

Casa No.

49

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Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 49  
ORDER NO. 562

THE APPLICATION OF LOCO HILLS PRESSURE  
MAINTENANCE ASSOCIATION, INC., FOR AN ORDER  
COVERING THE LOCO HILLS FIELD, EDDY COUNTY,  
WHICH IS TO INCLUDE: 1. BASIC ALLOWABLE; 2.  
GAS-OIL RATIOS; 3. PRESSURE MAINTENANCE PLAN  
EMBRACING PROVISIONS FOR IN-PUT WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., February 10, 1944, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises;  
IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

SECTION 1. (a) The project herein shall be known as the Loco Hills Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall hereinafter be referred to as the Association.

SECTION 2. That the Project area shall be:

Township 17 South, Range 29 East: S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 32, S $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 35, and S $\frac{1}{2}$  of Section 36. Township 17 South, Range 30 East, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  and S $\frac{1}{2}$  of Section 31 and W $\frac{1}{2}$  and W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32. Township 18 South, Range 29 East; All of Sections 1, 2, 3, 4, 5 and E $\frac{1}{2}$  of Section 6, All of Sections 8, 9, 10, 11, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$  of Section 12, NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 14, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ W $\frac{1}{2}$  of Section 15, N $\frac{1}{2}$  of Section 16, and the N $\frac{1}{2}$  of Section 17. Township 18 South, Range 30 East; E $\frac{1}{2}$ W $\frac{1}{2}$  of Section 5, All of Section 6, and E $\frac{1}{2}$  of Section 7.

SECTION 3. (a) That the input wells now in use and hereby authorized are as follows:

Premier Pet. Corp.	Beeson F-7	NENE 31-17-30
Aston & Fair	Scheurich St. 4	NESW 22-17-30
Franklin Pet. Corp.	Coppedge 4	NENE 5-18-30
Franklin Pet. Corp.	Yates 6	SWNE 6-18-30
Yates, et al	Yates 1	NWSW 6-12-30
Franklin Pet. Corp.	Ballard B-1	NWNE 1-18-29
Sallee & Yates	State 4	NWNE 2-18-29
Continental Oil Co.	State 14-2	SESE 2-18-29
Continental Oil Co.	Travis 1	SESE 3-18-29
S. P. Yates	Brainard 3	NESW 3-18-29
Sanders Bros.	Guy F-1	NENE 9-18-29
Sanders Bros.	Hiller 1	NENE 5-18-29
Mc-Tex	Yates 3	NWSE 5-18-29
Gordon Come	Langford 1	NWSW 9-18-29
Stroup & Yates	Travis 4	NEW 17-18-29

(b) That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

SECTION 4. That the top unit allowable rate of withdrawal of crude oil per day proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its secretary or other authorized agent, not later than the 25th day of the month, shall make application to the Commission for its approval for the maximum rate of withdrawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

SECTION 5. (a) That the limiting gas-oil ratio in cubic feet per barrel for the Loco Hills Field shall be 2000.

(b) That the system of gas-oil ratio control shall be of volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula.

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3 (c) above excepted from this section.

SECTION 6. That the following orders are hereby repealed: 339, 540, 484 and order 250 insofar as said latter order is in conflict with the order herein.

SECTION 7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

DONE AT SANTA FE, NEW MEXICO, on the day and year hereinabove designated.

OIL CONSERVATION COMMISSION

(SGD) John J. Dempsey, Chairman

(SEAL)

(SGD) John M. Kelly, Secretary

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. 46

ORDER NO. 563

THE APPLICATION OF THE GULF OIL CORPORATION  
TO CONNECT TO PIPE LINE AND RUN CONDENSATE  
FROM ITS WEST GRIPES NO. 4 LOCATED IN THE  
NORTHEAST QUARTER OF THE NORTHEAST QUARTER  
OF THE NORTHEAST QUARTER OF SECTION 32, TOWNSHIP  
18 SOUTH, RANGE 38 EAST, HOBBS POOL,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., August 3, 1943, at

Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises, the Commission finds:

#### F I N D I N G S

1. That the Byers Pool in the general structure of the Hobbs Field, is a reservoir containing an important common accumulation of natural gas, is completely separated from any zone now producing in the White Crystalline Lime below, thereby constituting the Byers Pool, a separate pool within the meaning of the basic Oil Conservation Act as amended.

2. That the Gulf Oil Corporation-West Grimes No. 4, in the NENE Section 32, 18S-30E, has been completed as a gas well so as to produce from the Byers Pool. Said well is producing large quantities of gas, being beneficially utilized for fuel purposes. With such gas production is produced at the surface of a substantial quantity of water-white liquid hydrocarbons of high gravity and of a highly volatile nature. Said well is produced primarily for gas, the production of said liquid hydrocarbons is incidental to such gas production.

3. On the same 40-acre tract is Gulf Oil Corporation-West Grimes Well No. 7, producing from a reservoir, predominately oil, in the White Crystalline Lime below the Byers Pool shown on the proration schedule as Unit C and as a non-marginal unit producing the full allowable of crude petroleum oil under applicable proration orders.

#### IT IS THEREFORE ORDERED:

A. That the pool in the 3500 to 3800 ft. depth zone shall be designated as the Byers Pool in the Hobbs Field.

B. That Gulf Oil Corporation-West Grimes Well No. 4 shall be permitted to produce and market said water-white liquid hydrocarbons in whatever amount produced in the manner set out in 2 above, notwithstanding any proration order or gas-oil ratio order; provided that the gas thus produced does not exceed in volume 25% of its open flow potential and is utilized commercially for heat, power or lease use.

C. That Gulf Oil Corporation-West Grimes Well No. 7 and the proration of its production to its corresponding Unit C, as set out in 3 above, are unaffected by this order.

That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted. The production and marketing of said water-white liquid hydrocarbons from said Well No. 4 theretofore are ratified and confirmed. Reservation is made herein for a final order on condensate and/or distillate production upon further hearing as provided by law.

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

#### OIL CONSERVATION COMMISSION

(SGD) John J. Dempsey, Chairman

(SAL)

(SGD) John M. Kelly, Secretary

Case 23 - File 1

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. 23

ORDER NO. 339

THE PETITION OF THE OPERATORS COMMITTEE  
FOR THE OPERATORS IN THE LOCO HILLS  
POOL IN EDDY COUNTY, IN CONNECTION WITH  
THE PROPOSAL OF A COLLECTIVE PRESSURE  
MAINTENANCE PROGRAM FOR SAID POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at two o'clock P.M., December 11, 1940 at  
Santa Fe, New Mexico.

NOW, on this 28th day of January, 1941, the Commission having before it for  
consideration the testimony adduced at the hearing of said case and being fully  
advised in the premises, the Commission finds:

F I N D I N G S

1. That the Loco Hills oil and gas field in Eddy County, New Mexico, which is  
referred to in the amended petition, should be re-defined as including the following  
tracts of land:

Township 17 South, Range 29 East:  $S_{2S}^{1S1}$  of Section 32,  $S_{2SW}^{1SW}$  of Section 35,  
and  $S_{2E}^{1E}$  of Section 36.

Township 17 South, Range 30 East:  $NE_{2NE}^{1NE}$ ,  $S_{2NW}^{1NW}$ , and  $S_{2E}^{1E}$  of Section 31, and  
 $W_{2E}^{1E}$  and  $W_{2SW}^{1SW}$  of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and  $E_{2E}^{1E}$  of  
Section 6, all of Sections 8, 9, 10, 11,  $N_{2NW}^{1NW}$ ,  $S_{2NE}^{1NE}$ ,  $SE_{2E}^{1E}$  of Section 12,  
 $N_{2NW}^{1NW}$  of Section 14,  $NE_{2NE}^{1NE}$ ,  $N_{2NW}^{1NW}$  of Section 15,  $N_{2E}^{1E}$  of Section 16, and the  
 $N_{2E}^{1E}$  of Section 17.

Township 18 South, Range 30 East:  $N_{2NW}^{1NW}$  of Section 5, all of Section 6, and  
 $W_{2E}^{1E}$  of Section 7.

2. That the plan for conserving the reservoir energy in the said Loco Hills  
Field as proposed in the amended petition is a proper and necessary plan in its  
general aspects for the prevention of waste and the conservation of the natural  
resources of the State.

3. That in the operation of the said conservation plan it is advisable that  
producing oil wells be used for the purpose of returning waste gas to the oil-  
bearing formations. During the period of such use it will not be possible for  
such wells to produce their allowable amount of oil and the owners of such wells  
will be permitted to produce such lost allowable from any other well or wells on  
owner's lease.

4. That the two gas wells referred to in the amended petition if permitted to produce, would produce natural gas from an oil-bearing formation, and the production of gas from such wells will therefore result in a decrease of reservoir energy. It is essential to the success of the proposed conservation plan that no wells capable of producing gas only should be permitted to produce such gas if such production would come from an oil-bearing formation. On account of the fact that the said wells were drilled prior to the formulation of the proposed plan, the owners of said wells should be permitted to receive as compensation for closing in such wells an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field and the owners of each of such wells should be permitted to produce such allowable from any oil wells located on owner's lease, which produce oil from the same horizon.

IT IS THEREFORE ORDERED:

1. That the Loco Hills oil and gas field, Eddy County, New Mexico, is hereby re-defined as consisting of and including the following described tracts of land:

Township 17 South, Range 29 East:  $S\frac{1}{2}S\frac{1}{2}$  of Section 32,  $S\frac{1}{2}S\frac{1}{4}$  of Section 35, and  $S\frac{1}{2}$  of Section 36,

Township 17 South, Range 30 East:  $NE\frac{1}{4}NE\frac{1}{4}$ ,  $S\frac{1}{2}N\frac{1}{2}$ , and  $S\frac{1}{2}$  of Section 31, and  $W\frac{1}{2}$  and  $W\frac{1}{2}S\frac{1}{2}$  of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and  $E\frac{1}{2}$  of Section 6, all of Sections 8, 9, 10, 11,  $N\frac{1}{2}N\frac{1}{2}$ ,  $S\frac{1}{2}NE\frac{1}{4}$ ,  $SE\frac{1}{4}$  of Section 12,  $N\frac{1}{2}N\frac{1}{2}$  of Section 14,  $NE\frac{1}{4}NE\frac{1}{4}$ ,  $N\frac{1}{2}NW\frac{1}{4}$  of Section 15,  $N\frac{1}{2}$  of Section 16, and the  $N\frac{1}{2}$  of Section 17.

Township 18 South, Range 30 East:  $N\frac{1}{2}NW\frac{1}{4}$  of Section 5, all of Section 6, and  $W\frac{1}{2}$  of Section 7.

Any previous order of the Commission defining the said field as including other tracts of land or not including some of the above tracts of land is hereby modified accordingly. That portion of the area heretofore designated as the Loco Hills Area not included in the area hereinabove described is hereby designated as the Leo Area.

2. That the proposed plan for conserving the reservoir energy in the said field as set forth in the amended petition is hereby approved in its general aspects. Such plan shall hereafter be known as the Loco Hills Pressure Maintenance Plan.

3. That in the operation of the said Loco Hills Pressure Maintenance Plan producing oil wells may be used for the purpose of returning waste gas to the oil-bearing formations, and the allowable amount of oil which any well so used fails to produce during the period of such use may be produced by the owner of the input well from other wells located on owner's lease, and as long after the cessation of its use as the capacity of such well to produce oil has been impaired by its use as an input well. If the owner of such input well is the owner of more than one other producing oil well on his lease, the Commission may require, without further notice or hearing, that such lost allowable be apportioned on an equitable basis among owner's other wells on his lease. No well shall be used as an input well without the consent of the owner.

4. That during such period of time as either one or both of the two gas wells referred to in Paragraph 11 of the amended petition are not permitted to produce natural gas, the owner or owners of such well or wells shall be permitted to produce from oil wells owned by them on the same lease an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field, provided

that such allowable of oil be produced from the same horizon from which the natural gas from the closed well or wells would be produced.

In the case of the well owned by R.W. Fair, et al., located on the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 10, T. 18 S., R. 29 E., N.M.P.M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of the said gas well, which are located in the E $\frac{1}{2}$  of said Section 10.

In the case of the other gas well owned by Bassett and Birney, located on the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 11, in said Township and Range, the oil allowable of such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State Land.

5. That for the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this petition insofar as they relate to the reallocation of back allowable oil in the field, which is presented by Paragraph 9 of the amended petition.

OIL CONSERVATION COMMISSION

Sgd. John E. Miles, Governor  
" H.R. Rodgers, Land Commissioner  
" A. Andreas, State Geologist

RESERVATION COM  
SANTA FE NEW MEXICO

23

Page No. 19 - Order No.   
 Plan Order

[illegible][illegible]



# CORRECTION

The preceding \_\_\_\_\_  
documents were incorrectly  
filmed. They are refilmed  
following this target. Moring

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

March 28, 1944

Mr. Vilas P. Sheldon  
Loco Hills Pressure  
Maintenance Association, Inc.  
Artesia, New Mexico

Re: Case No. 49 - Order No. 562 - Loco Hills Pressure  
Maintenance Plan Order.

Dear Mr. Sheldon:

Form C-102, in quadruplicate, Notice of Intention to Use Well as  
Input Well, with regard to Fair, N.M.&F. - Brainard No. 5, SENE 10-18-  
29, is herewith enclosed with the suggestion that this form be filled  
out pursuant to the writer's letter of March 25, bearing in mind that  
both the operator and Loco Hills Pressure Maintenance Association, Inc.,  
should sign said notice.

Also enclosed is C-102, in quadruplicate, Notice of Intention to  
Cease Producing Allowable from other wells on Lease, Bassett & Birney,  
State No. 6, WSE 11-18-29. This is one of the gas wells that was shut-in  
under the old Loco Hills Order No. 339, and under that order took its  
allowable elsewhere. Under the new order No. 562 no allowable is taken  
elsewhere for said well. That is a matter of private agreement between  
the operator and your association. The notice recites, among other things,  
that it is to be used as an input well. Do they really recite the facts?  
If so, then it is an input well. Somehow I had the impression that this  
gas well was to be shut-in and that gas therefrom was to be used to  
cycle through other input wells as may be necessary and that some sort  
of adjustment as compensation to the owners or operators of said gas  
well was to be made as a matter of private agreement between said owners  
or operators and your association.

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OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Vilas P. Sheldon

-2-

3-23-44

Please review the wording in Form O-102 with regard to this well with the view of determining whether such wording accords with the facts. Not knowing for certain the exact facts, I cannot suggest the wording. At any rate, whatever wording is adopted the notice should be signed both by Russell & Birney and your association.

Very truly yours,

John H. Kelly  
Director

By

Chief Clerk & Legal Advisor

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Form C-102

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

### MISCELLANEOUS NOTICES

Submit this notice in triplicate to the Oil Conservation Commission or its proper agent before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the rejection by the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of notice by checking below:

NOTICE OF INTENTION TO TEST CASING SHUT-OFF		NOTICE OF INTENTION TO SHOOT OR CHEMICALLY TREAT WELL	
NOTICE OF INTENTION TO CHANGE PLANS		NOTICE OF INTENTION TO PULL OR OTHERWISE ALTER CASING	
NOTICE OF INTENTION TO REPAIR WELL		NOTICE OF INTENTION TO PLUG WELL	
NOTICE OF INTENTION TO DEEPEN WELL		NOTICE OF INTENTION TO USE WELL AS FOR LOCO HILLS PRESSURE MAINTENANCE PROJECT	

Artesia, New Mexico

April 1, 1944

Place

Date

OIL CONSERVATION COMMISSION,  
Santa Fe, New Mexico.

Gentlemen:

Following is a notice of intention to do certain work as described below at the

Dixon & Yates

Saunders

Well No. A-6

in SEWM

Company or Operator

Lease

of Sec. 12

T. 18

R. 29

N. M. P. M.,

Loco Hills

Field,

County.

#### FULL DETAILS OF PROPOSED PLAN OF WORK

##### FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS OF THE COMMISSION

The undersigned operator or owner requests permission that the above described well be permitted to be used as a gas in-put well by Loco Hills Pressure Maintenance Association, Inc., as a gas in-put well under the provisions of Order No. 562, and fully understands that said well shall have no allowable of any kind during such use and that compensation for allowable lost during such use is a matter of private agreement between Loco Hills Pressure Maintenance Association and this operator.

The undersigned Loco Hills Pressure Maintenance Association, Inc., joins in the above request.

Approved \_\_\_\_\_, 19\_\_\_\_  
except as follows:

OIL CONSERVATION COMMISSION,

By \_\_\_\_\_

Title \_\_\_\_\_

Dixon & Yates

Company or Operator

By \_\_\_\_\_

Position \_\_\_\_\_

Send communications regarding well to

Name \_\_\_\_\_

Address \_\_\_\_\_

Loco Hills Pressure Maintenance Assoc., Inc.

By: \_\_\_\_\_

*perman*  
The undersigned operator requests permission that the above-described well be permitted to be used as a gas in-put well ~~under the provisions of Order No. 562~~ by Loco Hills Pressure Maintenance Association, Inc as a gas in-put well under the provisions of Order No. 562, and fully understands that said well shall have no allowable of any kind during such use and that compensation for allowable lost during such use is a matter of private agreement between Loco Hills Pressure Maintenance Association and this operator.

*the undersigned*

Loco Hills Pressure Maintenance Association, Inc. joins in  
^ the above request.

**U. S. CONSERVATION COMMISSION**  
**SANTA FE, NEW MEXICO**

March 25, 1944

Mr. C. J. Dunbar  
Loose Hills Pressure  
Maintenance Association, Inc.  
Albuquerque, New Mexico

Re: Case 49, Order No. 962 - "Loose Hills Pressure  
Maintenance Plan Order."

Dear Mr. Dunbar:

Enclosed please find copy of the new Loose Hills Order  
noted in the caption.

Very truly yours,

John M. Kelly  
Director

By

Chief Clerk & Legal Advisor

CHL:MS

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CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

March 25, 1944

Mr. Vilas P. Sheldon  
Leeco Hills Pressure  
Maintenance Association, Inc.  
Artesia, New Mexico

Re: Spec No. 49, Order No. 562 - Leeco Hills Pressure  
Maintenance Plan Order.

Dear Mr. Sheldon:

Enclosed please find a copy of the above captioned order.

Also enclosed with this is the ~~writing~~ <sup>writing</sup> which the Commission believes would be appropriate under the provisions of said order. This should be signed by the operator as such and by Leeco Hills Pressure Maintenance Association, Inc., by its secretary or other authorized agent. One C-1012 for Dixon & Yates-Sanders A-6, has been made out as an illustration. All other applications for use of wells for in-put wells should contain the same wording. Undoubtedly your office will desire to make out these notices and submit them to the respective operators whose wells are to be used as gas in-put wells.

The two enclosed C-1012s as applications to use wells as in-put wells of Dixon & Yates-Sanders A-6, and O. H. Mandel-Chelby No. 1, both dated January 14, 1944, are herewith returned to be revised as suggested.

Very truly yours,

John M. Kelly  
Director

By

Chief Clerk & Legal Adviser

CHL:MS

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**WILDERNESS CONSERVATION COMMISSION**  
**SANTA FE, NEW MEXICO**

March 20, 1944

Mr. C. A. Schweerich  
Albuquerque, New Mexico

Dear Mr. Schweerich:

In further reply to your letter of February 15, this is to inform you that the new order for the Los Alamos Field will probably be signed by the Commission this week to be effective April 1, 1944. Due to the mechanics of the order, this is the earliest date that this order could be promulgated and made effective.

Hoping this has not inconvenienced your operations too much, I remain

Very truly yours,

John M. Kelly  
Director.

JMK:MS

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OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

February 17, 1944

Mr. C. A. Schaurich  
Clovis, New Mexico

Dear Mr. Schaurich:

This is to acknowledge receipt of your letter of February 15 addressed to John Kelly, Director of this Commission. Mr. Kelly has just been called to Washington for a conference before the regulatory bodies. This is to assure you that your letter will be brought directly to Mr. Kelly's attention immediately upon his return.

Meanwhile, possibly this to some extent will help to clarify the matter. The petition of the Loco Hills Pressure Maintenance Association, Inc., for a revision of the Loco Hills Pressure Maintenance plan order was not filed until January 25. The law requires for the change of any order that a notice of a public hearing be published for a certain length of time as to the date, place and general nature of the hearing. The hearing was held on schedule February 10, but an order of this nature usually takes an effective date at the beginning of a proration month for the purpose of setting up the proration schedule regarding the field affected.

The writer is sorry that you were unable to attend the hearing for your ideas no doubt would have been beneficial to the Commission.

Mr. Kelly will answer you more fully upon his return.

Very truly yours,

John M. Kelly  
Director

By

Chief Clerk & Legal Adviser.

CEL:MS

OFFICE  
CURRY COUNTY ABSTRACT AND TITLE CO.



ESTABLISHED 1907

**The Schewich Agency**

INSURANCE  
ABSTRACTS AND LOANS  
REAL ESTATE  
CLOVIS, NEW MEXICO

WE SPECIALIZE IN ROYALTIES  
OIL AND GAS LEASES

Feb., 15, 1944.

Hon., John Kelley,  
State Geologist,  
Santa Fe, N.Mex.,

Dear Mr. Kelley;

I learned yesterday in Roswell, from Mr. Aston, that decision on Input well Sec-32 T17S R30 has again been postponed to March 1st. Even tho' the decision is given in our favor, we will have to await several months before we would be compensated for the loss we are taking in helping the rest of well owners make a profit.

Is there not some way for the Board to reach a conclusion shortly in this case?

I am not a lawyer, and cannot write to you from my legal knowledge, but can from a justifiable angle. We have lost considerable revenue by our well being made an input well, and it seems to me that some equitable conclusion could be reached shortly to compensate us for what we have been losing.

I love my neighbors, but do not want to be punished to get them big profits at our expense.

Senator Hatch will not be here until next month, and cannot wait that long to try and get some action taken in this matter. Please advise just how matter stands and when do you suppose we will get decision.

Yours very truly,

*C.A. Schewich*  
C.A. Schewich.

TELEPHONE 720

C. J. DEXTER  
PRESIDENT

BERT ASTON  
VICE-PRESIDENT

FRED BRAINARD  
SECRETARY-TREASURER

*File 1  
Loco Hills*

**Loco Hills  
Pressure Maintenance Association, Inc.  
ARTESIA, NEW MEXICO**

MEMBERS  
S. P. YATES  
C. M. POPE, JR.  
EMERY CARPER  
A. B. OWEN  
J. M. MURRAY, SR.  
MARTIN YATES, JR.

P. O. Box 126

February 26, 1944

Mr. Carl Livingston  
Oil Conservation Commission  
Santa Fe, New Mexico

Dear Carl:

As requested in your telephone conversation of this date, I am furnishing you a list of input wells now being used in the Loco Hills Field. I believe it will be some assistance to you if you will refer to the exhibit filed with you at the time of the hearing. The exhibit was a map showing gas-oil ratios and the input wells were designated by a red circle.

If I can be of any further assistance, please advise.

Yours very truly,

*Vilas P. Sheldon*

Vilas P. Sheldon, Engineer

VPS:l

Att'd

List of Input Wells  
Loco Hills Field

Premier Pet. Corp.	Beeson F-7	NE NE	31-17-30
Aston & Fair	Scheurich State 4	NE SW	32-17-30
Franklin Pet. Corp.	Coppedge 4	NW NE	5-18-30
Franklin Pet. Corp.	Yates 6	SW NE	6-18-30
Yates, et al.	Yates 1	NW SW	6-18-30
Franklin Pet. Corp.	Ballard B-1	NW NE	1-18-29
Sallee & Yates	State 4	NW NE	2-18-29
Continental Oil Co.	State M-2	SE SE	2-18-29
Continental Oil Co.	Travis 1	SE SE	3-18-29
S. P. Yates	Brainard 3	NE SW	3-18-29
Sanders Bros.	Guy P-1	NE NE	9-18-29
Sanders Bros.	Miller 1	NE NE	5-18-29
Me-Tex	Yates 3	NW SE	5-18-29
Gordon Cone	Langford 1	NW SW	9-18-29
Stroup & Yates	Travis 4	NE NW	17-18-29

U. S. CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

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P  
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February 11, 1944

Mr. Milton G. Loeas  
C/o Robert E. Miller  
Artesia, New Mexico

Dear Mr. Loeas:

This will acknowledge receipt of your letter of  
February 9, which is being placed in the file of the Loco  
Hills case.

Very truly yours,

John H. Kelly  
Director

JTK:MS

EL PASO, TEXAS  
1900-1932 TEXAS STREET  
PHONE MAIN 484  
P. O. DRAWER 552

J. F. HILL, MANAGER  
D. R. PONDER, ASST. MANAGER  
J. P. GREEN, CHIEF ESTIMATOR  
J. R. BRENNAND, CONST. ENGINEER  
E. L. TROWELL, CHIEF ACCOUNTANT

## ROBERT E. McKEE

GENERAL CONTRACTOR  
CONSTRUCTION ENGINEER

CABLE ADDRESS ALL OFFICES "REMCON"

EL PASO, TEXAS

LOS ANGELES, CALIF.  
4700 SAN FERNANDO ROAD, WEST  
PHONE CHAPMAN 5-3141  
P. O. BOX 350, GLENDALE, CALIF.

LAMAR WILSON, MANAGER  
CHESTER C. WRIGHT, CONST. ENGINEER  
T. C. DAEUBLE, OFFICE AUDITOR  
R. S. HARDIE, GENL. Supt., HONOLULU OFFICE  
O. L. WYLIE, CONST. ENGR., HONOLULU OFFICE

AO 168

Artesia, New Mexico  
February 9th, 1944

John M. Kelly, Director  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Mr. Kelly:

Thank you very much for advising us of the hearing to be held in Santa Fe, tomorrow morning, the 10th, relative to the future pro-ration orders covering the Loco Hills Field.

I would have liked very much to attend but after discussing the matter with Mr. Sheldon, of the Loco Hills Represeuring Association, and with you by telephone, and due to the fact that I am pretty well tied up at this time with the drilling operations in the Turkey Track Area, I feel that it is advisable for me to remain here.

Also, as the hearing tomorrow will not preclude any action on future petitions that might be filed in our behalf, we believe it is advisable to note the developments for the next month or two, in this area, that is as far as our interests are concerned, before making any decisions bearing on this subject.

Very truly yours

ROBERT E. MCKEE

By:

Milton G. Losee

2GL:k

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NATIONAL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

January 25, 1944

Honorable Carl A. Hatch  
United States Senator  
Senate Office Building  
Washington, D. C.

Re: Case No. 49

Dear Senator Hatch:

Enclosed please find copy of Notice of Hearing in the above captioned case, which relates to a new Loco Hills Order. At a previous hearing you obtained an exception to that order as to an in-put well. For information regarding the contemplated plan it is suggested that you contact the Loco Hills Pressure Maintenance Association.

I saw the press reports concerning your recent illness. We all wish that by now you have made a speedy and complete recovery.

With kindest personal regards, I am

Cordially yours,

John M. Kelly  
Director

By

Chief Clerk & Legal Adviser.

CHL:MS

562

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. 49

ORDER NO. 562

THE APPLICATION OF LOCO HILLS PRESSURE  
MAINTENANCE ASSOCIATION, INC., FOR AN ORDER  
COVERING THE LOCO HILLS FIELD, EDDY COUNTY,  
WHICH IS TO INCLUDE: 1. BASIC ALLOWABLE; 2.  
GAS-OIL RATIOS; 3. PRESSURE MAINTENANCE PLAN  
EMBRACING PROVISIONS FOR IN-PUT WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., February 10, 1944,  
at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico,  
hereinafter referred to as the "Commission".

NOW, on this 24<sup>th</sup> day of March, 1944, the Commission having before it  
for consideration the testimony adduced at the hearing of said case and being  
fully advised in the premises;

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

SECTION 1. (a) The project herein shall be known as the Loco Hills  
Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall  
hereinafter be referred to as the Association.

SECTION 2. That the Project area shall be:

Township 17 South, Range 29 East: S<sub>2</sub>S<sub>2</sub> of Section 32,  
S<sub>2</sub>SW<sub>4</sub> of Section 35, and S<sub>2</sub> of Section 36.  
Township 17 South, Range 30 East: NE<sub>4</sub>NE<sub>4</sub>, S<sub>2</sub>NE<sub>2</sub>, and  
S<sub>2</sub> of Section 31 and W<sub>2</sub> and W<sub>2</sub>NE<sub>2</sub> of Section 32.  
Township 18 South, Range 29 East: All of Sections 1, 2,  
3, 4, 5 and E<sub>2</sub> of Section 6, all of Sections 8, 9, 10,  
11, NE<sub>2</sub>NE<sub>2</sub>, S<sub>2</sub>NE<sub>2</sub>, SE<sub>2</sub> of Section 12, NE<sub>2</sub>NE<sub>2</sub> of Section 14,  
NE<sub>2</sub>NE<sub>2</sub>, NE<sub>2</sub>NE<sub>2</sub> of Section 15, W<sub>2</sub> of Section 16, and the  
NE<sub>2</sub> of Section 17.  
Township 18 South, Range 30 East: NE<sub>2</sub>NE<sub>2</sub> of Section 5,  
all of Section 6, and W<sub>2</sub> of Section 7.

SECTION 3. (a) That the input wells now in use and hereby authorized  
are as follows:

Premier Pet. Corp.	Season F-7	NE <sub>2</sub> NE <sub>2</sub> 31-17-30
Aston & Fair	Scheurich St. 4	NE <sub>2</sub> NE <sub>2</sub> 32-17-30
Franklin Pet. Corp.	Coppedge 4	NE <sub>2</sub> NE <sub>2</sub> 5-18-30
Franklin Pet. Corp.	Yates 6	SW <sub>2</sub> NE <sub>2</sub> 6-18-30



Yates, et al	Yates 1	NWSW 6-12-29
Franklin Pot. Corp.	Ballard 3-1	NWSE 1-12-29
Sallee & Yates	State 4	NWSE 2-12-29
Continental Oil Co.	State M-2	SESE 2-12-29
Continental Oil Co.	Travis 1	SESE 3-12-29
S. F. Yates	Brainard 3	NWSW 3-12-29
Sanders Bros.	Guy F-1	NWSE 9-12-29
Sanders Bros.	Killer 1	NWSE 5-12-29
Mc-Tex	Yates 3	NWSE 5-12-29
Gordon Cone	Langford 1	NWSW 9-12-29
Stroup & Yates	Travis 4	NWSE 17-12-29

(b). That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

SECTION 4. That the top unit allowable rate of withdrawal of crude oil per day per proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its secretary or other authorized agent, not later than the 25th of the month, shall make application to the Commission for its approval for the maximum rate of withdrawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

SECTION 5 (a). That the limiting gas-oil ratio in cubic feet per barrel for the Loco Hills Field shall be 2000.

(b) That the system of gas-oil ratio control shall be of volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula:

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3(c) above is excepted from this section.

SECTION 6. That the following orders are hereby repealed: 339, 540, 424 and order 250 insofar as said latter order is in conflict with the order herein.

SECTION 7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

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

OIL CONSERVATION COMMISSION

  
JOHN J. DEMPSEY, CHAIRMAN

  
H. R. RODGERS, MEMBER

  
JOHN N. KELLY, SECRETARY

SEAL

BEFORE THE OIL CONSERVATION COMMISSION

OF THE

STATE OF NEW MEXICO

In re:

LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.

Hearing:

Held February 10, 1944 to establish  
a pro ration plan in the Loco Hills  
Field in Eddy County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC. )  
TO ESTABLISH A PRORATION PLAN FOR THE )  
LOCO HILLS FIELD IN EDDY COUNTY, NEW MEXICO )

BRIEF IN SUPPORT OF APPLICATION  
Dated January 28, 1944

Comes now the Loco Hills Pressure Maintenance Association, Inc., and, as supporting data with respect to the request made to the Oil Conservation Commission for the Loco Hills Field with respect to the production of oil and gas from said field, respectfully submits the following:

1. That there is filed with this brief a map of the area included in the Loco Hills Oil and Gas Field in Eddy County, New Mexico, and such map is attached hereto as an exhibit.

2. That Loco Hills Pressure Maintenance Association, Inc. is a New Mexico corporation organized in March of 1941. That there is filed with this brief a certified copy of the by-laws with a certified copy of the Articles of Incorporation of said association.

3. That the stockholders of the Loco Hills Pressure Maintenance Association, Inc., in connection with the financing of the construction of the pressure maintenance system, have executed a Uniform Agreement and Assignment. That there is filed with this brief a printed form of said Uniform Agreement and Assignment, together with a certificate showing the operators in the Loco Hills Field who have executed copies of said Agreement and Assignment.

4. That the supporting data filed with this brief is furnished in connection with the application made by Loco Hills Pressure Maintenance Association, Inc., under date of January 28, 1944, for an order of the Oil Conservation Commission to be entered with respect to the Loco Hills Field in Eddy County, New Mexico as follows:

- a. Continuing the two thousand cubic foot gas-oil ratio limitation now in effect.
- b. Establishing an allowable for the month of March, 1944, of thirty barrels per well per day with a provision for the Loco Hills Pressure Maintenance Association, Inc. to make application for such maximum rate of withdrawal as may seem advisable with such rate to be not below twenty barrels per well per day, nor forty barrels per well per day.
- c. That the order heretofore entered, allowing other wells on the same basic lease to make up the allowable for a well being used by the Association as an input well, be rescinded.

5. That in the hearing to be held on February 10, 1944, the applicant, Loco Hills Pressure Maintenance Association, Inc., will present testimony of its engineer and supporting data by the engineer with respect to the above request.

Respectfully submitted,

LOCO HILLS PRESSURE MAINTENANCE ASS'N, INC.

By

*Neil B. Watson*  
Attorney for Association  
Artesia, New Mexico

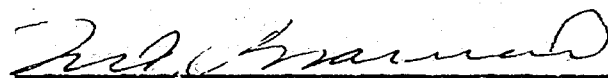
CERTIFICATE OF SECRETARY

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) :ss

I, Fred Brainard, Secretary of Loco Hills Pressure Maintenance Association, Inc., a corporation, do hereby certify:-----

That I am the Secretary of Loco Hills Pressure Maintenance Association, Inc., a New Mexico corporation and as such have in my possession the Articles of Incorporation and the By-laws of said corporation, that attached to this certificate are true and correct copies of the Articles of Incorporation and the By-laws of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said corporation on this the 8 day of February, A.D., 1944.

  
Secretary  
LOCO HILLS PRESSURE MAINTENANCE  
ASSOCIATION, INC.

ARTICLES OF INCORPORATION  
OF  
LOCO HILLS PRESSURE MAINTENANCE  
ASSOCIATION, INC.

The undersigned, who are all of lawful age and are citizens of the United States of America and Citizens and residents of the State of New Mexico, do hereby form a corporation under the laws of the State of New Mexico in accordance with the following declarations and provisions, and do hereby certify.

I.

The name of the corporation shall be Loco Hills Pressure Maintenance Association, Inc.

II.

The principal office of the corporation in the State of New Mexico shall be located at Artesia in Eddy County. The name of the agent of the corporation in said office and in charge thereof upon whom process against the corporation may be served is Fred Brainard and his Post Office address is Artesia, New Mexico

III.

The principal object for which the corporation is formed is to construct, maintain, and operate a pressure maintenance system in the Loco Hills Oil and Gas Field in Eddy County, New Mexico in furtherance of proper conservation of the reservoir energy in said oil and gas field. To that end the corporation shall have power to do and perform any act, transaction, or undertaking which in the opinion of its Board of Directors is expedient, necessary, or conducive to the furtherance of said principal object, including the acquisition, holding, and disposing of real and personal property and interests therein or pertaining thereto, the borrowing of money, the pledging or encumber-

ing of the assets of the corporation as security for money borrowed or debts owed by the corporation, and the acquisition, holding, and disposing of shares of the capital stock of the corporation, provided, however, that transactions by the corporation with reference to shares of the capital stock of the corporation acquired by it shall be subject to the provisions of Section VIII.

The enumeration of a specific power herein shall not be considered as excluding other powers not mentioned herein and which in the opinion of the Board of Directors are necessary, expedient, or convenient in the carrying on of the business of the corporation.

#### IV.

The total authorized capital stock of the corporation that may be issued by it shall consist of 250,000 shares of common stock without nominal or par value and the number of shares with which the corporation will commence business is 30 shares. The value of the entire authorized capital stock will not exceed \$25,000.00.

#### V.

The names of the incorporators and their respective Post Office addresses and the number of shares of the capital stock of the corporation respectively subscribed for by each are:

Bert Aston, Smith, New Mexico-----	10 shares
Martin Yates, Jr., Artesia, New Mexico ----	10 shares
Fred Brainard, Artesia, New Mexico -----	10 shares

#### VI.

The term of the existence of the corporation shall be fifty years.

#### VII.

The Board of Directors shall be seven in number. It shall not be necessary for a director to be a stockholder or a resident of the State of New Mexico. The vote of a majority of the directors shall be required to



constitute an act of the Board. Unless required by the by-laws, the directors shall not be elected by ballot but shall be elected upon motion at the annual meeting of the stockholders, provided, however, that vacancies in the Board shall be filled and the number of directors may be changed as prescribed by the by-laws.

The directors for the first three months after the filing of the certificate of incorporation shall be:

Emery Carper.....	Artesia, New Mexico
C. J. Dexter.....	Artesia, New Mexico
Hugh L. Johnston.....	Hobbs, New Mexico
Bert Aston.....	Smith, New Mexico
James M. Murray, Sr.....	Hobbs, New Mexico
Martin Yates, Jr.....	Artesia, New Mexico
Fred Brainard.....	Artesia, New Mexico

#### VIII.

Notwithstanding the corporation 's not being organized on a cooperative basis as such term is defined by New Mexico law, it is contemplated that the corporation will not be operated for profit to the stockholders through the declaration of dividends, but that the benefits which the stockholders will receive will result from the co-operation by the owners of producing oil and gas wells in the said oil and gas field in furthering the plan for the conservation of the reservoir energy in said field. To that end it is considered essential that the ownership of the capital stock of the corporation be limited to the owners of the producing oil and gas wells in said field and the ownership of the shares of capital stock issued on account of producing well shall follow the ownership of such well and any attempted ownership, control, or transfer of any of the capital stock of the corporation in violation of the restrictions upon stock ownership imposed by this section shall be null and void. In the event a well is abandoned, all shares of capital stock issued on account of such well shall cease to carry voting rights, excepting in matters pertaining to the dissolution of the corporation.

IX.

The capital stock of the corporation shall be issued and disposed of for such consideration and upon such terms as may be fixed by the Board of Directors.

X.

The Board of Directors shall not be required in January in each year or at any other time to declare a dividend among its stockholders of the whole or of any part of its accumulated profits but the Board in its discretion may cover such accumulated profits into an operating fund or a reserve fund or both, as may be provided in the by-laws.

(Sgd) Bert Aston

(Sgd) Martin Yates, Jr.

(Sgd) Fred Brainard

STATE OF NEW MEXICO )  
                              : ss  
COUNTY OF EDDY        )

On this the 1st day of March, A.D., 1941,  
before me personally appeared Bern Aston, Martin Yates,  
Jr., and Fred Brainard to me personally known to be the  
persons described in and who executed the foregoing instru-  
ment, and acknowledged that they executed the same as their  
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand  
and official seal on the day and year in this certificate  
first above written.

My Commission Expires

Dec. 22, 1941

(Sgd) J.S. Ward  
\_\_\_\_\_  
Notary Public

(SEAL)

No. 22243

Cor. Rec'd. Vol. 5 Page 112

CERTIFICATE OF INCORPORATION  
OF

Loco Hills Pressure  
Maintenance Association, Inc.

Ent'd J. J. R.

Rec'd \_\_\_\_\_

In'x'd M. I. T.

FILED IN OFFICE OF  
STATE CORPORATION COMMISSION  
OF NEW MEXICO

MAR 7 1941- 9:40 a.m.

J. J. Romero  
CLERK

Filing \$25.00

C.C. \$ 2.40

BY-LAWS

OF

LOGO HILLS PRESSURE MAINTENANCE ASSOCIATION,  
INC., A NEW MEXICO CORPORATION

ARTICLE I

Stockholders

Section 1. Annual Meeting. A meeting of the stockholders of the corporation shall be held annually at the principal office of the corporation in the State of New Mexico at 10:00 o'clock in the forenoon on the first Tuesday of February in each year, if not a legal holiday and if a legal holiday then on the next succeeding Tuesday not a legal holiday, for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting.

Written notice of the annual meeting shall be mailed at least ten days prior to the meeting to each stockholder of record at his address as the same appears on the stock book of the corporation. A failure to mail such notice or any irregularity in such notice shall not affect the validity of any annual meeting or of any proceedings at any such meeting.

Section 2. Special Meetings. Special meetings of the stockholders of the corporation may be held at the principal office of the corporation in the State of New Mexico whenever called in writing, or by vote, of a majority of the board of directors or by a majority in interest of the stockholders.

Written notice of such special meeting stating the day, hour, and place thereof and in general terms the business to be transacted thereat shall be mailed at least fifteen days prior to the meeting to each stockholder of record at his address as the same appears on the stock book of the corporation. If all the stockholders shall waive notice of a special meeting, no notice of such meeting shall be required; and whenever all the stockholders shall meet in person or by proxy such meeting shall be valid for all purposes without call or notice and at such meeting any corporate action may be taken.

Section 3. Quorum. At any meeting of the stockholders the holders of the majority of the capital stock issued and outstanding and having voting rights present in person or represented by proxy shall constitute a quorum for all purposes, but when a quorum is not present a majority in interest of the stockholders present in person or by proxy may adjourn from time to time without notice other than by announcement at the meeting until holders of the amount of stock requisite to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

Section 4. Voting. Subject to the restrictions and provisions of Section 2, Article IV, at each meeting of the stockholders every stockholder shall be entitled to vote in person or by proxy appointed by instrument in writing subscribed by such stockholder or by his duly authorized attorney and delivered to the Secretary at the meeting; and he shall have one vote for each share of stock standing registered in his name. Upon demand of any stockholder, the votes upon any question before the meeting shall be taken by roll call. At each meeting of the stockholders a full, true, and complete list in alphabetical order of all stockholders entitled to vote at such meeting and indicating the number of shares held by each shall be furnished.

ARTICLE II

Board of Directors

Section 1. Number and Term of Office. The business and the property of the corporation shall be managed and controlled by the board of directors. They shall be seven in number and the vote of a majority of the directors then in office shall be required to constitute an act of the board. The number of directors may be increased or diminished by an amendment to the articles of incorporation when authorized by the vote of the holders of three-fourths of the outstanding capital

stock having voting rights. The directors shall act only as a board and an individual director shall have no power or authority as such. It shall be necessary for a director to be a stockholder or a resident of the State of New Mexico, provided however, that any director not a stockholder must be an employee of a corporation which is a stockholder or a member of a co-partnership owning stock in the corporation. The termination of such employment or membership or the transfer of his stock by a director who is a stockholder shall operate as a resignation by the director concerned. Directors shall hold office for one year and until their successors are elected and qualified, provided however, that the directors named in the articles of incorporation shall hold office until June 7, 1941 and until their successors are elected and qualified and their successors shall hold office until the annual meeting of the corporation in 1942 and until their successors are elected and qualified.

**Section 2. Election.** The directors shall be elected at the annual meeting of the stockholders and it shall not be necessary to conduct an election for such purpose in the manner specified by the statutes of New Mexico, but upon demand of any stockholder, the voting for directors shall be made by roll call.

**Section 3. Vacancies.** If any vacancy shall occur among the directors by death, resignation, or otherwise, the remaining directors by an affirmative vote of a majority thereof may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant and until the election and qualification of his successor.

**Section 4. Place of Meeting.** The directors shall hold their meetings at the principal office of the corporation in the State of New Mexico.

**Section 5. Regular Meetings.** Regular meetings of the board of directors shall be held monthly on the first Tuesday of each month if not a legal holiday and if a legal holiday then on the next succeeding Tuesday not a legal holiday. No notice shall be required for any such regular meeting of the board.

**Section 6. Special Meetings.** Special meetings of the board of directors shall be held whenever called by the president or not less than one-third of the directors then in office. Notice of each special meeting shall be given by mail or by telegraph to each director not less than five days before the meeting but such notice may be waived in writing by any director. At any meeting at which every director shall be present, even though without notice, any business may be transacted.

**Section 7. Quorum.** A majority of the board of directors then in office shall constitute a quorum for the transaction of business but less than a quorum present may adjourn the meeting from time to time until a quorum shall be present.

**Section 8. Designation of Depositories.** The board of directors shall designate the bank or banks in which shall be deposited the money or securities of the corporation and shall regulate the manner of deposit and withdrawal of same.

**Section 9. Reports and Records.** The board of directors shall cause quarterly reports to be made to the stockholders reflecting the operations of the corporation for the preceding three months and such reports shall contain complete statements of the receipts and disbursements of monies by the corporation. The books and records of the corporation, including the records and reports of all working committees, shall be open to inspection at all times by any stockholder. An annual audit of the books and accounts of the corporation shall be made by a certified public accountant at the end of each calendar year which shall be the fiscal year of the corporation and a report of such audit shall be furnished to the stockholders.

### ARTICLE III

#### Officers and Committees

**Section 1. Officers.** The officers of the corporation shall be chosen by the board of directors from among the directors and no director shall be disqualified to vote for himself for any office. The officers shall be a president, a vice president, a secretary, and a treasurer, and such other officers as shall from time to time be provided for by the board of directors. The offices of secre-

tary and treasurer may be combined in one person who shall be designated as secretary-treasurer. Such officers shall be elected at the first meeting of the board of directors and at the first meeting of the board of directors after the annual election of directors and shall hold office until their respective successors shall have been duly elected and qualified, provided, however, that all officers, agents and employees of the corporation shall be subject to removal at any time by the affirmative vote of a majority of the board of directors then in office. The duties of any officer, agent, or employee may be changed by a like vote of the board of directors, without the necessity of an amendment to the by-laws. No officer or director of the corporation shall receive compensation from the corporation for his services as such officer or director.

Section 2. Committees. The board of directors may appoint an Engineering Committee whose membership need not be limited to directors and stockholders and the duties of such committee shall be those prescribed by the board of directors. Neither the committee nor any of its members shall have authority to bind the corporation by any act or agreement, excepting as is provided in the Agreement and Assignment referred to in Article VII, Section 4. The board of directors may likewise appoint other working committees which in their opinion are necessary or convenient for the management of the business of the corporation but no such committee nor any member thereof shall have authority to bind the corporation by any act or agreement.

Section 3. Powers and Duties of the President. The president shall be the chief executive officer of the corporation and shall preside at all meetings of the stockholders and of the board of directors. He shall sign and execute all authorized bonds, contracts, obligations, and conveyances in the name of the corporation and with the secretary shall sign all certificates of the shares in the capital stock of the corporation. He shall do and perform such other duties as may from time to time be assigned to him by the board of directors.

Section 4. Powers and Duties of the Vice President. The vice president shall possess the powers and shall perform the duties of the president in his absence or disability or in the event of a vacancy in the office of president. He shall do and perform such other duties as from time to time may be assigned to him by the board of directors.

Section 5. Powers and Duties of the Secretary. The secretary shall keep the minutes of all meetings of the board of directors and the minutes of all meetings of the stockholders. He shall attend to the giving and serving of all notices of the corporation and shall sign with the president in the name of the corporation all contracts and other instruments authorized by the board of directors and shall affix the seal of the corporation thereto. He shall sign with the president in the name of the corporation all certificates of the shares of the capital stock of the corporation and shall affix the seal of the corporation to same. He shall have charge of the books and records and other papers of the corporation and shall in general perform all of the duties incident to the office of secretary, subject to the control of the board of directors and he shall do and perform such other duties as may from time to time be assigned to him by the board of directors.

The secretary shall take the oath of office required by law and if required by the board of directors shall give bond with corporate surety conditioned for the faithful performance of his duties as such secretary, such bond to be approved by the president.

Section 6. Powers and Duties of the Treasurer. The treasurer shall have the custody of all funds and securities of the corporation and when necessary or proper he shall endorse on behalf of the corporation for collection checks, notes, and other obligations and shall deposit the same to the credit of the corporation in a designated depository. He shall sign all receipts and vouchers for payments made to the corporation and he shall sign all checks made by the corporation jointly with the president, and he shall pay out and dispose of the funds of the corporation under the direction of the board of directors. He shall sign with the president all bills of exchange and promissory notes of the corporation and whenever required by the board of directors he shall render a statement of his cash account. He shall enter regularly in books of the corporation to be kept by him for the purpose full and accurate account of all monies received and paid by him on account of the corporation and he shall at all reasonable times exhibit his books and accounts to any director of the corporation upon application at the office of the corporation during

business hours and he shall perform generally all acts incident to the office of treasurer, subject to the control of the board of directors. He shall give a bond with corporate surety in the sum of Five Thousand Dollars conditioned for the faithful performance of his duties as such treasurer, such bond to be approved by the president.

#### ARTICLE IV

##### Capital Stock

Section 1. Certificates of Shares. Each holder of stock of the corporation shall be entitled to a stock certificate signed by the president or the vice president and by the secretary. The certificates of shares shall be in such form not inconsistent with the articles of incorporation as shall be prepared or approved by the board of directors and shall have printed thereon references to or extracts from the articles of incorporation and the by-laws with reference to the restrictions upon the ownership, transfer, and voting rights of the capital stock of the corporation contained therein.

All certificates shall be consecutively numbered. The name, or names of the person or persons owning the shares represented thereby, with the number of such shares and the date of issue shall be entered on the books of the corporation. All certificates surrendered to the corporation shall be canceled and no new certificate shall be issued until the former certificate for the same number of shares shall have been surrendered and canceled.

Section 2. Issuance and Ownership of Shares. The capital stock of the corporation shall be issued and paid for upon the basis specified and as provided in the Agreement and Assignment referred to in Article VII. The ownership of the shares of stock shall follow the ownership of the producing oil or gas well on account of which the stock is issued as provided in Article VIII of the articles of incorporation and in the event of the abandonment of a well for which shares of stock have been issued, such shares of stock shall cease to carry voting rights excepting in matters pertaining to the dissolution of the corporation as is provided in said Article VIII.

Section 3. Transfer of Shares. Subject to the provisions of said Article VIII of the articles of incorporation, shares of the capital stock of the corporation shall be transferred only on the books of the corporation by the holder thereof in person or by his duly authorized attorney upon surrender and cancellation of certificates for a like number of shares. The stock transfer books shall be closed during the entire day of any meeting of the stockholders.

Section 4. Regulations. The board of directors shall have power and authority to make all such rules and regulations not inconsistent with the articles of incorporation and the said Agreement and Assignment as they may deem expedient concerning the issue, transfer, and registration of certificates for shares of the capital stock of the corporation.

#### ARTICLE V

##### Dividends and Working Capital

Section 1. Dividends. It is not contemplated that any profit to the stockholders through the declaration of dividends will accrue through the operation of the business of the corporation and no dividends shall be declared by the board of directors out of the surplus or net profits of the corporation, unless authorized and directed by a vote of holders of three-fourths of the outstanding stock of the corporation having voting rights at a regular meeting or a special meeting called for that purpose.

Section 2. Working Capital. The board of directors are authorized to maintain a working capital or a reserve fund as is provided in the Agreement and Assignment referred to in Article VII and any surplus or net profit resulting from the operations of the corporation shall become a part of such working capital or reserve fund, unless otherwise directed by a vote of the stockholders as provided in Section 1 of this article.



## ARTICLE VI

### Corporate Seal

Section 1. The seal of the corporation shall be in the form shown below and shall be retained in the custody of the secretary.

## ARTICLE VII

### Construction and Operation of the System

Section 1. Construction. The construction and installation of the pressure maintenance system referred to in Article III of the articles of incorporation shall be controlled and supervised by the board of directors pursuant to plans and specifications to be prepared by the Engineering Committee and approved by the board of directors.

Section 2. Funds for Construction. The directors are authorized to obtain funds for the construction and installation of the system through a bank loan with an interest rate not in excess of four per centum per annum, such loan to be secured by an assignment to the bank of the amounts which the corporation is or shall be entitled to receive in payment for its capital stock and by a first mortgage upon the system and the rights, easements, and other privileges granted to the corporation by the operators who shall execute the Agreement and Assignment mentioned in Section 4. The promissory note of the corporation shall be executed to the bank for the full amount of such loan with a maturity date not more than three years from the date of the note and if any amount of such loan remains unpaid at the maturity date of said note the board of directors may negotiate such renewal or extension of the note as to such unpaid balance as may be agreed upon with the bank. The amount of such loan shall not exceed the amount required for the installation and construction of the system plus a sum not in excess of Five Thousand Dollars which may be added to constitute an operating fund. The board of directors shall have authority to enter into a contract with the bank for such loan upon such terms and conditions not inconsistent with these by-laws and with the terms and provisions of the said Agreement and Assignment as in their opinion may be reasonable and proper. The president and the secretary are authorized in the name of the corporation to execute the said assignment and mortgage to the bank in such form as may be approved by the board of directors. The bank making such loan shall be entitled to rely upon a certificate of the president or secretary of the corporation showing the cost of the installation and construction of the system and any amount loaned by the bank on the basis of such certificate shall be a binding obligation of the corporation although such sum may be in excess of the actual cost of installation and construction plus the sum of Five Thousand Dollars for an operating fund.

Section 3. Operation. The system shall be operated by the board of directors for the purpose of securing and maintaining within reasonable limits a state of equilibrium as to bottom hole pressure among the producing wells affected by the system but no officer, agent, or employee of the corporation shall have authority in behalf of the corporation to guarantee such result. The system shall at all times be operated in compliance with the valid orders, rules and regulations of any regulatory body having jurisdiction in the premises. The expenses of operation shall be assessed, collected, and paid as provided in the said Agreement and Assignment.

Section 4. Agreement with Operators. The form of Agreement and Assignment shown as an appendix to these by-laws is approved and made a part of these by-laws to the same extent and effect as if the said form were set forth in full herein instead of being attached as an appendix. The president and the secretary are authorized in the name of the corporation to execute in the name of the corporation such Agreement and Assignment with any and all of the owners of operating rights for oil and gas in the Loec Hills Oil and Gas Field as such operating rights and Field are described and defined in the said Agreement and Assignment. No provision of these by-laws nor any subsequent by-law which may be adopted by the stockholders of the corporation shall be construed to have or be given the effect of violating any of the terms and provisions of the said Agreement and Assignment.

#### ARTICLE VIII

##### Amendment of By-laws

Section 1. The by-laws of the corporation, excepting Section 4, Article VII, may be altered, amended, or repealed by the stockholders at any regular meeting or at any special meeting, provided that notice of such proposed alteration, amendment, or repeal at a special meeting shall be given in writing in the same manner that notice of a special meeting of the stockholders is required to be given.

##### ACCEPTANCE OF BY-LAWS BY STOCKHOLDER

The undersigned \_\_\_\_\_, being one of the stockholders of Loec Hills Pressure Maintenance Association, Inc., hereby approves, accepts, and adopts the foregoing by-laws as the by-laws of the corporation and consents that the said by-laws shall be given the same full force and effect as if they had been adopted by the stockholders at a meeting called for that purpose.

Signed at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 1941.

\_\_\_\_\_  
\_\_\_\_\_

CERTIFICATE OF SECRETARY

STATE OF NEW MEXICO    )  
                              : ss  
COUNTY OF EDDY        )

I, Fred Brainard, do hereby certify that I am Secretary of Loco Hills Pressure Maintenance Association, Inc., a New Mexico Corporation and have in my possession the records of said corporation.

That attached to this certificate is the printed form of the uniform agreement and assignment executed by all of the stockholders of the Loco Hills Pressure Maintenance Association, Inc. in connection with the financing of the plant and system and the operating of said plant and system.

I further certify that the association has in its file, copies of the said agreement and assignment executed by the following operators covering the various tracts in the Loco Hills oil and gas field; to-wit:

Allen, Fair and Pope  
Aston, Lucas & Aston  
Aston and Fair  
Bassett & Birney, et al  
Banner Oil Company  
Bowers & Bowers  
Bright & Gordon  
Brainard & Guy  
Continental Oil Company  
Gordon M. Cone  
Carper Drilling Co.  
Continental and Yates  
Dixon & Yates  
Fair, N.N. & F.  
Fair & Bright  
R.W. Fair  
Franklin Petroleum Corp.  
Franklin & Yates  
Flynn, Welch & Yates  
Friendship Oil Corporation  
Grayburg Oil Company of New Mexico  
Jones & Yates  
Kinfolks Trust  
Mc-Tex Supply Co.  
Premier Petroleum Corporation  
O.H. Randel  
Rose City Oil Corporation

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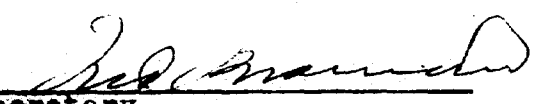
Yates & Continental  
S.P. Yates  
Yates, et al  
Sanders Brothers  
Sallee & Yates  
Stroup & Yates

IN WITNESS WHEREOF, I have hereunto set my hand  
and the official seal of said corporation this the 2  
day of February, A.D., 1944.

Red. Brannan  
Secretary  
LOCOMOTIVE PRESSURE MAINTENANCE  
ASSOCIATION, INC.

Yates & Continental  
S.P. Yates  
Yates, et al  
Sanders Brothers  
Sallee & Yates  
Stroup & Yates

IN WITNESS WHEREOF, I have hereunto set my hand  
and the official seal of said corporation this the 2  
day of February, A.D., 1944.

  
Secretary  
LOCOMOTIVE PRESSURE MAINTENANCE  
ASSOCIATION, INC.

## AGREEMENT AND ASSIGNMENT

The undersigned Loco Hills Pressure Maintenance Association, Inc., a New Mexico corporation, and the undersigned \_\_\_\_\_

do hereby agree:

1. This contract is executed in furtherance of a cooperative plan for the conservation of the reservoir energy in the Loco Hills Oil and Gas Field located in Eddy County, New Mexico by the installation of a pressure maintenance system and shall become effective and binding upon the parties when identical contracts have been executed by the owners of not less than 180 producing wells located in said Field as such Field is defined herein.

2. When used in this agreement:

(a) The term "Association" refers to the said Loco Hills Pressure Maintenance Association, Inc.

(b) The term "Operator" refers to the said \_\_\_\_\_

(c) The term "Field" refers to the said Loco Hills Oil and Gas Field and comprises the area specified in paragraph 3, as such area now exists or may hereafter exist through modification as authorized in said paragraph 3.

(d) The term "operators" refers to and includes persons, co-partnerships, and corporations who own the operating rights for oil and gas as defined herein in one or more tracts of land located in the Field whose operating rights have been committed to the conservation plan by the execution of agreements in this or in similar form.

(e) The "operating rights" in a tract of land included in the Field consist of the exploration, development, and production rights for oil and gas and other carboniferous substances granted by an oil and gas lease or other form of contract whereby the owner is entitled to produce oil and gas and other carboniferous substances from the land and to retain same to his own use and benefit subject to the payment of the prescribed royalties and overriding royalties, if any, and includes ownership and control of the producing well or wells located on the tract or tracts involved.

(f) The term "working interest" as used with reference to oil or gas wells shall be considered as equivalent to seven-eighths (7/8ths) of the amount of production from the well which is saved and marketed.

(g) By a "producing well" is meant a well in the Field from which crude oil, regardless of amount, is being or can be produced or from which natural gas only is capable of being produced from the oil bearing formation.

(h) The Board of Directors of the Association is referred to as "Directors" and the Engineering Committee of the Association is referred to as "Engineering Committee."

(i) By "Commission" is meant the State Conservation Commission of New Mexico or any person lawfully acting under direction of the Commission.

(j) By "Secretary" is meant the Secretary of the Interior or any person lawfully acting under his authority.

(k) The term "system" refers to the pressure maintenance system mentioned in paragraph 1 and which is more fully described in paragraph 6.

(l) The term "original incorporators" refers to all of the operators who execute this form of agreement prior to a date to be fixed by the Directors, which date shall be considered as the date of the commencement of the installation of the system.

(m) The term "subsequent participants" refers to all operators in the Field who are not included in the term "original incorporators."

(n) The term "gas" refers to the natural gas which is produced with the crude oil from the wells in the Field.

3. The Field comprises the area consisting of the following described tracts of land located in said Eddy County, New Mexico:

Township 17 South, Range 29 East: S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 32; S $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 35; and S $\frac{1}{2}$  of Section 36.

Township 17 South, Range 30 East: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ N $\frac{1}{2}$  and S $\frac{1}{2}$  of Section 31; and W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{4}$  of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and E $\frac{1}{2}$  of Section 6; all of Sections 8, 9, 10, 11, N $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  and SE $\frac{1}{4}$  of Section 12; N $\frac{1}{2}$ N $\frac{1}{2}$  of Section 14; NE $\frac{1}{4}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 15; N $\frac{1}{2}$  of Section 16; and N $\frac{1}{2}$  of Section 17.

Township 18 South, Range 30 East: N $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 5; all of Section 6; and W $\frac{1}{2}$  of Section 7.

Subsequent operations and development may disclose that some tracts included in the present limits of the Field should be excluded from the Field and that some tracts adjacent to the present limits of the Field should be included in and designated as a part of the Field. Such action may be taken by the Directors with the approval of the holders of a majority of the outstanding stock of the Association, provided, however, that no tract shall be excluded from the Field on which is located a producing well belonging to the Operator on account of which stock of the Association has been issued as provided herein, unless the Operator consents to the exclusion of such tract.

4. The Operator represents and warrants that he is the owner of the operating rights in the tracts of land described in sub-paragraph (a) below and that said operating rights are free and clear of liens and encumbrances and the lawful claims and interests of other persons therein excepting as shown in sub-paragraph (b) below.

(a) Said tracts of land and the producing wells located thereon are the following:

(b) The above described operating rights are subject to certain liens and encumbrances and the lawful claims and interests of other persons therein as follows:

5. The Association represents that it is a New Mexico corporation organized and existing on a non-profit basis, having a term of existence of fifty years commencing in the year 1941, and with its principal object the installation and maintenance of the system. In the management of its corporate affairs, the Association shall at all times comply with the following requirements:

(a) The authorized capital stock shall be Two Hundred Fifty Thousand (250,000) shares of common stock without any nominal or par value.

(b) The affairs of the Association shall be managed by a Board of Directors who shall be seven in number, and each director must be an operator owning the operating rights in one or more producing wells in the Field or must be an employee of a corporation or a member of a co-partnership owning such operating rights.

(c) The authorized capital stock of the Association and the number of directors may be increased or diminished by the vote of the holders of three-fourths (3/4ths) of the capital stock at a regular or at a special meeting called for such purpose.

(d) The by-laws shall be made and amended or repealed by the stockholders at a regular meeting or at a special meeting called for such purpose.

(e) All working committees, including the Engineering Committee and all employees, shall be appointed by the Board of Directors.

(f) No officer or director shall receive any compensation from the Association for his services as such.

(g) Each original incorporator shall be required to subscribe for the number of shares of the capital stock specified in paragraph 9 (c). Payment for the stock subscribed for shall be made in the manner specified in this agreement on the basis of One Dollar (\$1.00) per share. The shares of stock issued on account of each well shall be included in separate certificates and shall be delivered to the subscriber as provided in paragraph 9 (c). The initial certificate for ten shares provided for in said paragraph 9 (c) shall not be delivered to the subscriber until the approval by the title attorneys of the Association of the title to the operating rights in the producing well on account of which the stock is being issued. Certificates issued on account of wells thereafter completed shall not be delivered until evidence has been furnished of the acceptance of such well as a producing well by the Conservation authority having jurisdiction. The shares of stock represented by such certificates shall be considered as fully paid and non-assessable and the provisions in this agreement providing for the apportionment of operating expenses shall not be considered or construed as an assessment upon the stock of the Association.

(h) Any subsequent participant may be admitted to participation in the plan upon such reasonable terms and conditions as may be imposed by the Directors, provided, however, that such subsequent participant shall be required to execute an agreement with the Association containing the applicable provisions of this agreement and provided further that the shares of capital stock which may be issued to such subsequent participant on account of a producing well shall not be in excess of the number which would have been issued on account of such well if the subsequent participant had been an original incorporator and the amount which the subsequent participant shall be required to pay for the shares of stock issued to him shall not be less than One Dollar (\$1.00) per share.

(i) The ownership of the shares of the capital stock which are issued on account of a producing well must follow the ownership of the operating rights in such well and in the event of a transfer of the operating rights in a well the stock certificate issued on account of such well must be transferred to the new owner of such operating rights. If the operating rights in a well are owned by more than one person or corporation the stock certificate shall include the names of all such owners and in the event of a transfer of either the entire operating rights or an undivided interest in same, the new certificate will likewise contain the names of all of the owners of the operating rights in such well after such transfer.

(j) In the event of the abandonment of any well on account of which shares of the capital stock of the Association have been issued or have become issuable, the holder of such stock certificate shall not possess any voting rights with respect to the shares of stock represented by such certificate, excepting in matters pertaining to the dissolution of the Association.

(k) It is not contemplated that any profits shall inure to the Association by reason of its operations or that any dividends shall be paid to the stockholders excepting upon dissolution. The Directors shall maintain an operating fund not exceeding at any time the sum of Five Thousand Dollars (\$5,000.00) composed of monies received from the sources specified herein and of any other income received by the Association out of which operating fund payment shall be made for operating expenses, repairs, and replacements, and for such other purposes as are specified in this agreement. No mortgage or other encumbrance of the system other than the mortgages provided for herein shall be valid and binding upon the Association or a lien upon the system unless authorized by a vote of the holders of three-fourths (3/4ths) of the outstanding capital stock having voting rights.

(l) The Directors shall cause quarterly reports to be made to the stockholders reflecting the operations of the Association for the preceding three months and such reports shall contain complete statements of the receipts and disbursements of monies by the Association. The books and records of the Association, including the records and reports of all working committees, shall be open to inspection at all times by any stockholder. An annual audit of the books and accounts of the Association shall be made by a certified public accountant at the end of each fiscal year and a report of such audit shall be furnished to the stockholders.

(m) Any time after but not before the bank loan referred to in paragraph 7 is retired, the Association may be dissolved by a vote of the holders of two-thirds (2/3rds) of the issued capital stock.

6. The Association is obligated to construct and install and to maintain and operate an adequate pressure maintenance system in the Field in accordance with the following stipulations, conditions, and requirements:

(a) The plans and specifications for the system shall be prepared by the Engineering Committee and approved by the Directors.

(b) The cost of the system installed shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00).

(c) The system will utilize the gas obtained from the operators in the Field by returning such gas to the oil bearing formations but in the furtherance of the conservation plan natural gas from other fields or from formations within the Field other than the oil bearing formations also may be utilized.

(d) The system shall be operated for the purpose of securing and maintaining within reasonable limits a state of equilibrium as to bottom hole pressure among the producing wells in the Field, but such result is not guaranteed by the Association.

(e) In order to avoid the expense of drilling wells for use in returning the gas to the oil bearing formations, producing oil wells in the Field may be used as input wells. Such input wells shall be changed at proper intervals as recommended by the Engineering Committee and approved by the Directors.

(f) Any owner of the operating rights in a producing well or wells who becomes dissatisfied for any reason on account of the operation of the system or any feature of such operation shall be entitled to submit his objections in writing to the Engineering Committee who shall grant a full and complete hearing upon such objections. Such operator also shall be entitled to appeal to the Directors from the decision of the Engineering Committee after such hearing and the decision of the Directors shall be final unless thereafter disapproved by the Commission if the well or wells involved are located on State land or privately owned land, or by the Secretary if the well or wells involved are located on Government lands, provided, however, that nothing contained in this sub-paragraph shall be construed as authorizing any action to be taken which will impair the obligation of either party under this agreement or the validity of any lien provided for herein.

7. It is contemplated that the funds for construction and installation of the system will be obtained by the Association through a bank loan with interest rate not in excess of four per centum per annum and that such loan will be secured by an assignment to the bank of the amounts which the Association is or shall be entitled to receive in payment for its capital stock and by a first mortgage upon the system and the rights, easements, and other privileges granted to the Association by the operator in this agreement and by the other operators in similar agreements. The Association shall execute to the bank making the loan its promissory note for the full amount of the loan with a maturity date not more than three years from the date of the notes provided, however, that if any amount of such loan remains unpaid at the maturity date, the Directors may negotiate such renewal or extension of the note as to such

unpaid balance as may be agreed upon with the bank, and to that end the Directors may execute a new note for such unpaid balance specifying such maturity date as may be agreed upon with the bank. In the event of any such renewal or extension or issuance of a new note for such unpaid balance, the lien of the mortgage provided for herein shall remain in force and unimpaired as security for such unpaid balance. The amount of such loan shall not exceed the amount required for the installation and construction of the system, provided, however, that a sum not to exceed Five Thousand Dollars (\$5,000.00) may be included in the amount of the loan, which said additional amount shall become a part of the operating fund provided for in paragraph 5 (m) above. All amounts received by the bank pursuant to the said assignment from the Association after deducting not more than one cent per barrel of the working interest oil for operating expenses shall be applied monthly toward the payment of the said promissory note, first to the payment of accrued interest and then to the payment of principal. If the amounts received by the bank pursuant to the assignment above mentioned shall be insufficient to pay the said loan at its maturity or at the expiration of any extension or renewal of the loan then the Directors are authorized to refinance the unpaid balance of said loan at the best interest rate obtainable by the execution of a promissory note and mortgage as provided for herein for the original loan and in that event the assignment of five cents per barrel of working interest oil provided for in paragraph 9 (a) herein shall continue in full force and effect until said refinanced loan is fully paid and discharged. The bank making the loan above authorized shall be entitled to rely upon a certificate of the President or other authorized officer of the Association showing the cost of the installation and construction of the system and any amount loaned on the basis of such certificate shall be a binding obligation of the Association, although such sum may be in excess of the actual cost of installation and construction plus the sum of Five Thousand Dollars (\$5,000.00) above mentioned.

8. The Operator is obligated as follows:

(a) The Operator at his own expense will prevent the escape of the gas, excepting such as may be unavoidably lost, which shall be produced from all of the producing wells which are or may hereafter be located upon the tracts of land described in paragraph 4. Such gas, excepting such as may be required for operating purposes, shall become the property of the Association and shall be delivered to the Association by the Operator on his lease without removal of the gasoline content and shall be transported to the pressure station by the Association at its own expense and through gathering lines laid by it. To effectuate orderly delivery of such gas, Operator will produce his wells according to such equitable time schedule as may be established by the Engineering Committee, provided, however, Operator shall not be required to produce any well at a time or in a manner detrimental to such well.

(b) The Operator hereby grants to the Association during the continuance of the operating rights of the Operator an easement over and upon the lands in the Field described in paragraph 4 (a) for the purpose of laying and maintaining gathering lines from Operator's wells and also from other wells in the Field and for the laying and maintaining of pressure lines to input wells whether such wells are located on Operator's lease or other leases in the Field and for the purpose of constructing, maintaining, and operating pressure stations and other structures and installations which may be required for the operation of the system, provided, however, that all lines, structures, or installations built or laid upon any lands of Operator in the Field shall be so constructed and laid as to avoid unnecessary interference with Operator's lease operations.

(c) The Operator hereby grants to the Association the right of ingress and egress with respect to all of Operator's said lands and to the producing wells located thereon insofar as may be necessary or convenient for the proper installation and maintenance of the system, provided, however, the Association shall save and keep harmless the Operator from all lawful claims and demands of other persons insofar as any such claim or demand results from the operations of the Association on the Operator's said lands or with reference to the Operator's said wells and provided further the Association shall be liable to the Operator for any damage resulting and resulting only from the negligence of the agents and employees of the Association while engaged in the performance of their duties as such. The Association shall at all times maintain for the protection of Operator adequate property damage and public liability insurance.

(d) The Association shall be entitled to use any well located upon Operator's said lands as an input well for the purpose of returning gas to the oil bearing formations or for the purpose of introducing natural gas from areas outside the Field or from other formations within the Field into the oil bearing formations of the Field. The use of such input wells may be continued for such periods of time as may be recommended by the Engineering Committee subject to the right of the Operator to appeal from the decision of the Engineering Committee in the manner provided in this agreement. The Operator shall be entitled to produce from other wells on his lease the amount of allowable production of oil which would have been produced from an input well during the time of its use as such if such well had remained on production, provided, however, if for any reason Operator is unable to produce such amount of allowable production from other wells located on his lease then he shall be entitled to reimbursement from the Association for all loss sustained by him on account of not being able to produce such allowable amount of oil for such time as such well is used as an input well. In computing such loss consideration shall be given to the expenses of operation which the Operator would have sustained if such well had been operated instead of being used as an input well. (So long as only one producing oil well is located upon the lands described in paragraph 4 (a) such well shall not be used as an input well without Operator's consent.)

(e) If the Operator is or becomes the owner of the operating rights in a well in the Field which produces from an oil bearing formation natural gas only whether such well be located upon the lands described in paragraph 4 or on other lands, Operator will not produce natural gas from said well without the consent of the Directors. With the consent of the Conservation authority having jurisdiction, Operator shall be entitled to produce from any oil well located on the lease during such time as a gas well on the lease is not producing under the provisions of this paragraph, an amount of oil equal to the largest amount which any producing oil well on the lease is permitted to produce.

(f) In the event the operating fund provided herein is not sufficient to defray the current and ordinary operating expenses of the Association at any time prior to the retirement of the loans provided for herein, the Directors shall have authority to make an assessment of not to exceed one cent per barrel of working interest oil against each producing well in the Field committed to the plan for such period of time as may be determined by the Directors, which said amount shall be collected in the same manner as the five cents per barrel of working interest oil shall be collected as provided herein, and the amounts thus received shall be paid into the operating fund. The pipe line company or other purchaser of the working interest oil is hereby authorized and directed to pay said amount thus assessed to the Association out of the proceeds from the sale of the working interest oil from Operator's said wells. After said loan or loans have been paid, an assessment of not to exceed two cents per barrel of working interest oil may be made for such expenses by the Directors, which said assessment shall be collected and paid to the Association as above provided. No expenditures for purposes other than expenditures authorized in this agreement shall be incurred by the Directors without approval of the holders of three-fourths of the outstanding capital stock of the Association.

(g) The Operator upon demand will furnish to the Association for examination by its title attorneys all necessary abstracts of title and other evidences of title reflecting the title to the operating rights described in paragraph 4, but such abstracts of title and other instruments shall remain the property of the Operator and shall be furnished for examination purposes only. If any title defects are disclosed by the examination, Operator will make diligent effort to remedy same.

9. (a) The Operator hereby assigns, transfers, and sets over to the Association out of the proceeds from the sale of the working interest oil which shall be produced, saved, and marketed from and after the date of the commencement of the installation of the system from the producing wells above described and from each producing well which may be completed hereafter upon any of the above described tracts of land an amount equal to five cents for each barrel of such working interest oil until the loan provided for in paragraph 7 has been fully paid and discharged and Operator will execute such transfer orders as may be necessary to secure to the Association or to the said bank and its assigns the payment of said amount. This assignment shall become effective at 7:00 o'clock a. m. of the day on which the installation of the system is commenced, which date shall be the date fixed by the Directors as provided in paragraph 2 (l). Of said amount of five cents per barrel one cent per barrel may be retained by the Association as an operating fund and the remaining amount not so retained shall be applied as a credit toward the purchase price of the capital stock to which the Operator shall become entitled on account of the well from which the amount credited is received. For the purpose of this agreement oil produced as an allowable to the owner of a shut-in gas well or of an input well shall be considered as having been produced from such gas well or input well and shall be obligated to the payment of the five cents per barrel specified in this paragraph and the amounts thus received by the Association shall be applied as if the oil had been produced from the well for which the allowable was made.



(b) The provisions of the sub-paragraph next preceding ( 9 (a) ) shall cease to be in force and effect upon the payment in full of the loan provided for in paragraph 7 and any loan made in substitution for same or any part thereof.

(c) The number of shares of the capital stock of the Association which the Operator shall become entitled to receive and for which such Operator hereby subscribes under the provisions of this agreement for each producing well owned by him or which may be completed by him on lands described in paragraph 4 (a) before the loan provided for in paragraph 7 has been fully paid shall be the number of shares equal to the number of dollars received by the Association out of the production from such well under the provisions of paragraph 9 (a) and credited toward the purchase price of such capital stock as provided in said sub-paragraph. Subject to the provisions of paragraph 5 (g) a certificate for ten shares of the capital stock shall be issued to the Operator for each producing well now existing upon the payment by the Operator of the prescribed price of One Dollar per share. The amount thus paid for each certificate shall be considered as an advance payment to be credited upon the amounts which shall become payable out of the production from such well under the provisions of paragraph 9 (a). On the first day of July, 1941 and semi-annually thereafter while any portion of the loans provided for herein remains unpaid there shall be issued to the Operator certificates representing the number of shares of capital stock for which payment has been received by the Association in the manner provided herein during the preceding six months period. When the said loan or loans are paid in full, the Operator shall receive certificates for the additional capital stock paid for by such Operator since the last day of the previous period for which stock has been issued. No voting rights shall attach to any shares of capital stock for which payment has been received by the Association but for which the Operator has not become entitled to receive certificates as provided in this sub-paragraph.

(d) Excepting as is provided in the sub-paragraph next preceding ( 9 (c) ) none of the authorized capital stock of the Association remaining unissued when the above mentioned loan is fully paid shall be issued for any purpose or on any account other than in connection with the completion thereafter of producing wells in the Field on lands committed to the plan. The number and price of the shares issued shall be fixed by the Directors subject to the provisions of paragraph 5 (1) in the case of wells completed by subsequent participants.

10. The Operator hereby declares that the obligation to pay the above mentioned five cents per barrel of working interest oil which shall be produced from Operator's wells shall constitute a direct obligation of the Operator to the Association and to the above mentioned bank as its assignee which shall be unqualified and unconditional and not revocable for any cause whatsoever so long as the said obligation is held by the said bank or its assigns as security for the said loan.

11. The obligations imposed upon the Operator by this agreement shall be considered as covenants running with the land and shall be binding upon any person or corporation succeeding to the ownership of any or all of the above described operating rights and such succeeding owner shall be entitled to all the benefits and privileges accruing and to accrue to the Operator under this agreement, including the ownership of the shares of stock of the Association previously issued to the Operator on account of any producing well included in the transfer to such successor.

12. Nothing contained in this agreement shall be considered or construed as authorizing, requiring or permitting the performance of any act in violation of any valid rule, regulation or order of any regulatory body having jurisdiction in the premises.

IN WITNESS WHEREOF, this agreement has been signed in \_\_\_\_\_ by the parties on this the

\_\_\_\_\_ day of \_\_\_\_\_, A. D., 19\_\_\_\_.

LOCO HILLS PRESSURE MAINTENANCE  
ASSOCIATION, INC.

ATTEST:

By \_\_\_\_\_  
President

Secretary

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

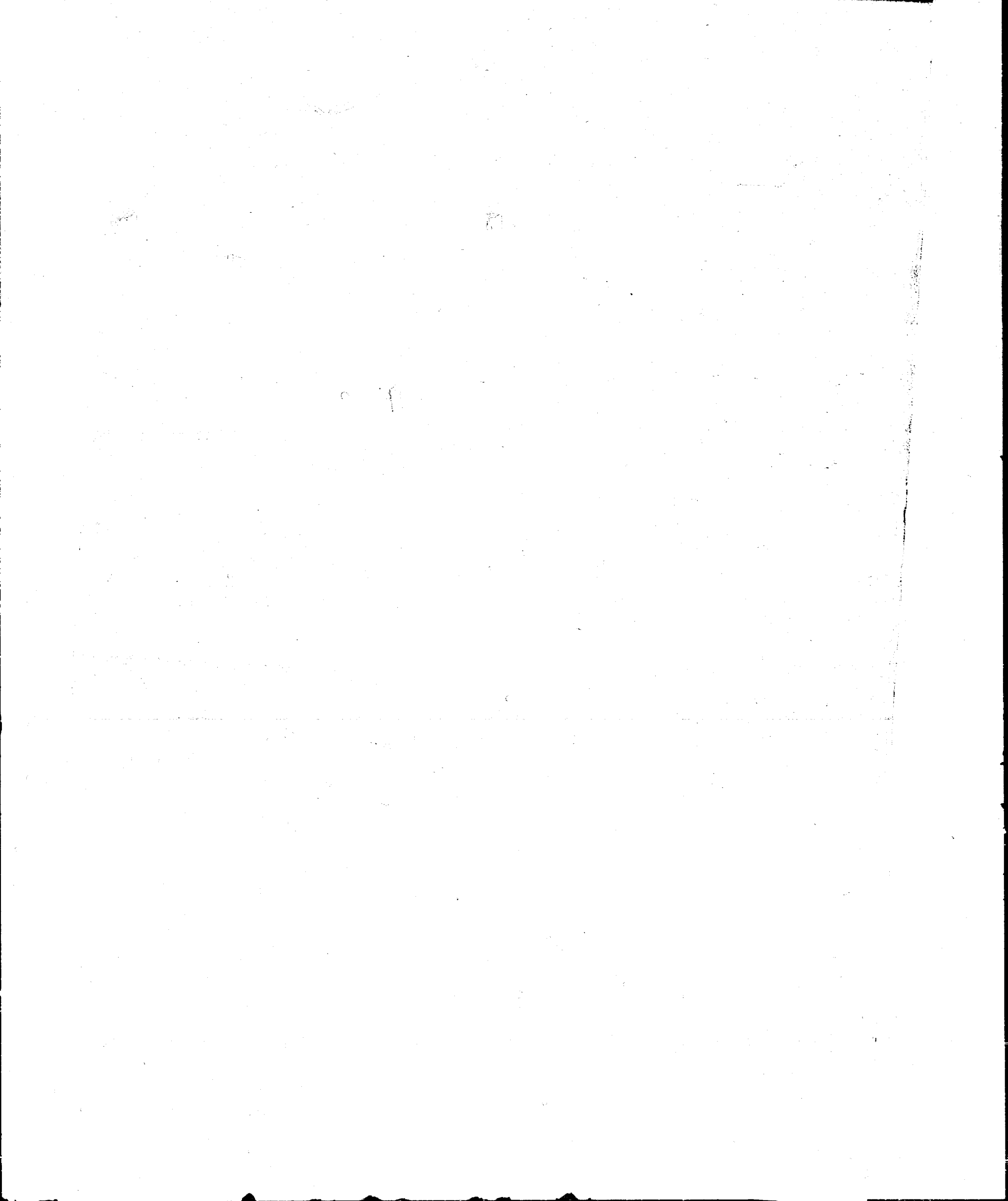
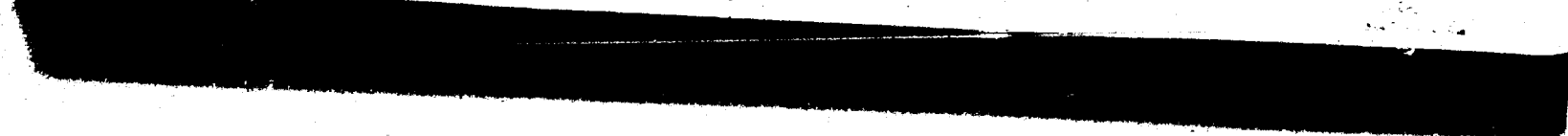
On this the \_\_\_\_\_ day of \_\_\_\_\_, A. D., 19\_\_\_\_, before me personally appeared

\_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of Loco Hills Pressure Maintenance Association, Inc., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year in this certificate first above written.

My commission expires \_\_\_\_\_

Notary Public



**Affidavit of Publication**

State of New Mexico,  
County of Eddy, ss.

F. B. Rigdon, being first duly sworn,  
on oath says:

That he is publisher of the Daily Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, State of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of this state wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in a supplement thereof on the dates as follows, to-wit:

January 28 ..... 1944  
..... 19.....  
..... 19.....  
..... 19.....

that the cost of publication is \$4.16.....,  
and that payment therefor has been made  
and will be assessed as court costs.

*F. B. Rigdon*  
.....

Subscribed and sworn to before me this  
2nd day of Feb., 1944.

*John M. Kelly*  
.....  
Notary Public

My commission expires 5-4-46...

(Published Jan. 28, 1944)  
In the matter of the application of Loco Hills Pressure Maintenance Ass'tition, Inc., for an order covering the Loco Hills Field, Eddy County, which is to include: 1. basic allowable; 2. gas-oil ratios; 3. Pressure maintenance plan.

Case No. 49  
In the matter of the application of Loco Hills Pressure Maintenance Ass'tition, Inc., for an order covering the Loco Hills Field, Eddy County, which is to include: 1. basic allowable; 2. gas-oil ratios; 3. Pressure maintenance plan.

emphasizing provisions for in-  
put. Said application affects Order No. 434, the existing Loco Hills Pressure Maintenance Plan Order, the exception thereto, Order No. 434, relating to the gas-oil ratio Schenrich State Well No. 4 upon the NMSW 22-123-200; Order 434, the present order authorizing the sale of withdrawal at not below 20 barrels of oil nor above 40 barrels of oil per proration unit; and Order No. 256, the present gas-oil ratio order, still applicable as to fields in Eddy County. This case is set for 10 o'clock A. M., February 10, 1944, at Santa Fe, New Mexico.

Any person having any interest in the subject of said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its

Executive Meeting January 24, 1944.

Given under the seal of said Commission at Santa Fe, New Mexico, on January 25, 1944.

OIL CONSERVATION  
COMMISSION  
BY (SGD) JOHN M. KELLY  
SECRETARY

(SEAL)

# Affidavit of Publication

State of New Mexico, } ss.  
County of Santa Fe }

I, A. N. Morgan, being first duly sworn,  
declare and say that I am the Managing (Editor) of the Santa Fe  
New Mexican, a daily newspaper, published in the English  
Language, and having a general circulation in the City and County of Santa Fe, State of  
New Mexico, and being a newspaper duly qualified to publish legal notices and adver-  
tisements under the provisions of Chapter 167 of the Session Laws of 1937; that the  
publication, a copy which is hereto attached, was published in said paper ~~for one time~~  
for one time ~~the regular issue of the paper during the time of publication, and that the notice was~~  
the regular issue of the paper during the time of publication, and that the notice was  
published in the newspaper proper, and not in any supplement, ~~one time~~ for  
one time ~~the regular issue of the paper during the time of publication, and that the notice was~~  
26th day of January, 1944, ~~and the notice was published~~  
~~for one time~~ ~~the regular issue of the paper during the time of publication, and that the notice was~~  
for said advertisement has been (duly made), or (assessed as court costs); that the  
undersigned has personal knowledge of the matters and things set forth in this affidavit.

S BILL

time at \$ 4.16  
times, \$ \_\_\_\_\_  
Tax \$ 4.16  
\$ \_\_\_\_\_

Received payment,

By \_\_\_\_\_

A. N. Morgan  
Managing Editor

Subscribed and sworn to before me, this 26th  
day of January, A.D., 1944

Anna K. Orndorff

Notary Public.

My Commission expires

June 11, 1945

## Affidavit of Publication

State of New Mexico, }  
County of Santa Fe } ss.

I, A. N. Morgan, Managing, being first duly sworn, declare and say that I am the (Editor) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper ~~on the~~ for one time ~~the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, for~~ one time ~~publication being on the~~ 26th day of January, 1944, ~~and the publication~~ ~~for~~; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

### PUBLISHER'S BILL

52 lines, one time at \$ 4.16  
lines, times, \$  
Tax \$  
Total . . . . . \$ 4.16

Received payment,

By \_\_\_\_\_

A. N. Morgan  
Managing Editor

Subscribed and sworn to before me, this 26th  
day of January, A.D., 1944

Anna K. Ormsbee

Notary Public.

My Commission expires

June 11, 1945

**SOIL CONSERVATION COMMISSION**  
**SANTA FE, NEW MEXICO**

C  
O  
P  
Y

**January 25, 1944**

**The Santa Fe New Mexican**  
**Santa Fe, New Mexico**

**Carroll-Lewis**  
**Carroll, New Mexico**

**Re: Case No. 49, Notice for Publication.**

**Gentlemen:**

**Please publish the enclosed notice once, immediately.**  
**Please proof read the notice carefully and send a copy of the**  
**paper carrying such notice.**

**UPON COMPLETION OF THE PUBLICATION, PLEASE SEND**  
**PUBLISHER'S AFFIDAVIT.**

**For payment please submit statement in duplicate**  
**accompanied by voucher executed in duplicate. The**  
**vouchers must be signed by a notary in the space provided**  
**on the back of the voucher. The necessary voucher blanks**  
**are enclosed.**

**Very truly yours,**

**John M. Kelly**  
**Director**

**By**

**Chief Clerk & Legal Advisor**

**CHL:RS**

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:

Case No. 49

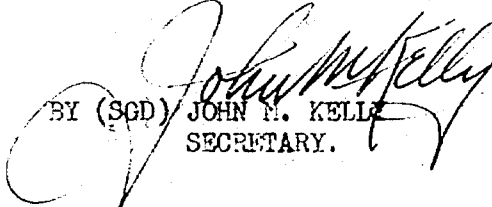
In the matter of the application of Loco Hills Pressure Maintenance Association, Inc., for an order covering the Loco Hills Field, Eddy County, which is to include:  
1. basic allowable; 2. gas-oil ratios; 3. Pressure maintenance plan embracing provisions for in-put wells. Said application affects Order 339, the existing Loco Hills Pressure Maintenance Plan Order, the exception thereto, Order 540, relating to the gas in-put well Schaurich State Well No. 4 upon the ~~WECN 32-178-302~~; Order 484, the present order authorizing the rate of withdrawal at not below 20 barrels of oil nor above 40 barrels of oil per proration unit; and Order No. 250, the present gas-oil ratio order, still applicable as to fields in Eddy County. This case is set for 10 o'clock A.M., February 10, 1944, at Santa Fe, New Mexico.

Any person having any interest in the subject of said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting January 24, 1944.

Given under the seal of said Commission at Santa Fe, New Mexico, on January 25, 1944.

OIL CONSERVATION COMMISSION

BY (SGD)  JOHN M. KELLY  
SECRETARY.

SEAL

C. J. DEXTER  
PRESIDENT

BERT ASTON  
VICE-PRESIDENT

FRED BRAINARD  
SECRETARY-TREASURER

**Loco Hills  
Pressure Maintenance Association, Inc.  
ARTESIA, NEW MEXICO**

MEMBERS  
S. P. YATES  
C. M. POPE, JR.  
EMERY CARPER  
A. B. OWEN  
J. M. MURRAY, SR.  
MARTIN YATES, JR.

January 28, 1944

State Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

Whereas under date of January 28, 1941, in Order 339, the Oil Conservation Commission set out five orders in regard to the Loco Hills oil and gas field of Eddy County. These five orders defined the geographical limits of the field, approved the Loco Hills Pressure Maintenance Plan, provided for allowable of input wells to be made up from other wells on the same basic lease, provided that top oil allowable be granted two gas wells, and provided for a supplemental order in regard to reallocation of back allowable; and

Whereas under date of November 14, 1942, in Order 484, the Oil Conservation Commission provided a 30 barrel maximum allowable for a period of six months starting with December, 1942. It was further provided that the Engineer's Committee of the Loco Hills Pressure Maintenance Association, Inc., should make application to the Oil Conservation Commission for maximum rate of withdrawal for further periods of time but that such rates must not be below 20 barrels nor above 40 barrels; and

Whereas the Loco Hills Pressure Maintenance Association has, since June, 1943, made monthly requests to the Oil Conservation Commission for various maximum withdrawal rates as provided for in Order 484; and

Whereas the Loco Hills Pressure Maintenance Association, Inc., has, within the past several months, undertaken Petroleum Engineering studies of the field and, based on those studies, adopted a new plan of cooperative field operation; and

Whereas such new plan of operation provides for payment by the Association for the use of input wells; and

Whereas such new plan provides for use of Bassett and Birney gas well, located on the NE/4 SE/4 of section 11, T-18S, R-29E, N.M.P.M., as an input well:

7/4



January 28, 1944

State Conservation Commission  
Santa Fe, New Mexico

- 2 -

Now therefore, we respectfully request the Oil Conservation Commission of New Mexico to grant a hearing in order that evidence may be presented for the following proposals:

That the 2,000 cubic foot gas-oil ratio limitation now in effect be left unchanged.

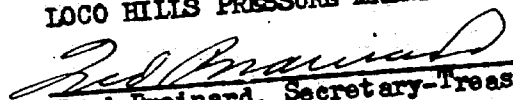
That the provisions for setting the maximum oil withdrawal rate per well per day be left essentially as in Order 484. A maximum allowable of 30 barrels per well per day is requested for the month of March, 1944. It is also requested that provisions be made for the Loco Hills Pressure Maintenance Association, through its Chief Engineer, to make application to the Oil Conservation Commission each month for such maximum rate of withdrawal as may seem advisable. Such requested maximum rate to be on basis of engineering data but not to be below 20 barrels nor above 40 barrels per well.

That the provision allowing other wells on same basic lease to make allowable of input well be rescinded.

That, since the well is to be used as an input well, Bassett and Birney State #6 on the NE/4, SE/4 of Section 11, T-18S, R-29E, N.M.P.M., no longer be granted maximum oil allowable to be made from other wells in field belonging to owner and on State land.

Yours very truly,

LOCO HILLS PRESSURE MAINTENANCE ASS'N INC.

  
Fred Brainard, Secretary-Treasurer

VPS:l

See 8(1) for  
3-1-44  
NW SE

REPORT OF EXECUTIVE COMMITTEE TO THE STOCKHOLDERS  
OF THE LOCO HILLS PRESSURE MAINTENANCE ASS'N., INC.

October 23, 1943.

The Executive Committee of your Association was delegated to make a study of the operation of the Loco Hills Pressure Maintenance project and to prepare recommendations concerning the future operation of that project. The Executive Committee hired a Petroleum Engineer some two months ago who has since that time worked in conjunction with the Executive Committee in formulating a proposal for the future operation of the Loco Hills field.

The findings of the Executive Committee are set out on the following pages which cover the main questions which must be passed upon if the pressure maintenance project is to be carried out in an orderly and profitable manner.

Summing up the findings of the Executive Committee the following points are listed:

(1) To conduct field operations to promote maximum ultimate recovery from the field as a whole, and to preserve the various equities in the field, it is desirable, if not mandatory, that a cooperative plan of centralized field operation be adopted. If maximum oil recovery is obtained, it will be necessary to either adopt the Executive Committee Cooperative unit plan or the various equities in the field will have to be completely unitized.

(2) The Executive Committee recommends that a cooperative unit plan be adopted and that authority over operations in the field be vested in the Executive Committee of the Association who will in turn delegate power to the Chief Engineer of the Association.

(3) The plan of organization recommended by the Executive Committee is set out upon Exhibit 1 hereto attached.

(4) To reduce expenditures involved in some properties of the operators having a small number of wells in the field, the Executive Committee advocates combining several of these leases insofar as switching labor is concerned. Exhibit No. 2 hereto attached sets out some ten operators having a total of thirty-six wells, and also contains tentative suggestion as to how these various operators could group the properties so as to reduce the number of switches involved. This suggestion is to be carried out by the individual operators and will of course not be under the Association.

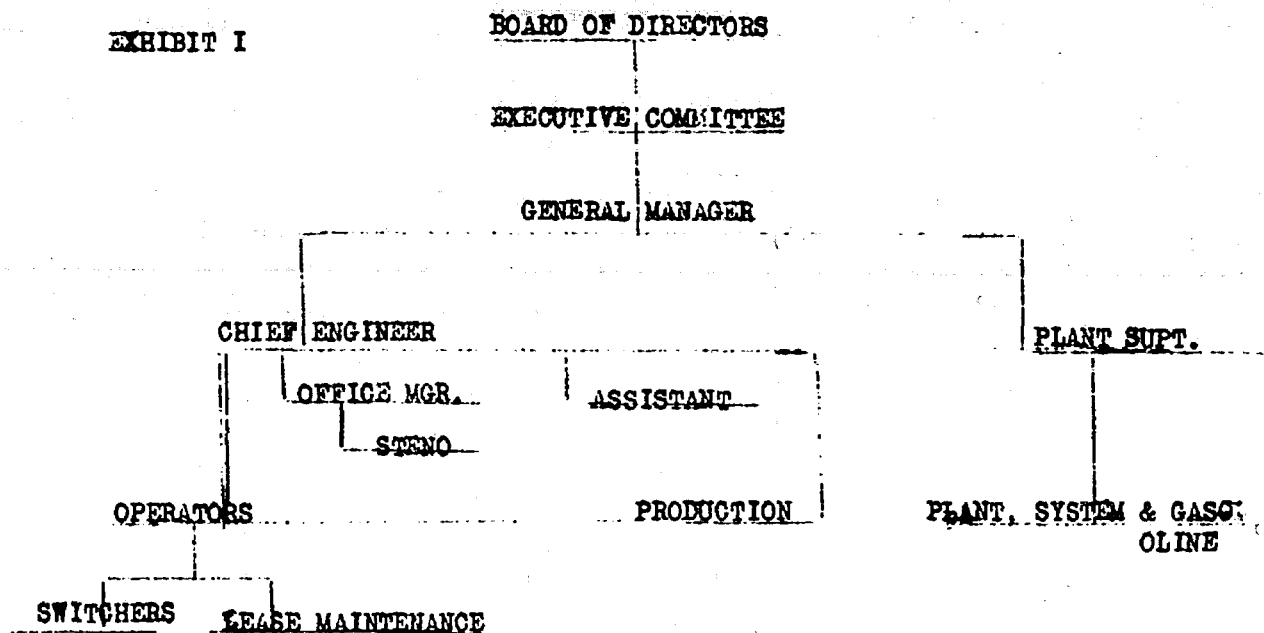
✓ (5) The Executive Committee recognizes the matter of injection wells as of great concern and important to the stockholders and that some change in the plan of injection wells is needed, therefore a proposal is advanced as a recommendation by which the Association would reimburse the contributors of injection wells on a basis of 75% of the value of the normal allowable. The question of whether or not 75% is the correct percentage is of little concern to the Executive Committee and should be decided upon by the Stockholders in general, however, the Executive Committee does feel that the plan should be adopted. Exhibits 3 and 4 are a detailed brief of such plan.

✓ (6) In the pressure maintenance field the gas oil ratios will inevitably increase, in some cases, due to injection of gas. In order to maintain pressure it is necessary to enforce a rather strict gas oil ratio limitation, therefore in some cases certain equity owners in the field will undergo a hardship. To alleviate such situation the Executive Committee recommends the adoption of a plan whereby the Association would reimburse such equity owner. This recommendation is set out in Exhibit 5.

(7) The capacity of the present compressor is such that approximately three and a half million cubic feet can be reinjected into the reservoir. At the present time approximately seven million cubic feet of gas is being produced from the field. It is a recommendation of the Executive Committee that additional compressors be installed so as to raise the capacity to such an extent that seven million cubic feet of gas can be injected into the reservoir. The installation of the additional compressors should cost approximately \$80,000.00. Detailed estimates are available in the office of the Pressure Maintenance Association.

(8) To help defray the expenses of the Pressure Maintenance Association, the Executive Committee recommends the installation of a gasoline extraction plant at an approximate cost of \$70,000.00. At the present time Petroleum Engineering of Tulsa, Oklahoma, is checking the design of such an installation and preparing detailed specifications and cost. These detailed figures will be available at the time the Stockholders' meeting reconvenes on November 8.

(9) To insure the success of the cooperative unit operation plan certain authority must be vested in the Chief Engineer who will be directly responsible to the General Manager, who is also Chairman of the Executive Committee. Exhibit 6 sets out a proposed set of rules which delegates certain authority to the Chief Engineer and also sets out the manner in which the various operators can appeal the decisions of the Chief Engineer.



## EXHIBIT 2

### OPERATORS HAVING 6 WELLS OR LESS

Aston & Fair	2
Bassett & Birney	6
Bowers	1
Brainard-Guy	6
Carper	5
Cone, Gordon	5
Montgomery	2
Randel	1
Texas Trading	2
Yates, S. P.	6
	<hr/> 36

### PROPOSED COMBINATIONS

SWITCHER # 1		SWITCHER # 2		SWITCHER # 3	
Carper	3	Texas Trading	2	S. P. Yates	6
Bowers & Bowers	1	Carper	2	Brainard & Guy	6
Aston & Fair	2	Randel	1		
B. & Birney	5	Cone	5		
Montgomery	2	Bassett & Birney	1		

### PRESENT SWITCHERS IN THE FIELD

<u>Lease-Owners</u>	<u>Switchers</u>
Premier	1
Woolley	1
Franklin & Aston & Fair	1
Dixon & Yates )	
Yates et al (	1
Sallee & Yates	1
Carper )	
Bowers (	1
Continental	1
S. P. Yates	1
Continental & M. Yates	1
Allen, Fair & Pope )	
B. W. Fair (	2
Montgomery	1
Bassett & Birney	2
Brainard & Guy	1
Banner )	
Sanders Bros. (	1
Mc-Tex )	
Kleiner (	1
Cone	1
Randel	1
Stroup & Yates )	
Flynn, Welch & Yates (	1
	<hr/> 20

### EXHIBIT 3

#### INJECTION WELLS

The injection well plan now in use in Loco Hills allows an operator to make up the allowable for an injection well out of other wells on the same lease. In that case the operator secures an immediate return on his investment as well as ultimate good through pressure maintenance.

Objection to this plan is that the lease owner having an injection well will definitely be giving the surrounding leases a free ride. The presence of the injection well will increase recovery on the immediate lease, thus, it is beneficial to have one, however, each operator should participate in the expense.

One possible solution is adoption of a plan similar to the one in use in Maljamar. That is, for the Association to compensate the owner of an injection well on a monthly basis. Under such plan the Production Engineer of the Association will be empowered to select injection wells from time to time as the need arises and will have authority to inject gas into such wells. The selection will be based upon detailed engineering studies and the Engineer will make a written report to the Executive Committee at the time of selecting a well or wells.

Payment to the owner of an injection well would be made by the Association remitting 75% of the value of the normal allowable which the well would ordinarily have.

The normal allowable of the injection well would be computed by the Association's Production Engineer and will be the average of the allowable of all producing wells within the boundary described when mid points, between the well in question and all surrounding injection wells, are connected by a series of straight lines, however, said normal allowable shall not be greater than the well was capable of producing prior to its conversion to an injection well.

As stated above, the Association would pay 75% of the value of the normal allowable, however, such 75% is to include all royalty and over-ride payments. After all royalty and over-ride interests are met, the Association would compensate the operator up to the 75% limitation.

With 20 injection wells and a 30 barrel top allowable the payments for injection wells could cost \$ 8094 monthly. Prorated against a 3,300 barrel allowable, the assessment would be about 9.2¢ per bbl.

This appears very high at first but it must be remembered that it merely amounts to a redistribution of funds among the operators themselves. If an operator contributes injection wells in proportion to his field holdings he will break even.

# EXHIBIT 4

## LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.

Artesia, New Mexico

October 28, 1943

### SUMMARY OF INPUT WELL PROPOSAL

<u>Operators</u>	<u>Actual August Runs in bbls</u>	<u>Probable Runs with 30 Top</u>	<u>Charges at 9.2¢ bbl. in dollars</u>	<u>Credit for input wells in dollars</u>
Allen & Fair	2588	2588	238	
Aston & Fair	5985	5921	544	530
Banner Oil Company	481	481	44	
Bassett & Birney	4582	4372	402	580
Bowers & Bowers	761	930	85	
Brainard & Guy	2846	3007	276	266
Bright & Gordon	321	321	30	
Carper Drilling Co & C-M-T	2959	3427	315	
Cone, Gordon	2200	2200	202	97
Continental Oil Co.	4487	3927	361	492
Continental & S. P. Yates	2000	2000	184	47
Dixon & Yates	6594	6975	641	605
Fair & Bright	768	930	85	
Fair, R. W.	770	930	85	
Flynn, Welch & Yates	1357	1357	125	
Franklin Petroleum Corp.	13669	13640	1255	1740
Friendship Oil Co	765	930	85	
Franklin & Yates	769	930	85	
Grayburg Oil Co.	780	930	85	
Kinfolks Trust	855	930	85	
Mc-Tex Supply Co.	1540	1540	141	240
Premier Petroleum Corp.	5335	4619	425	945
Randel, O. H.	257	257	24	
Rose City Oil Corp.	460	460	42	
Sallee & Yates	4486	4185	384	605
Sanders Brother	3956	3956	364	485
Stroup & Yates	1939	1939	178	420
Woolley, R. R.	2344	2790	256	
Yates, Harvey E.	251	251	23	
M. Yates & Continental	3076	3720	342	
Yates, S. P.	2750	2728	251	243
Yates, et al	3054	2790	256	606
Fair, N.N. & F. Brainard	2133	2133	196	193
Total Association	87098	88094	\$ 8094	\$ 8094
Total Outside Association	9086	10802		
Field Total	96184	98896		

EXCESSIVE GAS-OIL RATIO RULE

EXHIBIT 5

WHEREAS: The Loco Hills Pressure Maintenance Association, Inc. is a cooperative enterprise with the main purpose of injecting gas into the Loco Hills field, so as to maintain bottom-hole pressure. The Association has erected gas compressor equipment and contemplates installing additional equipment to enable it to reinject residue gas into the reservoir, the cost of compressing and reinjecting said gas costing approximately 5¢ per MCF for operating expense alone.

WHEREAS: Some wells have already developed high gas-oil ratios, and in the future other wells will undoubtedly develop high gas-oil ratios, the result being production of gas beyond the capacity of the Association equipment.

WHEREAS: To reduce the total gas produced from the field, the operators have voluntarily accepted a gas limitation rule which limits the volume of gas produced from any one well to that volume allowed to the highest allowable well in the field. Such rule effectively reduces total gas production and lends emphasis to gas-oil ratio control. In some cases the gas-oil ratio cannot be corrected and in a pressure maintenance project the ratio of each well will necessarily eventually become excessive. Enforcement of a severe gas limitation rule is to the definite benefit of the field as a whole, however, such enforcement can be very objectionable to the royalty and lease owners in a field having diversified ownership.

THEREFORE: To compensate the operator for a severely penalized well, to promote maximum recovery from the field as a whole, and to prevent uneconomic compression charges per barrel of oil produced, the herein described compensatory scheme has been adopted.

✓ 1. The Association's Production Engineer will have authority, after making a careful study, to shut in any well having a gas-oil ratio in excess of 7,500 cu. feet per barrel. The execution of such an order will be promptly reported to the Executive Committee by means of a written report.

2. The Association's Production Engineer will prepare an evaluation as to the future recovery possible to obtain from the shut-in well had it not been closed in. Such evaluation will be submitted to the Executive Committee for subsequent approval by the Association.

3. The Loco Hills Pressure Maintenance Association, Inc. will reimburse the owner of the shut-in well by making monthly payments at a rate amounting to 75% of the crude price and based on the penalized allowable using the gas-oil ratio at the time of closing in the well, except that the allowable so used shall not be less than 10 bbls. for each allowable day. The payments will be made until the operator has been credited with the amount of future recovery estimated by the Production Engineer and approved by the Association.

4. The Operator shall have the option of testing such a closed in well at the end of each six month period and of producing the well so long as the gas-oil ratio remains under 7,500 cu. feet per barrel of oil. At such time as the ratio again exceeds 7,500 cu. feet the well will again be closed in and payments resumed by the Association. A new evaluation will Not be made after such a flow period but payments will be resumed on the basis of the agreement made at the time of originally closing in the well.

## EXHIBIT 6

### **PLAN FOR COOPERATIVE FIELD OPERATION LOCO HILLS FIELD**

Authority over producing operations of all properties included in the Loco Hills Pressure Maintenance Association shall be vested in the Executive Committee of the Board of Directors of the Loco Hills Pressure Maintenance Association.

The actual operation of the various properties is to be handled by the owners as at present, however, operations, insofar as producing of crude oil and gas are concerned, are to be carried out under the direction of the Executive Committee or person designated by the Executive Committee.

Should any operator desire to protest a decision of the Executive Committee he shall have the privilege of appealing to the Board of Directors of the Loco Hills Pressure Maintenance Association, Inc. at time of the regular meeting of that body.

To supervise producing operations of the Loco Hills field and to supervise the pressure maintenance program, the Association shall hire a Petroleum Engineer to serve in the capacity of "Chief Engineer" of the Loco Hills Pressure Maintenance Association, Inc. The "Chief Engineer" will report directly to the Chairman of the Executive Committee and will be charged with such responsibilities as may be designated by the Chairman of the Executive Committee. Certain responsibilities which shall be designated to the "Chief Engineer", although not necessarily the only one, are listed in the following topics,

1. The Chief Engineer will compute the volumes of gas to be injected into each injection well and will direct the Plant to follow such procedure.

2. The Chief Engineer will select injection wells as needed to properly produce the field under the pressure maintenance program. In the selection of injection wells the Chief Engineer will give proper consideration to the various theoretical engineering aspects and also give weight to equities so as to reduce, insofar as possible, inequitable conditions.

3. The Chief Engineer will direct the execution of the "Injection Well Plan" as approved by the Stockholders of the Loco Hills Pressure Maintenance Association, Inc.

4. The Chief Engineer will direct the execution of the "Excessive Gas-Oil ratio Rule" as approved by the stockholders of the Loco Hills Pressure Maintenance Association, Inc.

5. The Chief Engineer will be responsible for the taking of the official gas-oil ratios and will report such ratios to the New Mexico Conservation Commission for use in the allocation of oil allowable. An official ratio survey is to be taken approximately three times per year, but the exact number of surveys is to be determined by the Executive Committee.

6. The Chief Engineer will be responsible for the taking of bottom-hole pressures. A complete field survey is to be taken at least twice a year and oftener at the discretion of the Executive Committee. The Chief Engineer will notify the well owners to place their wells in proper condition so that a pressure gauge can be run at least 15 days prior to the time the pressure is to be secured. In case of pumping wells or flowing wells having devices preventing the running of a pressure gauge, the bottom hole pressures will be secured by the use of a sound-wave deflection recording device such as the Echometer.



7. The Chief Engineer will prepare operation schedules setting out time and method of producing each well so as to secure the optimum oil production with the optimum gas production and to insure an even flow of gas to the plant.

8. The Chief Engineer will study the individual leases and wells and will recommend remedial or corrective work to the owners of the wells. Under no circumstances shall the Chief Engineer have authority to direct a well owner to undertake remedial or corrective works other than such work as is necessary to permit the taking of bottom hole pressures and/or gas-oil ratios.

9. The Chief Engineer will be responsible for the Artesia office of the Loco Hills Pressure Maintenance Association, Inc.

10. In order to carry out the obligation of the operator to properly produce his wells to prevent wasting of gas and to deliver proper flow of gas to the plant, it is agreed that the chief engineer shall report to the Executive Committee any well permitting the wasting of gas or which fails to deliver the proper amount of gas to the system and the Executive Committee shall authorize the Engineer to order said well to be shut in until such practices are remedied. In the event such an order is made, and the operator fails to comply with the order, then such operator shall not be entitled to receive any payments from the Association for injection wells and shall not be entitled to receive any shares of stock or any other privileges or benefits so long as such harmful practices are continued. If an order is issued by the Engineer to shut in a well, the Engineer shall serve a written notice upon the operator by delivering a copy thereof to the person in charge of the wells for the operator and by mailing a copy thereof to the office of the operator as shown by the books of the Association. Such notice shall state the well to be shut in and the practices which are objectionable in the opinion of the Engineer and the steps required to correct such practices. The operator may appeal any such order to the Executive Committee and/or to the Board of Directors.

#### EXHIBIT 7

#### - B U D G E T - -

<u>DISBURSEMENTS</u>		<u>RECEIPTS</u>	
Operating Expense	\$ 5,000.00	8¢ per bbl. (for bank)	\$7,200.00
Bank Note & Interest	7,200.00 *	7¢ per bbl. (for input wells)	6,300.00
Input wells	8,100.00	Sale Gas & Butane	10,500.00
Wells shut in	1,800.00		
	<hr/>		<hr/>
	\$ 22,100.00		\$ 24,000.00

\* Repayment of loan to bank - approximately four years.

**OIL CONSERVATION COMMISSION**  
**SANTA FE, NEW MEXICO**

**January 25, 1944**

**Mr. Fred Reinhardt  
Secretary & Treasurer  
Leco Mills Pressure Maintenance Assn.  
Artesia, New Mexico**

**Re: Case No. 49**

**Dear Mr. Reinhardt:**

**Enclosed please find copy of published notice of hearing in Case 49.**

**Your telegram was accepted as the primary filing of your application; however, be sure to draw your application in more detail and file it with the Commission before the hearing, which is set for February 10, at 10 A.M.**

**Kindest personal regards.**

**Very truly yours,**

**John M. Kelly  
Director**

**By**

**Chief Clerk & Legal Adviser.**

**CHL:MS**

**C  
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**IF SERVICE**  
 This is a full-rate Telegram or Cablegram unless the deferred character is indicated by a suitable symbol above or preceding the address.

# WESTERN UNION

1901

A. N. WALLACE  
 PRESIDENT

SYMBOLS
DL - Day Letter
NL - Night Letter
LC - Deferred Cable
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VB129 37 3 EXTRA-ARTESIA NMEX 24 234P

JOHN KELLY SECY=

1914 JAN 24 PM 3 39

NEW MEXICO OIL CONSERVATION COMMISSION SF=

REQUEST LOCHILLS TOP ALLOWABLE BE SET AT 30 BARRELS DAY  
 WITH 2000 CUBIC FOOT GAL OIL RATIO LIMIT ALSO REQUEST HEARING  
 TO SECURE PERMANENT 30 BARREL ALLOWABLE AND FOR NEW RULE ON  
 INPUT WELLS

FRED BRAINARD SECRETARY AND TREASURER  
 LOCOHILLS PRESSURE MAINTENANCE ASSN.

THE COMPANY WILL APPRECIATE SUGGESTION LOCHILLS LOCOHILLS 30 2000 30 GAL.

Casa No.

49 File #2

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Application, Transcript,  
Small Exhibits, Etc.

ORIGIN # 562  
#49 TRANSCRIPT + EXHIBITS  
JUL 28

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. 49  
ORDER NO. 562

PT. 1 of VII

THE APPLICATION OF LOCO HILLS PRESSURE  
MAINTENANCE ASSOCIATION, INC., FOR AN ORDER  
COVERING THE LOCO HILLS FIELD, EDDY COUNTY,  
WHICH IS TO INCLUDE: 1. BASIC ALLOWABLE; 2.  
GAS-OIL RATIOS; 3. PRESSURE MAINTENANCE PLAN  
EMBRACING PROVISIONS FOR IN-PUT WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., February 10, 1944, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises;

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

SECTION 1. (a) The project herein shall be known as the Loco Hills Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall hereinafter be referred to as the Association.

SECTION 2. That the Project area shall be:

Township 17 South, Range 29 East: S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 32, S $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 35, and S $\frac{1}{2}$  of Section 36. Township 17 South, Range 30 East, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  and S $\frac{1}{2}$  of Section 31 and W $\frac{1}{2}$  and W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32. Township 18 South, Range 29 East; All of Sections 1, 2, 3, 4, 5 and E $\frac{1}{2}$  of Section 6, All of Sections 8, 9, 10, 11, NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$  of Section 12, NE $\frac{1}{4}$  of Section 14, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ W $\frac{1}{2}$  of Section 15, N $\frac{1}{2}$  of Section 16, and the N $\frac{1}{2}$  of Section 17. Township 18 South, Range 30 East; E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 5, All of Section 6, and W $\frac{1}{2}$  of Section 7.

SECTION 3. (a) That the input wells now in use and hereby authorized are as follows:

Premier Pet. Corp.	Beeson F-7	NENE 31-17-30
Aston & Fair	Scheurich St. 4	NESW 32-17-30
Franklin Pet. Corp.	Coppedge 4	NWNE 5-18-30
Franklin Pet. Corp.	Yates 6	SWNE 6-18-30
Yates, et al	Yates 1	NWSW 6-12-30
Franklin Pet. Corp.	Ballard B-1	NWNE 1-18-29
Sallee & Yates	State 4	NWNE 2-18-29
Continental Oil Co.	State 14-2	SESE 2-18-29
Continental Oil Co.	Travis 1	SESE 3-18-29
S. P. Yates	Brainard 3	NESW 3-18-29
Sanders Bros.	Guy F-1	NENE 9-18-29
Sanders Bros.	Hiller 1	NENE 5-18-29
Mc-Tex	Yates 3	NWSE 5-18-29
Gordon Come	Langford 1	NWSE 9-18-29
Stroup & Yates	Travis 4	NENW 17-18-29

(b) That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

SECTION 4. That the top unit allowable rate of withdrawal of crude oil per day proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its secretary or other authorized agent, not later than the 25th day of the month, shall make application to the Commission for its approval for the maximum rate of withdrawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

3000 SECTION 5. (a) That the limiting gas-oil ratio in cubic feet per barrel for the Logo Hills Field shall be 2000. (2,000 cubic feet per barrel)

(b) That the system of gas-oil ratio control shall be of volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula.

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3 (c) above excepted from this section.

SECTION 6. That the following orders are hereby repealed: 339, 540, 484 and order 250 insofar as said latter order is in conflict with the order herein.

SECTION 7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

DONE AT SANTA FE, NEW MEXICO, on the day and year hereinabove designated.

OIL CONSERVATION COMMISSION  
(SGD) John J. Dempsey, Chairman

(SEAL)

(SGD) John M. Kelly, Secretary

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. 46  
ORDER NO. 563

THE APPLICATION OF THE GULF OIL CORPORATION  
TO CONNECT TO PIPE LINE AND RUN CONDENSATE  
FROM ITS WEST GRIMES NO. 4 LOCATED IN THE  
NORTHEAST QUARTER OF THE NORTHEAST QUARTER  
OF THE NORTHEAST QUARTER OF SECTION 32, TOWNSHIP  
18 SOUTH, RANGE 38 EAST, HOBBS POOL,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., August 3, 1943, at

Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises, the Commission finds:

#### FINDINGS

1. That the Byers Pool in the general structure of the Hobbs Field, is a reservoir containing an important common accumulation of natural gas, is completely separated from any zone now producing in the White Crystalline Lime below, thereby constituting the Byers Pool, a separate pool within the meaning of the basic Oil Conservation Act as amended.

2. That the Gulf Oil Corporation-West Grimes No. 4, in the NENE Section 32, 18S-38E, has been completed as a gas well so as to produce from the Byers Pool. Said well is producing large quantities of gas, being beneficially utilized for fuel purposes. With such gas production is produced at the surface of a substantial quantity of water-white liquid hydrocarbons of high gravity and of a highly volatile nature. Said well is produced primarily for gas, the production of said liquid hydrocarbons is incidental to such gas production.

3. On the same 40-acre tract is Gulf Oil Corporation-West Grimes Well No. 7, producing from a reservoir, predominately oil, in the White Crystalline Lime below the Byers Pool shown on the proration schedule as Unit C and as a non-marginal unit producing the full allowable of crude petroleum oil under applicable proration orders.

#### IT IS THEREFORE ORDERED:

A. That the pool in the 3500 to 3800 ft. depth zone shall be designated as the Byers Pool in the Hobbs Field.

B. That Gulf-Oil Corporation-West Grimes Well No. 4 shall be permitted to produce and market said water-white liquid hydrocarbons in whatever amount produced in the manner set out in 2 above, notwithstanding any proration order or gas-oil ratio order; provided that the gas thus produced does not exceed in volume 25% of its open flow potential and is utilized commercially for heat, power or lease use.

C. That Gulf Oil Corporation-West Grimes Well No. 7 and the proration of its production to its corresponding Unit C, as set out in 3 above, are unaffected by this order.

That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted. The production and marketing of said water-white liquid hydrocarbons from said Well No. 4 theretofore are ratified and confirmed. Reservation is made herein for a final order on condensate and/or distillate production upon further hearing as provided by law.

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

OIL CONSERVATION COMMISSION

(SGD) John J. Dempsey, Chairman

(S'AL)

(SGD) John M. Kelly, Secretary

Pursuant to notice by the Commission, duly made and published, setting  
January 10, 1944, at ten o'clock, A. M., for hearing in the above entitled  
matter, said hearing was convened on said day, at said hour, in the Coronado  
Hotel, La Fonda, Santa Fe, New Mexico, the Commission sitting as follows:

**APPEARANCES:**

The meeting was called to order by the Chairman, and upon request of the Secretary, the Chief Clerk read the call of the meeting, as follows:

The Oil Conservation Commission, by its director with jurisdiction over the oil and gas regulatory body of the state of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:



Case No. 19

In the matter of the application of Loco Hills Pressure Maintenance Association, Inc., for an order covering the Loco Hills field, Siskiyou County, which is to include:  
1. Basic allowable; 2. Gas-oil ratios; 3. Pressure maintenance plan embracing provisions for in-put wells. Said application affects Order 138, the existing Loco Hills Pressure Maintenance Plan Order, the exception thereto, Order 140, relating to the gas in-put well Schourich State Well No. 4 upon the HNSW 22-178-30E; Order 434, the present order authorizing the rate of withdrawal at not below 20 barrels of oil or above 40 barrels of oil per operation unit; and Order No. 250, the present gas-oil ratio order, still applicable as to fields in Siskiyou County. This case is set for 10 o'clock a.m., February 10, 1944 at Santa Fe, New Mexico.

Any person having any interest in the subject of said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting January 24, 1944.

Given under the seal of said Commission at Santa Fe, New Mexico, on January 25, 1944.

OIL CONSERVATION COMMISSION

By (Sgd) JOHN M. KELLY  
SECRETARY

S E A L

BY MR. DWIGHT B. WATSON - Attorney for Loco Hills Pressure Maintenance Association, Inc.

EXHIBIT 1. File a short brief containing Certified Copy of Articles of Incorporation and By-Laws, Uniform Agreement and Assignment, signed by the operators.

MR. SAW SANDERS

being first duly sworn to tell the truth, the whole truth, and nothing but the truth, was asked to testify.

MR. DWIGHT B. WATSON - Exhibit No. 2 - Letter from President of Loco Hills

Pressure Maintenance Association, Inc.,

Designating Mr. B. Watson to represent the Association.

BY MR. WATSON:

You are a stockholder in the Loco Hills Pressure Maintenance Association?

BY MR. SAN SANDERS:

Right.

BY MR. WATSON:

How many wells do you have in the Loco Hills Field?

BY MR. SAN SANDERS:

Seventeen.

BY MR. WATSON:

In what part of the field are your wells located?

BY MR. SANDERS:

I would call it the western part.

BY MR. WATSON:

Are you a member of any Committee or any particular group in connection with the Association of Loco Hills Maintenance Association at present?

BY MR. SANDERS:

What they call the Executive Committee.

BY MR. WATSON:

Who are the other members?

BY MR. SANDERS:

Emery Carper and Bert Aston.

BY MR. WATSON:

You are familiar with the purpose of this meeting?

BY MR. SANDERS:

Yes sir.

BY MR. WATSON:

With regards to the procedure regarding an in-pat well allowable, I would like to ask you if you were present at the stockholders meeting which the production plan was discussed?

BY MR. SANDERS:

Yes sir.

BY MR. WATSON:

What action was taken?

BY MR. SANDERS:

We have been following the policy of each man more or less furnishing in-pat wells and making up allowable production out of the other wells.

BY MR. WATSON:

Make up allowable oil production?

BY MR. SANDERS:

They wanted to discard that and assess each man so much per barrel, and put the in-put wells where they belong and not put an overload on the other wells, take oil out for those.

BY MR. WATSON:

Generally speaking, do the operators feel the plan for making up allowable has been detrimental?

BY MR. SANDERS:

We felt it was a failure, two things against it (1) tried to pick the well which had very low production which ordinarily would be a tight well, (2) or pick a well on a lease where other wells would make up the allowable more or less taking it away from the engineering department, was very unsuccessful.

BY MR. WATSON:

Does the Association at this time have an engineer working on these problems.

BY MR. SANDERS:

They do.

BY MR. WATSON:

Mr. Sheldon?

BY MR. SANDERS:

Yes sir.

BY MR. WATSON:

With regards to the 2,000 cubic feet, do you know if the operators are in favor of continuing that?

BY MR. SANDERS:

Majority of them are. Very small percentage may not be.

BY MR. WATSON:

With regards to existing allowable of 30 barrels and not less than 23, and more than 40, do you know if most of the operators are in favor of that?

BY MR. SANDERS:

I would say a majority of them are.

BY MR. KELLY:

Mr. Sanders, at your operators' meeting what percentage of the members were present?

BY MR. SANDERS:

I believe ninety-two, or two percent not represented, I wouldn't be positive which.

BY MR. KELLY:

At that meeting the Association voted to request the Commission to carry it at out/the call of this hearing?

BY MR. SANDERS:

That is right.

BY MR. KELLY:

On 30 barrels allowable, approximately how many wells make 30 barrels in that section?

BY MR. SANDERS:

I couldn't answer that - My own would be darn few.

Mr. V. P. Sheldon

being first duly sworn to tell the truth, the whole truth, and nothing but the truth, testified as follows:

BY MR. WATSON:

What is your occupation?

BY MR. SHELDON:

Petroleum engineer.

BY MR. WATSON:

What education have you had in your occupation?

BY MR. SHELDON:

Granted a degree in geology at the University of Nebraska.

BY MR. WATSON:

What year?

BY MR. SHELDON:

1934.

BY MR. WATSON:

What practical experience in petroleum?

BY MR. SHELDON:

I have worked in petroleum engineering and petroleum geology for the past nine years in New Mexico and Texas.

BY MR. WATSON: What is your official title?

BY MR. SHELTON: Chief engineer.

BY MR. WATSON: How long have you been employed by the Loco Hills Maintenance Association?

BY MR. SHELTON: Right at six months.

BY MR. WATSON: During that period of time, have you had occasion to study the records of the Association.

BY MR. SHELTON: I have, yes sir.

BY MR. WATSON: I would like to ask you, whether or not you have carried any maps for this hearing?

BY MR. SHELTON: Three exhibits.

BY MR. WATSON: Please state what each one is.

BY MR. SHELTON: Map of Loco Hills Fields upon which have been designated three things - (1) Boundary of the field as set by the Oil Conservation Commissioner of New Mexico. (2) Outline of the field as defined in the agreement and assignment which was executed by the participaters in the Loco Hills Maintenance Association. (3) The red lines cross out certain leases, and those areas in the boundaries of the Association which have not signed the agreement and not members of the Association.

Exhibit 4 - Map of Loco Hills upon which is shown by contours the gas-oil ratio situation as of October 1943, which is the date of the most recent survey. By the use of various colors the effect is brought out in a more visual angle. On this same map, by the use of red circles we have designated the wells which are now used as gas in-put wells.

Exhibit 5 - Map of Loco Hills Field showing by the use of contour, pressures at 1,000 feet above sea level as of December 1943.

BY MR. WATSON: Mr. Shelton, based upon your study of the Loco Hills pressure, the Loco Hills Field and the Pressure Maintenance Association, just what is your opinion of continuing the present gas-oil ratio limitation at 2,000 cubic feet?

BY MR. SHELTON: I think at the present time the 2,000 cubic feet limit is a satisfactory ratio. I stated AT THE HEARING HERE, as the project becomes older and conditions change, it may be advisable to request a change, by it, prevent available physical waste. At this time, and based upon the engineering studies, it seems to me 2,000 cubic feet is satisfactory now.

BY MR. KELLY: What is the average field ratio now?

BY MR. SHELTON: Average field ratio as of October 1942 2,400.

BY MR. KELLY: What a year ago?

BY MR. SHELTON: In 1942 1,850.

BY MR. KELLY: Increase about 25% in a year?

BY MR. SHELTON: Just about, that is perhaps more than the average increase, more than the increase will be each year. In 1940 for example, about 5,000, but by proper control from remedial work, it will be able to minimize its increase.

BY MR. KELLY: How many wells are penalized under the present ratio?

BY MR. SHELTON: 56 - I estimated there would be 56 wells penalized with the 30 barrel maximum ratio and 2,000 gallons.

BY MR. WATSON: What effect will an increase in gas-oil ratio have on gas production?

BY MR. SHELTON: It would increase the daily gas production from the field, as a result the plant would not be able to handle anymore than at present, it would cause a greater avoidable physical waste than at present.

BY MR. KELLY: Approximately what is the daily gas cubic feet?

BY MR. SHELTON: Seven and one-half Million.

BY MR. KELLY: How many are you putting through the plant a day now?

BY MR. SHELTON: Four and one-fourth million.

BY MR. KELLY: Require more additional equipment?

BY MR. SHELTON: The Association is working on that, and taking the necessary steps for pressure.

BY MR. KELLY: Will handle Seven and one-half million?

BY MR. SHELTON: Eight Million.

BY MR. WATSON: Mr. Sheldon, what is your opinion on the proper per well daily allowable production of oil in connection with the Loco Hills field and regarding the pressure plant at this time?

BY MR. SHELTON: After taking into consideration all angles of the matter, realizing the operators and producers have to produce certain amount of oil to pay expenses and try to hold the total gas production as low as possible, I concluded 30 barrels per day would be the rule at this time.

BY MR. KELLY: Approximately how many wells would make 30 barrels per day?

BY MR. SHELTON: This is a guess, it would be about 60 or 70 wells.

BY MR. KELLY: At 30 barrels per allowable, what would be the maximum.

BY MR. SHELTON: A greater allowable to input wells, the daily take from the field would be about 3,200 barrels.

BY MR. KELLY: From 120 wells?

BY MR. SHELTON: 120 wells.

BY MR. KELLY: Average figure roughly, 15 barrels a well?

BY MR. SHELTON: That is right.

BY MR. WATSON: Are you taking your gas-oil ratios making a study of the whole field to determine the best rate of production from the Loco Hills Fields?

BY MR. SHELTON: That is right, we have made various engineering and geological studies from the main field, taking ratios constantly, also endeavor to rectify bad production conditions.

BY MR. WATSON: Upon what is based this study - upon trial and experiment?

BY MR. SHELTON: Quite a little of it.

BY MR. WATSON: State what in your opinion would be the loss per well allowable that the Association might desire, and also the highest.

BY MR. SHELTON: I would think the loss daily allowable the operators would desire would be approximately 20 barrels per well per day, after considering the character of the wells, probably 40 barrels would be about in line.

BY MR. WATSON: Is it your opinion that some place within those limitations could be the maximum official operation?

BY MR. SHELTON: Yes sir.

BY MR. WATSON: That is the present order of the Commission?

BY MR. SHELTON: Yes sir.

BY MR. WATSON: The majority of the members of the Association desire to keep that the same as it is now?

BY MR. SHELTON: So far as I know, that is the wish of the majority.

BY MR. WATSON: What is the present in-put well plan in the Loco Hills Fields for the Loco Hills Association with regards to the compensation of the owners?

BY MR. SHELTON: The present plan provides that the in-put wells be assigned an oil allowable which is to be made up to the other wells on the same use.

BY MR. WATSON: Has that worked out satisfactorily in all respects?

BY MR. SHELTON: No sir.

BY MR. WATSON: What are the objections?

BY MR. SHELTON: Several objections from an engineering point of view, the first one is that often times the oil allowable from the in-put well is actually made up from high ratio wells, which promotes avoidable physical waste, the second reason is that sometimes in making up the allowable from other wells it is necessary to produce the wells at a higher optimum rate, which results in higher ratios and consequently causes physical waste, the third reason is that the Association does not have a wide enough plant in select in-put wells due to diversified leases in the field and small leases. Clarifying that, perhaps one well would be ideally located and desirable, but the owner of that well could not make up the allowable. The fourth reason is closely related, and in some cases where we already have in-put wells that have been in use for one or two years, the other wells are no longer capable of producing.

BY MR. WATSON: Has the Association formulated any plan to change that system?

BY MR. SHELTON: Yes sir, they have.

BY MR. WATSON: What is the plan?

BY MR. SHELTON: The new plan provides for compensation to the owner of in-put wells by a cash payment from the Association.

BY MR. WATSON: Where will the Association obtain funds to make those payments?

BY MR. SHELTON: By assessment among various operators.

BY MR. WATSON: Will that proposed plan do away with the objections you mentioned?

BY MR. SHELTON: Yes sir, it will.

BY MR. WATSON: Do you know whether or not the Association has taken any specific action on that plan?

BY MR. SHELTON: The Association has adopted the plan by vote.

BY MR. WATSON: What effect will the payment for the in-put wells - will they have on the daily production on the field of both oil and gas?

BY MR. SHELTON: With a flat maximum oil withdrawal rate, it would decrease the daily output of the field of oil, but based on comparable figures from 25 to 30 barrel maximum, the oil production would be relatively the same.

BY MR. KELLY: 2,200 barrels per day?

BY MR. SHELTON: 2,200 to 2,400.

BY MR. KELLY: How much would you save in gas?



BY MR. SHELTON: The net total gas production in the field will remain approximately the same - in January  $7\frac{1}{2}$  million. The new plan would result in  $7\frac{1}{2}$  million gas, the difference lies in fact that a higher allowable would be given lower ratio wells.

BY MR. WATSON: Mr. Sheldon you are familiar with Order 239 Oil Conservation Commission?

BY MR. SHELTON: I am.

BY MR. WATSON: Section 4 provides for use of a gas well belonging Basset and Birney, located on the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 11, in said Township and Range the oil allowable for such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State Land. Does the Association propose to make any change with regards to that well?

BY MR. SHELTON: The Association proposes to use that well as a gas in-put well, by so doing the owners will receive compensation from the Association and have requested the well no longer receive an oil allowable.

BY MR. WATSON: Has the proposed change been designated with the owner of the well?

BY MR. SHELTON: Yes sir.

BY MR. WATSON: Do you have an expression of their wishes in the matter?

BY MR. SHELTON: Two forms, one letter received from Basset and Birney requesting the allowable on No. 6 well be cancelled at this time. I also have a state form, Misc. Notice C-102 signed by Basset and Birney, notice of their intention to cease production allowable from other wells on the lease.

BY MR. KELLY: Submit the latter administratively later.

BY MR. WATSON: Same paragraph, order 239 refers to a well located on the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 10, T. 16S., R. 29 E., N.E.P.M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of said gas well, which are located on the NW $\frac{1}{4}$  of Section belonging to E. W. Fair - what is the situation regarding that well?

BY MR. SHELTON: For some months past, other wells on that particular lease have not been able to make their own various ratio of production, consequently, the lease has not been able to make up any allowable for the gas well.

BY MR. KELLY: Practically, it has not been given allowable for several months?

BY MR. SHELTON: That is right.

BY MR. WATSON: Any market or outlet for gas well in that area?

BY MR. SHELTON: No.

BY MR. WATSON: Both these gas wells are in established oil fields?

BY MR. SHELTON: They are definitely within the field.

BY MR. WATSON: Their production of gas, if they had a market would be limited on the 2,000 ratio and the top allowable to only about 60,000 cubic feet per day?

BY MR. SHELTON: That was my understanding, yes sir.

BY MR. WATSON: That is not generally considered commercial production in that area?

BY MR. SHELTON: Wouldn't justify a very large expenditure to adjust a market.

BY MR. KELLY: You don't want the Commission to pass on that?

BY MR. WATSON: No, the fact has been established that is the production if they had a market - if you care to make that final.

BY MR. KELLY: Did the Pressure Maintenance Association take any of Mr. Fair's well?

BY MR. SHELTON: No sir, we did not.

BY MR. WATSON: Referring to your map and giving the descriptions of the wells you propose to use, as the in-put wells -

BY MR. KELLY: Give the ones now using first.

✓ BY MR. SHELTON: Premier-Deeson 7-F, Aston and Fair, Scheurich State 4-B, Franklin Petroleum Corporation Copperedge 4-A, Franklin-Yates 6-A, Franklin-Ballard 1-B, Yates et al 1-A, Soley and Yates, State 4, Continental N, State 2, Continental and S.P. Yates, Travis 1, Pennard 3, Sanders Bros., & Guy 1, Gordon Langford, 2, Strap and Yates, Travis 4, Nelson Yates 3, Sanders Brothers and Miller 4.

BY MR. WATSON: These are the present in-put wells?

BY MR. SHELTON: Yes sir.

BY MR. KELLY: You intend to change any of these?

BY MR. SHELTON: No, not any of these. The present bills, additional wells to be changed later - tentatively.

BY MR. KELLY: These are ones authorized on Lone Hills, correct?

BY MR. SHELTON: That is right.

BY MR. KELLY: Mr. Shelton, have you any other objections or statements you wish to make in this connection?

BY MR. SHELDON: I can think of but one at the present time, that is concerning the two gas wells, if it needs the approval of the Oil Conservation Commission, it would be desirable to provide in their order that gas from those wells could be produced and re-introduced into the same reservoir in other wells in the field, that would be for the purpose of promoting greater ultimate recovery of oil.

BY MR. WATSON: It would be your intention to put that gas through to re-pressuring plant?

BY MR. SHELDON: No, directly cycle it.

BY MR. KELLY: You believe it would be practical?

BY MR. SHELDON: Yes, I believe we could handle considerable gas.

BY MR. KELLY: The Commission would like a statement from Mr. Sheldon on his views on the proposed expansion of the plant, and how this would affect your field conditions.

BY MR. SHELDON: The Association proposes to change the per 4 $\frac{1}{2}$  million capacity to approximately 8 million capacity. With such capacity all gas now being produced in the field could be handled, and from my engineering studies of the field, I believe such a plant will adequately handle gas during coming years, it will be necessary to change optimum results from the pressure maintenance project to control oil and gas tailor made, to fit the size of our compressure plant, but I believe that can be accomplished.

BY MR. KELLY: This increased plant capacity will cut avoidable minirun?

BY MR. SHELDON: Yes sir.

BY MR. KELLY: By returning all gas to the field, do you believe you will get an increase in the field?

BY MR. SHELDON: Yes sir, I believe it will.

BY MR. RAYMOND LAKE - Continental Oil Company, Hobbs, New Mexico.

Mr. Sheldon, how long a period of time do you think the 2,000 limit would hold out in Levee Hills field - How long would the 2,000 limit be able to produce?

BY MR. SHELDON: It is my opinion that we would very likely have to request an increase in gas-oil ratio, but if the plans which are now being formulated and every effort being made to execute them to increase compressure capacity, to handle practically all gas being produced at that time, we could review the situation and possible increase in ratio would be desirable, but to avoid all possible hydraulic fracture at this time, until the plant is finished

I believe 2,000 is the ideal ratio now.

BY MR. LAMB: What is the maximum limit the field would operate efficiently under?

BY MR. SHAWDON: My idea that would be the optimum rate for the field to operate efficiently would depend upon the plant. To avoid physical waste it will be necessary to put wastage of gas. If the re-pressure plant was left out of the picture, if that plant wasn't in evidence, we couldn't possibly advocate the 2,000 limit under these conditions.

BY MR. LAMB: Do you propose any withdrawal of wells which are not being used as in-put wells?

BY MR. SHAWDON: No, we have no such plans now. It may be desirable later.

BY MR. LAMB: In other words, back to the gas-oil ratios, as soon as the plant goes through it will be necessary to request another hearing with the idea of increasing the limit for the field?

BY MR. SHAWDON: No, I cannot say that at this time, because my idea would be to balance field withdrawals according to the capacity of the plant, but there is a situation in the field of probable decline along with gas-oil increase. A great many wells have ratios higher than 2,000 a day are not penalized, and are not included in the 56. That situation might continue - will continue. As to whether or not we shall want another hearing for the purpose of raising the 2,000 limitation has to remain to be decided upon facts at that time.

BY MR. LAMB: From the operators viewpoint, twenty barrels would be minimum production per day. As you propose to handle eight million, will not the gas-oil ratios increase more rapidly than they have in the past, you will have channeling.

BY MR. SHAWDON: I don't know if we would necessarily have channeling, but referring to that the ratios would increase faster. Referred to barrels of production, I am not sure that would hold.

BY MR. KELLY: You stated a minute ago that you recommended a 2,000 ratio because of the plant, do ~~you~~ not think you could recommend 2,000 if the plant is not there, on order, - do you base that on economical factors or physical waste?

BY MR. SHAWDON: Theoretical factors.

BY MR. WATSON: Would you consider it proper engineering, to have your solution, your proposed gas-oil ratio without taking the engine into consideration, your proposed gas-oil ratio without taking the engine into consideration?

BY MR. WATSON: No, I would not consider that proper engineering.

BY MR. KELLY: Any further questions?  
(No further questions)

Witness excused.

BY MR. WATSON: I would like to ask that in the Commission's order, if it is granted, on establishing a draft allowable as being 30 to 40 barrels, that some simple procedure be established whereby the Association can notify the Commission without the present showing that is required. I would suggest it be entirely satisfactory with the Association and practical to the Secretary of the Association or some agent designated by him, to furnish written statements to the Commission, rather than for the showing now required.

BY MR. KELLY: The Agent would have to be designated by the Association.

BY MR. WATSON: The Secretary or some agent of the Association.

BY MR. KELLY: The Commission will take that under consideration.

The Commission will take the case under advisement and notify the Association as soon as practicable.

#### C E R T I F I C A T E

I hereby certify that the foregoing and attached 13 1/2 pages of typewritten notes constitute a true, correct and complete transcript of the shorthand notes taken by [redacted] in Case No. 49, on the 10th day of February 1944, and by [redacted] into typewriting. Witness my hand this 15th day of February 1944.

Charles G. Fowler  
Justice of the Peace

