

Case No.

933

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Application, Transcript,  
Small Exhibits, Etc.

Case 933, Application of John M. Kelly for  
400-acre non-standard gas proration, Eumont  
Phillips State Well #1

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

October 19, 1955

Mr. John M. Kelly  
P.O. Box 5671  
Roswell, New Mexico

Dear Sir:

We enclose a copy of Order R-694 issued October 13, 1955,  
by the Oil Conservation Commission in Case 933, which was heard  
at the July 14th hearing.

Very truly yours,

W. B. Macey  
Secretary - Director

WBM:brp  
Enclosure

C  
O  
P  
Y

## ADA DEARNLEY AND ASSOCIATES

Ada Dearnley • Marianna Meier • Margaret McCoskey • Helen Purcell  
605 SIMMS BUILDING • ALBUQUERQUE, NEW MEXICO • Phone 3-6691



### STENOTYPE REPORTERS

- CONVENTIONS
- COURT PROCEEDINGS
- DEPOSITIONS
- HEARINGS

### NOTARIES PUBLIC

Member: NSRA, ASA, SWSRA

August 3, 1955

Mr. William B. Macey  
Box 871  
Santa Fe, New Mexico

Dear Mr. Macey:

Please send us a copy of the July Hearing, Case #933,  
as we have an order for this.

We will return the copy.

Sincerely yours,

ADA DEARNLEY AND ASSOCIATES

AD/fc

BY

Ada Dearnley  
2c

*Sent 8-4-55  
B.P.*

*Copy Returned*

**Memo** 9/29/55  
From Worn (for DSN)  
Re: Case #933 heard July 14, 1955  
To JWB

9/29/85

Re: Case # 933 heard July 14, 1955

To JWB

Go ahead ~~and~~ <sup>and write and</sup> ~~and~~ <sup>^</sup> ~~and~~ <sup>approx</sup> the 400 acre

NSP as requested.

S/2 Sec. 12 - TMS 36  
N/2 SW/4 Sec. 7 57 195  
R375

Wm

JOHN M. KELLY  
Box 5671  
Roswell, New Mexico

June 27, 1955

Subject: Application for Non-  
Standard Gas Proration  
Unit  
Eumont Gas Pool  
Lea County, New Mexico

New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Mr. W. B. Macey:

Gentlemen:

It is requested that a hearing be set on the application of John M. Kelly for an exception to Rule 5 (a) of that part of New Mexico Oil Conservation Commission Order No. R-520 pertaining to the Eumont Gas Pool, Lea County, New Mexico. Exception to this rule will be sought for the purpose of forming a non-standard gas proration unit comprising the south one-half of section 12, T. 19 S., R. 36 E., and the ~~N<sup>1</sup>~~SW<sup>1</sup><sub>4</sub>, Sec. 7, T. 19 S., R. 37 E. This non-standard unit would be assigned for gas allocation purposes to John M. Kelly's Phillips State No. 1, located 660 feet from the east line and 660 feet from the south line of Section 12, T. 19 S., R. 36 E.

The reference well was originally completed in February 1953, as a gas well in the Eumont Gas Pool. For allocation purposes, it is currently assigned a proration unit comprising the SE<sup>1</sup><sub>4</sub> of Section 12, T. 19 S., R. 36 E.

The entire proposed unit may reasonably be presumed to be productive of gas, and lies within the horizontal limits of the Eumont Gas Pool, as defined by the Commission.

Yours very truly,

  
JOHN M. KELLY

JMK:r

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 933  
Order No. R-694

THE APPLICATION OF JOHN M. KELLY  
FOR AN ORDER GRANTING APPROVAL  
OF AN EXCEPTION PURSUANT TO RULE  
5 (a) OF THE SPECIAL RULES AND  
REGULATIONS OF THE EUMONT GAS POOL  
OF ORDER NO. R-520 IN ESTABLISHMENT  
OF AN UNORTHODOX GAS PRORATION UNIT  
OF 400 CONTIGUOUS ACRES CONSISTING OF  
S/2 SECTION 12, TOWNSHIP 19 SOUTH, RANGE  
36 EAST, N/2 SW/4 SECTION 7, TOWNSHIP 19  
SOUTH, RANGE 37 EAST, NMPM, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 14, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 13th day of October, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool of Order No. R-520, the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal section after notice and hearing by the Commission

(3) That applicant, John M. Kelly is the owner of state oil and gas leases in Lea County, New Mexico, the land consisting of other than a legal section, and described as follows, to-wit:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM  
S/2 Section 12

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM  
N/2 SW/4 Section 7

containing 400 acres more, or less.

(4) That applicant, John M. Kelly, has a producing well on the aforesaid state leases known as Phillips-State Well No. 1, located 660 feet from the East line and 660 feet from the South line of Section 12, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) That the aforesaid well was completed and in production prior to the effective date of Order No. R-520, and is located within the horizontal limits of the pool heretofore delineated and designated as the Eumont Gas Pool.

(6) That it is impractical to pool applicant's said lease with adjoining acreage in the Eumont Gas Pool and that the owners of adjoining acreage in said area have not objected to the formation of the proposed proration unit of 400 acres.

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of John M. Kelly for approval of a non-standard proration unit consisting of the following described acreage:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM  
S/2 Section 12

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM  
N/2 SW/4 Section 7

be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, Phillips-State No. 1, located in the SE/4 SE/4 Section 12, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, Eumont Gas Pool shall be granted an allowable in the proportion that the above described 400 acre unit bears to the standard or orthodox proration unit for said pool,



-3-  
Order No. R-694

all until further order of the Commission.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

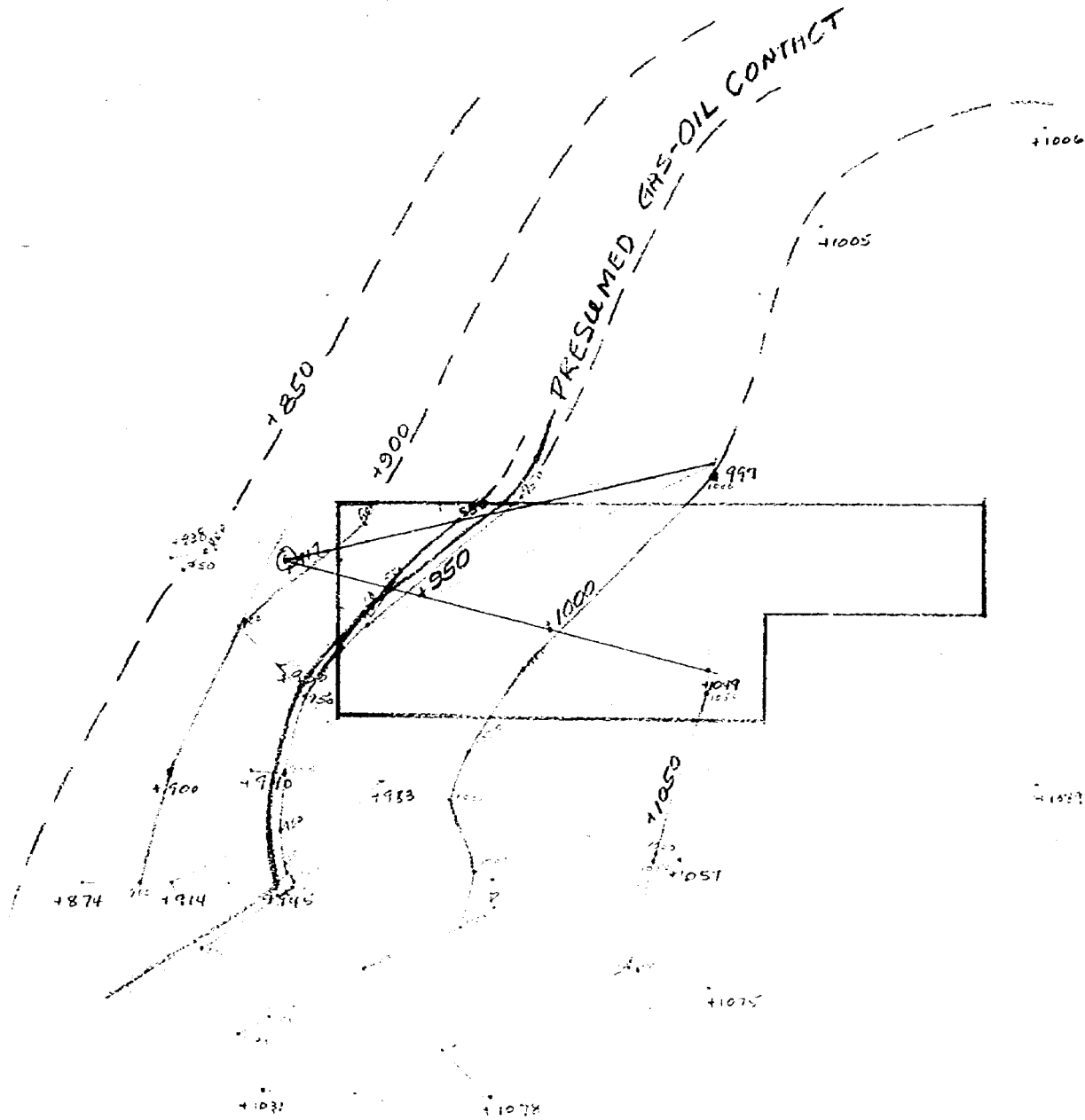
E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

ir/

Core 933  
from the Kelly NSP



JOHN M. KELLY  
Box 5671  
ROSWELL, NEW MEXICO

July 16, 1955

Mr. William Macey  
Oil Conservation Commission  
Santa Fe, N.M.

Dear Mr. Macey;

With reference to Case 933, Oil Commission hearing of July 14th.

Enclosed please find Report on Plug Back of my Phillips State #1 well. This report was requested by Mr. Montgomery. Additional copies of this Report are being forwarded to the Commission's Hobbs office.

I wish to thank the members of the Oil Commission for their courtesy in hearing Case #933 and respectfully request that the relief applied for be granted as soon as convenient.

Very truly yours,

  
John M. Kelly

NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

MISCELLANEOUS REPORTS ON WELLS

Submit this report in TRIPLICATE to the District Office, Oil Conservation Commission, within 10 days after the work specified is completed. It should be signed and filed as a report on Beginning Drilling Operations, Results of test of casing shut-off, result of plugging of well, result of well repair, and other important operations, even though the work was witnessed by an agent of the Commission. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Report by Checking Below

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF PLUGGING WELL		REPORT ON RECOMPLETION OPERATION		REPORT ON (Other) PLUG BACK	

July 15, 1955

Roswell, N.M.

(Date)

(Place)

Following is a report on the work done and the results obtained under the heading noted above at the

John M. Kelly

Phillips State

(Company or Operator)

(Lease)

Brown Well Service

(Contractor)

Well No. 1 in the SE 1/4 SE 1/4 of Sec. 12

T. 19 S., R. 36 E., NMPM., Eumont Pool, Lea County.

The Dates of this work were as follows: Feb. 1st to 5th, 1953

Notice of intention to do the work (X) (was not) submitted on Form C-102 on \_\_\_\_\_, 19\_\_\_\_,

(Cross out incorrect words)

and approval of the proposed plan (X) (was not) obtained.

DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED

Filled hole with heavy mud from TD of 4170 to 3850 ft.  
Placed and set by wireline a Baker Bridging Plug at 3848 ft. This  
plug is 30" long. On top of this permanent plug ran a 20 ft Calseal  
plug using dump bailer. Total plug is from 3848 ft to 3826 ft. After  
plug set 48 hrs. bailed hole and found no fluid.

Witnessed by Brown Brown Well Service Owner  
(Name) (Company) (Title)

Approved: OIL CONSERVATION COMMISSION

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

Name John M. Kelly  
Position Operator

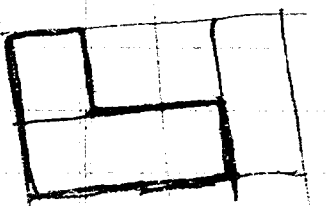
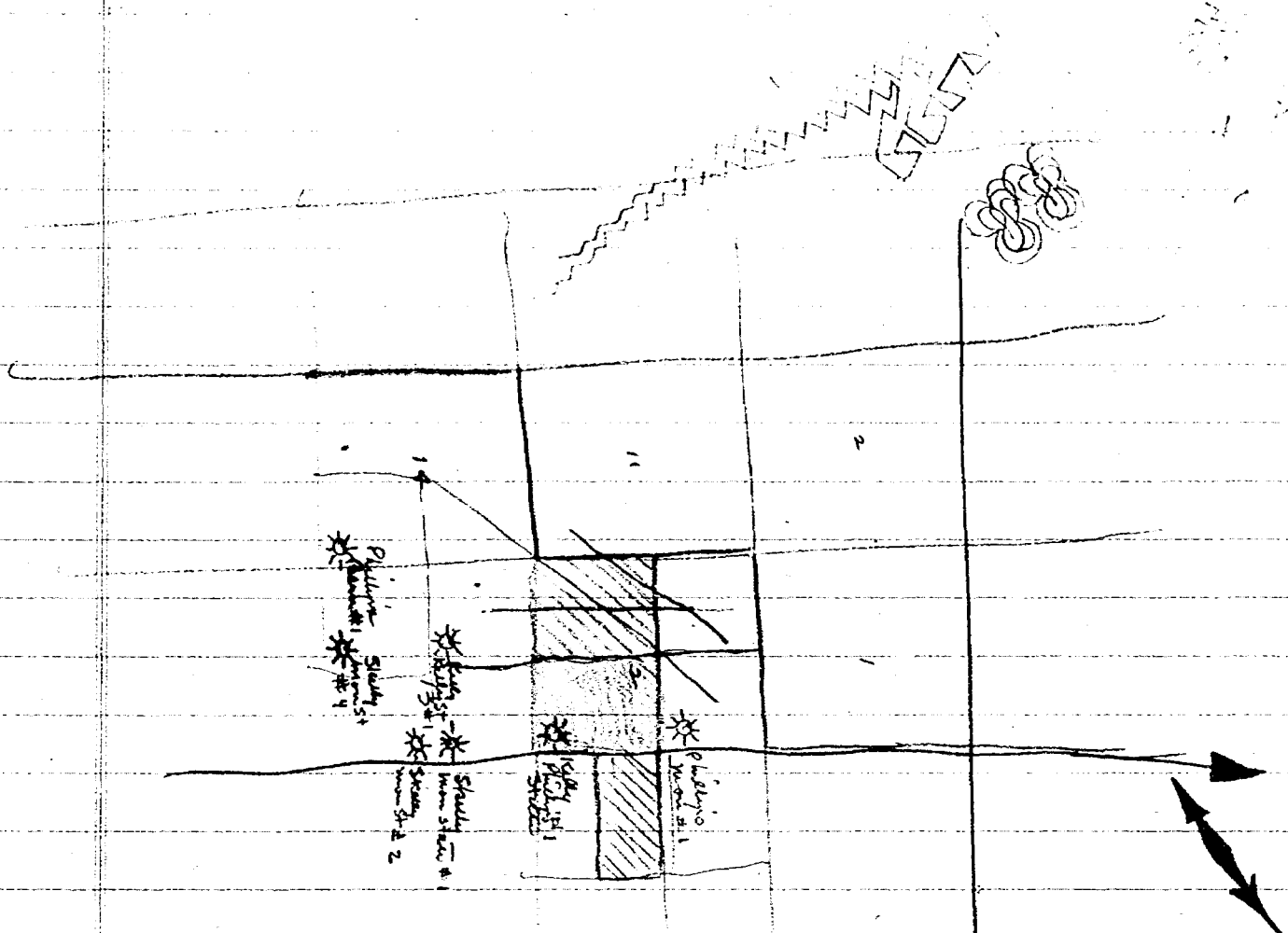
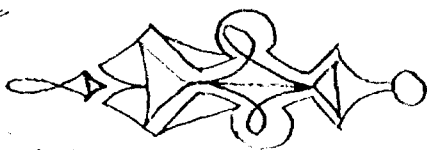
Representing John M. Kelly

Address Box 5671, Roswell, N.M.

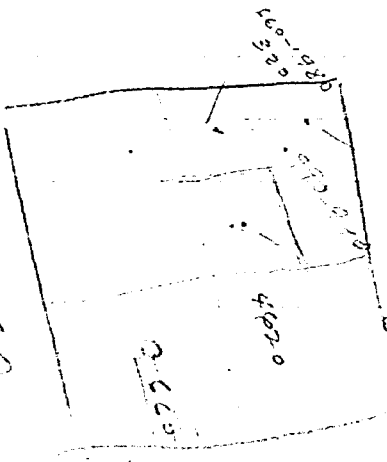
(Title)

(Date)

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 $\frac{119}{119}$



$\frac{5280}{4620}$   
 $\frac{660}{660}$



Aug 12 5-4  
 Mar 15 3 1608  
 100-000 1608  
 160-000

9 CC HODDS CA  
SEE OCC  
SEPT. 29

WARREN TO RANDY

REFERENCE GULF LEA STATE RA NO 7- 11-19-36 ENLIGHT OIL WELL.  
DO YOU HAVE A SHESKA TOP ON YATES. NEED THIS FOR JON KELLY CASE

RANDALL TO WARREN  
SHESKA TOP YATES PLUS 917  
END OF CA  
OK THANKS END END

**CLASS OF SERVICE**

This is a fast message unless its deferred character is indicated by the proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201

**SYMBOLS**

DL=Day Letter  
NL=Night Letter  
LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

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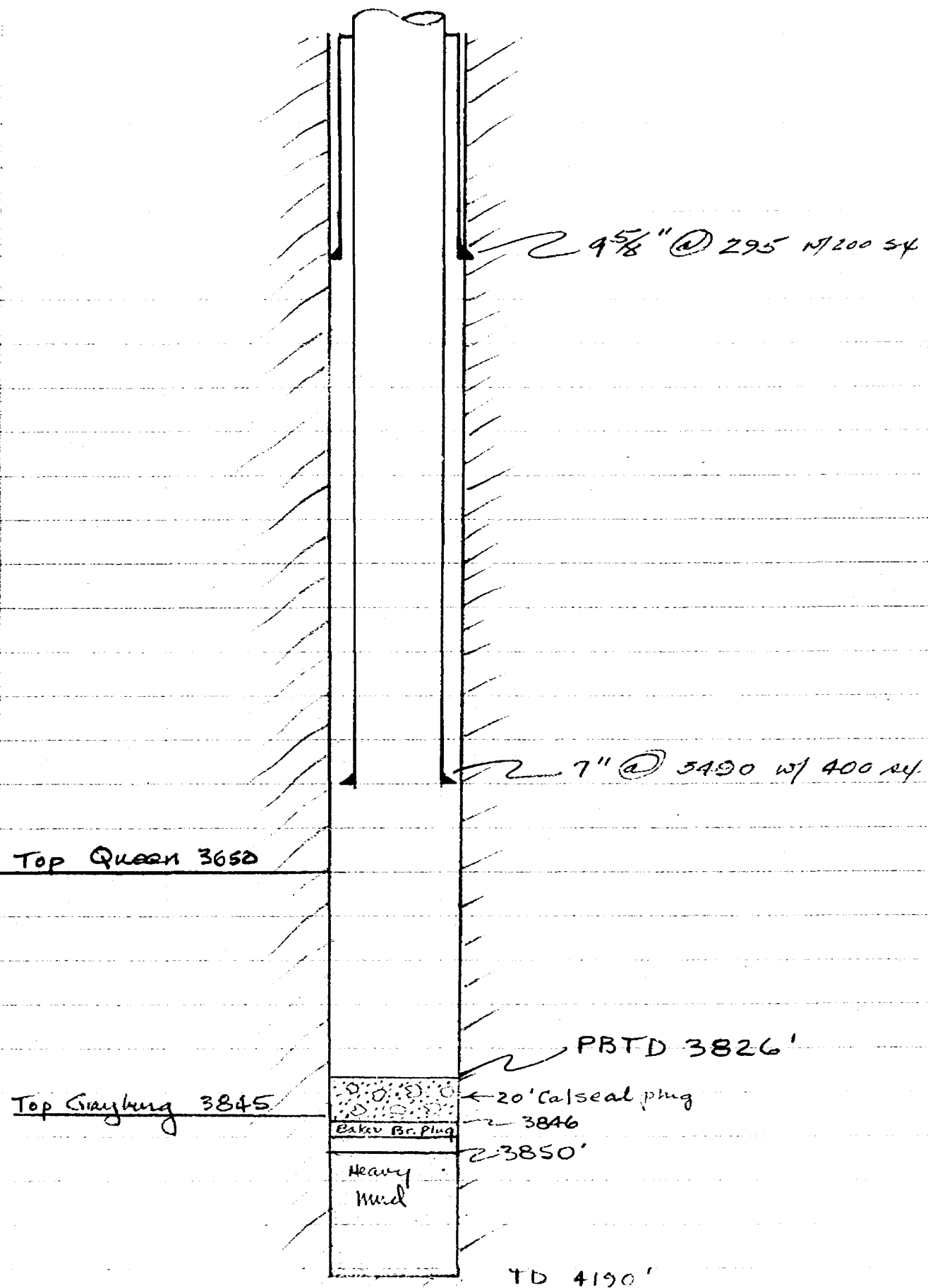
WILLIAM MAZEY

OIL CONSERVATION COMMISSION SANTA FE NMEX

PLEASE REFER TO CASE 933 ON AUGUST 8TH YOU INDICATED TO ME THAT THE ORDER WOULD BE ISSUED SO THAT ENCREASED ALLOWABLE WOULD BE EFFECTIVE ON SEPTEMBER PRORATION SHEET HAVE NOT RECEIVED ORDER TODATE WILL APPRECIATE YOUR PROCESSING THIS CASE AS SOON AS CONVENTIENT AND GRANTING ALLOWABLE EFFECTIVE ON SEPTEMBER 1ST KINDEST PERSONAL REGARDS.

JOHN M KELLEY

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



1 Open hole 3490 - 3826 = 336' of which  
 160' is in the Seven Rivers and 176' in the Queen  
 No Grayburg open



UNCLASSIFIED

JOHN M. KELLY  
Box 5671  
Roswell, New Mexico

June 27, 1955

Subject: Application for Non-  
Standard Gas Proration  
Unit  
Russett Gas Pool  
Lea County, New Mexico

New Mexico Oil Conservation Commission  
P. O. Box 571  
Santa Fe, New Mexico

Attention: Mr. W. B. Macoy:

Gentlemen:

It is requested that a hearing be set on the application of John M. Kelly for an exception to Rule 5 (a) of that part of New Mexico Oil Conservation Commission Order No. R-520 pertaining to the Russett Gas Pool, Lea County, New Mexico. Exception to this rule will be sought for the purpose of forming a non-standard gas proration unit comprising the south one-half of section 12, T. 19 S., R. 36 E., and the NW 1/4, Sec. 7, T. 19 S., R. 37 E. This non-standard unit would be assigned for gas allocation purposes to John M. Kelly's Phillips State No. 1, located 660 feet from the east line and 660 feet from the south line of Section 12, T. 19 S., R. 36 E.

The reference well was originally completed in February 1953, as a gas well in the Russett Gas Pool. For allocation purposes, it is currently assigned a proration unit comprising the NW 1/4 of Section 12, T. 19 S., R. 36 E.

The entire proposed unit may reasonably be presumed to be productive of gas, and lies within the horizontal limits of the Russett Gas Pool, as defined by the Commission.

Yours very truly,

JOHN M. KELLY

JMK:r

CASE 933

June 27, 1955

Subject: Application for Non-Standard  
Gas Proration Unit, Eumont  
Gas Pool, Lea County, New  
Mexico.

New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Mr. W. B. Macey:

Gentlemen:

It is requested that a hearing be set on the application of John M. Kelly for an exception to Rule 5 (a) of that part of New Mexico Oil Conservation Commission Order No. R-520 pertaining to the Eumont Gas Pool, Lea County, New Mexico. Exception to this rule will be sought for the purpose of forming a non-standard gas proration unit comprising the south one-half of section 12, T. 19S., R. 36 E., and the  $N\frac{1}{2}SW\frac{1}{4}$ , Sec. 7, T. 19 S., R. 37 E., This non-standard unit would be assigned for gas allocation purposes to John M. Kelly's Phillips State No. 1, located 660 feet from the east line and 660 feet from the south line of Section 12, T. 19 S., R. 36 E.

The reference well was originally completed in February 1953, as a gas well in the Eumont Gas Pool. For allocation purposes, it is currently assigned a proration unit comprising the  $SE\frac{1}{4}$  of Section 12, T. 19 S., R. 36 E.

The entire proposed unit may reasonably be presumed to be productive of gas, and lies within the horizontal limits of the Eumont Gas Pool, as defined by the Commission.

Yours very truly,

JOHN M. KELLY

New Mexico Oil & Gas Engineering Committee  
Hobbs, New Mexico  
July 5, 1955

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
July 14, 1955

IN THE MATTER OF:

CASE NO. 933

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES  
COURT REPORTERS  
605 SIMMS BUILDING  
TELEPHONE 3-6691  
ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

Case 933

**ADA DEARNLEY & ASSOCIATES**  
STENOTYPE REPORTERS  
ALBUQUERQUE, NEW MEXICO  
TELEPHONE 3-6691

A I graduated with a Bachelor of Science Degree from the New Mexico School of Mines in 1951. Since that time I have worked actively in the oil industry.

MR. KELLY: Are the witness's qualifications satisfactory?

MR. MACEY: They are.

Q Mr. McPeters, are you familiar with Case 933 as filed by John M. Kelly?

A Yes.

Q Please state to the Commission the purpose of this application.

A This application was for approval of a 400-acre non-standard proration unit in the Eumont Gas Pool, to consist of the south half of Section 12, Township 19 South, Range 36 East, and the north half of the southwest quarter of Section 7, Township 19 South, Range 37 East, to be dedicated to our well the Phillips State No. 1, located 660 from the south and east lines of Section 12, Township 19 South, Range 36 East.

Q Have you prepared an exhibit which shows the contours on top of the Yates Formation?

A Yes, sir.

(John M. Kelly's Exhibit No. 1  
marked for identification.)

MR. KELLY: I would like to enter this exhibit as Exhibit No. 1.

Q Will you explain your interpretation of this map?

A This plat indicates the structural position of the proposed non-standard proration unit and superimposed on the same plat is the existing proration units in the surrounding immediate vicinity. My interpretation of this map is that the entire 400-acres can be

presumed to be reasonably productive of gas from the Queen Formation. To substantiate this conclusion, I will give a brief outline of the history in this area.

The subject well of Phillips, John M. Kelly Phillips State No. 1 was drilled in September, 1953, total depth of 4170 in the Grayburg. It was plugged back with a permanent plug from 3848 to 3828. The Queen interval, 3650 to 3828, was tested and produced gas after dolo-frac at a rate of 3,125 MCF per day with no oil. Since that time this well has continued to produce dry gas. To the south, the Cactus State "A" No. 1, located in the northwest quarter of the northwest quarter of Section 13, Township 19, South, Range 36 East, was originally drilled by Skelly Oil Company in 1942. Skelly reported no shows of oil. Cactus re-entered the well in 1953 and on two drillstem tests in the Queen Formation recovered no oil.

Q They did, however, recover some shows of gas, didn't they? Didn't the drillstem show some gas?

A Gas cut mud was recovered.

Q What about the Gulf State "D" No. 1, north?

A The Gulf State "D" No. 1 was completed as a well in August, 1954, with a potential of 3,460 MCF per day at 600 pounds. Shortly after completion, the well started making oil and was reclassified as an oil well. Its productive capacity has dropped rapidly with an associated increase in gas-oil ratio.

Q Have you a recent test on this well?

A According to our information available to us, a test dated March 29, 1955, the well produced four barrels of oil per day and 294,000 cubic feet of gas.

Q Based on this latest test, is it economical to drill such a

well as an oil well?

A No, it is not.

Q In your opinion, then, the west portion of the proposed Kelly unit should be predominantly productive of gas?

A Yes.

Q Any attempt at a completion of an oil well would probably result in an oil well with a high gas-oil ratio?

A Yes.

Q In other words, you feel that the gas-oil contact will be on the extreme western edge of the proposed unit or be west of the proposed unit?

A Yes, that is correct.

Q How about the north half of the southwest quarter of Section 7?

A The Great Western Well, located in the northeast quarter of the southwest quarter of Section 7, was drilled in 1938 and log shows the gas in the Queen Formation. In fact, I believe it blew out in the Queen.

Q When it was drilling?

A When it was drilling.

Q Is this 80 acres offset by gas wells?

A Yes.

Q Would it be practical to dedicate the 80-acre tract to any other unit in Section 7?

A No. You will notice that Gulf has a long 160-acre unit to the south and Shell a 160-acre to the north. Previous to the formation of Gulf's unit, we contacted Gulf with a communitization proposal. Gulf refused to unitize even on a dual, or on the unitization of any

part of their acreage to a well drilled on the Kelly acreage, because they had a 160-acre gas unit without unitizing with any other acreage.

Q I notice Continental Oil Company has an 80-acre directly to the east of the Kelly 80.

A Continental was also approached and Continental felt that from an administrative and economic standpoint that it would be more favorable to dual complete their State "A" 7 No. 1, and take an 80-acre gas allowable, rather than to unitize their acreage with the Kelly. With Gulf and Continental both refusing to unitize, this left the north half of the southwest quarter of Section 7 open to drainage by wells to the north and the southeast.

Q In other words, at the present time it is impossible to assign this 80-acre in the north half, southwest quarter of Section 7 to any other unit in the same Section?

A Yes.

Q Is the acreage in the proposed unit all one basic royalty interest?

A Yes, all State land.

Q In your opinion, is the Phillips State No. 1 capable of producing a 400-acre allowable?

A Yes.

Q Would the Phillips State No. 1 effectively drain the entire 400 acres?

A In my opinion, it would.

Q Would the granting of this application permit John M. Kelly to recover his just and equitable share of the gas?

A Yes.

Q Would the granting of this application adversely affect the



rights of the royalty interest owner?

A No.

Q Would it protect the correlative rights of this applicant and prevent waste?

A Yes.

MR. KELLY: That is all. I offer John M. Kelly's Exhibit No. 1 in evidence.

MR. MACEY: Without objection it will be received. Any questions?

CROSS EXAMINATION

By MR. MACEY:

Q Do you have the top of the Grayburg on this well?

A Yes, I do. The top of the Grayburg at 3845.

Q 3845. I believe our Commission records showed that the plugged back depth was something other than 3828 feet, which I believe you stated earlier, is that correct?

A 3848 which was reported to the Commission was the position of the castiron bridging plug; on top of that plug there is 20 foot of calcium.

Q In other words, the well is actually plugged back further than stated in the forms?

A Yes, that is correct.

Q Would you be willing to submit a form correcting that?

A I am sure we would, yes.

Q In other words, Grayburg is open in this well?

A Yes.

Q Another thing, why was it that you arched your contours out in a westerly direction there? What information did you use to do

that?

A Well, it is based on that Skelly well to the south, the State No. 5. You have to bring the contour in there to 1057 approximately. The John M. Kelly Phillips State No. 1 has a top of the Yates at 1049, which means you have to swing it around. I just continued the same characteristics of the contours on out.

Q Possibly with future drilling, a little less control, it is possible these contours might straighten out?

A If so, well, contours have been known to be changed.

Q The point I am making, Mr. McPeters, is that possibly with more control, more wells drilled in the area, later it might be that actually considerably more acreage than what you have stated could be productive of oil in the Queen, is that possible?

A That is possible and if that time comes we would certainly be willing to drill an oil well because an oil well has a much more attractive economic situation than a gas well at the present time.

Q In other words, if the Commission did see fit to grant all of these exemptions you are asking for and you did decide a part of your acreage was productive, would you be willing to withdraw that free proration unit?

A Yes, I am sure we would.

Q The exemptions you are asking for are that it crosses the Section line, it is greater than 5,028, and the well is located in an improper location for that amount of acreage?

A That is correct.

Q Did you agree with Mr. Walker's testimony that in Case 918, where he stated that they didn't feel that acreage was productive of oil should be dedicated to a gas well, do you agree with that?

A I certainly do. You talking about simultaneous dedication of acreage?

Q Yes.

A In the same field?

Q Yes.

A Yes, I agree with that.

Q Would it be possible for the 80 acres of Section 7 to be possibly dedicated to Shell proration unit or possibly to the Continental or Gulf?

A I think my testimony indicated that we had approached Continental and Gulf. To my knowledge Shell hasn't been approached.

Q Would it be satisfactory with your company if the Commission say, forced communitization to keep from granting such an odd ball-shaped proration unit?

MR. KELLY: If it please the Commission, we are not asking the Commission to intercede in compulsory unitization in this case.

That is all.

MR. MACEY: Anyone else have a question? Mr. Kitts.

By MR. KITTS:

Q If granted, this would be much the largest unit in the area, wouldn't it?

A In this immediate area, yes.

Q Which would pretty certainly drain Skelly to the south and Gulf to the east with a 480-acre allowable?

A We are only asking for 400.

Q Well, 400.

A Well, that compensating drainage comes in there again. You are going to have a little of that, no matter what the size of

your units are.

Q But the others are 160, most of them?

A In this immediate vicinity, yes. I would like to point out, though, that if the application isn't granted, our 80 acres in Section 7 is being drained.

MR. WALKER: Do you feel that Skelly and Gulf, if they were being drained, they would be here complaining about it?

A I certainly do.

MR. KELLY: Gulf was approached and we requested Gulf to join us and they refused.

MR. MACEY: Does anyone else have a question? Mr. Nutter.

MR. NUTTER: To get away from the east end of that proposed proration unit back over to the west side, I think some people have a suspicion in their minds there may be a little oil production out there on the west end. Would your company be willing to, say, take off the southwest quarter of Section 12 until such time as that acreage has been proven to be productive of oil or gas?

A No, we would have to amend the application. I couldn't amend the application right here and I don't believe we would be willing to because we feel it is productive of gas.

MR. NUTTER: It could be amended in the order, however?

MR. KELLY: If it please the Commission, if and when we are offset by a commercial oil well to the west, then we will certainly give consideration to the drilling of an oil well on our acreage, but until that time, we feel that the Cactus Well immediately south of the 80 that you are talking about showed only gas on drillstem test and not oil; therefore, we feel that the western part of our acreage is gas productive.

MR. MACEY: Anyone else? If no further questions, the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further?

MR. KELLY: Nothing further.

MR. MACEY: Anyone have anything further? If not, we will take the case under advisement.

\* \* \* \* \*

STATE OF NEW MEXICO     )  
                              : ss.  
COUNTY OF BERNALILLO    )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 26th day of July, 1955.

  
Notary Public, Court Reporter

My Commission Expires:

June 19, 1959.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 933  
Order No. R-694

THE APPLICATION OF JOHN M. KELLY  
FOR AN ORDER GRANTING APPROVAL  
OF AN EXCEPTION PURSUANT TO RULE  
5 (a) OF THE SPECIAL RULES AND  
REGULATIONS OF THE EUMONT GAS POOL  
OF ORDER NO. R-520 IN ESTABLISHMENT  
OF AN UNORTHODOX GAS PRORATION UNIT  
OF 400 CONTIGUOUS ACRES CONSISTING OF  
S/2 SECTION 12, TOWNSHIP 19 SOUTH, RANGE  
36 EAST, N/2 SW/4 SECTION 7, TOWNSHIP 19  
SOUTH, RANGE 37 EAST, NMPM, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 14, 1955,  
at Santa Fe, New Mexico, before the Oil Conservation Commission, herein-  
after referred to as the "Commission".

NOW, on this 13<sup>th</sup> day of October, 1955, the Commission, a  
quorum being present, having considered the records and testimony adduced,  
and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose  
thereof having been given as required by law, the Commission has juris-  
diction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 5 (a) of the Special Rules  
and Regulations for the Eumont Gas Pool of Order No. R-520, the Com-  
mission has power and authority to permit the formation of a gas proration  
unit consisting of other than a legal section after notice and hearing by the  
Commission.

(3) That applicant, John M. Kelly is the owner of state oil and  
gas leases in Lea County, New Mexico, the land consisting of other than a  
legal section, and described as follows, to-wit:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM  
S/2 Section 12

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM  
N/2 SW/4 Section 7

containing 400 acres, more or less.

(4) That applicant, John M. Kelly, has a producing well on the aforesaid state leases known as Phillips-State Well No. 1, located 660 feet from the East line and 660 feet from the South line of Section 12, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) That the aforesaid well was completed and in production prior to the effective date of Order No. R-520, and is located within the horizontal limits of the pool heretofore delineated and designated as the Eumont Gas Pool.

(6) That it is impractical to pool applicant's said lease with adjoining acreage in the Eumont Gas Pool and that the owners of adjoining acreage in said area have not objected to the formation of the proposed proration unit of 400 acres.

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of John M. Kelly for approval of a non-standard proration unit consisting of the following described acreage:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM  
S/2 Section 12

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM  
N/2 SW/4 Section 7

be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, Phillips-State No. 1, located in the SE/4 SE/4 Section 12, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, Eumont Gas Pool shall be granted an allowable in the proportion that the above described 400 acre unit bears to the standard or orthodox proration unit for said pool, all until further order of the Commission.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John F. Simms*  
JOHN F. SIMMS, Chairman

*E. S. Walker*  
E. S. WALKER, Member

*W. B. Macey*  
W. B. MACEY, Member and Secretary

