fifty-five MCF of gas and 230,279 barrels of condensate.

Q Do you know what the spacing requirements are for that Red Hills-Wolfcamp Gas Pool?

A Spacing rules are 640 acre spacing, 1650 feet from the outer boundary, and 330 from the quarter-quarter section. The two wells in the field, the Number One Red Hills, the discovery well is an exception to that rule. It's location is 2310 from the east line, 330 from the south line of Section 32, Township 25 South, 33 East, and an exception was given to the second well prior to drilling it for a location 1650 from the east line and 990 from the north line of Section 5, Township 26, Range 33 East.

Q In other words, both of those wells are at un-

orthodox locations, is that right?

A They are at unorthodox locations for a gas well in that unit.

Q Now, with respect to Mesa's proposed well, I believe you testified that the projected depth is the Siluro-Devonian, is that correct?

A That is correct.

Q Now, if that were to recover oil, would your location be an unorthodox location?

A It would not be an unorthodox location for an oil well.

Q Now, you do feel, however, as I understand it, that it will be a gas well in this Siluro-Devonian.

A That is correct.

Q And under the Commission statewide rules, would the proposed location be unorthodox location?

A It would as to the -- one distance; to the north line; the 660 feet from the north line on a stand up 320, it would be unorthodox; distance from the east line for a stand up 320 would be all right.

Q All right. On the acreage to the north, which would be Section 31, is that Mesa owned acreage?

A It is.

Q Moving now to Exhibit Number Two, Mr. Jeffers, would you please indicate what this exhibit is intended to show?

A Exhibit Number Two is a structure map on the top of the Siluro-Devonian controlled by both sub-surface control and seismic, indicating the production in the area and also located there is the proposed location and an indicated cross section AA prime which will be further submitted as Exhibit Number Three. The proposed location as mapped and controlled seismically indicates that it would be low or flat to the one well that penetrated the Devonian, the Union Number One Red Hills Unit Well, located in Section 32. At the proposed location we additionally anticipate to probably be low to the Devonian as penetrated in the Red Hills Number One Well. At a normal location, either 1980 from the north and 660 from the east or 660 from the north and 1980 from the east of Section 6, we would be considerably lower as mapped structurally, and I think I'd better submit Exhibit Number Three at this time to indicate the structural position on a cross section.

Q All right, let's refer then to Exhibit Number Three.

A I've got a little bit bigger section here, if

you'd like to look at it.

MR. NUTTER: This is fine here.

A All right.

MR. NUTTER: Unless you want to put it up on the wall so some of these others can see it.

A I think it will be all right here. Looking at the Siluro-Devonian this is a cross section; the scale on your copy of 100 feet equals a half inch, approximately, and the scale, horizontal scale, would be about 200 feet to the half inch. The proposed location from -- the distance from the Pure Number One Red Hills Well that penetrated the Devonian is approximately 3800 feet. The structure as we anticipated in this map, the structure on the Siluro-Devonian, we would be approximately fifty feet low to the top as mapped in the Pure Number One Red Hills Well. The Red Hills well, as we evaluate it, has approximately 150 feet above a water contact. At our proposed location we would have approximately 100 feet above this estimated gas-water contact. At any lower structural position or at a standard gas location we would anticipate having less than 50 feet of Siluro-Devonian above the gas-water contact and at that point I'd say we would not drill a well, primarily because it would be

non-economic in our estimation.

Q Incidentally, what is the estimated cost of the well?

A Estimated dry hole cost of the well is \$1,710,640. A completed well would be \$2,308,255.

Q Now why -- what interests you about the Siluro-Devonian, Mr. Jeffers?

A Well, as indicated on the cross section, the Pure Number One Red Hills Unit Well tested through perforations on a two point - I believe it was a two point calculation an IPF of 25 million cubic feet of sour gas. The Number One Well was not ever produced from this particular zone, I believe, due to the fact that in 1964 the gas prices were less than economic for soug gas in that particular area. The well was further evaluated in the Atoka carbonate at approximately 14,500 feet and flowed 26 million cubic feet of gas on test, production test, and it was dually completed with the Wolfcamp for an IPF of 15 million. The Atoka produced approximately, well, a little bit more than 200 million cubic feet of gas, which as indicated in production records, probably happened in a period of two months. The well has not produced any more gas from the Atoka, we believe, possibly due to

mechanical difficulties. The Wolfcamp gas, or Wolfcamp zone, is approximately 13,450, is the sole producing zone in that well. Now, our objective at our proposed location is to get structurally high enough to test the Devonian at what we consider an economic location on our acreage.

Q What depth was the Number Two Red Hills Well?

A The Number Two Red Hills Well was drilled to approximately - well, I've got it on this land plat - the Number Two Red Hills Well TD'ed at 15,005 feet, which was sufficient depth to test the Atoka. It was completed in the Wolfcamp.

Q Going back to your Exhibit Number Two, I believe you indicated that if the -- if your proposed well were drilled at an orthodox location it would be off the high point of the structure?

A Located on our acreage, yes.

Q And if that were to occur, is Mesa's feeling that it would not then drill the well?

A We would not then drill the well to the Siluro-Devonian for sure.

Q In your opinion is the proposed location the best location for the projected test?

A I do.

Q If the well is drilled at that location in your opinion would it effectively drain the acreage assigned to the well?

A I do.

Q Would the approval of the application be in the interest of conservation, and the prevention of waste?

A I believe it would be.

Q Would it aid in preventing the drilling of unnecessary wells?

A Yes.

Q In your opinion would it protect the correlative rights of others?

A I do.

Q Do you have any other testimony you desire to put into the record, Mr. Jeffers?

A Not at this time.

Q Were these exhibits prepared by you or under your supervision?

A They were.

MR. EATON: We offer Applicant's Exhibits One, Two, and Three into evidence.

MR. NUTTER: Exhibits One, Two and Three will be admitted in evidence.

MR. EATON: I have no further questions of this witness.

MR. NUTTER: Does anyone have any questions of the witness? Mr. Kellahin?

CROSS EXAMINATION

BY MR. KELLAHIN:

I'm Jason Kellahin, representing BTA Oil Producers, Mr. Jeffers, and I'd like to ask you a couple questions. Your well is projected as a test for all the horizons from the Wolfcamp on down, is it not?

A It's projected for all horizons from the surface down.

Q From the surface down, is there anything above the Wolfcamp?

A There is. There's Delaware Sand production in the area. There's potential in the Cherry Canyon Sand, Bone Spring, Wolfcamp, Atoka, Strawn-Atoka, the Morrow and Devonian, Siluro-Devonian.

Q Now, on the Delaware what is the spacing?

A The spacing is 40 acre spacing on the Delaware.

Q That's oil production.

A That's standard statewide oil.

Q And then on the Wolfcamp it's 640, is that cor-

rect?

A In the Wolfcamp Red Hills Unit is 640; statewide it would be 320.

Q You're within a mile of the outer boundaries of the Wolfcamp Red Hills?

A We are, yes, sir.

Q Now, you mentioned in the Red Hills Unit there were two wells which were both at unorthodox locations.

A That is correct.

Q Neither one is as close to the unit line, unit boundary, as 660 feet, is it?

A That's correct; not to the Red Hills Unit, but to the section line both of them are unorthodox.

Q But as to the Red Hills Unit, they're not within 660 feet of the unit line, are they?

A At the time the Red Hills Unit was a much larger unit, so I don't -- they were within feet; in fact, the acreage we presently own was inside the Red Hills Unit at one time.

Q Well, the Red Hills Unit now consists of two sections, does it not?

A Well, I have it indicated here as consisting of four sections.

Q Four sections? Well, as to the two, if the wells are crowding any line they're crowding an inner boundary of the unit.

A That is correct.

Q And not the outer boundary?

A That is correct.

Q Now, on your structure map you said you had sub-surface control and seismic.

A That is correct.

Q Actually, your sub-surface control consists of the one well shown on your Exhibit Number Three?

A There are -- Exhibit Number Two there are two wells shown on there, the American Quasar Baca Draw Unit Well. What section is north of Section 28?

Q I couldn't tell you.

MR. EATON: 21.

MR. NUTTER: 21.

A Section 21, Township 25 North, Range 33 East, and the Red Hills Well, yes, sir.

Q Did that Baca well penetrate the Devonian?

A It does.

Q But you didn't use it on your cross section?

A No, sir, I did not; no particular reason.

Q No particular reason?

A No.

Q But actually in arriving at the structural high of the Devonian, are you relying primarily on the seismic information?

A That is correct.

Q The information shown on the log from your cross section would be merely interpreting, is that correct?

A That is correct.

Q Now how did you establish your gas-water contact?

A Based on the drill stem tests in the Union Red Hills Number One.

Q Is that an allowable method of determining --

A It is reliable in general. They straddled the particular zone in question with the ST's and the test did find water below the perforated interval as shown on my exhibits.

Q What is that water contact?

A In that particular well it's indicated to be 17,555, approximately. That's not a Sub-C depth; that's an actual depth, from the surface.

Q Now, if you complete your well in the Devonian do you anticipate oil?

A We anticipate the possibility of oil and gas.

Q And if it's oil it would be 40 acre unit?

A That would be the statewide.

Q What area would you dedicate the well, 40 acres?

A On an oil well?

Q Yes.

A We would more than likely request a larger spacing at that depth.

Q Now, what area would a well in the Devonian drain?

A I would anticipate that it would drain the entire section.

Q In the Devonian?

A Yes, sir.

Q Is all of the entire section above the water-gas contact?

A It is not, as far as we have determined.

Q What portion of the acreage would be above the water-gas contact?

A I would not specify at this time.

Q You don't know?

A I don't know.

Q But actually you're talking about a high; is this high you're talking about in the Devonian typical of most of these Devonian formations in Lea County a very small feature?

A I would think so.

Q But you still say it would cover a section?

A In this event I would believe in the possibility of it and at that depth it would be highly unlikely we would want to drill a second well in it.

Q Well, that's the depth but we're talking about drain.

A We're talking about the depth, too, regardless of the drainage.

Q You will have another witness who will testify?

A If necessary.

Q On drainage and engineering features?

MR. EATON: We had planned not to, Mr. Kellahin.

MR. KELLAHIN: Well, in that event, if you get into a Wolfcamp well you dedicate 640 acres to the well, would you not?

A If it's a gas condensate well in all likelihood that would be the case.

Q What is the radius of drainage for a 640 acre well?

A Based on the history in there, I would say that based on the fact that those two wells that are now producing in there are located on 640 acres, I would assume that we'd go for the same thing.

Q Well, would you agree that a well draining 640 acres would have roughly a radius of drainage of 2975 feet?

A With that radius it's a mile --

Q Yes, sir.

A -- across it. It might have a larger area of drainage; it might have a smaller area.

Q But then if you have that radius of drainage, if we assume for a moment it's going to drain 640 acres, you're going to be draining acreage in the unit, Red Hills Field, are you not?

A If we were successful in making a completion in that it is possible we would be draining some acreage in the Red Hills Unit; however Red Hills Unit has been producing for twelve years, and we feel that the reservoir is partially depleted and that they're taking our gas at this time.

Q There was nothing to prevent the drilling of a Wolfcamp in the acreage now held by Mesa, was there?

A Other than the fact that we've just got the leases. We've had the leases two years.

Q You were aware of the drainage situation?

A That is correct.

Q You inherited that situation?

A Yeah, we couldn't help it.

Q So you weren't drained; somebody else was?

A Right, but we now own the acreage, so we're the -- lost it. In the event we hadn't been drained it would still be there.

Q Thank you, very much.

MR. NUTTER: Are there further questions of this witness?

MR. EATON: No questions.

MR. NUTTER: You may be excused and we'll take a fifteen minute recess.

(Thereupon a recess was taken. Thereafter the hearing was continued as follows, to-wit:)

MR. NUTTER: The hearing will come to order, please. We're on Case Number 5472. Mr. Eaton?

MR. EATON: We have no further questions and we rest.

MR. NUTTER: Does anyone have any testimony they wish to present in Case Number 5472? Mr. Kellahin?

MR. KELLAHIN: We'd like to call one witness.

(Witness sworn.)

CHARLES PEARSON,

being called as a witness and being duly sworn

upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Charles Pearson.

Q By whom are you employed and in what position?

A BTA Oil Producers as a petroleum engineer.

Q Have you ever testified before the Oil Conservation Commission of New Mexico or one of its examiners and made your qualifications a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Pearson, have you made a study of the proposed application of Mesa Petroleum in Case Number 5472?

A Yes, sir, I have.

Q And have you prepared an exhibit in connection with that case?

A Yes, sir.

Q Before we get to the exhibit, Mr. Pearson, in your opinion is the structural position of any great importance in the Red Hills Field insofar as the Wolfcamp is concerned?

A No, sir, I do not believe structure is important.

Q And is it as to the Pennsylvanian formation, the Atoka or Morrow?

A No, sir, I don't believe that it is important.

Q But it would be of some importance as to the Devonian, you agree with that?

A Yes, sir.

Q Now, in your opinion would a well located 660 feet from the unit boundary of the Red Hills Unit have any adverse effect on that unit?

A Yes, sir.

Q Referring to what has been marked as your Exhibit Number One, would you identify that exhibit and discuss the information shown on it?

A Yes, sir. This is the land plat that shows the

Red Hills Unit, the Mesa Lease in Section 6 with the proposed location and the standard location shown.

Q Could you give Mr. Eaton a copy of that?

A (Witness does so.)

A I've shown with respect to the Red Hills Unit an area colored in red. It is the area which would be drained by a well at a 1650 standard location.

Q Now you say the area to be drained. You mean the area outside the dedicated acreage of 160 acres or the area in the Red Hills Unit?

A The red area indicates that portion of the Red Hills Unit which would be drained by Mesa's well if it was drilled at a standard location. This area amounts to 130 acres. I have further shown that the additional acreage which would be drained by the Mesa Well from the Red Hills Unit, which would be the 80 acres shown in yellow, if the proposed location is approved. There is a seven acre area indicated in green that would be not drained by the Mesa Well under the location, that would be drained at the standard location.

Q And what is the difference between the drainage areas of the two locations insofar as the Red Hills Unit is concerned?

A Well, it would be a loss of an incremental 73 acres.

Q In your opinion would a well completed in the Wolfcamp formation drain at least 640 acres?

A Yes, sir.

Q Was this exhibit prepared on that assumption?

A Yes, sir.

Q How did you arrive at the lines that you have there?

A I assumed that the boundary of no flow would be exactly between the wells, which in itself assumes a uniform flow capacity of the formation and uniform rates from the wells.

Q In your opinion does the formation have uniform flow rates?

A I think that the flow rate divided by the flow capacity of the formation would approach a constant.

Q Now in the event this location is approved do you have any suggestions to the Commission as to how the correlative rights of the unit owners of Red Hills Unit could be protected?

A Yes, sir, I think that the pool allocated and the Mesa well should receive 160 acres and each of the

Red Hills Units 640 acres.

Q Now on what do you base that?

A The spacing that they have proposed is for a standard 160 unit. If they're going to drill on 160 spacing they should have 160 allocation.

Q Now is there any Devonian production in the vicinity of this?

A Not in this immediate vicinity.

Q Is there any in Pennsylvanian or Atoka or Morrow?

A Not in this immediate area.

Q There was an attempt to complete in the Devonian in one of the unit wells.

A Yes, sir, the Number One actually was perforated in the Devonian and was plugged because there was not a market for sour gas at the time.

Q Was there sufficient sour gas to have justified a completion?

A Yes, sir, if the market had been available.

Q Now, there were attempts to complete in the Pennsylvanian, too, were there not, in both the wells?

A Yes, sir. It was extreme mechanical difficulties prevented either well from being successfully produced

from the Pennsylvanian.

Q So the only production is the Wolfcamp?

A That's correct.

Q Was Exhibit Number One prepared by you or under your supervision?

A Yes, sir.

MR. KELLAHIN: I'd like to offer at this time Exhibit Number One.

MR. NUTTER: BTA's Exhibit Number One will be admitted in evidence.

MR. KELLAHIN: That's all we have.

MR. NUTTER: Any questions for this witness?

MR. EATON: Yes, sir.

CROSS EXAMINATION

BY MR. EATON:

Q Mr. Pearson, did I understand you to say that the Red Hills Number One was capable of producing from the Devonian, gas from the Devonian but that it was plugged because of lack of market at the time for sour gas?

A Yes, sir.

Q You are aware, are you not, that the Section 6 in which Mesa proposes this well was formerly in the Red Hills Unit?

A Yes, sir.

Q And that the unit operator contracted the boundaries of the unit and contracted out Section 6?

A Uh-huh.

Q Now, if the unit operator had felt that the Wolfcamp formation in Section 6 was originally productive of gas, it probably would not have contracted out that area.

MR. KELLAHIN: If the Commission please, I object to the question, the form of the question, being speculative. BTA is not the operator of the unit and he's asking the witness to guess what the unit operator was thinking.

MR. NUTTER: Do you want to rephrase your question or bring out the matter in another manner?

MR. EATON: Yes, sir.

Q (By Mr. Eaton) Incidentally, who is the operator of the --

A Union Oil Company of California.

Q All right. With respect to the two Red Hills Unit Wells, they are both producing, as I understand it, from the Wolfcamp, is that correct?

A That's correct, yes.

Q What has happened to the pressure in those wells

since they were completed?

A It's exhibited a normal gas depletion type performance.

Q Do you have any idea as to what percentage of depletion has occurred in the Wolfcamp?

A The wells have produced approximately 67 percent of their ultimate recoveries.

Q Would you say that as a consequence the effect of the proposed Mesa well, if it were to be also completed in the Wolfcamp, on the Red Hills Wells is somewhat limited in view of this production history of those two wells?

A I have to say that the -- if the proposed location is drilled or even if the standard location is drilled, the ultimate recovery from those two particular wells would be substantially reduced in the ratios that I've shown on Exhibit One.

Q Have those two wells drained any gas from Section 6?

A I have no direct knowledge that there is even any Wolfcamp reservoir on Section 6. I'm sure that if the reservoir does extend over there the pressure is lower than originally.

Q You are aware that the Mesa Well is projected to the Siluro-Devonian?

A Yes, sir.

Q Referring to your exhibit, Mr. Pearson, in the shaded area which you have indicated the Mesa well will drain, what reserve remains there?

A I have not made a calculation of how many MCF that would amount to.

Q Do you know how many -- what the combined reserves are remaining in the Red Hills Unit?

A The amount of reserves remaining in the Red Hills Unit is a function of the future production operation and I can't give a reserve number until I know under what conditions that the field will be operating. The gas price is so low that I doubt seriously if a compressor could be installed, but if it was, the reserves would be substantially increased, some recoverable reserves, so I have made no attempt to predict the future of ultimate recovery other than I should have said awhile ago that the pressure was approximately 67 percent depleted on the reservoir.

Q And you do not know the amount of reserves that are under the shaded area?

A No, sir.

Q That's all.

QUESTIONS BY MR. NUTTER:

Q Mr. Pearson, you've indicated by your shading in the multicolor triangles here that while they lose seven acres in the green area, the non-standard location picks up eight acres, for a net gain of 73 acres into the Red Hills Unit, is this correct?

A Yes, sir.

Q And yet you have proposed that if they're drilling a 160 acre location that they be allowed a 160 acre allocation for the total reservoir?

A Yes, sir.

Q This, in other words, the 160 would give them one-fourth of a total allocation.

A Yes, sir.

Q With respect to the other wells in the pool, but they're penetrating into the Red Hills Unit by only 73 net acres, which if you subtracted the 73 acres from 640 would allow 567 acres, is this correct?

A The 73 is in addition to the 130 acres that they would be draining at the standard location.

Q Well, the New Mexico Statutes recognize the

principle of drainage and counter-drainage, so it's not unusual to see drainage extend beyond the boundary; it's impossible I think, to have perfect drainage and the Statutes recognize this in the theory of drainage and counter-drainage.

A Yes, sir.

Q So according to a standard location they would be permitted an area of drainage into the Red Hills Unit with a standard location, wouldn't they?

A Yes, sir.

Q By your computation there, but they exceed the amount that they're permitted by 73 net acres.

A Yes, sir.

Which would be slightly over ten percent, as you point out.

Q And that would leave a net dedication, then, that they would be entitled to of about 567, which is the difference between 640 and 73, is that correct?

A That does not account for the incremental drainage that they would have under Section 31 to the north. This would be just with respect to the Red Hills Unit.

Q I see, and you've made no calculation of what

the drainage would be in that direction?

A No, sir.

Q I see.

MR. NUTTER: Are there any further questions of this witness?

MR. EATON: You are aware that the section to the north is owned also by Mesa right now?

A Yes, sir. I am not, however, aware of who owns the minerals.

MR. NUTTER: Are there further questions? The witness may be excused.

MR. KELLAHIN: That's all we have.

MR. NUTTER: Does anyone else have any witnesses they wish to put on in this case?

(No response.)

MR. NUTTER: We'll call for statements.

MR. KELLAHIN: If the Examiner please, BTA's principle concern is the question of drainage in the Wolfcamp formation and obviously we have no interest in the Devonian since we have no production in the Devonian at the present time. The last questions that were asked by the Examiner would indicate an allocation of say 540 over 640 acres would be an appropriate formula. That might well be; how-

ever, as the witness pointed out if we're going to talk about a formula, they've elected to drill on a standard location, 460 acre unit, and that's the basis of his recommendation, and I think either one could be argued equally well. Actually, I think both computations are worthless because the chances of this pool being prorated are practically infinitesimal and unless it's prorated there's no means by which BTA and the other interest owners in the Red Hills Unit can be protected. If the unorthodox location is granted there's no other vehicle available to the Commission to control production except through allocation, and as I say, with the market demand for gas being what it is today, the chances of this pool being prorated are practically nil. Therefore we do oppose the unorthodox location and as to the argument that this acreage has already suffered drainage, this is a classic situation where the offsetting acreage just wasn't drilled and as the Examiner has stated, our Statutes recognize the principle of drainage and counter-drainage, and if the owners didn't elect to protect their acreage by drilling, why, that's unfortunate but we can't remedy that at this point and have them take back from the Red Hills Unit the gas which they would have us believe had

migrated over there. The Commission has never taken such a position as that and I don't see how we could recommend such a position at this time. We therefore do oppose the unorthodox location and feel that the applicant should drill at a standard location.

MR. NUTTER: Thank you. Mr. Cohen?

MR. COHEN: Mr. Examiner, I would simply like to join in Mr. Kellahin's remarks. My clients do very strongly feel that the granting of this application would infringe upon their correlative rights.

MR. NUTTER: Thank you. Mr. Eaton?

MR. EATON: Mr. Examiner, Mesa's position is simply that it wants to drill a Siluro-Devonian test in the proposed location; it is the only reasonable location for such a test; that with respect to the protestants' concern on the Wolfcamp, it's apparent to us that the Wolfcamp is questionable at this time; it's considerably depleted by the Red Hills Wells; the unit working interest owners apparently did not care enough about the Wolfcamp production surrounding those wells in view of the fact as was brought out by Mr. Jeffers all of this acreage including Section 6 has been contracted out of the unit. We don't even know at this point in time whether we would

complete in the Wolfcamp, but honestly we would do a complete but we would take as a second producing formation the best formation that we could find in addition to the Siluro-Devonian. So our position is that the unorthodox location should be approved and that there is no -- we cannot see where we would have on Wolfcamp production any detrimental effect on the wells in Sections 5 and 35.

MR. NUTTER: Does anyone else have anything further to offer in Case Number 5472?

(No response.)

MR. NUTTER: We'll take the case under advisement.  
(Hearing concluded.)

STATE OF NEW MEXICO)  
 )  
 COUNTY OF SANTA FE )

ss REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 32 pages, numbered 4 through 35 inclusive, is a full, true and complete transcript of my notes taken during the hearing.

WITNESS my hand and seal, this 20th day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd  
 Sally Walton Boyd  
 Notary Public and General Court Reporter

My Commission expires:

10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5472 heard by me on May 14, 1975.

[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



**OIL CONSERVATION COMMISSION**

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

**May 22, 1975**

**I. R. TRUJILLO**  
**CHAIRMAN**

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Mr. Paul Eaton  
Hinkle, Bondurant, Cox & Eaton  
Attorneys at Law  
Post Office Box 10  
Roswell, New Mexico 88201

Re: CASE NO. 5472  
ORDER NO. R-5032

Applicant:  
Mesa Petroleum Company

Dear Sir:

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

Very truly yours,  
A. H. Porter, Jr.

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC \_\_\_\_\_ **X**  
 Artesia OCC \_\_\_\_\_  
 Aztec OCC \_\_\_\_\_

other

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. 5472  
Order No. R-5032

APPLICATION OF MESA PETROLEUM CO.  
FOR AN UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 14, 1975,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1975, 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, Mesa Petroleum Co., seeks approval  
of a gas well location 660 feet from the North line and 660 feet  
from the East line of Section 6, Township 26 South, Range 33  
East, NMPM, to test the Wolfcamp, Pennsylvanian, and Devonian  
formations, Red Hills Field, Lea County, New Mexico.

(3) That said well would be within one mile of the Red  
Hills-Wolfcamp Gas Pool, for which Special Pool Rules have been  
promulgated, including a provision for 640-acre spacing units,  
and well locations no nearer than 1650 feet to the outer  
boundary of the section and no nearer than 330 feet to any  
governmental quarter-quarter section line.

(4) That with respect to the Pennsylvanian and Devonian  
formations, said well as a gas well should be located in accor-  
dance with Commission Rule 104 B and C, which provides for 320-  
acre spacing units, and well locations no closer than 660 feet  
to the nearest side boundary of the dedicated tract nor closer  
than 1980 feet to the nearest end boundary nor closer than 330  
feet to any quarter-quarter section or subdivision inner  
boundary.

(5) That the aforesaid proposed location 660 feet from the North line and 660 feet from the East line of Section 6, Township 26 South, Range 33 East, NMPM, is in exception to the Special Pool Rules for the Red Hills-Wolfcamp Gas Pool and Rule 104 B and C of the Commission Rules and Regulations.

(6) That there are at present no wells producing from the Red Hills-Pennsylvanian Gas Pool nor from the Devonian formation in the Red Hills Field, and a well completed in either or both of said formations at the proposed location will therefore not impinge upon any existing well.

(7) That a well at the proposed location will have an area of drainage in the Wolfcamp formation which extends 73 net acres into Section 32, Township 25 South, Range 33 East, NMPM, and Section 5, Township 26 South, Range 33 East, NMPM, more than permitted under a standard location for the Red Hills-Wolfcamp Gas Pool.

(8) That a well at the proposed location will better enable the applicant to produce the gas underlying Section 6, Township 26 South, Range 33 East, NMPM, in the Wolfcamp formation, and underlying the E/2 of said Section 6 in the Pennsylvanian and Devonian formations, and will not impair correlative rights if the permitted production from the Wolfcamp formation is limited.

(9) That such limitation should be based upon the 73 net acre encroachment described in Finding No. (7) above, and may best be accomplished by assigning a well at the proposed location a ratable take factor of 0.89 (640 minus 73, divided by 640).

(10) That approval of the subject application subject to the above limitation will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Wolfcamp, Pennsylvanian, and Devonian formations is hereby approved for a well to be located at a point 660 feet from the North line and 660 feet from the East line of Section 6, Township 26 South, Range 33 East, NMPM, Red Hills Field, Lea County, New Mexico.

(2) That all of said Section 6 shall be dedicated to the above-described well in the Wolfcamp formation and the E/2 of said Section 6 shall be dedicated to the well in the Pennsylvanian and Devonian formations.

-3-

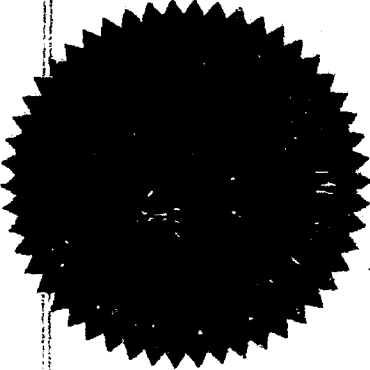
Case No. 5472  
Order No. R-5032

(3) That said well is hereby assigned a ratable take factor of 0.89 in the Wolfcamp formation, and the operator of the well, upon completion and connection thereof to a gas pipeline, shall notify the gas purchaser of the ratable take factor.

(4) 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



*I. R. Trujillo*

I. R. TRUJILLO, Chairman

*Phil R. Lucero*

PHIL R. LUCERO, Member

*A. L. Porter, Jr.*

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

S E A L

jr/

Docket No. 11-75

Dockets Nos. 12-75 and 13-75 are tentatively set for hearing on May 28 and June 11, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 14, 1975

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.

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

CASE 5429: (Continued from the March 5, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Charles M. Goad and United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Charles M. Goad, State No. 1 Well located in Unit M of Section 28, Township 2 South, Range 26 East, De Baca County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5408: (Continued from the April 2, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 36, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5469: Application of Read & Stevens for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 990 feet from the South and East line of Section 7, Township 15 South, Range 28 East, Chaves County, New Mexico, in exception to the Buffalo Valley-Pennsylvanian Gas Pool Rules.

CASE 5470: Application of Maralo, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Butler Springs Unit Area comprising 3841 acres, more or less, of state and federal lands in Townships 14 and 15 South, Range 28 East, Chaves County, New Mexico.

- CASE 5471: Application of Union Texas Petroleum for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinbry and Justis Tubb-Drinkard production in the wellbore of its Carlson "B" Wells Nos. 1 and 2 located in Unit P of Section 23 and Unit H of Section 26, respectively, Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 5472: Application of Mesa Petroleum Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 660 feet from the North and East line of Section 6, Township 26 South, Range 33 East, Red Hills Field, Lea County, New Mexico.
- CASE 5473: Application of Mesa Petroleum Co. for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Drinkard production for its West Knowles Well No. 1 located in Unit P of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, and for the promulgation of special rules therefore, including a provision for 80-acre spacing units.
- CASE 5474: Application of Gulf Oil Company for two non-standard locations and the amendment of Order Nos. R-2904 and R-2909, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Drinkard Unit Wells Nos. 101 and 401 located, respectively, 554 feet from the North line and 766 feet from the East line, and 660 feet from the North and East lines of Section 28, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2904 which order approved the Central Drinkard Unit Agreement to provide that the vertical limits of the unitized formation shall include the entire Drinkard formation; application further seeks the amendment of Order No. R-4909 which approved the Central Drinkard Unit Waterflood Project to provide an administrative procedure for the approval of additional unorthodox well locations.
- CASE 5475: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Siluro-Devonian formation in the open-hole interval from 12,188 feet to 12,525 feet in its Santa Fe Pacific Well No. 9, located in Unit E of Section 35, Township 9 South, Range 36 East, Crossroads Siluro-Devonian Pool, Lea County, New Mexico.
- CASE 5476: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the NE/4 of Section 30, Township 22 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, to be dedicated to a proposed gas well to be drilled at an orthodox location for both formations. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

- CASE 5477: Application of Cities Service Oil Company for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the application as operator of the well and a charge for the risk involved in drilling said well.
- CASE 5478: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Warren Unit Well No. 31 located in Unit O of Section 27, Township 20 South, Range 38 East, Lea County, New Mexico, in such a manner as to produce oil from the Blinebry Oil and Gas Pool and oil from the Warren-Tubb Gas Pool through parallel strings of tubing.
- CASE 5479: Application of Continental Oil Company for two non-standard gas proration units, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard gas proration unit comprising Lots 1, 2, and 3 and Lots 6 through 11 of Section 4, Township 11 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Meyer B-4 Well No. 14 located in Unit G of said Section 4. Applicant further seeks approval of a 360-acre Eumont Gas proration unit comprising Lots 14, 15, and 16 and the SE/4 and E/2 SW/4 of said Section 4 to be simultaneously dedicated to its Meyer B-4 Well No. 4 and 29 at unorthodox locations in Units S and P, respectively, of said Section 4.
- CASE 5480: Application of Continental Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation through the perforated interval 7648 to 7690 feet in its SFMU Well No. 7 located in Unit F of Section 23, Township 20 South, Range 37 East, Cass-Pennsylvanian Gas Pool, Lea County, New Mexico.
- CASE 5481: Application of Phillips Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Carlsbad-Atoka and South Carlsbad-Morrow gas production in the wellbore of its Tidwell-A "COM" Well No. 1 located in Unit E of Section 8, Township 23 South, Range 27 East, Eddy County, New Mexico.
- CASE 5482: Application of Phillips Petroleum Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Lusk Deep Unit "A" Well No. 1 located in Unit A of Section 19, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, Lea County, New Mexico, and the simultaneous dedication of said Section 19 to the above well and to applicant's Lusk Deep Unit "A" Well No. 5 located in Unit J of said Section 19.

CASE 5483: Application of Phillips Petroleum Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to dually complete its Lusk Deep Unit "A" Well No. 12 located in Unit G of Section 20, Township 19 South, Range 32 East, Lusk Field, Lea County, New Mexico, in such a manner as to produce oil from the Wolfcamp formation through the casing-tubing annulus and gas from the Lusk-Morrow Gas Pool through tubing.

CASE 5484: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico and for the assignment of certain oil well discovery allowables.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the East Carlsbad-Wolfcamp Gas Pool. The discovery well is the Champlin Petroleum Co. Nix-Yates Well No. 1, located in Unit G of Section 2, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 36: SW/4

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM  
Section 1: NW/4  
Section 2: NE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Cemetary-Wolfcamp Gas Pool. The discovery well is the Read & Stevens, Inc. Allirish Well No. 1, located in Unit P of Section 30, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM  
Section 30: SE/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Crooked Creek-Strawn Gas Pool. The discovery well is the C & K Petroleum Inc. Lowe State Well No. 1, located in Unit C of Section 16, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 16: N/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Dickenson-San Andres Pool. The discovery well is the Hanson Oil Corporation Santa Fe Well No. 1, located in Unit F of Section 35, Township 10 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM  
Section 35: NW/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Golden Lane-Atoka Gas Pool. The discovery well is the Meadco Properties Ltd. Harris 6 Well No. 1, located in Unit I of Section 6, Township 21 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 6: Lots 1, 2, 7, 8, 9, 10, 15, and 16

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Grayburg-Atoka Gas Pool. The discovery well is the Horizon Oil & Gas Co. of Texas State 28 Com Well No. 2, located in Unit K of Section 28, Township 17 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 28: S/2

Section 29: E/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Premier production and designated as the High Nitro-Premier Gas Pool. The discovery well is the McClellan Oil Corporation Hinkle Federal Well No. 1, located in Unit A of Section 9, Township 16 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 3: SW/4

Section 4: SE/4

Section 9: NE/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Hoag Tank-Morrow Gas Pool. The discovery well is the Yates Petroleum Corporation Allison CQ Federal Well No. 1, located in Unit P of Section 22, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 22: E/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the N. W. Indian Basin-Morrow Gas Pool. The discovery well is the Charles A. Dean Northwest Indian Basin Well No. 1Y, located in Unit K of Section 28, Township 20 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM

Section 28: W/2

(j) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Lonesome-San Andres Pool. The discovery well is the Phillips Petroleum Company Luther A Well No. 1 located in Unit N of Section 18, Township 8 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM

Section 18: SW/4

(k) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the South Rocky Arroyo-Wolfcamp Gas Pool. The discovery well is the El Paso Natural Gas Co. Patterson A Well No. 1, located in Unit N of Section 20, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM  
Section 20: SW/4

(l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Sheep Draw-Atoka Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1, located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 11: E/2

(m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Sheep Draw-Morrow Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1 located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 11: E/2  
Section 12: W/2

(n) CREATE a new pool in Lea County, New Mexico, classified as an oil pool and designated as the Shipp-Drinkard Pool and assign 41,650 barrels of discovery allowable to the discovery well, the Mesa Petroleum Company West Knowles Well No. 1, located in Unit P of Section 34, Township 16 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 34: SE/4

(o) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 2: All

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

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 32: N/2 NE/4

(q) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 27: SE/4

(r) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM  
Section 3: N/2

(s) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 18: N/2

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

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 3: W/2  
Section 11: All

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM  
Section 8: All  
Section 17: N/2

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

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 16: S/2

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM  
Section 1: W/2

(v) ESTABLISH a discovery allowable in the Casey-Strawn Pool in Lea County, New Mexico, and assign 56,630 barrels of discovery allowable to the discovery well, the C & K Petroleum, Inc. Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, NMPM.

(w) EXTEND the Cerca-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM  
Section 27: S/2 and NE/4

(x) EXTEND the East Chisum San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM  
Section 16: NE/4 NE/4

(y) EXTEND the Double L Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM  
Section 23: NE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM  
Section 32: N/2 and SW/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM  
Section 17: N/2

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

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM  
Section 27: NE/4

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

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
Section 36: SW/4

(bb) EXTEND the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 34: W/2 NE/4

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

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM  
Section 22: E/2

(dd) EXTEND the Penasco Draw-San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 30: NW/4 SW/4

(ee) EXTEND the Ranger Lake-Bough Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Section 23: SW/4

(ff) EXTEND the Rock Tank-Lower Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 18: All

Examiner Hearing - Wednesday - May 14, 1975

Docket No. 11-75

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(gg) EXTEND the Round Tank San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 31: NW/4 NW/4

(hh) EXTEND the vertical limits of the Sand Hills-San Andres Pool in Lea County, New Mexico, to include the Grayburg formation.

(ii) EXTEND the Sulimar Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM  
Section 18: SW/4 SW/4

(jj) EXTEND the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM  
Section 5: SW/4

(kk) EXTEND the Turkey Track Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 32: NE/4 NE/4

Case 2972

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

APPLICATION OF MESA PETROLEUM CO.  
FOR APPROVAL OF AN UNORTHODOX  
WELL LOCATION 660 FEET FROM THE  
NORTH AND EAST LINES OF SECTION  
6, TOWNSHIP 26 SOUTH, RANGE 33  
EAST, LEA COUNTY, NEW MEXICO  
PROJECTED AS A GAS WELL TO THE  
RED HILLS WOLFCAMP POOL, RED HILLS  
PENNSYLVANIAN POOL AND POSSIBLY  
THE DEVONIAN FORMATION.

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Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Comes now Mesa Petroleum Co., acting by and through the undersigned attorneys, and hereby makes application for approval of an unorthodox well location 660 feet from the north and east lines of Section 6, Township 26 South, Range 33 East, Lea County, New Mexico projected as a gas well to the Red Hills Wolfcamp Pool, Red Hills Pennsylvanian Pool and possibly the Devonian formation, and in support thereof respectfully shows:

1. Applicant is the owner of the oil and gas leasehold interests embracing all of Section 6, Township 26 South, Range 33 East and all of Section 31, Township 25 South, Range 33 East. These sections are contiguous to the Red Hills Unit comprised of all of Sections 32 and 33, Township 25 South, Range 33 East and Sections 4 and 5, Township 26 South, Range 33 East, of which Union Oil Company of California is the operator. Two gas wells have been completed on the Red Hills Unit one of which is located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  said Section 32 and the other in the NE $\frac{1}{4}$  Section 5. There is attached hereto as Exhibit "A" a plat showing the location of the well proposed to be drilled by applicant, the Red Hills Unit Area and the two gas wells completed on the unit.

2. The purpose of the unorthodox location in said Section 6 is to gain a higher structural position and to test the Wolfcamp, Atoka and Morrow formations and if the well proves to be structurally high, possibly to test the Devonian formation at a projected depth of approximately 18,000 feet.

3. Special pool rules have been adopted for the Red Hills Wolfcamp Pool under Order R-3073 dated June 2, 1966 providing for 640 acre spacing and that each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter quarter section line.

4. Applicant believes that the approval of said unorthodox well location will be in the interest of conservation, the prevention of waste and the protection of correlative rights.

5. There is attached hereto as Exhibit "A" a list of all the owners of oil and gas leasehold interests offsetting Section 6 upon which applicant seeks approval of an unorthodox well location. All of said offset operators are being furnished with a copy of this application.

6. Applicant requests that this matter be included on the examiner's docket for the hearing to be held on May 14, 1975.

Respectfully submitted,

MESA PETROLEUM CO.


By   
HINKLE, BONDURANT, COX & EATON  
P.O. Box 10  
Roswell, New Mexico 88201  
Attorneys for Applicant

EXHIBIT "B"

Amoco Production Company  
P.O. Box 3092  
Houston, Texas 77001

BTA Oil Producers  
104 S. Pecos  
Midland, Texas 79701

Continental Oil Company  
P.O. Box 431  
Midland, Texas 79701

Jerald M. Schuman  
1109 Petroleum Building  
Tulsa, Oklahoma 74100

Union Oil Company of California  
P.O. Box 3100  
Midland, Texas 79701

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MR. ISBELL LICENSED  
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April 15, 1975

APR 15 1975  
OIL CONSERVATION COMMISSION  
DENVER

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Gentlemen:

We enclose herewith in triplicate application of  
Mesa Petroleum Co. for an unorthodox location in Section  
6, Township 26 South, Range 33 East, Lea County.

We would appreciate your placing this matter on  
the examiner's docket for May 14, 1975.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By Clarence E. Hinkle  
CJ

CEH:cs

Enc.

cc: Mr. Marion Causey  
cc: Mr. Bob Northington  
cc: Mr. Don Dent

DOCKET MAILED

Date 5-2-75

DRAFT

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. 5472

Order No. R- 5032

APPLICATION OF MESA PETROLEUM CO.  
FOR AN UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 14, 1975,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of May, 1975, 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, Mesa Petroleum Co., seeks approval  
of a gas well location 660 feet from the North line and 660 feet  
from the East line of Section 6, Township 26 South, Range 33  
East, NMPM, to test the Wolfcamp, Pennsylvanian, and Devonian  
formations, Red Hills  
Field, Lea County, New Mexico.

(3) That said well would be within one mile of the Red Hills-Wolfcamp Gas Pool, for which Special Pool Rules have been promulgated, including a provision for 640-acre spacing units, and well locations no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

(4) That with respect to the Pennsylvanian and Devonian formations, said well as a gas well should be located in accordance with Commission Rule 104 B and C, which provides for 320-acre spacing units, and well locations ~~at~~ no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(5) That the aforesaid proposed location 660 feet from the North line and 660 feet from the East line of Section 6, Township 26 South, Range 33 East, NMPM, is in exception to ~~last~~ the Special Pool Rules for the Red Hills Wolfcamp Gas Pool, and Rules 104 B and C of the Commission Rules and Regulations.

(6) That there are at present no wells producing from the Red Hills-Pennsylvanian Gas Pool nor from the Devonian formation in the Red Hills field, and <sup>a well completed in either</sup> the proposed location will therefore not impinge upon any existing well.

both of said formations et

- (7) That a well at the proposed location will have a area of drainage in the Wolfcamp formation which extends 73 net acres ~~beyond the section~~ into Sections 32, ~~and 33~~, Township 25 South, Range 33 East, <sup>NMPM,</sup> and Section 5, Township 26 South, Range 33 East, NMPM, more than permitted under a standard location for the Red Hills-Wolfcamp Gas Pool.
- (8) That a well at the proposed location will better enable the applicant to produce the gas underlying Section 6, Township 26 South, Range 33 East, NMPM, ~~and~~ in the Wolfcamp formation, and underlying the E/2 of ~~Section~~ said Section 6 in the Pennsylvanian and Devonian formations, and will not impair relative rights if the permitted production from the Wolfcamp formation is limited.
- (9) That such limitation should be based upon the 73 net-acre encroachment described in Finding No (7) above, and may best be accomplished by assigning a well at the proposed location a relative take factor of 0.89 (640 minus 73, divided by 640).

Case No. 5472  
Order No. R-

~~(3) That the \_\_\_\_\_ of said Section 6 is to be dedicated to the well.~~

~~(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.~~

~~(5) That no offset operator objected to the proposed unorthodox location.~~

(10) That approval of the subject application <sup>subject to the above limitation</sup> will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Wolfcamp, Pennsylvanian, and Devonian formations is hereby approved for a well to be located at a point 660 feet from the North line and 660 feet from the East line of Section 6, Township 26 South, Range 33 East, NMPM, Red Hills Field, Lea County, New Mexico.

(2) That ~~the~~ all of said Section 6 shall be dedicated to the above-described well in the Wolfcamp formation and the E/2 of said Section 6 shall be dedicated to the well in the Pennsylvanian and Devonian formations.

(19) 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.

(3) That said well is hereby assigned a ratable take factor of 0.89 in the Wolfcamp formation, and the operator of the well, upon completion and connection thereof to a gas pipe line, shall notify said the gas purchaser of the ratable take factor.