

CASE 1231: Ibox Co. application for under-  
the-sun location & establishment of allowable  
for McElvain #2 Well, E-K Queen Pool, Lea Co.

Case No.

1231

Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE  
OIL CONSERVATION COMMISSION  
March 27, 1957  
Hobbs, New Mexico

IN THE MATTER OF:

Case No. 1231

TRANSCRIPT OF HEARING

DEARNLEY - MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE - SANTA FE  
3-6691 2-2211

BEFORE THE  
OIL CONSERVATION COMMISSION  
March 27, 1957  
Hobbs, New Mexico

IN THE MATTER OF:

Application of the Ibex Company for approval of an unorthodox location and the establishment of an allowable for its McElvain No. 2 Well in the E-K Queen Pool, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox location and the establishment of an allowable for its McElvain No. 2 Well located one-half foot from the North line and 1978 feet from the East line of Section 30, Township 18 South, Range 34 East, Lea County, New Mexico. Applicant is the owner of the SW/4 SE/4 of Section 19 offsetting said well to the north.

Case No.

1231

BEFORE:

Warren W. Mankin, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. MANKIN: Do we have any representation from Rowan Oil Company yet? (No response) The next case on the docket is Case No. 1231.

MR. COOLEY: Application of the Ibex Company for approval of an unorthodox location and the establishment of an allowable for its McElvain No. 2 Well in the E-K Queen Pool, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations.

MR. ELLIOTT: I am R. L. Elliott representing Ibex Company and T. H. McElvain in this case. At this point, I think it would be well to amend my application. I believe that it will be correct in moving that we strike that portion of Rule 104 (f) 2-A, strike that (f) 2-A and amend it so that it will read, "As an exception to the provisions of the Oil Conservation Commission Rule 104," and in the paragraph, "That portion not all oil and gas leases within a radius of 560 feet of the unorthodox location", and "Under premise of Oil Conservation Commission Rule 104 (f) 2-A", so that the application will read, "That applicant now is the owner of both pro-ration units, and by virtue of having common ownership of both pro-ration units, is entitled to a favorable decision as an exception to Rule 104."

MR. MANKIN: Is there any objection to amendment of the application? If not, the amendment will be so accepted.

MR. ELLIOTT: As a matter of information, it might be that I should be sworn in as a witness with Mr. Reaugh inasmuch as there might be some legal questions you might ask in connection with this.

(Witnesses sworn.)

MR. MANKIN: Proceed.

O. H. REAUGH

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

DIRECT EXAMINATION

BY: MR. ELLIOTT:

DEPOSED AND SWORN TO before me this 1st day of May, 1961.

Notary Public for the State of Texas

MR. ELLIOTT: Our witness is Mr. O. H. Reaugh, who I believe qualified some two years ago before a hearing in Santa Fe. Would you like for him to be requalified?

MR. MANKIN: No, except that he qualified as what type of an engineer?

MR. ELLIOTT: Qualified as an expert on production. Mr. O. H. Reaugh is our production superintendent of the Ibex Company.

MR. MANKIN: Not as a technical witness, but qualified as a production manager at that time?

MR. ELLIOTT: No, I believe it was as a technical witness, as an engineer and production superintendent.

MR. MANKIN: The qualifications are acceptable.

Q (By Mr. Elliott) Mr. Reaugh, we are trying to establish before the Commission the right to an unorthodox location in what is referred to as our McElvain No. 2 Well, situated in the Northwest Quarter of the Northeast Quarter of Section 30, Township 18 South, Range 34 East, NMPM, in Lea County, New Mexico. Would you state when this well, or when the form 101 was filed in this well?

A I don't have that date with me. The location was staked on September 28th, 1955, and was surveyed by a licensed surveyor in New Mexico, and the well was spudded on November 12, 1955, and completed on November 16th, 1955.

Q Is this a copy of the survey that was made --

A That is a copy.

Q --setting the location of the well?

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ATTORNEYS AT LAW  
SANTA FE, NEW MEXICO

A Yes.

MR. ELLIOTT: At this time, I would like to move that this be entered as Exhibit A.

(Applicant's Exhibit A Marked for Identification.)

Q That survey, Mr. Reaugh, was made by whom?

A John Mathias of Southeastern Engineering Company, who is a licensed surveyor.

Q He is a registered licensed surveyor?

A Yes, sir.

Q Would you state to the Court exactly what happened at the time -- Excuse me, Mr. Examiner, would you state to the Examiner, to the best of your knowledge, what happened from --

A As far as we can determine, the location was staked properly. The well was found to be in an unorthodox location at the time the offset operator started to stake the location on the offsetting acreage. At that time, we had a re-survey made and found that it was, according to another survey, five-tenths of a foot on the McElvain acreage. After finding the location was wrong, we went back to try to locate the original stake, but the tank battery is built on the site of the -- where the original stake should have been, and where the ~~arrow~~ <sup>error</sup> came in, through surveying through road contractors or bulldozer operators. We are unable to determine --

Q When was the first time that you knew that there was an unorthodox location?

A It was late, in either -- During October of 1956, I believe.  
The survey -- it was probably late in October.--The survey was made  
November 12, 1956, and the location determined at that time.

Q Is this a copy of the survey that was made at that time?

A That is a copy.

Q Who made that?

A The same surveyor.

Q Mr. Mathias, the registered surveyor?

A Yes, sir.

MR. ELLIOTT: We would like to enter copies of this plat  
as Exhibit B.

(Applicant's Exhibit No. B Marked  
for Identification.

Q The survey, according to Mr. Mathias, showed that the actual  
location then was five-tenths of a foot from the North line of  
this forty acre unit?

A That is correct.

Q When you found out that the location was unorthodox, what  
procedures, or what did you do with reference to the Oil Conservation  
Commission?

A They were notified, and subsequent to that time, why we were  
advised by the Commission, while we were in negotiations with the  
offset lease holder, to try for some kind of arrangement. The well  
was subsequently shut down.

Q Were any arrangements made with the offset operator?

A They have been, yes.

Q And who was the offset operator?



A Mr. Sivley.

Q What arrangements did you make with Mr. Sivley?

A We purchased the offsetting 40-acre tract.

MR. ELLIOTT: As Exhibit C we would like to enter a photo-static copy of the assignment and agreement made with Mr. Sivley on this adjoining 40-acres

(Applicant's Exhibit No. C Marked  
for Identification.)

Q Since the purchase from Mr. Sivley, the ownership of proration, the 40-acre proration unit where the well is located is the same as that of the 40-acre proration unit to the north?

A That's correct.

Q Is the well now shut down?

A The well is now shut down.

MR. ELLIOTT: I believe that's all the questions I have of Mr. Reaugh.

MR. MANKIN: Are there any questions of the witness in this case?

MR. FISCHER: I just want to ask a question.

MR. MANKIN: Mr. Fischer.

CROSS EXAMINATION

BY: MR. FISCHER:

Q Who, if you know, who surveyed for Mr. Sivley? Who was the surveyor for Mr. Sivley?

A I think, -- I don't know who surveyed for Mr. Sivley. I

can't say.

Q Did you ever find the stake?

A No, we didn't. We went out to check the location, of course, and the tank battery was built over where the stake should have been, if it were properly staked.

Q I wanted to ask you if you are attempting to ask for an 80-acre allowable for this well?

A No, we are asking just for an unorthodox location on that same 40.

MR. FISCHER: Thank you.

MR. MANKIN: Let the record show, in answer to Mr. Fischer's question, that the Commission has on file a copy of the survey which Mr. Sivley filed, which was made by Mr. Edward E. Kenny, a registered professional surveyor, which indicated this difficulty, the survey being made on November 16th, 1956 -- correction, November 15th, 1956.

Are there any further questions of the witness in this case?  
Mr. Cooley.

BY: MR. COOLEY:

Q Mr. Reaugh, does the Ibex Company anticipate drilling on the quarter quarter section, that being the Southwest Quarter of the Southeast Quarter of Section 19, Township 18 South, Range 10 East, covered by the assignment of Mr. Sivley's?

A Yes. The plans aren't definite as to when.

Q They do plan to drill a well on that acreage?

A Yes, sir.

MR. COOLEY: That is all.

MR. MANKIN: Are there any further questions of the witness in this case?

MR. DuPONT: I didn't understand that last statement. Will the 40-acres that you are asking for, be on the Southwest of the Southeast of 19, or will it be --

A No, on the Northwest of the Northeast of 30.

MR. COOLEY: My question was whether you plan to develop the recently acquired 40-acres.

A That's right.

MR. ELLIOTT: May I ask another question?

MR. MANKIN: Go ahead.

REDIRECT EXAMINATION

BY: MR. ELLIOTT:

Q I don't believe I got this in the record. Mr. Reaugh, would you state which 40-acre unit we are asking for an allowable to be set, in this case?

A In the Northwest, Northeast of Section 30, 19, 34, New Mexico Prime Meridan.

Q That is the 40-acre unit that is within six inches from the boundary?

A That's right.

MR. ELLIOTT: That is all.

RECROSS EXAMINATION:

BY: MR. COOLEY:

Q Mr. Reaugh, do you feel that this unit should be granted a

full allowable in that Ibex owns the offsetting acreage?

A Yes, sir, I do.

Q In your professional opinion, would correlative rights of any offset operators be effected by granting a full allowable?

A No, it is maximum distance from the offset operators, it being approximately 660 from any offset operators' properties, so that the closest any well could be drilled, without exceptions to Statewide Rules, would be at least 990 feet, and 990 in one direction and 330 in another. I don't know what the diagonal distance would be, but I don't believe it would effect any other property as to improper drainage.

MR. COOLEY: I believe that's all.

MR. MANKIN: Are there any further questions?

MR. MONTGOMERY: Mr. Examiner, would you read what the location was that Mr. Kenny surveyed?

MR. MANKIN: The location indicated on Form C-12<sup>W</sup>~~8~~, which Mr. Sivley presented on the survey of Mr. Kenny on November 5th, 1956, was one foot from the North line and 1980 feet from the East line of Section 30, Township 17 South, Range 34 East.

MR. MONTGOMERY: Does that place it on another forty acre tract?

MR. MANKIN: No.

A No, it will be six inches further on the lease.

MR. MANKIN: It puts it six inches south of the location of which we have the recent survey.

MR. MONTGOMERY: I would like to ask Mr. Reaugh a question.

BY: MR. MONTGOMERY:

Q Mr. Reaugh, when the undeveloped acreage is drilled, do you plan -- What location do you plan to drill?

A Well, I am not certain, but I believe it would be 330 out of the Northwest corner of the 40-acres.

Q It would be 990 from -- 660 from the nearest well then?

A Yes, sir, there has been a well drilled in the adjoining 40-acres west of this 40-acres that we have purchased.

MR. MONTGOMERY: That is all.

MR. MANKIN: Are there any further questions? Mr. Fischer.

BY: MR. FISCHER:

Q The well is west of Section -- What section, rather?

A In Section 19.

MR. MANKIN: The well which you indicated, that would be a well in the Southeast of the Southwest of Section 19, is that correct?

A Yes, sir.

Q (By Mr. Fischer): Mr. Reaugh, your deviations, in your survey of that, what was your greatest deviation in drilling a hole?

A I can look for it. We have a record here. I think it was two degrees. Two or two and a quarter.

Q It is not over three degrees?

A No, sir.

MR. FISCHER: Thank you.

MR. MANKIN: Are there any further questions of the witness?

MR. COOLEY: I have some questions.

BY: MR. COOLEY:

Q Mr. Reaugh, in your professional opinion, do you feel that that McElvain No. 2 Well, I believe it is, is producing from the bottom -- the quarter sections outlined as the unit in the application?

A I wouldn't know. We would have to take a directional survey to find out. With the two degree deviation you can wander two feet, I wouldn't know which way.

MR. COOLEY: Thank you, that's all the questions I have.

MR. MANKIN: Are there any further questions of the witness?

MR. ELLIOTT: I have a statement I would like to make.

MR. MANKIN: Are there any further questions of the witness?

If not, the witness may be excused.

Mr. Elliott, do you desire to submit Exhibits A, B, and C in this case?

MR. ELLIOTT: At this time I would like to submit Exhibits A, B, and C in this case.

MR. MANKIN: Are there any objections to entering these Exhibits? If not, they will be so entered. Do you have anything further Mr. Elliott?

MR. ELLIOTT: I might add something here.

MR. MANKIN: Do you desire to take the stand?

MR. ELLIOTT: Yes.

MR. ELLIOTT: I think, probably, for the purpose of the record, it should be shown that the assignment received from Mr. Sivley was obtained on February the 11th, and was duly recorded on March 15, 1957 in Book 118, Page 307, Oil and Gas Record, Lea County, New Mexico.

I think it should be shown that the ownership, the assignment from Mr. Sivley is common with the exception of the oil payment interest to which Mr. Sivley is entitled to, which will come out of the interest of the Ibex Company and McElvain --

MR. COOLEY: From which well, come out of the Ibex, was that your statement?

MR. ELLIOTT: The oil payment interest will come out of the interest of the Ibex Company and T. H. McElvain. In other words, it will not effect any other interest, except that the federal government owns the minerals under both tracts that the Ibex Company and T. H. McElvain have on a lease on the Northwest of the Northwest of Section 30, by virtue of Federal Lease LC 069457, and that after the assignment from Mr. Sivley, are entitled to the lease designated as Federal Lease LC 063645.

MR. REAUGH: That's so far as it pertains to the 40-acres.

MR. ELLIOTT: Both leases cover others, but insofar as that, it pertains to the 40-acre tract. They are part of the federal leases which I designated.

It is the belief of our company, and we feel like we should request from the Commission, if agreeable with them, that the 40-acre

proration unit be designated to the McElvain Federal No. 2, and would be that 40-acre unit out of Section 30 in which the well is located

The well was given a McElvain allowable at the time it was shut down, and we also respectfully request that the Commission will grant as a maximum allowable on this well at the time the order is given.

I believe that's all I have to say.

MR. MANKIN: Are there any further questions of the witness in this case?

CROSS EXAMINATION

BY: MR. MANKIN:

Q Mr. Elliott, would Ibex be agreeable, since the well has been shut down for a period of time, would the Ibex Company be willing to perform a production test from the -- when it is -- again, when it is opened up to be certain that the well is capable of producing.

A Yes, sir, we will.

BY: MR. MONTGOMERY:

Q As I understand, the lease agreement there pertained only to the 240-acre tract in question. These extra provisions that you have --

A You mean this assignment from Mr. Sivley?

Q That's right. Will separate measurements be maintained?

MR. REAUGH: They will be on record.

MR. MANKIN: Are there any further questions of the witness? If not, the witness may be excused. Are there any statements to be

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SANTA FE, NEW MEXICO



made in this case?

MR. DuPONT: As Mr. Elliott just stated, the federal government does own the royalty on both of the 40-acre tracts, and I just wanted to state that we have no objection to the granting of an allowable to that well in the 40-acres requested in Section 30, and at this time, the only reason the Geological Survey has not approved the unorthodox location as of now, is that we wanted to await the Commission's action in determining which 40 would be granted the allowable, so that for administrative purposes we could get the well on the proper lease, but as soon as that is determined, I anticipate that the Survey will approve their application for the unorthodox location.

MR. MANKIN: Are there any further statements to be made in this case? If not, the case will be taken under advisement.

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

I, J. A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 4th day of April, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*J. A. Trujillo*  
 Notary Public

My Commission Expires:

October 5, 1960

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

May 14, 1957

C  
O  
P  
Y

Mr. John Anderson  
U.S. Geological Survey  
P.O. Box 6721  
Roswell, New Mexico

Dear Sir:

We enclose a copy of Order R-989 issued May 10, 1957, by the Oil Conservation Commission in Case 1231, which was heard on March 27th at Hobbs.

Very truly yours,

A. I. Porter, Jr.  
Secretary - Director

bp  
Encl.

32615

ASSIGNMENT AND CONVEYANCE

11th  
THIS ASSIGNMENT AND CONVEYANCE, made and entered into this  
11th day of February, 1955, by and between THOMAS L. STIVLEY  
and MARY RAY STIVLEY, his wife, first parties, sometimes referred to  
as "assignors", and T. H. McELVAIN and THE IBEX COMPANY, A PARTNERSHIP  
COMPOSED OF LESTER CLARK, H. B. STREET, E. BRUCE STREET AND M. DAVE  
STREET, second parties, sometimes referred to as "assignees",

WITNESSETH:

That the assignors, in consideration of the sum of Ten  
Dollars, and other good and valuable considerations to them in hand  
paid by assignees, the receipt of which is hereby confessed and  
acknowledged, and in further consideration of the production payment  
hereinafter provided, do hereby sell, assign, transfer, set over and  
convey unto said assignees, their heirs, personal representatives  
and assigns, in proportion to, and subject to, the same terms and  
provisions as per Agreement dated April 12, 1955 between T. H. McElvain  
and Catherine McElvain, his wife, to The Ibex Company, a partnership,  
shown of record in Book 98 at Page 383 of the Oil and Gas Records of  
Lea County, New Mexico, that certain oil and gas lease made by the  
United States of America, bearing His Graces Serial No. 063641, made  
and only insofar, as said oil and gas lease covers and affects the  
following described lands in Lea County, New Mexico, to wit:

The SW1/4 of Section 18, Township 18 South,  
Range 34 East, N.M.P.M.,

TOGETHER WITH all rights and privileges thereunder or appurtenant  
thereto; but SUBJECT, HOWEVER, to the following:

A production payment of Twenty Thousand Dollars (\$20,000.00)  
payable to assignors, their heirs, personal  
representatives, successors and assigns, payable either  
in cash and from proceeds (1/4th) of the market value,  
at the wells, as produced, of all of the oil and gas  
produced, saved and diverted from the above described  
forty acres of land, under the terms of said lease or its  
extensions or renewals thereof.

ILLUSTRABLE

*Exhibit C*

Second parties also represent to first parties that second parties are the owner of Government lease Las Cruces 069457, covering the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 30, Township 18 South, Range 34 East, N.M.P.M., and that first parties herein shall also be entitled to receive, and there is hereby by this instrument set over to the first parties, one-fourth (1/4th) of the gross oil and gas produced, saved and marketed from the said NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 30, Township 18 South, Range 34 East, N.M.P.M., until such time as 1/4th of the oil and gas produced, saved and marketed from the 40 acre tract above described shall have paid to the first parties herein the full sum of \$40,000.00, as herein provided. The said production payment of \$40,000.00 shall be a single obligation against both of said 40 acre tracts.

All taxes levied or assessed against that part of production to be applied to the satisfaction of this oil payment, which the law authorizes, empowers or requires the producer or purchaser thereof to deduct or pay, may be deducted and paid out of such interest, but the amount of such taxes so paid shall not be considered as a credit on this production payment, and only the net amount actually received by the first parties and assignors herein shall be applied in reduction of the said oil payment. Payments made on account of the production payment shall be computed at the same time and in the same manner as royalties payable to the lessor under the terms of the said leases. No change in the ownership of the said production payment, or any interest therein, shall be binding upon the second parties, the assignees herein, or the purchasers, of the said oil and gas until such time as assignees shall have been furnished with either the original, a certified copy, or an acceptable photostatic copy of the recorded instrument, or instruments, showing such change in ownership.

If at any time the assignees herein should desire to surrender or relinquish the oil and gas lease herein assigned, or any part thereof, or renewal thereof, prior to the full and complete payment of the said oil payment obligation, then assignees shall give written notice to the first parties of such desire, at least thirty days prior to the date of

IRREVOCABLE

for payment of the next annual rental under the terms of said lease at least thirty days prior to the expiration of the term of said lease, if the same may be extended or renewed. If assignors should fail, within ten days after the date of the mailing of such notice to advise assignees in writing of assignors' election to take a reassignment of said lease, as to the lands herein assigned, then assignees shall be free to surrender or relinquish said lease; but, in the event assignors advise assignees that they desire a reassignment of said lease, then the assignees shall prepare and deliver to assignors an assignment of said lease, and assignors shall promptly file the same with the Department of the Interior for approval. Notice of the intention of assignees to surrender or relinquish said lease shall be mailed to assignors at Artesia, New Mexico, or at any change of address of which assignors have advised assignees, said notice to be sent by registered mail, with return receipt requested. There shall be no obligation on the part of the assignee for failure of the assignors to receive such notice.

On either of the Federal Oil and Gas Leases hereinabove described, if this oil payment, when added to overriding royalties or payments out of production previously created, and to the royalty payment to the United States, aggregates in excess of 17 $\frac{1}{2}$ % on such lease, or leases, then the excess amount shall be suspended on such lease, or leases, when the average production per well, per day, averaged on a monthly basis, is (a) as to oil, 15 barrels or less, and (b) as to gas, 500,000 cubic feet or less; and the limitations in this paragraph shall apply separately to any zone or portion of the lease aggregated for computing Government royalty.

TO HAVE AND TO HOLD the oil and gas lease herein assigned unto said assignees, their heirs, personal representatives and assigns, forever, in proportion to, and subject to, the terms and provisions of the Agreement of April 12, 1935, referred to above.

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Assignors execute and deliver this conveyance to assignees with covenants of special warranty, as to the lease herein assigned by assignors to assignees; and assignees warrant to assignors, with covenants of special warranty, that assignees are the owners of the oil and gas lease covering the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 30, Township 18 South, Range 34 East, N.M.P.M. 45

Regardless of the date of execution hereof, this instrument shall be effective as of the 1st day of February, A.D., 1957 at 10:01 A.M., with reference to oil and gas produced, saved and marketed from the two tracts above described; and assignors shall be entitled to their proportionate part of the proceeds from the sale of one-fourth (1/4th) of the gross oil and gas to apply on said oil payment, from and after said date and time.

The provisions hereof shall be covenants running with the land, and with the said oil and gas leases, and binding upon the heirs, personal representatives, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year above written.

Thomas J. Sivley

*Mary Ray Sivley*  
Mary Ray Sivley  
(Assignors)

T. H. McElvain

Catherine McElvain

THE IRIX COMPANY, A PARTNERSHIP ORGANIZED UNDER THE LAWS OF THE STATE OF TEXAS, BY AND THROUGH ITS PARTNERS AND AGENTS

General Partner

ILLUSTABLE

93.

LELA ELLIOTT  
NOTARY  
PUBLIC  
EDDY COUNTY, N.M.

Notary Public.

★ ★ ★ ★ ★

SS.

Notary Public.

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A circular postmark from New York, NY, dated May 1961. The text "NEW YORK, NY" is curved along the top inner edge, and "MAY 1961" is curved along the bottom inner edge. The center of the stamp contains a stylized graphic of a building, likely the Empire State Building, with the word "NEW YORK" written vertically on either side.

# THEORY



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. 1231  
Order No. R-989

IN THE MATTER OF THE APPLICATION  
OF THE IBEX COMPANY FOR AN  
UNORTHODOX OIL WELL LOCATION FOR  
ITS McELVAIN NO. 2 WELL IN THE  
NW/4 NE/4 OF SECTION 30, TOWNSHIP  
18 SOUTH, RANGE 34 EAST, NMPM,  
E-K QUEEN POOL, LEA COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m. on March 27, 1957, at Hobbs, New Mexico, before Warren W. Mankin, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 10<sup>th</sup> day of May, 1957, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Warren W. Mankin, 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 is the owner of the NW/4 NE/4 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposed to drill its McElvain No. 2 Well to the Queen formation of the E-K Queen Pool in the center of the above-described quarter-quarter section but that as a result of inadvertence in locating said well the same was drilled at a point one-half foot from the North line and 1978 feet from the East line of said Section 30.

(4) That the applicant is the owner of the SW/4 SE/4 of Section 19, Township 18 South, Range 34 East, NMPM, which quarter-quarter section adjoins the said McElvain No. 2 Well to the North.

(5) That the royalty ownership under the NW/4 NE/4 of said Section 30 and the SW/4 SE/4 of said Section 19, is common, being the United States, or Assignor.

-2-  
Case No. 1231  
Order No. R-989

(6) That approval of the unorthodox location on the said McElvain No. 2 Well will not cause waste nor impair the correlative rights of any other operator in the pool.

IT IS THEREFORE ORDERED:

That the application of the Ibex Company for approval of the unorthodox location of its McElvain No. 2 Well at a point one-half foot from the North line and 1978 feet from the East line of Section 30, Township 18 South, Range 34 East, NMPM, E-K Queen Pool, Lea County, New Mexico, be and the same is hereby approved, and that said well be granted the same allowable as it would receive if said well were an orthodox location.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*E. L. Mechem*

EDWIN L. MECHEM, Chairman

*Murray E. Morgan*

MURRAY E. MORGAN, Member

*A. L. Porter, Jr.*

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



Dec 19, 1956

Memo: I called R.F. Elliot, atty, for  
Index Company, and informed him  
that after discussing the question  
of the legality of production for  
the subject well, the Commission  
did not anticipate taking any  
action to have the oil already  
produced declared illegal. cjs

GOVERNOR JOHN F. SIMMS  
CHAIRMAN

**New Mexico**  
**OIL CONSERVATION COMMISSION**

LAND COMMISSIONER E. S. WALKER  
MEMBER

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



P.O. Box 2045  
Hobbs, New Mexico

December 17, 1956

Mr. A. L. Porter, Jr., Director  
Oil Conservation Commission  
Box 871  
Santa Fe, New Mex.

Dear Mr. Porter:

Enclosed please find a copy of a letter from  
T. J. Sively in regard to the Ibex Co. McElvain Well  
No. 2. Also enclosed are plats from two surveyors  
which possibly shed a different light on the subject.

Yours very truly,

OIL CONSERVATION COMMISSION

*R. F. Montgomery*

R. F. Montgomery  
Production Manager

RFL/mc

T. J. SIVLEY  
301 BUCKLE BUILDING  
ARTESIA, NEW MEXICO

December 11, 1956

P. O. BOX 459  
PHONES 985 AND 1124

Mr. H. H. Montgomery,  
Oil Conservation Commission  
Albuquerque, New Mexico

Dear Sir:

The Ibex Company

10001 S.W.  
10001 S.W. 10001 S.W.

Relative to our recent phone conversations, copies of location  
plans by two surveyors are enclosed showing the location of the  
Ibex Company's well to be located 1930' west direction  
on the lines of sections 19 and 30, T-18S, R-34E.

This error was discovered when my Federal 1933 well in Section  
19, T-18S, R-34-E was being surveyed.

This matter is being discussed with Ibex, however, no solution has  
been reached. This information is for your records, and will advise  
your office when an agreement has been reached.

yours very truly

T. J. Sivley

TJS:36  
cc; Mr. H. A. Dupont  
U.S. G.S.

ILLUSTRABLE

NEW MEXICO  
OIL CONSERVATION COMMISSION

Form C-128

Well Location and/or Gas Proration Plat

Date Nov. 16, 1956

Operator Ibex Lease McElvain

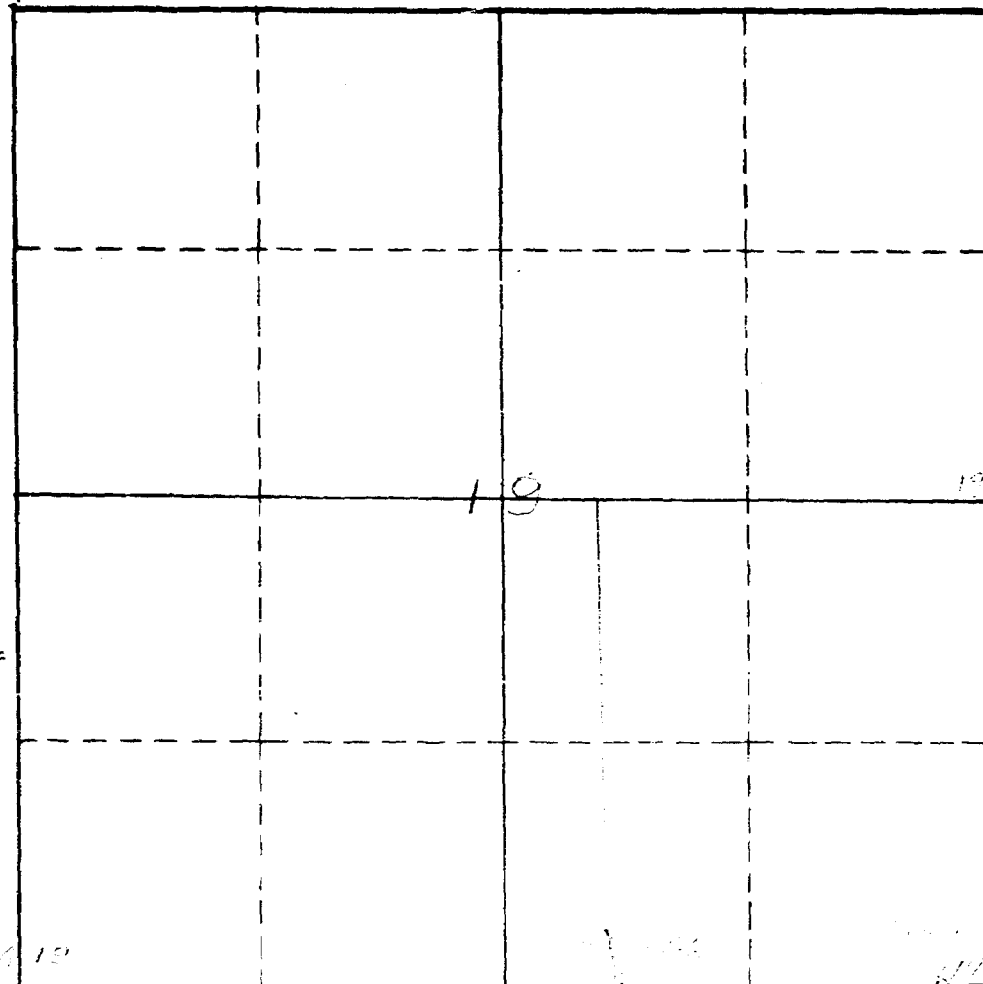
Well No. 2 Section 30 Township 18S Range 34E NMPM

Located 1 Feet From 1 Line, 1980 Feet From 2 Line,

Lea County, New Mexico. G. L. Elevation \_\_\_\_\_

Name of Producing Formation \_\_\_\_\_ Pool \_\_\_\_\_ Dedicated Acreage \_\_\_\_\_

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



Survey to locate #3  
Sivley Federal  
found Ibex well  
as shown.

Survey run from  
east quarter  
corner to point  
on center line  
thence south  
2305' thence  
southeast 350'

Checked by survey  
to  
from point 290'  
west of south-  
east corner of  
Sec. 19 with  
transit siteing  
thru to south-  
west corner.  
Well and pump  
unit on line.

NOTE

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



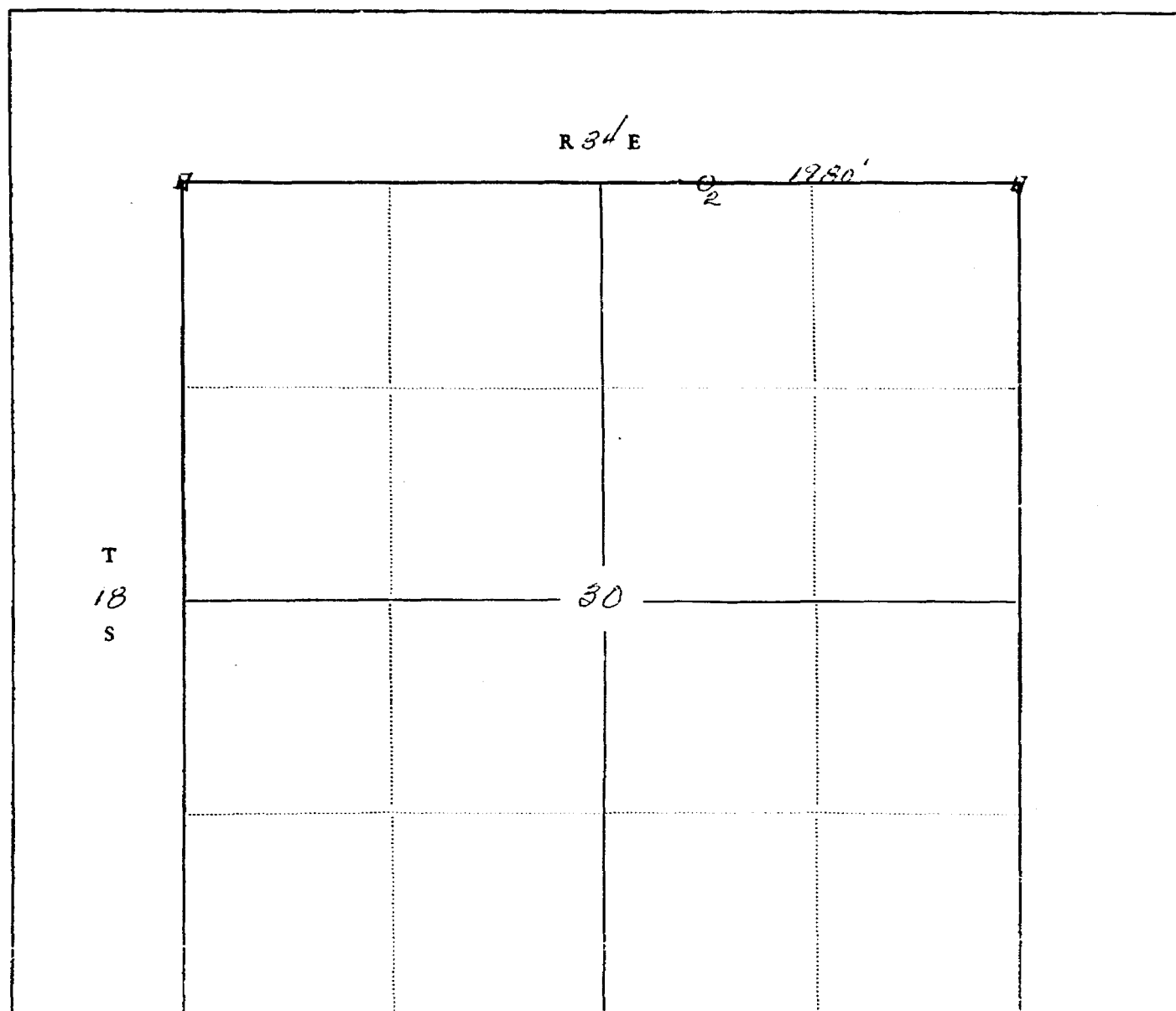
SCALE: 1"=1000'

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 \_\_\_\_\_  
Position \_\_\_\_\_  
Representing \_\_\_\_\_  
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 Nov. 16, 1956  
Edward E. Brumby  
Registered Professional Engineer and/or  
Land Surveyor 1144



Scale: 1" = 1000'

A PLAT OF THE

*I. Bex Company - McElvane Fed No. 2*

LOCATION

*0 ft. South of the North line  
1180 ft. West of the East line  
Section 30, T 18 S, R 34 E  
Lea County, New Mexico.*

I hereby certify that this plat was made from notes taken in the field in an actual bona fide survey and that the same is true and correct to the best of my belief.

*James H. Brown*

James H. Brown  
N.M.L.S. No. 542

*November 16<sup>th</sup> 1906*

*Surveyed by J. T. Kelly*

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

February 21, 1957

Mr. O. H. Reaugh  
The Ibex Company  
P.O. Box 752  
Breckenridge, Texas

Dear Sir:

This letter is in reply to your letter of February 18th in which you indicate that your McElvain No. 2 Well was produced during a portion of the months of January and February 1957. You advise that this was done by the pumper without authorization from any of your supervisory personnel.

In view of this fact and in view of the fact that through error we had not cancelled your January and February allowables, this production will not be declared illegal. The allowable for this well, however, is being discontinued as of February 28th and any production from it until the allowable is reinstated will be considered illegal. The well, therefore, must remain shut-in until otherwise ordered by this Commission.

Very truly yours,

A. L. Porter, Jr.  
Secretary - Director

ALP:bp

CC-Mr. Randall Montgomery  
Oil Conservation Commission  
Box 2045  
Hobbs, New Mexico

C  
O  
P  
Y



BRECKENRIDGE OFFICE  
TELEPHONE 674  
P. O. BOX 752

GRAHAM OFFICE  
TELEPHONE 1492  
P. O. BOX 1110

## THE IBEX COMPANY

MANUFACTURERS OF NATURAL GASOLINE AND L. P. G. PRODUCTS  
PRODUCERS OF OIL AND GAS

IBEX BUILDING  
BRECKENRIDGE, TEXAS

February 18, 1957

New Mexico Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

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

Gentlemen:

As you know, our McElvain #2 in the NW NE Section 30, Township 18 South, Range 34 East, Lea County, New Mexico, is an unorthodox location. In your letter of January 3, 1957, you advised that the well be shut down and remain so until a hearing could be held regarding an application for an unorthodox location. On December 11, 1956, we wrote a letter to our foreman at Artesia advising him to shut the well down. The well was shut down on December 15, 1956, and remained shut down until January 11, 1957. At that time the pumper, without authorization from any of our supervisory personnel, started up this well and we did not catch the fact that the well was producing until February 15. The well was again shut down on that date.

During the period between December 15 and January 11, a new tank battery was installed for the use of McElvain #3 so that we could continue to produce the oil from this well without co-mingling it with the oil that had been produced from the McElvain #2. When this tank battery was completed, the pumper started up the well and produced it without our knowledge until we were preparing our state reports. At that time the production clerk in charge of the reports brought this to our attention. Since the gauge tickets go directly to her, we did not catch the fact that the well was being produced. The well has again been shut down and will remain shut down until we have made application for a hearing and some decision reached by your Commission.

Oil Conservation Commission Page 2 February 18, 1957

We are in the process of completing negotiations with the offset operator and believe that we will have the final plans completed and signed within the next two weeks. Upon the completion of this agreement, application will be made to the Commission for some ruling on this well.

We are very sorry that this has taken place and we have taken steps whereby such an incident will not occur again. Attached hereto is the report for the month of January, and as soon as gauge tickets have been received, we will furnish you a copy of the amount of oil produced and run during the month of February. Please advise us of your decision regarding this unauthorized producing of the well.

Very truly yours,

THE IBEX COMPANY



By O. H. Reaugh

OHR:clr

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 29, 1956

C  
O  
P  
Y

Mr. John Anderson  
U. S. Geological Survey  
Roswell, New Mexico

Dear Mr. Anderson:

It has definitely been established that The Ibex Company No. 2 Well in 30-18S-34E was drilled on an unorthodox location being 1978.3 feet from the East line and 0.5 feet from the North line of the section. The location as shown on the application which was approved by the U. S. Geological Survey representative was orthodox but the well was not drilled on the approved location.

The Commission feels that it will be necessary to have a show cause hearing as to why the well should not be shut-in at an early date.

The purpose of this letter is to advise your department of the action we contemplate.

Very truly yours,

A. L. Porter, Jr.  
Secretary-Director

ALP:jh

cc: Mr. Randall Montgomery  
Oil Conservation Commission  
Hobbs, New Mexico



207 BULLOCK AVENUE  
DIAL SHERWOOD 6-4116

*John A. Mathis, Jr.*  
SOUTHEAST ENGINEERING CO.  
GENERAL SURVEYING

• PHOTOSTATS  
• OZALID PRINTS

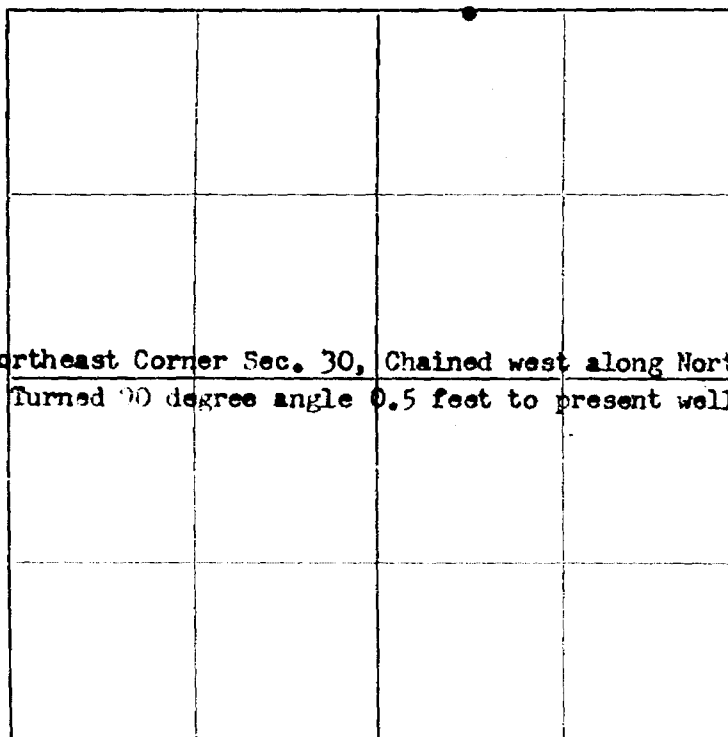
ARTESIA, NEW MEXICO  
NOV 27 PM 2 12  
COMPANY The Ibox Company

LEASE McIlvane-Federal WELL NO. 2

SEC. 30 T. 18 S. R. 34 E., N. M. P. M.

LOCATION 1978.3' from East Line; 0.5 feet from North line.

COUNTY Lea NEW MEXICO



Note: From Northeast Corner Sec. 30, Chained west along North line of Sec. 1978.3 feet; Turned 90 degree angle 0.5 feet to present well.

SCALE 4" = 1 MILE

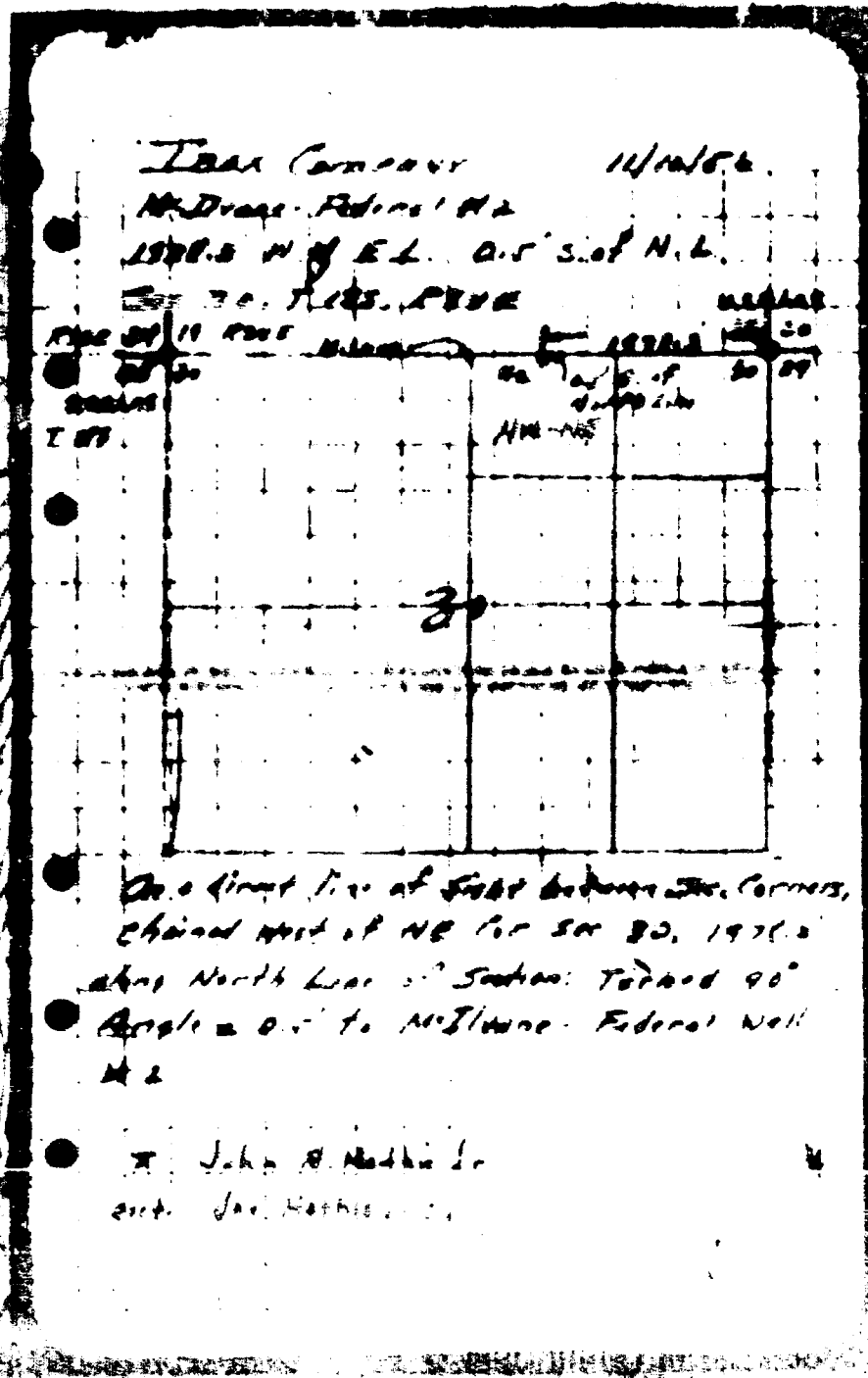
THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SEAL:  
ARTESIA, NEW MEXICO

*John A. Mathis, Jr.*  
REGISTERED LAND SURVEYOR.

SURVEYED November 12, 1956

ARTESIA PRINTING CO.



ILLUSTRABLE

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 3/29/17

CASE 1231

Hearing Date 10 am on 3/27/15 @ H.H.H.  
before W.H.H.

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

- IX To approve unorthodox location  
as ~~a~~ 1/2 foot from North line  
and 1978 feet from  
the East line 7 Sec. 30
- full ~~acre~~ 70 acre allowable on  
NW/4 NE/4 7 Sec. 30

Warren H. H.  
Staff Member  
Examiner

DOCKET: EXAMINER HEARING MARCH 27, 1957

New Mexico Oil Conservation Commission 10:00 a.m. Hobbs, New Mexico

Oil Conservation Commission Office, 1000 W. Broadway, Hobbs, New Mexico

The following cases will be heard before Warren W. Mankin, Examiner:

- - -

CASE 1229: Application of Rowan Oil Company for a 160-acre non-standard gas proration unit in the Eumont Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool. Applicant, in the above-styled cause, seeks an order authorizing a 160-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the N/2 S/2 of Section 7, Township 22 South, Range 37 East, Lea County, New Mexico; said unit to be assigned to Rowan Oil Company and Neville G. Penrose, Inc. H. T. Mattern No. 1 Well located 1650 feet from the South line and 330 feet from the West line of said Section 7.

CASE 1230: Application of Continental Oil Company for a 240-acre non-standard gas proration unit in the Eumont Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool. Applicant, in the above-styled cause, seeks an order authorizing a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the SE/4 and S/2 SW/4 Section 11, Township 20 South, Range 36 East, Lea County, New Mexico; said unit to be dedicated to the applicant's Sanderson "A-11" Well No. 1 located 1030 feet from the South line and 660 feet from the East line of said Section 11.

CASE 1231: Application of the Ibox Company for approval of an unorthodox location and the establishment of an allowable for its McElvain No. 2 Well in the E-K Queen Pool, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox location and the establishment of an allowable for the McElvain No. 2 Well located one-half foot from the North line and 197 feet from the East line of Section 30, Township 20 South, Range 34 East, Lea County, New Mexico. Applicant is the owner of the SW/4 SE/4 of Section 19 offsetting said well to the North.

CASE 1232: Application of Gulf Oil Corporation for an order granting an exception to Rule 309 (a) of the Statewide Rules and Regulations for the New Mexico Oil Conservation Commission to permit the production of more than eight wells into a common tank battery in the South Eunice Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving a common tank battery to receive production from a maximum of sixteen producing wells on its J. F. Janda "F" Lease, South Eunice Pool, Lea County, New Mexico; said property consisting of Section 4, Township 22 South, Range 36 East.

John A. Mathis, Jr.  
SOUTHEAST ENGINEERING CO.  
GENERAL SURVEYING  
ARTERIA, NEW MEXICO

• PHOTOSTATS  
• COPIES PRINTS

COMPANY The Ideal Company

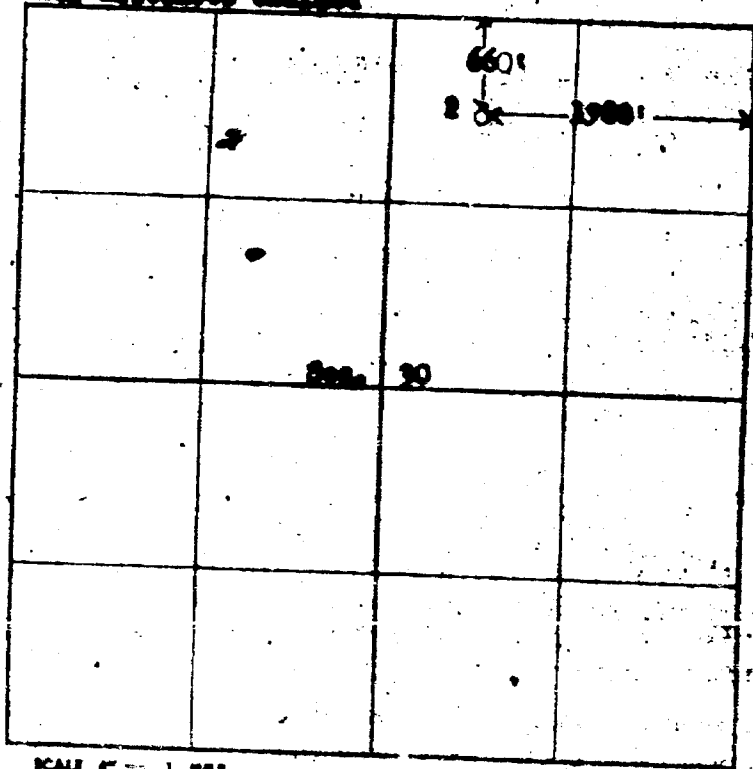
LEASE McKinnon Island W. 1/4 Sec. 30

SEC. 30 T. 18 S. R. 36 E. N. M. S. R.

LOCATION 1000' from East Line & 660' from North Line

COUNTY Lea NEW MEXICO

All distances Chained



SCALE 1" = 1 MILE

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.

John A. Mathis, Jr.  
REGISTERED LAND SURVEYOR

LEA  
ARTERIA, NEW MEXICO

SURVEYED September 20, 19 51

ARTERIA PRINTING CO.

Exhibit "A"

ILLUSTRABLE





John A. Mathis, Jr.  
SOUTHEAST ENGINEERING CO.  
GENERAL SURVEYING

807 BULLOCK AVENUE  
DIAL, NEW MEXICO 84116

ARTESIA, NEW MEXICO

PHOTOSTATS  
ORIGINAL PRINTS

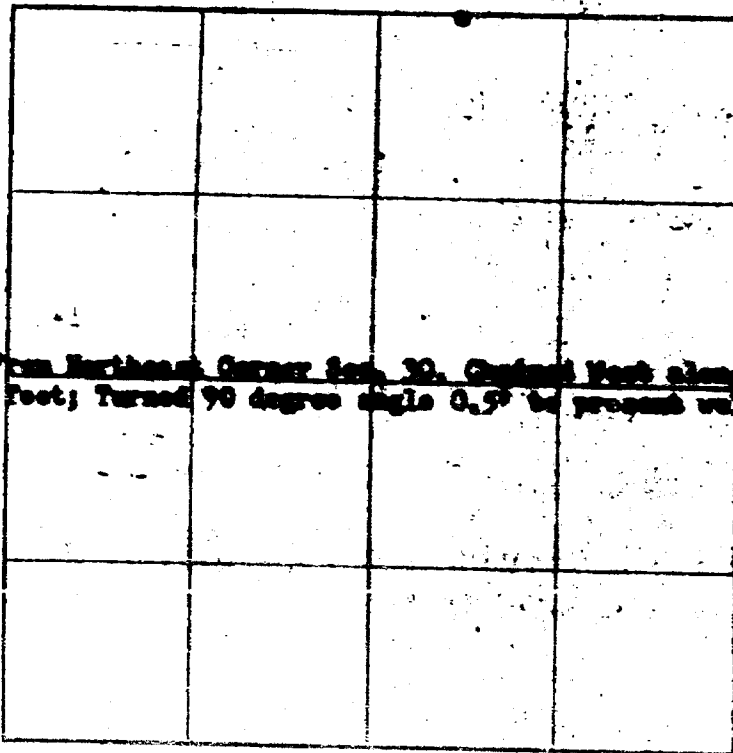
COMPANY The Bank Company

LEASE McDonnell-Federal WELL NO. 3

SEC. 30 T. 28 R. 24 S. 1 N. M. P. M.

LOCATION 1978.3' from East Line; 0.5' from North Line

COUNTY Lincoln NEW MEXICO



Note: From Northeast Corner Sec. 30. Chained West along North Line of Sec. 1978.3 feet; Turned 90 degree angle 0.5' to present well.

SCALE 1" = 1 MILE

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.

SEAL:  
ARTESIA, NEW MEXICO

SURVEYED November 12, 1956

ARTESIA, NEW MEXICO

*Exhibit "B"*

ILLUSTRATION

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 3, 1957

C  
O  
P  
Y

Mr. R. L. Elliot  
Ibex Oil Company  
Breckenridge, Texas

Dear Mr. Elliot:

It has come to the attention of the Oil Conservation Commission that Ibex Company's McElvain Well No. 2 in the NW/4 NE/4 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, is located only six inches from the quarter-quarter section line. This is, of course, an unorthodox location, and since it has not been approved by the Commission it will be necessary to keep the well shut-in until such time as a hearing can be advertised and held for that purpose.

Any such hearing will have to come upon the application of Ibex Company itself. The Commission will set the matter for hearing as quickly as possible after receipt of the application for the same.

Yours very truly,

A. L. Porter, Jr.  
Secretary - Director

WJC:bb

March 5, 1957

Oil Conservation Commission  
Capitol Building  
Santa Fe, New Mexico

RE: Application for Approval of  
Unorthodox Location on  
The Ibex Company McElvain No. 2 Well  
situated in the NW/4 of NE/4 of  
Sec. 30, T 18 S, R 34 E, N.M.P.M.,  
Lea County, New Mexico, and being  
a part of Federal Lease LC 069457

Gentlemen:

Application is herewith made for an immediate hearing before the Commission and/or the Examiner for the purpose of obtaining favorable consideration for an unorthodox location of The Ibex Company McElvain No. 2 Well located in the Northwest 1/4 of the Northeast 1/4 of Section 30, T 18 S, R 34 E, N.M.P.M., Lea County, New Mexico, under the provisions of Oil Conservation Commission Rule 104(f)(2).

The above referred to well was drilled at the purported location of 660 feet from the North line and 1980 feet from the East line of Section 30, T 18 S, R 34 E, according to a survey made by John A. Mathias, Jr., Registered Land Surveyor, on September 28, 1955.

Due to an errant road construction crew, or picking of the wrong stake by the drilling contractor or some other circumstance unknown to the applicant, such well was drilled at a point 6 inches from the North line of said 40-acre proration unit, rather than 660 feet from the said North line as proposed, as more particularly shown on plat prepared by John A. Mathias, Jr., Registered Land Surveyor, attached hereto and marked Exhibit "A".

Subsequent thereto, this unorthodox location was determined to exist and the Oil Conservation Commission notified the applicant to discontinue producing said well until such time as the unorthodox location had been approved. The applicant immediately started negotiations with the offset owner of the 40-acre unit directly to the North of this tract, and on February 11, 1957, secured an assignment from the offset owner of such proration unit, described as the Southwest 1/4 of the Southeast 1/4 of Section 19, T 18 S, R 34 E, N.M.P.M., Lea County, New Mexico, said proration unit being a portion of Federal Lease LC 063645. That applicant is now the owner of both proration units and, by virtue of having common ownership of all oil and gas leases within a radius of 660 feet of the unorthodox location, is entitled to a favorable decision under the premise of Oil Conservation Commission Rule 104(f)(2) as an exception to Oil Conservation Commission Rule 104(c).

It is respectfully requested that the Commission and/or Examiner grant to Applicant authority for an unorthodox location for the above referred to well and to grant a legal allowable for such well at the earliest possible date.

Inasmuch as the applicant is suffering considerable loss due to being shut down, any consideration you can give in setting the earliest possible date for hearing on this matter shall be appreciated.

Yours very truly,

THE IBEX COMPANY and T. H. McELVAIN

BY: R. L. MUMFORD, Attorney

RLM/da

Enclosure

CC:

Bureau of Land Management

Box 1261

Santa Fe, New Mexico

EXHIBIT "A"

807 BULLOCK AVENUE  
DIAL Sherwood 6-4116



John A. Mathis, Jr.  
SOUTHEAST ENGINEERING CO.  
GENERAL SURVEYING  
ARTESIA, NEW MEXICO

• PHOTOSTATS  
• OZALID PRINTS

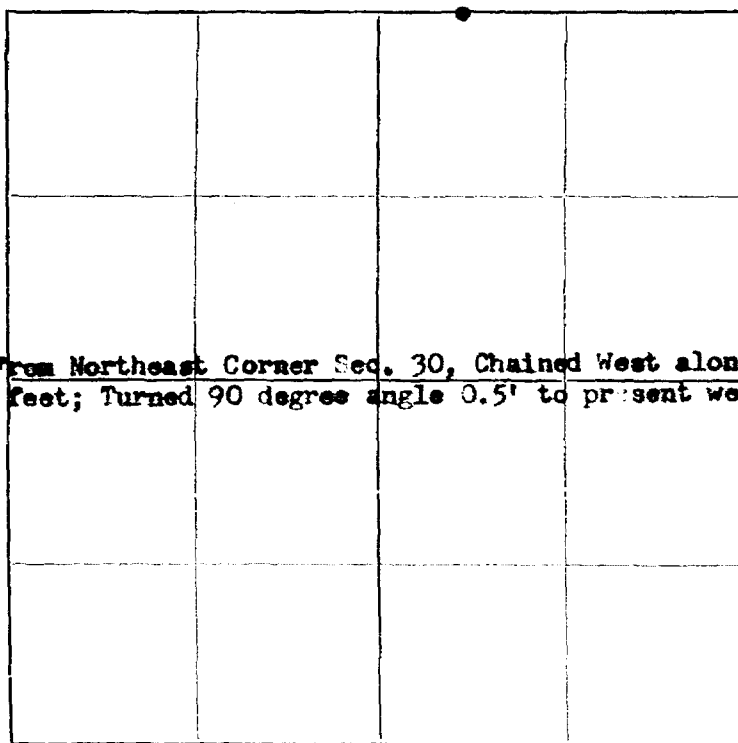
COMPANY The Ibox Company

LEASE McIlvane-Federal WELL NO. 2

SEC. 30 T. 18 S. R. 34 E. N. M. P. M.

LOCATION 1978.3' from East Line; 0.5' from North Line

COUNTY Lea NEW MEXICO



Note: From Northeast Corner Sec. 30, Chained West along North Line of Sec. 1978.3 feet; Turned 90 degree angle 0.5' to present well.

SCALE 4" = 1 MILE

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.

SEAL:  
ARTESIA, NEW MEXICO

SURVEYED November 12, 1956

ARTESIA PRINTING CO.