

Case No.

1206

Application, Transcript,
Small Exhibits, Etc.

WJC

No 5-57

DOCKET: REGULAR HEARING FEBRUARY 14, 1957

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe.

- ALLOWABLE: (1) Consideration of the oil allowable for March, 1957.
DSW
(2) Consideration of the allowable production of gas for March, 1957, from the Blinberry, Byers-Queen, Eumont, Jalmat, Justis and Tubb Gas Pools in Lea County, New Mexico, and also presentation of purchasers' nominations for the nine-month proration period beginning April 1, 1957, for the Crosby-Devonian Gas Pool in Lea County, New Mexico; also consideration of the allowable production of gas from the six prorated pools in San Juan and Rio Arriba Counties, New Mexico, for March, 1957.
DSW
DSW
DSW

NEW CASES

CASE 861: (Rehearing) Application of El Paso Natural Gas Company for rehearing on Case 861, Order R-639-A. Applicant, in the above-styled cause, seeks a rehearing in Case 861, Order R-639-A, on those matters concerning the size of a standard drilling and proration unit in the Crosby-Devonian Gas Pool, Lea County, New Mexico.
ETV Cont
to 3/14

CASE 1204: Application of El Paso Natural Gas Company to amend the horizontal limits of the Crosby-Devonian Gas Pool, Lea County, New Mexico, as established in Commission Order R-639-A. Applicant, in the above-styled cause, seeks an order extending the horizontal limits of the Crosby-Devonian Gas Pool to include the S/2 of Section 33, Township 25 South, Range 37 East, and to exclude all acreage lying north and east of a fault running Northwest - Southeast through Section 28 of said Township and Range.
ETV Cont
to 3/14

CASE 1205: Application of R. Olsen for approval of an oil well completion in the Blinberry Oil Pool and an undesignated oil pool in the Tubb formation, Lea County, New Mexico, in exception to Rule 112-A of the Commission Rules and Regulations and Rule 8 of Order R-610, Special Rules and Regulations for the Blinberry Oil Pool. Applicant, in the above-styled cause, seeks an order granting approval of an oil well completion for its Olsen-Sarkis Well No. 1 located 1986 feet from the North line and 660 feet from the West line of Section 25, Township 21 South, Range 37 East. Applicant proposes to utilize parallel strings of tubing and to perforate between 5640 feet to 5830 feet in the Blinberry Oil Pool and from 6230 feet to 6316 feet in an undesignated oil pool in the Tubb formation.
DSW

CASE 1206:

Application of the Ohio Oil Company for an order granting an exception to Rule 5 (a) of the Special Rules and Regulations of the Jalmat Gas Pool as set forth in Order R-520 in the establishment of a 600-acre non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order granting the establishment of a 600-acre non-standard gas proration unit comprising the E/2, SW/4, E/2 NW/4, SW/4 NW/4 Section 16, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico. Applicant proposes to jointly dedicate said acreage to its State McDonald A/C No. 1 Well No. 25 located 1980 feet from the North line and 660 feet from the East line of said Section 16 and to its State McDonald A/C No. 1 Well No. 6 located 1980 feet from the West line and 660 feet from the South line of said Section 16.

CASE 1207:

Southeastern New Mexico nomenclature case calling for the creation of new pools and the extension of existing pools in Lea, Chaves and Eddy Counties, New Mexico.

(a) Creation of a new gas pool for Pennsylvanian production, designated as West Anderson Ranch-Pennsylvanian Pool, and described as:

Township 16 South, Range 32 East
Section 6: Lots 11, 12, 13 & 14

(b) Creation of a new oil pool for Grayburg production, designated as the Atoka-Grayburg Pool, and described as:

Township 18 South, Range 26 East
Section 13: NW/4
Section 14: NE/4

(c) Creation of a new oil pool for Queen production, designated as the Bishop Canyon-Queen Pool, and described as:

Township 18 South, Range 38 East
Section 11: SE/4

(d) Creation of a new oil pool for Queen production, designated as the Hume-Queen Pool, and described as:

Township 16 South, Range 34 East
Section 8: S/2

(e) Creation of a new gas pool for Pennsylvanian production, designated as the North Mescalero-Pennsylvanian Pool, and described as:

Township 10 South, Range 32 East
Section 11: SE/4

(f) Creation of a new gas pool for Pennsylvanian production, designated as the Newmill Pennsylvanian Pool and described as:

Township 4 South, Range 27 East
All of Section 20

(g) Creation of a new oil pool for Queen production, designated as the Pearl-Queen Pool and described as:

Township 19 South, Range 35 East
Section 27: NE/4

(h) Creation of a new oil pool for Devonian production, designated as the North Shoe-Bar-Devonian Pool, and described as:

Township 16 South, Range 35 East
Section 15: SE/4

(i) Extension of the Blinebry Oil Pool to include:

Township 22 South, Range 38 East
Section 32: W/2 NW/4

(j) Extension of the Caprock-Queen Pool to include:

Township 15 South, Range 31 East
Section 3: W/2 SW/4

(k) Extension of the Cadillac-Wolfcamp Pool to include:

Township 15 South, Range 31 East
Section 9: W/2 NE/4

(l) Extension of the Elbert Pool to include:

Township 20 South, Range 31 East
Section 11: W/2 NE/4

(m) Extension of the Jalnet Pool to include:

Township 22 South, Range 35 East
Section 15: W/2 NE/4

(n) Extension of the King Devonian Pool to include:

Township 14 South, Range 31 East
Section 12: W/2 NE/4

(o) Extension of the East Turkey Track Pool to include

Township 19 South, Range 29 East
Section 12: NW/4

CASE 1208: Northwestern New Mexico nomenclature case calling for the extension of existing pools in San Juan and Rio Arriba Counties, New Mexico.

(a) Extension of the Ballard Pictured Cliffs Pool to include

Township 26 North, Range 7 West
Section 20: N/2 and SE/4

Township 26 North, Range 8 West
Section 16: N/2

Township 26 North, Range 9 West
Section 21: NW/4
Section 22: SE/4
Section 25: W/2
Section 26: All
Section 27: NE/4

(b) Extension of the Canyon Largo-Pictured Cliffs Pool to include:

Township 25 North, Range 6 West
Section 32: All

Township 25 North, Range 7 West
Section 5: E/2
Section 8: N/2

(c) Extension of the Fulcher Kutiz-Pictured Cliffs Pool to include:

Township 27 North, Range 10 West
Section 18: W/2
Section 19: E/2
Section 25: N/2

(d) Extension of the ... Pictured Cliffs Pool to include:

Township 25 North, Range 1 West
Section 7: E/2
Section 15: SE/4
Section 16: E/2
Section 17: S/2
Section 18: NW/4

Township 25 North, Range 5 West

Section 12: All

Section 26: NW/4

Section 27: N/2

Township 27 North, Range 6 West

Section 28: S/2

Section 33: N/2

Township 27 North, Range 8 West

Section 31: N/2

Township 28 North, Range 9 West

Section 34: S/2

Section 35: All

Section 36: All

- (e) Extension of the West Kutz-Pictured Cliffs Pool to include:

Township 27 North, Range 10 West

Section 33: N/2

- (f) Extension of the Blanco Mesaverde Pool to include:

Township 29 North, Range 10 West

Section 6: All

Township 31 North, Range 13 West

Section 7: All

- (g) Extension of the East-Lower Gallup Oil Pool to include:

Township 25 North, Range 12 West

Section 16: N/2 & N/2 SW/4

Township 26 North, Range 12 West

Section 17: NW/4

Township 26 North, Range 13 West

Section 21: SE/4

Sections 25 & 26: SW/4

Sections 27, 28, 29, 30 and 33

Section 34: SW/4

- (h) Extension of the Verde-Gallup Oil Pool to include:

Township 31 North, Range 15 West

Section 37: S/2

Section 38: SW/4

Section 39: NW/4

Section 40: NE/4

Section 41: NW/4

Section 42: SW/4

County

Pool

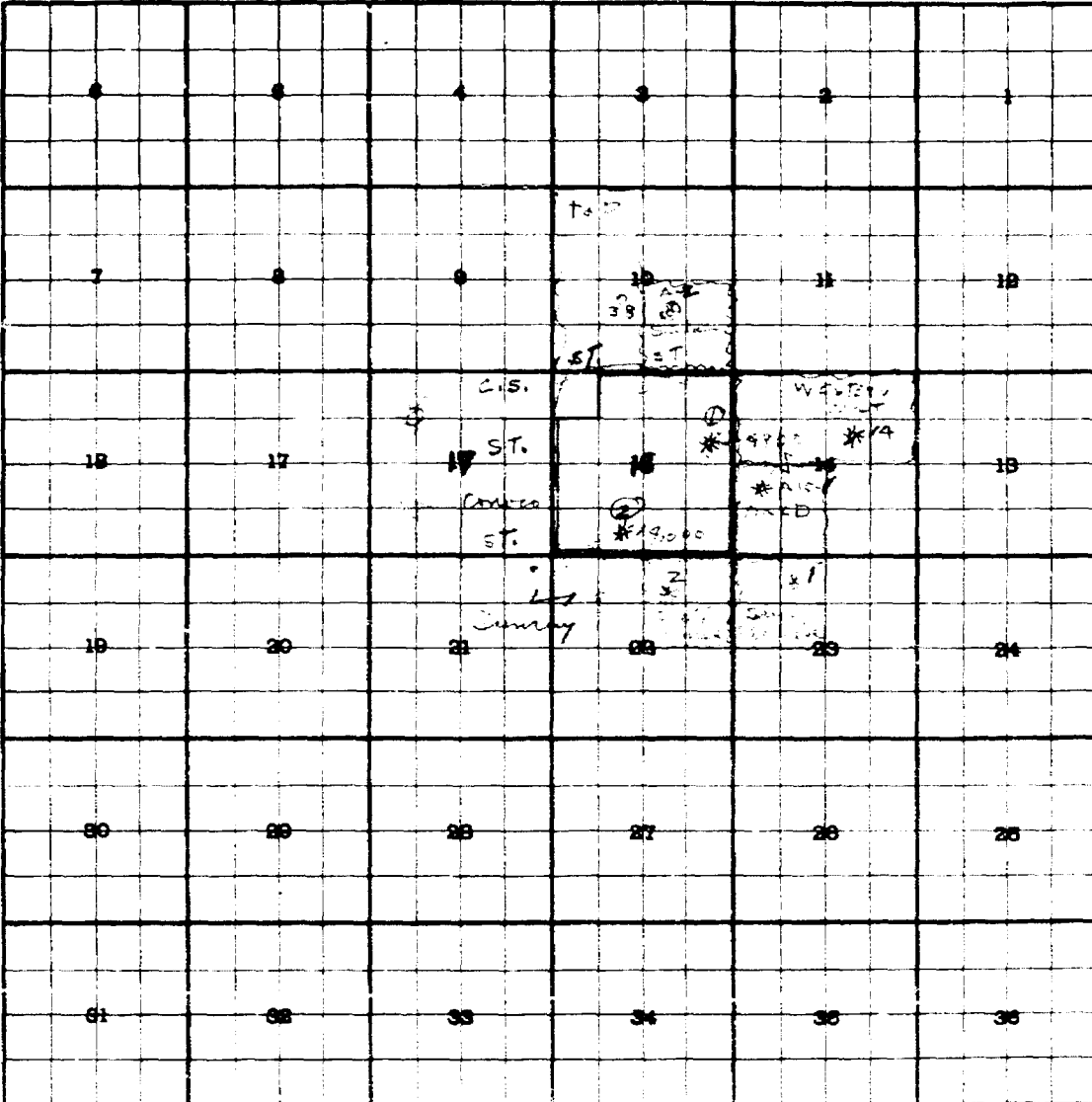
TOWNSHIP

South

RANGE

East

NEW MEXICO PRINCIPAL

MERIDIAN

Worms - Polychaeta, Annelida, Arthropoda

Amphibians - Mammalia, Birds, Reptiles, Fish

and 7,500,000
7,500,000

AFFIDAVIT OF COMMUNITIZATION AGREEMENT

Case # 1706

File

STATE OF Texas

COUNTY OF Harris

NOTARY PUBLIC

SS

APR 25 AM 7:27

Don K. Spellman Jr., being first duly sworn,
deposes and says, that he is the duly authorized agent and representative
of The Ohio Oil Company, designated operator of the

State - McDonald A/C 1
Lease

5 and 25

located in

Well No.

E/2, SW/4, E/2 of NW/4, SW/4 of NW/4 of Sect. 16, Township 22 South, Range 36E,
Legal Description of Unit

Lea County, N. M.

N.M.P.M., consisting of 600 acres and that all owners of working
interests underlying the above described unit have pooled or communitized
their respective interests for the purpose of production of oil or gas
and associated hydrocarbons from said unit, insofar as said production
pertains to the Jalmar Gas Pool.

Don K. Spellman Jr.
Signature

Subscribed and sworn to before me this 21 day of March,

19 57.

Janeau Williams
Notary Public in and for the
County of Lea

My Commission Expires.

My Commission Expires

NEW MEXICO
OIL CONSERVATION COMMISSION

Form C-128

Well Location and/or Gas Proration Plat

HINDS OFFICE OCC

Date March 21, 1957

Operator The Ohio Oil Co.

Lease State - McDonald A/C 1

Well No. 6 and 25 Section 16 Township 22 South Range 36 East NMPM

Located # 6 - 1980' West 660' South 660' East Line,

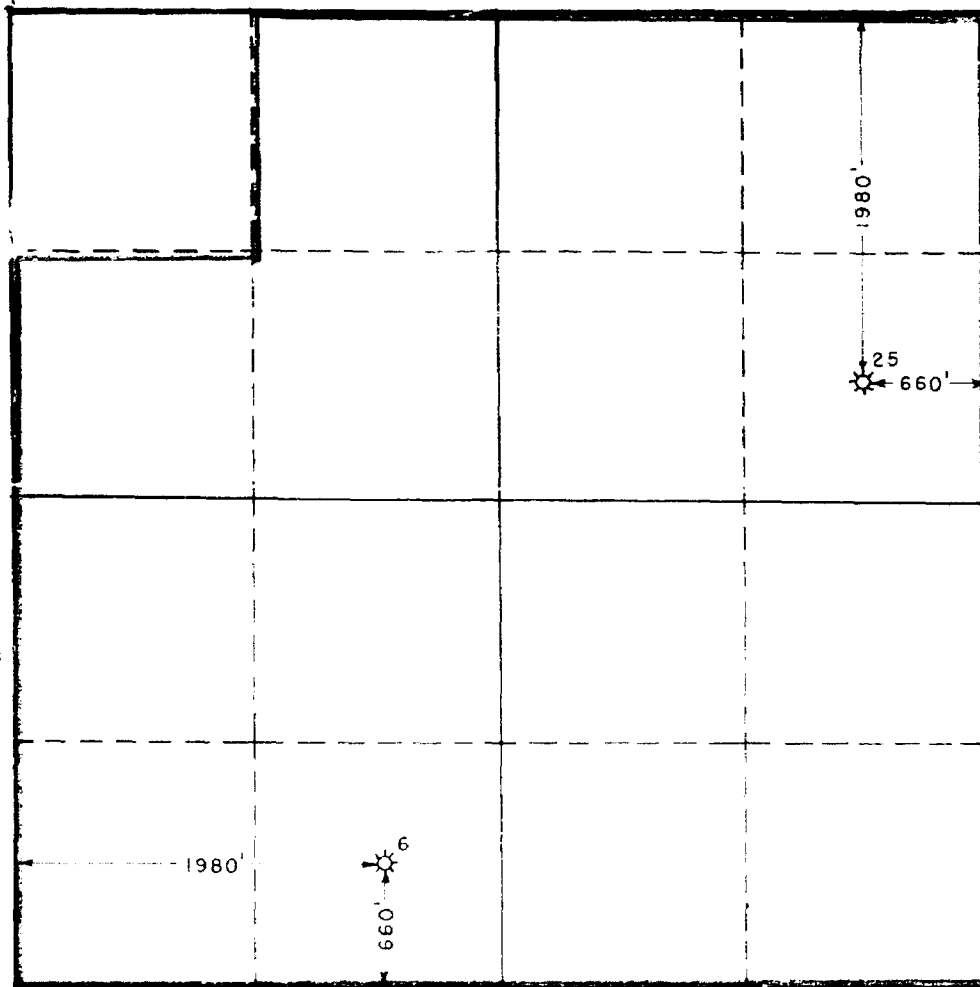
#25 - 1980' Feet From North Line, 660' Feet From East Line, # 6 - 3542'

Lea County, New Mexico. G. L. Elevation #25 - 3557'

Name of Producing Formation Yates-Seven Rivers Pool Jalmat Dedicated Acreage 600

(Note: All distances must be from outer boundaries of Section)

all but NW/4
of NW/4 of
Sect. 16



Expanded unit as
authorized by
Order No. R-956

NOTE

This section of
form is to be
used for gas
wells only.



SCALE: 1" = 1000'

1. Is this Well a Dual Comp. ? Yes ☐ No ☐
2. If the answer to Question 1 is yes, are there any other dually completed wells within the dedicated acreage? Yes ☐ No ☐

Name L. J. Spellman
Position Surveyor
Representing The Ohio Oil Co.
Address

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or

(WMM 3/30/57)
WJ C
Case File

Case # 1206
File

March 13, 1957

In reply refer to:
Unit Division

The Ohio Oil Co.
P. O. Box 3128
Houston, Texas

Re: Ohio Oil Co.--McDonald
State Well No. 25 and
Well No. 6 Communitization -
600 acres - Sec. 16-22S-36E

Attention: Mr. J. O. Terrell Couch

Gentlemen:

I am enclosing five copies of the above
designated Communitization, which was approved
by the Commissioner of Public Lands March 13, 1957.

Also enclosed is Official Receipt No. E-1914
in the amount of \$5.00 which covers the filing fee.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

Sy: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:MER/m
enc: 6

cc: CCC-Santa Fe (Order No. E-214)
CCC-Hoopa

3-18-57

Memo:

called Mr. Couch on
this date and he assured
me that Form C-128 and
affidavit of Communication
will be filed with Hobbs
Dist. Office showing the
increase in ~~sq~~ acreage
dedicated to the Ohio
State Mc Donald Well.

wjc

The Ohio Oil Co.

Legal Department

W. Home Everett
Division Attorney

March 14, 1957

P.O. Box 3128
Houston, Texas

Thomas H. McCloy

J. C. Terrell Couch

Warren B. Leach, Jr.
Attorneys

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Thank you for your letter of March 11 transmitting the copy of Order R-956 issued March 8, 1957 by the Oil Conservation Commission in Case 1206, wherein the Commission approved the enlargement of The Ohio's 520 acre State-McDonald Unit Proration Unit to embrace 600 acres out of Section 16, Township 22 South, Range 36 East.

I presume that the order required The Ohio to endeavor to produce both wells as near equally as possible, with the proviso that neither well is to be produced in excess of 60% of what a single well on a 600 acre unit in the Jalmat Pool could be permitted to produce during any proration period. Such limitation appears to be reasonable under the present facts and circumstances.

Copy of this letter is directed to Mr. Montgomery. I assume that no further action by the Commission will be necessary in order to obtain the increased production and that the Commission will notify The Ohio of the effective date of the increase allowable.

Very truly yours,

J. C. Terrell Couch
J. C. Terrell Couch

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Mr. A. L. Porter
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

March 11, 1957

C
O
P
Y

Mr. John Woodward
El Paso Natural Gas Company
P.O. Box 1492
El Paso, Texas

Dear Sir:

We enclose a copy of Order R-956 issued March 8, 1957, by the Oil Conservation Commission in Case 1206, application of The Ohio Oil Company, which was heard on February 14th.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encl.

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. 1206
Order No. R-956

APPLICATION OF THE OHIO OIL
COMPANY FOR AN ORDER AUTHORIZING
A 600-ACRE NON-STANDARD GAS
PRODUCTION UNIT IN THE JALMAT GAS
POOL; SAID UNIT TO BE DEDICATED
TO APPLICANT'S STATE McDONALD A/C
1 WELL NO. 25 IN THE SE/4 NE/4
OF SECTION 16 AND ITS STATE McDONALD
A/C # 1 WELL NO. 6 IN THE SE/4 SW/4
OF SECTION 16, BOTH IN TOWNSHIP 22
SOUTH, RANGE 36 EAST, NMPM, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 14, 1957, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 8th day of March, 1957, the Commission, a quorum being present, having considered the application and the evidence adduced and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.
2. That the applicant, The Ohio Oil Company, is the owner of the S/2, NE/4, E/2 NW/4 of Section 16, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, and that Continental Oil Company is the owner of the SW/4 NW/4 of said Section 16.
3. That the Ohio Oil Company and Continental Oil Company have entered into a communitization agreement covering the gas rights in the Jalmat Gas Pool underlying the aforementioned acreage.
4. That the applicant is the owner and operator of the State-McDonald A/C #1 Well No. 25 located 1950 feet from the North line and 660 feet from the East line of said Section 16, and the State-McDonald A/C #1 Well No. 6, located 660 feet from the South line and 1980 feet from the West line of said Section 16.

5. That by Administrative Order NSP-84, dated January 30, 1955, the Commission authorized the formation of a 520-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the S/2, NE/4, and SE/4 NW/4 of said Section 16 to be dedicated to both the aforementioned State-McDonald A/C #1 Well No. 6 and State McDonald A/C #1 Well No. 25.

6. That the applicant proposes to enlarge the presently authorized unit to include the SW/4 NW/4 and the NE/4 NW/4 of said Section 16.

7. That the creation of the proposed unit will not cause waste.

8. That, in order to protect the correlative rights of the persons owning the acreage offsetting the proposed unit, neither of the wells on the unit should be permitted to produce in excess of sixty percent (60%) of the allowable which a single well on such a unit would be permitted to produce during any given proration period.

IT IS THEREFORE ORDERED:

1. That the application of the Ohio Oil Company for approval of a 600-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the following described acreage:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 16: S/2, NE/4, S/2 NW/4, and NE/4 NW/4

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

2. That the aforesaid proration unit shall be dedicated to both the applicant's State-McDonald A/C #1 Well No. 25, located 1980 feet from the North line and 660 feet from the East line of said Section 16, and State-McDonald A/C #1 Well No. 6, located 660 feet from the South line and 1980 feet from the West line of said Section 16, and that the said wells be granted a joint allowable in the proportion that the acreage in the above-described unit bears to the acreage in a standard proration unit in the Jalmat Gas Pool in accordance with Rule 8 of the Special Rules and Regulations for said pool.

3. That the applicant shall endeavor to produce the aforementioned wells as near equally as possible, provided, however, that in no event shall either of the said wells be produced in excess of sixty percent (60%) of the allowable which a single well on a 600-acre proration unit in the Jalmat Gas Pool would be permitted to produce during any given proration period.

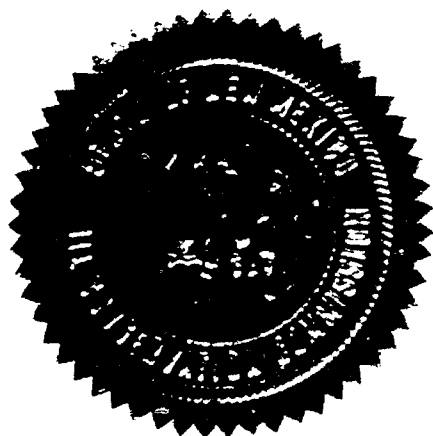
DONE at Santa Fe, New Mexico, on the day and year herein above designated.

STATE OF NEW MEXICO
OIL COMMISSION COMMISSION

EDWIN L. MCELHEN, Chairman

W. E. Morgan, Member

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



BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
February 14, 1957

IN THE MATTER OF:

CASE NO. 1206

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6631
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 14, 1957

IN THE MATTER OF:

Application of the Ohio Oil Company for an
order granting an exception to Rule 5 (a) of
the Special Rules and Regulations of the Jal-
mat Gas Pool, as set forth in Order R-520 in
the establishment of a 600-acre non-standard
gas proration unit. Applicant, in the above
styled cause, seeks an order granting the
establishment of a 600-acre non-standard gas
proration unit comprising the E/2, SW/4, E/2
NW/4, SW/4 NW/4 Section 16, Township 22 South,
Range 36 East, Jalmat Gas Pool, Lea County,
New Mexico. Applicant proposes to jointly
dedicate said acreage to its State McDonald
A/C No. 1 Well, No. 25, located 1980 feet from
the North line and 660 feet from the East line
of said Section 16 and to its State McDonald
A/C No. 1, Well No. 6, located 1980 feet from
the West line and 660 feet from the South Line
of said Section 16.

Case No. 1206

BEFORE:

Honorable Edwin L. Mechem
Mr. A. L. Porter
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. PORTER: The next case to be considered will be 1206.

MR. GURLEY: Application of the Ohio Oil Company for an
order granting an exception to Rule 5(a) of the Special Rules and
Regulations of the Jalmat Gas Pool as set forth in Order R-520 in
the establishment of a 600-acre non-standard gas proration unit.

MR. COUCH: Terrell Couch, for the Ohio Oil Company.
Gentlemen of the Commission, I would like to make a brief prelimi-
nary statement before we go into the evidence in the case.

This actually is an application for an enlargement of a presently existing 520-acre unit. That unit was approved by the -- The present unit of 520 was approved by the administrative order dated January 30, 1955. There are two wells on the unit which were completed during 1954, one just prior to the issuance of Order R-520 and one shortly thereafter. The fact there are two wells on the unit is the thing that gives rise to the hearing for the enlargement of the unit. At the time we filed our application in 1954, we stated at that time that we would proceed with negotiations to attempt to unitize the remaining acreage in Section 16 so as to form one complete 640 acre unit, a standard unit in size as provided in the pool rules for the Jalmat Gas Pool.

We have proceeded with negotiations and have now an operating and unit agreement signed by Continental and we have not been able to obtain a pooling agreement with the company we believe to be the owner of the one remaining 40-acre tract, that being Oil Well Drilling Company. We just learned last week from Oil Well Drilling Company that after all they don't own the gas rights, and apparently El Paso Natural Gas Company owns the gas rights. I have, today, advised Mr. Woodward of El Paso of the facts, and we are hopeful in the not too distant future we will be able to complete the pooling of the entire 640 acres. With that preliminary we will be able to proceed with our evidence.

MR. PORTER: Who is your first witness?

MR. COUCH: Mr. Tom A. Steele.

(Witness sworn.)

THOMAS A. STEELE

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

DIRECT EXAMINATION

By MR. COUCH:

Q State your name.

A Thomas A. Steele.

Q By whom are you employed and in what capacity?

A The Ohio Oil Company, District Engineer for West Texas and New Mexico, stationed in Midland, Texas.

Q Mr. Steele, would you state briefly your professional qualifications?

A I graduated with a Bachelor of Science Degree from the University of Pittsburg, Pittsburg, Pennsylvania, in 1937. I was employed by the Shell Oil Company for four years after graduation; the last five years I have been employed by the Ohio Oil Company as District Engineer in five separate states.

Q Mr. Steele, in your duties as District Engineer at Midland, you have had occasion to keep yourself informed as to the Jalmat Gas Pool and as to the Ohio's McDonald Lease, have you not?

A I have.

Q Are you acquainted with the Ohio's two gas wells on Section 16, Township 22 South, Range 36 East?

A I am familiar with them.

Q Mr. Steele, what acreage do we now propose to include in the 600 acre unit that is the subject of this application?

A We propose to form a 600-acre non-standard gas proration

unit consisting of all of Section 16, except the northwest quarter of the northwest quarter, containing 40 acres in that section.

Q We anticipate that the remaining 40-acre tract will be included in a larger unit within the near future, do we not?

A We anticipate that, yes, sir.

Q That has been our aim since the time in 1954 when we made application for the 520 acre unit that now exists?

A Yes, sir, that is correct.

Q Mr. Steele, will you state whether all the acreage in this Section 16, all the acreage in the 600 acre proposed unit is within the limits of the Jalmat Gas Pool?

A It is my opinion that all 600 acres are productive of gas in the Jalmat Gas Pool.

Q Now the leases are all from the State of New Mexico on the entire 600 acres, is that correct?

A That is correct.

Q Mr. Steele, as to the productive ability of the two wells, state whether in your opinion each of the wells is capable of producing a volume of gas in excess of, or less than what has been the current 640 acre allowables in that Jalmat Gas Pool?

A In my opinion, each well is capable of producing a 640-acre allowable.

Q Mr. Steele, if this unit is not enlarged and approved as proposed here, to include the 600 acres, would that deprive the Ohio and the Continental and the State of New Mexico of an opportunity to recover their just and equitable share of gas in the

Jalmat Gas Pool?

A Yes, sir, it certainly would.

Q State whether the approval of this requested 600 acre unit would damage the correlative rights of adjoining operators?

A It is my belief it would not.

Q Would waste be caused or prevented by the enlargement of this unit?

A It's my belief that waste would be prevented.

Q It would prevent the drilling of unnecessary wells on other portions of the section?

A Yes, sir, that is correct.

Q Mr. Steele, under the present circumstances, would the Ohio or Continental, to your knowledge, have any objection to a reasonable limitation on the volume of gas to be legally produced from each of the wells in this proposed unit?

A I don't believe that the Ohio would object to any reasonable setting of allowables from either of the two wells. I 'm sure they would go along with any reasonable allowable.

Q By reasonable, what would you suggest as a reasonable restriction?

A Well, I would say probably 75 percent would be a reasonable figure.

Q Is it necessary to facilitate the actual producing operations of the unit with two wells that you have some tolerance in excess of 50 percent permitted to each well?

A Yes, I'm sure it would be an impossibility to allocate 50

percent in a unit such as this, to each well. You have to have some tolerance allowed, and I believe the additional 25 percent would be satisfactory in this case.

Q If they were in two separate units, then each unit would have a tolerance under the present rules?

A Each unit would have the tolerance under the present rules.

Q You are seeking a similar tolerance here in excess of 50 percent to split the total production between the wells?

A That is correct.

Q Do you have available the percentage of total well production that was produced from each well during 1955?

A Yes, sir, I do.

Q What is it, please?

A During 1955, Well Number 25 produced 40 percent of the total production from the two wells on the State McDonald A/C No. 1 lease.

Q That would be then 60 percent of the production that was produced from the other well, Number 6?

A 60 percent was produced from the State McDonald A/C No. 1, Well No. 6.

Q What are the percentage figures of the division of total production from the two wells in 1956?

A During 1956 Well Number 25 produced 49 percent of the total production taken from the two wells.

Q And the remaining 51 percent from --

A (Interrupting) The remaining 51 percent from --

Q (Continuing) -- Well Number 6?

A That is correct.

Q Actually Well Number 25 does not have as great a potential or openflow as does Well Number 6, is that correct?

A That is correct.

Q Mr. Steele, I believe you have been advised that there has been a recent test made on each of these wells by El Paso Natural Gas, is that correct?

A Yes, I have been advised of that fact.

Q El Paso Natural Gas is now taking the gas from both wells?

A El Paso is taking the gas.

Q The results of this test as reported to you, would that change your opinion as to the abilities of each of the wells to produce at least 640-acre allowable?

A No, sir it would not. One well, Number 6, had a greater open flow potential in the last test than it originally had when it was completed in October of '54. Well Number 25 had a smaller open-flow potential than originally was potentialled in July of 1954.

Q When you refer to the results of this recent test, they are not the official results, are they?

A No, sir, as far as I know the official file has not reached this office yet.

Q But that is the best information you have. You believe it to be correct?

A I believe it to be correct, yes, sir.

Q Is it our intention or plan to attempt to produce the wells at approximately the same rates?

A Yes, sir, I would say that would be our plan. I think we should have that in mind when we produce both these wells, and as nearly as possible they should be produced on a 50-50 basis.

Q As indicated by the 1956 withdrawals of 51 percent from one and 49 percent from the other?

A Yes, sir. I think El Paso is doing an excellent job in producing the wells on approximately a 50-50 basis.

Q The reason you requested a tolerance in excess of 50 percent is just for practical operations, to permit each well a tolerance as it would have on a separate unit?

A That is correct.

Q Would a smaller figure than 75 percent be workable? Would you be able to get by with a smaller percent you think?

A Well, it is possible that we could get by with a smaller percentage. Maybe 60-40, 60-40 percent figure might be a good workable percentage. However, I would prefer to give El Paso who takes this gas, a little more leeway than the 40-60 percent which they probably get by on; if certain conditions arise it might be wise to produce the one well at a total allowable for the lease in place of 60-40 percent.

MR. COUCH: We have no further questions.

MR. PORTER: Does anyone else have a question of Mr. Steele?
Mr. Utz.

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Steele, do you have the date that these wells were

completed available to you?

A Yes, sir, Mr. Utz, I do. Well Number 25 was completed July 9, 1954; Well Number 6 was completed October 21, 1954.

Q Have these wells, either of these wells been worked over since this date?

A No, sir, they haven't, to the best of my knowledge.

Q Mr. Steele, you made a statement awhile ago that if this application was denied, that it would prevent you from getting your share of gas from the Jalmat Gas Pool. I wonder if you would enlarge on that a little and explain why it would?

A Well, I don't know just exactly know what you are driving at. That's my opinion that if this unit were not approved that we would be deprived of a fair opportunity to recover this gas. In other words, if this application were disapproved there would be 120 acres in Section 16 that would have no gas allowable. By enlarging this unit we hope that the entire section will have a gas allowable assigned to it.

Q You are considering that this application is merely for the enlargement of the 520-acre unit?

A Yes, sir, that is correct, Mr. Utz.

Q Mr. Steele, I wonder if you can explain to me why it would be impractical to form two units for these two wells instead of having two wells on one unit?

MR. COUCH: I don't see that the question is material to the issue that is before the Commission here, I don't think it is up to us to show it is impractical to form two units when what we

are trying to do is form one unit of the size that the Commission has found and stipulated is a standard proration unit for the pool. The impracticality of it or not is a question that probably goes beyond the engineering knowledge of Mr. Steele. It involves not only questions of an engineering nature, but principally and primarily a question of construction of the pool rules, which is largely a legal question. If it will benefit the Commission I'm sure Mr. Steele will be glad to point out some of the things that might occur to him. I don't know that that would be proper evidence on the point, or that the point is necessary or material to this hearing.

MR. PORTER: Mr. Couch, we would like to have the witness answer the question to the best of his ability.

MR. COUCH: Any reason you can think of, why it would be impractical to form two units, Mr. Steele, state them for the record.

A Well, I, personally, can't see any reason why two units should be formed here. This acreage is completely surrounded by gas wells and it is my belief that either or both could drain the entire section of gas. I think, as Mr. Couch has stated, that I don't think that it should enter into the actual application whether two units could be formed. I think it would be physically possible to form two units, but I can't see any particular reason why two units should be formed since this acreage is in the Jalmat Gas Pool, and it's completely surrounded by gas wells. I just can't see any practical need for it.

Q Mr. Steele, would creating two units and assigning 320 acres to one well and 280 acres to the other well decrease your allowable any, as long as each well was able to produce its allowable?

A No, it wouldn't decrease the allowable any.

Q Then --

A (Interrupting) Except in this way, if a well was to be worked over, then the allowable during that time would be cut. It looks to me like it all boils down from the original rules set up in the Jalmat Field, they have a 640 acre allowable set up if the well is 1980 from either line. Both wells are 1980 from one line, but only 660 from the other. I'm not too sure just what you are driving at.

MR. COUCH: This is getting into the reason why I made the statement I did to begin with. The impracticality stems from legal questions and contractual matters more than it does from any engineering feature. By a construction of the rules, as they now stand, if you were to attempt to divide this unit into two units, the boundaries of the units would fall so close to the wells in splitting the single 520 acres that is all under one lease right now, but by drawing an artificial line through the lease itself, they would cause a reduction of allowable of the well one way or the other, depending on which way you drew the line. That is the way I construe the rules. That is one reason it is impractical and the other is, it has nothing to do with any engineer. Why it is impractical is that we have been two years negotiating an operating

agreement with various companies, and working out equitable completion costs on the wells. It is now done and assigned, and the communitization agreement has been prepared and signed, and submitted to the Land Commissioner's Office, all in accordance with the statement that we had in our application over two years ago when we first started trying to get this entire section unitized.

Those are some of the impracticalities of forming two units at this point, and at this date. It wasn't trying to keep information from the Commission or Staff, it was just that I felt that this witness here for engineering testimony is not fully advised of all those things that have to do with some of the impracticalities.

Further impracticalities, as far as putting it into two units arises from the fact that the recompletion costs on one of the wells was around \$33,000.00 and the other \$22,000.00, depending on which unit you put it in. If you made it into two units one fellow is going to pay the bigger share of the completion costs. The way we have done it now is to lump them together and Continental is paying its proportionate share of the total cost. The same deal has been made with El Paso in regard to its 40 acres.

Those are the impracticalities that I see, several of them, in forming two units at this stage of the game. I think the only one that Mr. Steele indicated, that it will facilitate a 640 acre allowable when the unit is ultimately formed, to have both wells in the same unit, from an engineering standpoint. So long as each well is capable of producing in a sufficient volume, and so long as there is a reasonable limitation upon the amount you can take

from either well, you can get virtually the same results from the single unit as would be from the two units from the conservation standpoint, I can't see the necessity for the two units at all.

MR. PORTER: Mr. Utz, do you have a question?

Q (By MR. UTZ) Mr. Steele, I gather then from what your attorney has said, it would be more convenient for you to put two wells in one unit and let one well lean on the other than to have each well stand on its own?

A No, I don't think one well is going to lean on the other. I think I pointed out to you that either well is capable of producing a 640 acre allowable, and certainly that's the way the wells have been produced for the last two years. As I pointed out, in 1955 Well Number 25 produced 40 percent of the total production and in 1956 Well Number 25 produced 49 percent of the production. That would not indicate to me that either well was leaning on the other.

Q Do you have information as to what the absolute openflow of your Well Number 25 was, the most recent test that has been submitted?

A Well, I haven't seen the official record and the information I have is second-hand. I can give that figure to you, but I don't know if it is accurate or not.

MR. PORTER: Give us whatever figure you have.

MR. COUCH: Give that figure to them, Mr. Steele. These are the figures that Mr. Utz furnished us with yesterday afternoon, is that right, Mr. Steele?

A That is correct.

Q I can ask a direct question if you would like for me to.

A I have them here. The openflow potential for Well Number 25 was 4.9MCF.

MR. COUCH: No, not that.

A 4,900 MCF, and the openflow potential for Well Number 6 was 14,000 MCF per day. That's 14,000,000 for Number 6, and 4,900,000 for Number 25.

Q In other words, the Number 6 well had almost three times the producing capacity of the Number 25 well?

MR. PORTER. That is the daily figure, Mr. Steele?

A That was the openflow potential that El Paso ran, I believe that is correct.

Q Absolute openflow daily figures?

A Yes, sir.

Q Which well would you say would become marginal sooner on the basis of those tests?

A Well, I don't believe that openflow potential would be an indication of which well would become a marginal well before the other, because the shut-in pressures are approximately the same. They were when we took the original openflow potentials, and if I interpret these figures here as the last openflow potentials, why the pressures are approximately the same on both wells. Now, one well does have a greater capacity than the other, probably due to difference in permeability of the formation at that particular well, but I don't believe I would be able to say which well would become marginal first.

Q After all, isn't absolute openflow an indication of what

a well will produce and what it produces has everything to do with its allowable, whether it can make its allowable or not?

A That is correct. However, as you know, when these gas wells, when the openflow potential of these gas wells drops down to where the pressures are not sufficient to put the gas into the gas line, most of them are worked over, re-fracked, acidized and the potentials are brought up.

Q Then if your Number 25 well should become marginal you would work it over and try to increase its capability?

A Yes, sir, that's absolutely right.

Q Do you know who owns the acreage to the south of your Number 6 well?

A I think Mid-Continent owns that acreage, Mr. Utz. Let me check this Sunray, Mid-Continent owns the northwest quarter of Section 21, 22 South, Range 36 East.

Q Do they own the northwest quarter of Section 23 -- I'm sorry.

A Wait a moment -- They own what? Section 23.

Q They own the quarter section offsetting your Number 6 well to the south, is that correct?

A Yes, sir, that is correct.

Q Is there a well on that acreage?

A Is there a gas well on that acreage?

Q Yes.

A To the best of my knowledge there is not.

Q Has Sunray-MidContinent objected to this unit being formed?

A To the best of my knowledge they have not.

Q Not to date anyway?

A Not to date.

Q Is there a well offsetting this unit to the west?

A To the west?

Q A gas well in the Jalmat?

A In Section 17 there are two gas wells, Continental's E-17 Wells 4 and 5.

Q Which quarter section are they located in?

A Well Number 4 is in the northwest quarter of Section 17 and Number 5 is in the southwest quarter of 17.

Q Has the east half of Section 17 been dedicated to a gas well in the Jalmat Gas Pool?

A I can't answer that question, Mr. Utz, I didn't bring --

Q (Interrupting) I believe the Commission records would show that it has not been dedicated to any well in the Jalmat Gas Pool.

A (Continuing) I didn't bring my map.

Q Do you happen to know what the allowable status of this unit is at the present time?

A You mean the present allowable?

Q The allowable status, the net status of this unit, the 520-acre unit?

A It is substantially over-produced.

Q Do you know about how much?

A In the neighborhood of 700,000,000 cubic feet.

Q Which would be almost eight times the February current

allowable, would it not? I believe the February current allowable was 94,000,000 for the unit.

A I believe that is correct.

Q Then unless these wells are to be shut-in, the first of, March 1st, 1957, they are going to have to start cutting back pretty quick?

A Yes, we are going to get together with El Paso and see if they can get these two wells in line with the actual allowable. They certainly are over produced.

Q Mr. Steele, based on the fact that your February allowable was 94,000,000 for the unit, a 5 percent tolerance would be approximately 4,700 MCF, do you believe that this is an impractical tolerance on which to operate, to have one well produce five percent more than --

A (Interrupting) Yes, I certainly do. I don't believe El Paso could produce those wells month in and month out with 5 percent tolerance. It would be almost an impossibility to do it. They might average out over a year by being very careful with their take, but it would certainly entail a lot of extra work on their part to keep within the five percent tolerance. I think it would be impractical to do it.

Q This tolerance doesn't have to be from day to day, does it?

A No, but it is within --

Q (Interrupting) The six month period?

A The six month period.

Q They did operate it within two percent during 1956, didn't

they?

A And I'm very surprised they did it.

Q Well, frankly, I am too.

A I don't know of any other place where -- I think it was more a matter of luck that it came out that close, but they certainly were prudent operators to take approximately the same amount of gas out of both wells.

Q These wells are metered separately, aren't they?

A Yes, sir.

Q Do you have any suggestion as to how we can administrate five, ten, 15 percent tolerance, whatever the Commission allows, when we have two wells on the unit, both wells receiving a unit allowable? In other words, how are we going to check to see whether you are producing within your tolerance or not?

A Well, I believe you could very closely check it, because El Paso reports every month what the amount of gas is taken from each well. You probably would have to set up two separate sheets with the allowable and production on one sheet, and the allowable and production from the other well on another sheet, but I think it could be done very easily. I don't think it would be too hard to do it, because you have the figures that El Paso submits to you every month on your C-112, I believe it is.

Q We would have to administrate the balance of the procedure within the unit just the same as we do for the whole pool?

A I think that is correct.

Q It is an increased administrative load?

A Yes, sir, it would be a very slight administrative load,

increase in administrative load.

MR. UTZ: That is all.

MR. PORTER: Does anyone have any questions of Mr. Steele?
Do you have any exhibits?

MR. COUCH: They were submitted or attached to the application, there was a plat attached to the application showing the surrounding gas wells and the unit that we requested.

MR. PORTER: I have one question I would like to ask.
Do you recall how long this unit has been operating as a 520-acre unit with the two wells, Mr. Steele? I'll put the question this way, has either one of the wells ever produced as a single unit?

A Yes, sir in -- Wait a moment. One well was completed prior to the other, 25 was completed prior to Number 6, and it did produce in December of '54 and January of '55 as a separate well.

MR. PORTER: Well, the Commission records would show that. I thought you might have that.

A Yes.

MR. COUCH: I think that January 1, 1955 was the effective date of the 520-acre unit, and it was the first proration unit that was authorized for either of those two wells, and they were not connected and had no production prior to that time. I believe the Commission records will bear that out. I had one or two questions I wanted to ask.

RE-DIRECT EXAMINATION

By MR. COUCH:

Q Mr. Steele, generally speaking with regard to the gas wells

in the Jalmat Gas Pool are they over-produced, or under-produced?

A I would say they are over-produced.

Q Withdrawals from all wells in that gas pool have been large over the past two years?

A That is correct.

Q Mr. Steele, did the Ohio select these two locations because they were close to the section lines when they re-completed these two wells, or what was the reason that we re-completed Wells 25 and 6 instead of some of the other wells that are in that section?

A Well, Well 25 was completed first, and it was -- the well was plugged and abandoned because it was making less than one barrel a day.

Q That is as an oil well?

A An oil well.

Q In a different producing zone?

A In the Seven Rivers, that is correct. As you recall, the limits of the Jalmat permit a gas well to be completed from the Tansil to 100 feet of the base of the Seven Rivers.

Q Those are the vertical limits of the Jalmat?

A Right, or the Queen formation, and these wells were producing below that 100 feet, and they were producing in the base of the Seven Rivers, is where the wells were producing, and they were both uneconomical to operate and were producing less than a barrel a day.

Q So, from the economical standpoint, those were the two most likely wells for us to re-complete as gas wells?

A Those were the two with the smallest amount of production.

Q They weren't selected with the idea of draining a neighbor or taking an undue proportionate withdrawal from the pool?

A No, they certainly were not.

Q This pool has been in existence over two years, or a great deal longer than that, has it not?

A Yes, sir.

Q Do you have any idea why Cities Service or Continental have not drilled wells in the east half of Section 17, or haven't recompleted some of their oil wells as gas wells, or does that just come under the heading of their business?

A Well, I think that is their business. I am sure they will.

Q They haven't told you why they haven't?

A No, sir, they haven't asked me for any advise.

Q The same is true about Mid-Continent down there in the northwest section of 21?

A Yes, sir, that is correct.

Q Would you expect that Continental or that Mid-Continent, if they felt that they had been treated unfairly here for two years, would have drilled a well to protect themselves, if that is what they needed to do?

A I am certain they would have. I am sure that the Ohio Oil Company would have.

MR. COUCH: I have no further questions.

MR. PORTER: Are those all the questions of Mr. Steele?
The witness may be excused.

(Witness excused.)

MR. PORTER: Does anyone have anything further in this case?

MR. WOODWARD: El Paso will make a statement when the testimony is completed.

MR. COUCH: I offer in evidence Exhibit A attached to the application. It is attached to the original application filed in the case.

MR. PORTER: Without objection it will become a part of the record. Mr. Woodward?

MR. WOODWARD: John Woodward, of El Paso Natural Gas Company. As of about 45 minutes ago we were advised of the fact that we owned the gas rights in the northwest of the northwest of Section 22, and as of some 45 minutes ago we have under consideration a unit agreement consisting of the acreage in that section; just as soon as we can make ready the communitization agreement. The 40 acres doesn't make a good drill-site for a gas well. We think the Commission can, by administrative action, approve such a unit when such communitization is completed. As a purchaser, we would certainly appreciate the latitude of some reasonable tolerance in the production from these two wells. We can, if they are set up in the same unit, and we see no reason why they shouldn't be. If we have been prudent in anything, it is as a prudent purchaser from the two wells, and we intend to continue that policy to the best of our ability. I think there is an important question of precedent involved here which concerns us much more as a purchaser, and that is as to a location of acreage to more than one well completed on a proration unit. We would point out that the units

established are proration units, not drilling units. Under the rules, theoretically, you could drill a hundred wells, there is nothing that would require you to set up a hundred fractional proration units within that area so long as the wells collectively develop the acreage and can produce its allowable.

If a per well allocation is to be under those rules, we would submit that they are drilling units and should be so set out in your rules. As far as this particular case is concerned, these people have spent two years getting an agreement on the allocation of production and costs, the two wells can make the unit allowable if they constitute a reasonable development of that section. I don't think there's any administrative reason or consideration that outweighs the impracticality and of going back in and reforming their agreements. They have operated these two wells on one unit of 520 acres for sometime now.

The whole policy of setting up fractional proration units for individual wells is one that can involve a great deal more administrative work than simply taking, giving the unit its allocation and letting the people produce from whatever wells they have got on there. The Commission has found that one well will economically and efficiently drain 640 acres, certainly two wells can do it. If they are concerned about this, and I have the feeling if the Staff is concerned, that one of the wells will play out, and that the remaining well will have too high an allocation for its location, there is plenty of time down the road to review the situation when that fact occurs, but in the meantime we see no reason for making this allocation of acreage within a proration unit to

separate wells.

MR. PORTER: Does anyone else have a statement to make?
Mr. Mankin?

MR. MANKIN: Warren Mankin, with the Commission Staff. I would like the record to show in connection with Mr. Woodward's statement, that Order R-520 would not allow the 640 to be granted administratively. It would have to be the subject of another hearing.

MR. WOODWARD: We are having a hearing now. What I am suggesting is that the Commission having considered this, that the communitization is signed, go ahead and constitute a unit on that basis. Whether it is necessary, independent of what you are having a hearing now.

MR. PORTER: Anyone else have a comment?

MR. COUCH: I would like to make just one or two statements in closing. First of all we definitely are not attempting to place an undue administrative burden on the Commission Staff. We want to do all we can to make the gas proration simple, as simple as it can be made, the complex problem that it is.

It seems to me that there would be no more or greater administrative load with the wells being separately reported, to keep the accounting as we have discussed, and as we have requested, than it would be to keep two separate records on two separate units. It appears to me there is just about the same amount of administrative problem, or time required. Perhaps I don't fully understand, or appreciate all the computations and records that are necessary

in order to ride herd on these wells, so to speak, but it seems to me with the wells reported separately and the records kept separately there wouldn't be any greater time spent than would be if you had the two units.

Then this one further thing about the necessity for a hearing, if the Commission feels there should be a hearing when this 40 acres comes in, I should think that it ought to be a fairly simple and short hearing, if that would be the preferable way of going about it, why certainly we would have no objection.

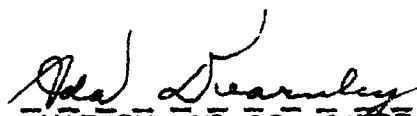
In conclusion I just want to say this, that the, try as I might, I can not conceive of any reason based on conservation for dividing this acreage into two units. If there is any justification for dividing it in two units, it would have to stem from the proposition of administrative difficulty and computation and record keeping. I can't see the justification from the standpoint of conservation at all, and for that reason I think the Commission obligation under the Statutes would be to continue in effect this 520-acre unit enlarged to include the additional acreage that we have pointed out in this application here.

MR. PORTER: Anyone else have a further comment in this case? We will take the case under advisement.

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

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 25th day of February, 1957.


NOTARY PUBLIC, COURT REPORTER

My Commission Expires:

June 19, 1959

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. _____

TRANSCRIPT OF PROCEEDINGS

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

The Ohio Oil Co.

Midland, Texas
P.O. Box 502

January 9, 1957

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

Attention: Mr. A. L. Porter, Jr.

Re. Non-Standard Gas Proration Unit, Jalmat Gas
Pool, 600 Acres - All of Section 16, T-22-S,
R-36-E, except the NW/4 of the NW/4 of the
Section

Gentlemen:

The Ohio Oil Company respectfully requests that you grant this application for the designation and formation of a 600 acre non-standard gas proration unit consisting of all of Section 16, Township 22 South, Range 36 East, except the NW/4 of the NW/4 of the Section, in the Jalmat Gas Pool, Lea County, New Mexico. The Ohio owns the oil and gas leasehold estates on 560 acres within the proposed unit and two gas wells completed in the Jalmat Gas Pool are located on the acreage, the first well, known as State-McDonald A/C #1 Well No. 25, being located at a point 1980 feet from the north line and 660 feet from the east line of the Section, and the second well, State-McDonald A/C #1 Well No. 6, being located at a point 1980 feet from the west line and 660 feet from the south line of the Section. Continental Oil Company owns the leasehold estate on the SW/4 of the NW/4 of Section 16, being 40 acres within the proposed unit. Continental and The Ohio have entered into a Communitization Agreement covering the proposed unit and a copy of the Agreement is attached to the original of this application.

All acreage included in the proposed unit falls within the limits of the Jalmat Gas Pool and is reasonably presumed to be productive of gas from that pool. The State of New Mexico is lessor in the oil and gas leases which cover the acreage to be included in the proposed unit. The records of The Ohio indicate that the NW/4 of the NW/4 of the Section is subject to an oil and gas lease owned by Oil Well Drilling Company. Efforts to negotiate a communitization agreement with Oil Well Drilling Company have been unsuccessful.

The records of the Commission will verify that by Administrative Order NSP-84 dated January 30, 1955, a non-standard gas proration unit was formed in the Jalmat Gas Pool, which unit was comprised of 1,120 acres out of the 600 acres to be included within the proposed unit. The unit was proposed to be included as an enlargement of the non-standard gas proration unit approved by Administrative Order NSP-84.

Unless the proposed unit is designated and approved as proposed by this application, The Ohio and Continental will be deprived of a fair opportunity to recover their just and equitable shares of the natural gas in the Jalmat Gas Pool. The enlarge-

January 9,
New Mexico
Page 1

ment and approval of the proposed unit is hereby requested. It is not correct to require and will not cause but will prevent waste. The Ohio and Continental have no objection to a reasonable limitation upon the volume of gas which may be legally produced from either of the gas wells on the proposed proration unit. In this connection, The Ohio suggests that it would not be unreasonable at this time to impose the following restriction:

"Neither of the gas wells on this proration unit shall be permitted to produce a greater volume of gas during any proration period than 75% of the volume of gas which such well would be permitted to produce during such proration period under the applicable rules and regulations if such well were the only well on the proration unit."

A plat marked EXHIBIT A is attached hereto which indicates the location of the proposed unit and the location of the surrounding tracts. A copy of this application with plat attached has been sent by registered mail to each of the Operators named on the attached list.

The Ohio therefore requests that you grant an exception to Rule 5(a) of the Special Rules and Regulations for the Galmat Gas Pool, and that this application be approved and the non-standard gas proration unit be enlarged and approved as proposed by this application at the earliest practical date. Unless the Commission Staff concludes that a hearing is necessary, it is requested that the relief herein applied for be granted without further notice or hearing and pursuant to the provisions of Rule 5(b) of those Rules, upon the expiration of thirty days from this date. If a hearing is deemed necessary, it is requested that proper notice be given and that the hearing be held before an Examiner at the earliest convenient date after notice has been given.

Each and all of the foregoing statements are true and correct.

Very truly yours,

THE OHIO OIL COMPANY

[Signature]
Joe A. Miller, District Manager

THE STATE OF TEXAS
COUNTY OF MIDLAND

Subscribed and sworn to before me on this 9th day of January, 1934, by the undersigned county clerk, on this 1st day of January, 1934, in my office, and my hand and seal of office.

[Signature]
County Clerk of Midland County, Texas

cc - Mr. Mirra Morgan
Legal Commissioner
1200 N. 10th St.
Santa Fe, New Mexico

List of Operators notified of The Oil Company's application dated January 9, 1957, for 600 acre non-standard gas production unit in the Salmat gas Pool

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

Western Natural Gas Company
8th Floor, Midland Tower Building
Midland, Texas

Sun Oil Company
P. O. Box 2792
Odessa, Texas

Mid-Continent Petroleum Corporation
P. O. Box 830
Midland, Texas

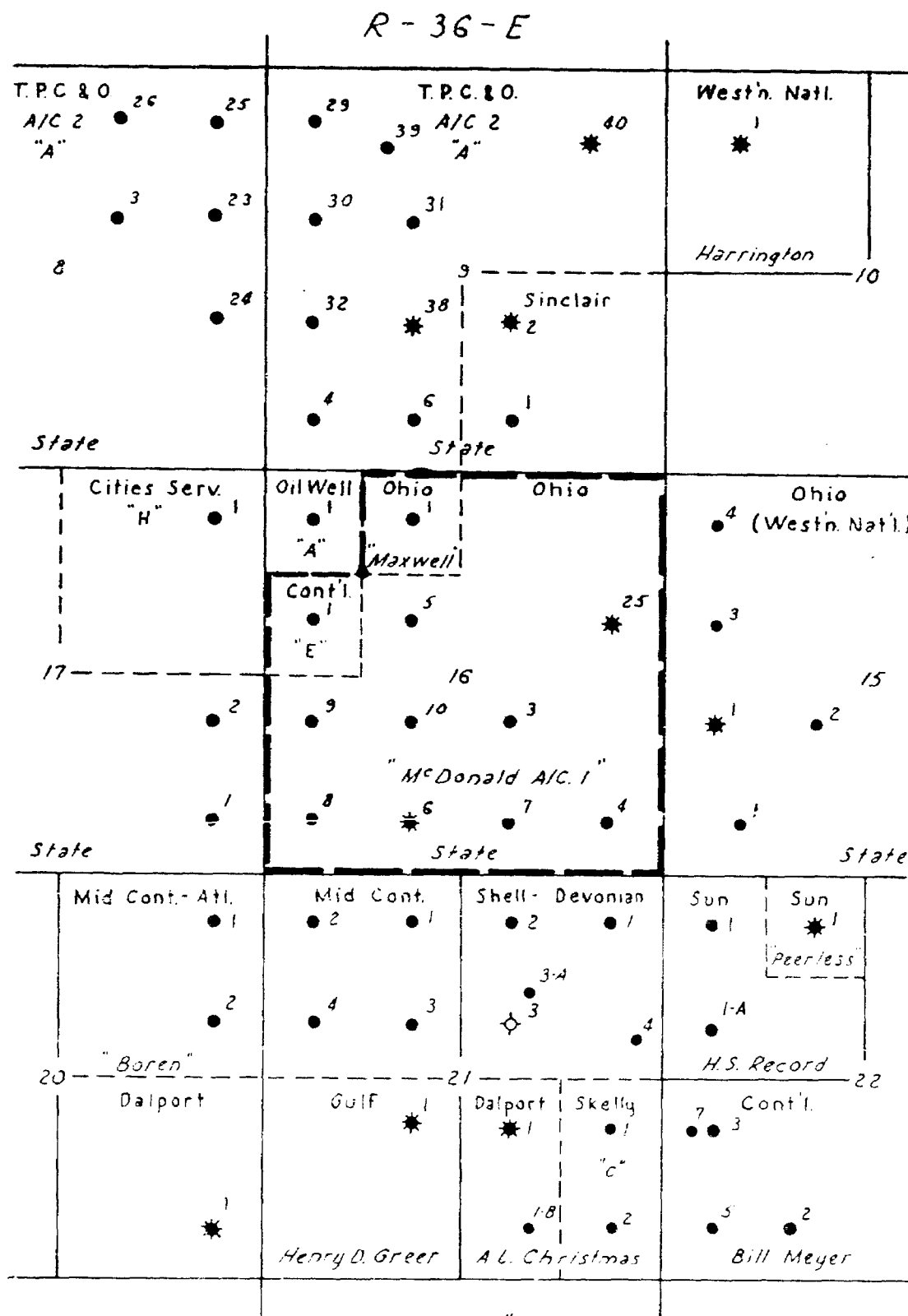
Oil Well Drilling Company
P. O. Box 3468
Odessa, Texas

Cities Service Oil Company
P. O. Box 97
Hobbs, New Mexico

Texas Pacific Coal and Oil Company
P. O. Box 2110
Fort Worth, Texas

Sinclair Oil & Gas Company
901 Fair Building
Fort Worth, Texas

Shell Oil Company
P. O. Box 1957
Hobbs, New Mexico



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S

EXHIBIT "A" *Scale 1"=2000'*
 To THE OHIO OIL COMPANY'S Application
 For Non Standard Gas Proration Unit
 For All of Section 16-22-36 Except The NW/4 of NW/4
 JALMAT GAS POOL.

COMMUNITIZATION AGREEMENT

THIS AGREEMENT dated February 15, 1956, is entered into by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, under and pursuant to Sections 7-11-39, 40, 41 and 47, New Mexico Statutes, 1953, annotated, as amended, Lessees of State lands may, subject to the approval of the Commissioner of Public Lands of the State of New Mexico, consolidate or combine two or more leases of State lands and enter into agreements with Lessees of other State lands for the pooling or communitization of such lands for unit operation or development of such lands, for allocation of production therefrom on a fair and equitable basis, and for other purposes more fully stated in said statutes; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing gas and liquid hydrocarbons in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "Communitized Area") are described as follows:

All of Section 16, Township 22 South, Range 30 East, N.M.P.M., Lea County, New Mexico, except the NW/4 of the NW/4 of said Section, the acreage included being 600 acres, more or less, and this agreement shall extend to and include only those formations which underlie said lands and are now included in the Jubilee Gas Pool and the gas and liquid hydrocarbons (hereinafter referred to as "Communitized Substances") producible from such formations or any one or more of those formations, such formations being the Uppell, Yates and all of the Seven Rivers formations down to a point 100 feet above the base of the Seven Rivers formation.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A" designating the operator of the Communitized Area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the Communitized Area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the Communitized Area and four (4) executed copies of a designation of successor operator shall be filed with the Commissioner of Public Lands of the State of New Mexico.

4. The Communitized Area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all Communitized Substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

5. The royalties provided for in the respective leases shall be payable on Communitized Substances allocated to the individual leases comprising the Communitized Area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases with respect to the acreage covered by such lease within the Communitized Area. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as they exist on the above stated date of this agreement.

6. There shall be no obligation on the lessees to offset any well or wells capable of producing Communitized Substances and completed in any of the formations covered by this agreement on separate component tracts into which the Communitized Area is now or may hereafter be divided, nor shall any lessee be required to measure separately Communitized Substances by reason of the division of ownership thereof, but the lessees hereto shall not be released from their obligation to protect said Communitized Area from drainage of Communitized Substances by a well or wells which may be drilled offsetting said Area.

7. The commencement, completion, continued operation or production of a well or wells for Communitized Substances in the Communitized Area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said Communitized Area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto; however, it is specifically understood and agreed that for the purpose of the computation and payment of royalties such production shall be deemed to be only from the acreage to which it is allocated by this agreement.

8. Production of Communitized Substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State law. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations, and no party hereto shall be excused from its performance or be liable in damages for failure to comply with any such law, order, rule or regulation.

of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

9. Upon execution of this agreement by the parties designated in Exhibit "A" as lessees of record and upon approval by the Commissioner of Public Lands of the State of New Mexico or his duly authorized representative, this agreement shall be effective as of the effective date of the gas allowable fixed for the Jalmat Gas Pool gas proration unit to be comprised of the entire Communitized Area and shall remain in force and effect for a period of two (2) years from such effective date and so long thereafter as Communitized Substances are produced from the Communitized Area in paying quantities; provided, that upon fulfillment of all requirements of the New Mexico Oil Conservation Commission with respect to any dry hole or abandoned well within the Communitized Area this agreement may be terminated at any time by mutual agreement of The Ohio Oil Company and Continental Oil Company.

10. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest.

11. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

12. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

/s/ R. H. Brown
R. H. Brown, Assistant Secretary
[SEAL]

ATTEST:

/s/ Maria Rodriguez
Maria Rodriguez, Assistant Secretary
[SEAL]

THE OHIO OIL COMPANY

By /s/ F. L. Fox
F. L. Fox, President

CONTINENTAL OIL COMPANY

By /s/ A. W. Threlkeld
A. W. Threlkeld, President

IGB



JDW

THE STATE OF OHIO
COUNTY OF HANCOCK

On this 27th day of December, A.D. 1956, before me personally appeared F. L. FOX, to me personally known, who, being sworn, did say that he is Vice President of THE OHIO OIL COMPANY and that the seal affixed to said 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 the said F. L. FOX 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 this the day and year last above written.

[SEAL]

My commission expires:
Nov. 6, 1957

/s/ R. C. Redman
Notary Public in and for Hancock County, Ohio

THE STATE OF TEXAS
COUNTY OF TARRANT

On this 6th day of June, A.D. 1956, before me personally appeared A. W. TARKINGTON, to me personally known, who, being sworn, did say that he is Vice President of CONTINENTAL OIL COMPANY and that the seal affixed to said 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 the said A. W. TARKINGTON 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 this the day and year last above written.

[SEAL]

My commission expires:
June 1, 1957

/s/ Evelyn Deickmiller
Notary Public in and for Tarrant
County, Texas

Exhibit "A" to Communitization Agreement dated February 15, 1956, embracing all of Section 16, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico, except the NW/4 of the NW/4 of said Section.

Operator of Communitized Area: THE OHIO OIL COMPANY.

DESCRIPTION OF LEASES COMMITTED

Tract No. 1.

Lessor: STATE OF NEW MEXICO.

Lessee of Record: THE OHIO OIL COMPANY.

Serial No. of Lease: A-2614.

Date of Lease: April 21, 1930.

Description of Lands Committed: The SE/4 of the NW/4, the SW/4 and the E. 2 of Section 16, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 520.

Working Interest and Percentage: THE OHIO OIL COMPANY - 87.5%.

O.R.R.I.: None.

Tract No. 2.

Lessor: STATE OF NEW MEXICO.

Lessee of Record: THE OHIO OIL COMPANY.

Serial No. of Lease: B-1103 (Assignment No. 2)

Date of Lease: August 6, 1932.

Description of Lands Committed: NE/4 of the NW/4 of Section 16, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 80

Working Interest and Percentage: THE OHIO OIL COMPANY - 87.5%

O.R.R.I.: None

Tract No. 3.

Lessor: STATE OF NEW MEXICO.

Lessee of Record: CONTINENTAL OIL COMPANY.

Serial No. of Lease: B-1536.

Date of Lease: December 22, 1932.

Description of Lands Committed: SW/4 of the NW/4 of Section 16, Township 22 South,
Range 36 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 40.

Working Interest and Percentage: CONTINENTAL OIL COMPANY - 87.5%.

O.R.R.I.: None.

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	520	36.6666%
2	40	6.6667%
3	40	6.6667%
Total	<u>600</u>	<u>49.3333%</u>

(End of Exhibit "A")

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF COMMUNITIZATION AGREEMENT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Communitization Agreement for the development and operation of all of Section 16, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico, except the NW/4 of the NW/4 of the Section, which agreement is dated February 15, 1956 and has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the operation of the area as a unit for the allocation of production and the sharing of proceeds on an acreage basis as specified in the Agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Sections 7-11-39, 40, 41 and 47, New Mexico Statutes 1953 Annotated, as amended, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the communitized area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is signed and with seal affixed, this _____ day of _____, 1956.

Daniel J. Foy
Commissioner of Public Lands, State of New Mexico

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 2-15-57

CASE 1206 Hearing Date 2-14-57

My recommendations for an order in the above numbered cases are as follows:

It is my opinion that to grant 2 wells to a unit in which the wells are located 660 ft. from the boundary line is ~~wrong~~. If the wells were 1980 locations it would be reasonable to grant the depletion for 2 wells on a 600 acre unit. No correlative rights would be disturbed even if either well produces all the 600 acre allowable. If we grant ~~660 locations~~ these 2-660 locations a common unit of 600 acres then put a restriction on the amount of 200 600 acre allowable each well can produce, then we are admitting that due to the 660 location the wells will drain the property. Otherwise there would be no reason for the restriction. We are in effect granting something that is wrong and at the same time admitting

Staff Member

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date _____

CASE _____ Hearing Date _____

My recommendations for an order in the above numbered cases are as follows:

to correct it.

If it is right to grant 2-660 location an allowable of 600 acres then they should have no restriction as to how much gas either wells can produce.

True that these ^{wells} were granted a 520 Acres unit in 1955. A wrong committed some time ago by someone else does not make the same wrong "right" for us at this time.

I recommend that we deny the use of 2 wells to produce the 600 acre allowable and cause them to form a 250 and a 320 unit. If this is not done then the wells should mine no producing restriction except the 600 acre allowable. If either of them is covered then we should grant them one and no other. The only possible justification for giving this application is the fact that it was authorized erroneously in 1955.

Staff Member

W. H. H. H.

The Ohio Oil Co.

Legal Department

W. Hume Everett
Division Attorney

January 18, 1957

P.O. Box 3128
Houston, Texas

Thomas H. McCloy
J. C. Terrell Couch
Warren B. Leach, Jr.
Attorneys

Re: Proposed Ohio-Continental 600 acre
Nonstandard Proration Unit
Jalmat Gas Pool

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

Dear Sir:

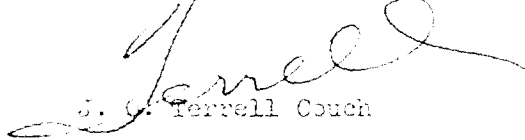
I enclose for your information copy of letter dated January 14, 1957, from Oil Well Drilling Company to Ohio's Midland office. I learned about this letter in a telephone conversation with Mr. Mills Thursday and I mentioned it to Mrs. Rhea. In the rush to get back to Houston, I overlooked mentioning it to you. In any event, I thought you would be interested in having the copy which I enclose, together with the enclosed copy of our reply written by Mr. I. G. Burrell.

As stated in Mr. Burrell's letter, we wrote to Oil Well Drilling Company in December, 1954, inviting them to join in a 640 acre unit. I believe I have already advised you that it is my recollection that when Oil Well Drilling failed to reply, Mr. Coe Mills contacted Oil Well Drilling's representative by telephone and was advised that Oil Well Drilling was not interested in coming into the unit. This letter of January 14 is the first written communication we have had from Oil Well Drilling concerning the proposed unit, so far as I know.

As I stated to you in Santa Fe, although Ohio is perfectly willing to attempt to work out a voluntary communitization and operating agreement with Oil Well Drilling, I do not desire to further delay the enlargement of the 520 acre unit.

I will appreciate hearing from you the date fixed for the hearing on our application to enlarge the present unit to include 600 acres.

Very truly yours,


J. C. Terrell Couch

TC:MK
Enc. 2

cc - Mr. I. G. Burrell, Houston, Texas
Mr. Coe G. Mills, Midland, Texas

THE OHIO OIL COMPANY

P. O. BOX 3128
HOUSTON, TEXAS

January 18, 1957

Mr. Henry Yeager, President
Oil Well Drilling Company
614-617 Adolphus Tower
Dallas, Texas

Dear Sir:

This is in reply to your letter of January 14 addressed to our Mr. Coe S. Mills, District Manager at Midland, Texas, in which you requested certain information relative to a non-standard gas proration unit, Jalmat Gas Pool, 600 acres being all of Section 16, T22S, R36E, except the NW/4 of the NW/4 of the section. On December 10, 1954, Mr. Mills wrote the Oil Well Drilling Company, attention of Mr. Cecil Scott, P. O. Box 3468, Odessa, Texas, outlining our intentions of forming a proration unit covering all of Section 16, T22S, R36E, Jalmat Pool, Lea County, New Mexico. At the same time Mr. Mills also addressed letter to Continental Oil Company. At that time he asked whether or not Oil Well Drilling Company would be interested in joining in such a unit by paying Ohio 1/16 of the recompletion cost, plus your proportionate share of future operational costs. Since you did not commit yourself relative to whether or not you would be interested in entering into this unit, we continued to negotiate with Continental and are forming a non-standard 600 acre unit.

Our gas from this unit is being sold to Permian Basin Pipe Line Company. at the present time we are receiving 9.7432¢ per thousand for this gas. The gas allowable in the Jalmat Pool varies from time to time but averages approximately 4,000 MCF per month per 40-acre tract.

I am enclosing copy of Communitization Agreement and Operating Agreement between The Ohio Oil Company and Continental Oil Company. As you will note, Continental Oil Company agreed to pay 1/15 of the actual costs and expenses incurred in recompleting Ohio's State McDonald A/C 1 Well No. 6 and Ohio's State McDonald A/C 1 Well No. 25. I am also enclosing itemized statement showing the actual cost to The Ohio of recompleting these two wells. As you will note, State McDonald A/C 1 Well No. 6 had a total cost of \$20,924.02 and State McDonald A/C 1 Well No. 25 had an actual cost of \$33,941.11.

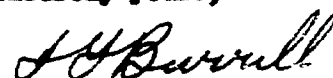
Mr. Henry Yeager

- 2 -

January 18, 1957

If you wish to come into this unit after it is formed, I believe that arrangements can be made for you to do so by amendment of the Commitment Agreement and the Operating Agreement and an adjustment of the costs whereby Continental would only be required to pay 1/16 of the cost and you would be required to reimburse The Ohio for 1/16 of the cost also. If you decide that the Oil Well Drilling Company would like to enter into this production unit, we would appreciate hearing from you at an early date.

Sincerely yours,



I. G. BURRELL
Ass't. Division Manager

IGB:bl

Encl.

cc: Mr. Coe S. Mills
Midland, Texas

Mr. J. C. Terrall Couch (2)
Houston, Texas

Mr. E. L. Johnston
Regional Manager of Prod.
Continental Oil Company
Fair Building
Fort Worth 2, Texas

OIL WELL DRILLING COMPANY
614-617 Adolphus Tower
Dallas, Texas

January 14, 1957

S
O
P
Y

Re: Non-Standard Gas Proration
Unit, Jellum Gas Pool, 600
Acres - All of Sec. 16, T-
2N-R, R-2E-N, except the NW 1/4
of the NW 1/4 of the Section

The Ohio Oil Company
P. O. Box 892
Midland, Texas

Attention: Mr. Geo S. Mills, District Manager

Gentlemen:

We have received through the mail your application
for the designation and formation of a 600 acre non-
standard gas proration unit on the above mentioned tract.

Before we could commit ourselves one way or the
other on a communitization agreement with you, we will
need some information. We have a number of co-owners
in this lease, and in order to advise them we need to
know how much is still due on the well cost after applying
the gas sales from the two wells for the past two years,
how much gas they are producing, the price received for
same, the present operating cost, and any other information
that would enable us to consider the communitization agree-
ment. With this information, we will contact our partners
and will advise you.

Very truly yours,

OIL WELL DRILLING COMPANY

By (Signed) Henry Yeager
Henry Yeager
President

HY/mg

O
O
P
Y

January 23, 1957

In reply refer to:
Unit Division

Mr. Henry Yeager, President
Oil Well Drilling Company
614-617 Amphius Tower
Dallas, Texas

Re: Section 16-225-361,
Lea County, N. Mex.

Dear Sir:

We have received from Ohio Oil Company a Communization Agreement with Continental Oil Company for all of Section 16-22S-36E except the NW/4 of the NW/4, which is contained in Lease B-1167, Assignment No. 1, the record owners being Oil Well Drilling Co. and Southern Petroleum Exploration, Inc.

The State Land Office feels that under the circumstances this 40-acre tract is being drained, and we would suggest that if at all possible to come to an agreement with Ohio Oil Co., that it would be for the best interest of the State to do so.

We understand that this 600-acre non-standard promotion unit has been set for a hearing by the New Mexico Oil Conservation Commission at their regular February hearing. Therefore, if it is granted, this inclusion of your forty acres would have to have another hearing. However, it would seem that as far as the State Land Office is concerned, the inclusion of this forty acres could be done by an amendment to the Communitization which is already on file.

as I hear from you concerning this matter at your earliest convenience.

Mar. 2001 - 2002.

Director, FBI

Mr. J. W. Carroll, 1001 1/2 St. Louis, Missouri, interviewed
Mr. J. W. Carroll, 1001 1/2 St. Louis, Missouri, interviewed
Mr. J. W. Carroll, 1001 1/2 St. Louis, Missouri, interviewed

The Ohio Oil Co.

Legal Department

W. Hume Everett
Division Attorney

January 21, 1957

P.O. Box 3128
Houston, Texas

Thomas H. McCleary

J. C. Terrell Couch

Warren B. Leach, Jr.
Attorneys

Re: Non-Standard Gas Proration Unit, Jalmat Gas Pool
600 Acres - All of Section 16, T-22-S, R-36-E,
Except the NW/4 of the NW/4 of the Section

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Attention: Unit Division

Gentlemen:

I enclose The Ohio Oil Company's check No. 2158 in the amount of \$5.00 to cover the processing fee in connection with the above identified Communitization Agreement.

I would appreciate it if you would now process and approve the agreement and return to me five of the seven fully executed copies which I left with you when I was in your office on January 17.

As you are aware, an application is now pending with the New Mexico Oil Conservation Commission to enlarge an existing 520 acre gas proration unit for the purpose of forming the 600 acre unit to be covered by this Communitization Agreement. If you prefer to withhold final approval pending final action by the New Mexico Oil Conservation Commission regarding the enlargement of the unit, that will of course be perfectly agreeable; however, I prefer to place all necessary papers in your hands at the earliest possible date.

Very truly yours,

J. C. Terrell Couch

TC:MK
Enc. 1

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

Continental Oil Company
Fair Building
Fort Worth 2, Texas