

**CASE 2083: Application of GULF OIL
for an order force-pooling mineral
interests within vertical limits of
Tubb Gas Pool.**

Case No.

2083

Application, Transcript,
and Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
MABRY HALL
Santa Fe, New Mexico
September 21, 1960

IN THE MATTER OF:

Application of Gulf Oil Corporation for a 160-acre non-standard gas proration unit and for an order force-pooling the mineral interests therein. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Tubb Gas Pool in a 160-acre non-standard gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico, including the following non-consenting interest owners: J. M. Newton, Ronald J. Byers, Robert E. Byers, and Constance E. Byers. Said unit is to be dedicated to the Naomi Keenum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

Case No. 2083

BEFORE:

Daniel Nutter

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please. The first case this afternoon will be Case No. 2083.

MR. PAYNE: Application of Gulf Oil Corporation for a 160-acre non-standard gas proration unit and for an order force-pooling the mineral interests therein.

MR. KASTLER: If the examiner, please, my name is Bill Kastler and I am entering an appearance for Gulf Oil Corporation in this case and the next succeeding four cases. Our witness in this case, 2083, is Mr. John H. Hoover.

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(Whereupon witness is sworn.)

JOHN H. HOOVER

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Will you please state your name, where you are employed and by whom and what your present position is.

A John Hoover. I am employed by Gulf Oil Corporation, Roswell, New Mexico. Petroleum Engineer.

Q Are you familiar with Gulf's application in Case 2083?

A Yes, sir, I am.

Q Have you previously appeared before the Oil Conservation Commission and been qualified as an expert witness?

A Yes, sir.

Q Would you please briefly describe what is involved in Gulf's application in Case 2083.

A Gulf is asking for an exception to rule 5A of the special rules and regulations for the Tubb Gas Pool as set forth in order R-16704 establishment of a non-standard 160 gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico and the pooling of interests therein of the gas rights within the vertical limits of the Tubb Gas Pool.

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Q Have you prepared a plat for introduction into this case as an exhibit?

A Yes, sir, I have and have labeled this Exhibit 1.

Q Referring now to Exhibit No. 1, would you identify the proposed unit boundry, the leases that make up that boundry and the well to produce it. Will you propose to describe the non-standard units.

A Yes, sir. On Exhibit 1 we have shown the proposed 160 non-standard gas proration in the Tubb Gas Pool as outlined in red and described as the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico. Included in this proposed 160 unit is Gulf's Naomi Keenum lease described as the W/2 South East Quarter and Shell Oil Company's J. R. Smith lease described as the W/2 Northeast Quarter of this Section 14. Also shown on this plat, circled in red, is Gulf's Naomi Keenum No. 2, which will be the unit well for this proposed unit. This well is located 1980 feet from the east line and 660 feet from the south line of this Section 14 which originally was completed in the Drinkard Oil Pool in March of 1953. It was re-completed in the Tubb Gas Pool in December of 1957 and dually completed in the Terry Blinebry Oil Tubb Gas in May of 1958. On the potential test, the well flowed 1858 MCF with a tubing pressure of 651 pounds. The shut-in pressure was 1931 pounds in October of 1959. The shut-in pressure was still 1764 pounds. The average allowable for 160-acres in



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the Tubb Gas Pool for the total year 1959 was 323 MCF per day. The maximum allowable for any period during that year 1959 was 520 MCF a day. Therefore, the well is capable of producing well in excess of a 160-acre allowable. We are now producing on an 80-acre non-standard unit covering our Naomi Keenum which was approved by NSP 408 dated January 12, 1958. This 80-acre unit covers the W/2 Southeast Quarter of Section 14. We have contacted Permian Basin Pipeline Company as purchaser of the gas from the Naomi Keenum No. 2 and they advise that the well is at the end of September almost approximately 1487 MCF over produced and that the well will be in balance on November 1, 1960. Also shown on this plat are the off-setting Tubb Gas Units. To the west of our proposed 160 non-standard unit, there are 2 standard 160-acre units. These are all outlined in green and we have the unit well circled in green. To the southwest of our proposed unit is a standard 160 Tubb Unit, directly south, is a 120-acre unit. To the southeast is a 40-acre unit. Directly to the east is a 160-acre non-standard unit covering the east half of the east half of Section 14. This unit is identical in shape to the one that we are asking here today. The well is located identically and this was approved by order R-1203 dated May 6, 1958.

Q Has Gulf entered into a communitization agreement with the working interest owner, Shell Oil Company, in the west half northeast quarter of Section 14?



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A Yes, sir. On December 22, 1959, Shell and Gulf entered into a gas pooling agreement covering the pooling of Tubb Gas under the W/2 E/2 of Section 14. Gulf and Shell both contacted their respective royalties and Shell has advised us that all of their royalties have approved.

Q Is there any Tubb Gas production north of Section 14?

A No, sir, not to my knowledge, any Tubb Gas.

Q Mr. Hoover, in your opinion is the entire area of this proposed non-standard 160 unit productive of gas in the Tubb unit?

A Yes, sir, in our opinion it is.

Q How do you justify that?

A Based on our structure maps, in our opinion it is gas productive and also in view of the fact it has been reasonably proved productive to the satisfaction of the Commission due to the fact that the gas units have been assigned as they are now. As they are presently assigned.

Q Do you have any information as to what the production cost would be of drilling a second Tubb Gas Well in the west half of the northeast quarter as an 80-acre unit?

A Yes, sir, to drill a Tubb Well, a single Tubb Well, would cost probably in the neighborhood of \$100,000.00 to dual and an existing well if it was possible, just basing on our cost, would be in the neighborhood of \$20,000.00.

Q Would such an operation be feasible to the operator in your opinion?



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A No, sir. In my opinion it, I believe it would result in economic waste in that it would be requiring two wells to 160-acres where it has been established that one well will efficiently drain 160 acres.

Q Isn't it true or is it true that also involved is a restricted allowable and therefore somewhat longer payout.

A Yes, sir paying on 80 acres would be twice as long as on 160.

Q Isn't it true in your opinion the drilling or completing of a second gas well in this area would unnecessarily deplete reservoir energy?

A No, sir. I don't, a second well would not.

Q I mean a well in the west half northeast quarter of Section 14.

A I don't believe I followed your question there.

Q Would it be a waste of reservoir energy to require the drilling of a second well on an 80 acre spacing pattern rather than to give an approval to the present proposed 160 acres?

A No, sir, I don't believe it would be a waste of reservoir energy. I believe it would be a waste of money to require another well.

Q Mr. Hoover, you said that 100 percent of the Shell Oil Company's royalty owners have approved the communitization agreement.

A Yes, sir.



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Q Have all of Gulf's royalty owners approved this communi-
tization agreement?

A No, sir, they have not.

Q Which royalty owners have not approved?

A We received answers from all of our royalty with the
exception of a Mr. R. H. Fulton. However, he has common royalty
under Shell's lease as he does under ours and he approved the
same gas pooling agreement, signed the consent and ratification
we sent to him. He did sign Shell's, he did not return ours,
therefore, we consider that he approves the gas pooling.

Q The consent and ratification in this case was the consent
and ratification of the entire pooling agreement.

A That is true.

Q Go ahead.

A The royalty under the Naomi Keenum, this approval was
Mr. J. M. Newton, Ronald J. Byers, Robert E. Byers and Constance
E. Byers. This represents 11 and a quarter percent of the total
royalty underlying this proposed 160-acre unit who have objected.

MR. NUTTER: 23 percent of the royalty under your tract?

A Yes, 22½ percent is what it would amount to under our
tract.

Q (By Mr. Kastler) Specifically what were the objections
of the Byers' people?

A I have letters which I would like to pass out. I would
like to pass out the originals of these letters, we have made



verifax copies of and would like to use our verifax copies as evidence and keep our originals for our file.

MR. NUTTER: Okay.

THE WITNESS: We directed a letter to our royalty owners on May the 23rd of 1960 requesting their approval to the gas pooling and on June the 1st we received a letter from Mr. Byers which is -

Q (By Mr. Kastler) May I interrupt to ask you one question, Mr. Hoover, are any of these Byers' people the three people whose names are Byers' royalty owners on the Shell tract?

A Yes, sir, I was going to bring that up later. There are some common royalties.

Q I don't believe you understand my question. Do these Byers' own any royalty in the Shell tract to which 100 percent royalty has been permitted?

A No, sir, they do not.

Q Go ahead.

A The letter from Mr. Byers which is on a letterhead, the Byers' Company, representing Constance, Robert and himself, we have labeled this Exhibit 2.

Q What was the substance?

A It may be noted, and this is their main objections, that everybody benefits except the royalty owners under the west half of the southeast quarter.

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Q Which is your Naomi Keenum lease.

A He does say in there that communitizing in the third paragraph, communitizing our interests still leaves us with the same income under the new existing allowable which our correspondence told him that the royalty would not increase or decrease their revenue. The last paragraph in which he goes on to set out additional things that he would sign, I mean additional reasons he would sign if we gave him substantial compensation and in his letter he defines substantial compensation as increasing the royalty from the regular $1/8$ to a $1/4$. In our letter of June the 8th, we advised him that we thought the royalty would not gain or lose by this situation and that we did not feel it was justified to grant him additional compensation.

MR. NUTTER: Is that your letter of June 22nd?

A No, sir these are just the letters from him, his letter return of June 22nd, 1960, which we have labeled Exhibit 3.

Q (By Mr. Kastler) Mr. Hoover, in your reply to his first letter, Gulf denied his request for an amendment to $1/4$ royalty, is that correct?

A We felt it was not justified and in his letter of June 22nd, Exhibit 3, that since Gulf feels, we feel it is not to your advantage to execute the pooling agreement and since Gulf feels that additional compensation is not justified, it is our intent to not execute this instrument. And then on June the 7th, 1960 Gulf

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received a letter from, it was an undated letter, unsigned, however, from Mr. J. M. Newton and we have labeled this Exhibit 4 in which he asks several questions in there about how can you produce more oil and does it put down more wells, increase the allowable and what does the Naomi Keenum royalty owners gain by this merger. In our letter of June the 12th, we answered his questions advising him that the allowable that the well was producing on the 80 acre allowable at the present time and that to double the allowable would be to double the acreage since the Tubb gas was prorated on the basis of acreage. We would not put down more wells and that we felt that the Naomi Keenum royalty owners would not gain or lose by this pooling. And then his letter dated June 20th, '62, which I am sure that is supposed to be '60, however, that is the way he sent it, he makes reference to our letter of the 13th and in this if you will notice that he says, "Now, this merger would give royalty owners 1/2 interest in the Naomi Keenum Gas Well, I suggest that the royalty owners have 80 acres mentioned in the merger by 1/2 interest in the Naomi Keenum Gas Well or go into account that the owners have gas royalty and get all royalty for 10 years and therefore, thereafter are divided 50-50." Our letter of June the 27th was in answer to his letter telling him that the royalty owners did not buy a interest in the gas well under this gas pooling. And answered his other questions. We have not heard from him since so we assume he objects.

Q At least he hasn't signed a consent to his ratification



for a pooling agreement.

A He has not.

Q Mr. Hoover, is Mr. Newton an interested royalty owner in the tract that is under lease with Shell which is the west half northeast quarter of Section 14?

A No, sir, he is not.

Q So then you have substantially 5 royalty owners who have opposed this communitization, is that correct?

A Four.

Q The three being Byers' and the fourth one Mr. Newton.

A Mr. Newton.

MR. NUTTER: One that was silent, the man that signed for Shell.

A Yes, sir. One thing that is pertinent I think is that almost 23 percent of the royalty under our lease, owned royalty under Shell's J. R. Smith lease, so to form this 160 non-standard unit we will benefit approximately 23 percent of our royalty. I believe that covers the testimony that I have.

Q Mr. Hoover, in your opinion would the correlative rights of any royalty owner be adversely affected by the granting of this application?

A No, sir, I don't believe they would.

Q Would this application be in the interest of prevention of waste?

A Yes, sir.

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Q Have all of the off-set operators been given notice of this pendency of this hearing?

A Yes, sir.

Q By being sent the copy of the application?

A Plus the people who have objected.

Q What is the gas purchaser, who is the gas purchaser?

A Permian Basin Pipeline Company.

Q You stated that the present status or that is the expected status of this unit well proposed as of October 1 or September 30 will be in an over produced status but that on November 1 the well will be substantially in balance. Are you suggesting that the order be made effective as of November 1?

A Yes, sir I believe that would be the best time.

Q Was Exhibit No. 1 prepared by you or under your direction?

A Yes, sir, it was.

Q Were Exhibits No. 2, 3 and 4 true copies, verifax copies of letters received by Gulf from the adverse royalty owners involved?

A Yes, sir, they were.

MR. KASTLER: I would like to move at this time for introduction into evidence of Exhibits 1 through 4 and this concludes the questions I have on direct testimony.

MR. NUTTER: Gulf's 1 through 4 will be entered. Does anyone have any questions of Mr. Hoover.



CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Hoover, I believe you testified that no royalty owners correlative rights would be affected by granting of this application. Now, as soon as this well becomes incapable of producing an 160 acres allowable, and yet at the same time capable of producing an 80 acre allowable, isn't it true that the royalty owners in the south half of the proposed unit are going to be getting less than they would where the application were not granted.

A Well, that depends I think on what you refer to the well becoming marginal. If it becomes marginal due to the fact that the reservoir energy is down to the point it will not flow into the pipe line, under these existing high pressure, then if the pipe line does go ahead and put a compressor on it to lower down to where it will go into the pipe line then it could go right on down to 100 pounds or to the point of economic limit.

Q Assuming that 160-acre allowable in here was 1000 MCF and an 80-acre allowable as 500 MCF. Now, at the present time the royalty owners in the south half of the proposed unit would be getting 1/8 of the 500. Now, if you form 160 acre unit, as soon as the well becomes incapable of making 1000 MCF, but it hasn't yet declined where it is not incapable of making 500, the amount of the royalty in the south half are going to be less than you are getting now.

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A It would reach that point.

Q Do you think that after off-set by the fact if the application is not granted the royalty owners in the north half of the proposed unit get nothing even though their acreage is being drained.

A Well, I certainly think it's off set by the fact that the surrounding units are going to be in the same situation.

Q Isn't it true that the north half of your proposed unit that the owners there are presently getting nothing?

A Yes, sir they are presently getting nothing.

Q And yet it's very probable their acreage to a certain extent is being drained.

A Yes, sir.

Q One well will presumably drain 180 acres.

A Yes, sir.

Q It's not possible to form a standard unit which would take in the north half of the proposed unit.

A No, sir, that was explored at one time and Continental was verbally contacted to see about forming a standard unit down in the southeast quarter. For that particular time they said they had plans of covering their entire 160 acres with their own well which is what we would expect to do ourselves so that forming of any kind of units were abandoned at that time.

Q And in any event too late now to form a standard unit in



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the northeast quarter of Section 14.

A Yes, sir, it would entail the expense of additional wells.

Q Plus the fact you would then have 280 acre units in the southeast quarter.

A Yes, sir.

Q Because there is already two wells there.

A Yes, sir.

MR. PAYNE: I believe that is all thank you.

MR. NUTTER: Any further questions of Mr. Hoover?

MR. KASTLER: I would like to ask him another question on re-direct. Mr. Hoover, the New Mexico statute pertaining to pooling which is Section 65 314 of the New Mexico Statutes, 1953 annotated says in part: "All orders requiring such pooling shall be upon terms and conditions that are just and reasonable and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of oil and gas or both in the pool as above provided so far as may be practicably recovered without waste." In your opinion would the Oil Conservation Commission be warranted in issuing an order on just a just basis and does that basis exist in this case?

A In my opinion.

MR. NUTTER: Did you have any further questions.

MR. KASTLER: No.

CROSS EXAMINATION



BY MR. NUTTER

Q Mr. Hoover, what is the present capacity of this well to produce?

A Mr. Nutter, I don't have a recent test on it. I have a test which I gave the potential of 1,858,000 and at 651 pounds flowing tubing and the shut-in pressure at 1932.

Q When was that test?

A This was in '57.

Q Has the capacity of the well gone up or down?

A In 1958 the shut-in pressure was still 1764 pounds which is well up there. I don't have the figures exactly what the tests were but it's way above the average allowable of 323 MCF a day.

Q 323 MCF allowable for an 80?

A 160 acre unit, that is the average and that takes into account the high and low demand periods.

Q The year around?

A The maximum for '59 for any individual month was 520 MCF a day so we have a well that I would just say off hand that can produce 3 times the maximum there, probably in excess of that.

Q Now, you stated that there weren't any Tubb Gas Units to the north of your proposed unit.

A No, sir, I don't believe there are any Tubb Units in Section 11.

Q Discounting the fact that the Commission has approved units

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comprising of the northwest quarter of Section 14 and the east half and east half of 14, what evidence is there that the northern section is productive of gas.

A Well, of course our structure maps which are drawn on the basis of the other wells which I don't have, it indicates of which, it indicates it is productive.

Q Are there any Tubb Oil Wells to the north?

A I believe that Continental Nolan No. 2 which is in Section 11 in the southeast of the southwest quarter, I believe that is Tubb Oil. Of course the only yardstick for oil and gas in the Tubb Pool of course the oil well is the exception to the rule, that Tubb Gas is the predominant but the only guiding point is if the well produces 45, below a 45 degree gravity fluid it is classified as an oil well and if it produces above 45 it is classified as a gas well.

Q What does the symbol T designation mean?

A On our map it can be Drinkard or Tubb. In other words, if you notice the off-setting well to that of Shell in the northwest quarter of Section 14 where we have the Tubb Gas circled in green where it's TT, Drinkard or Tubb.

Q Drinkard or Tubb?

A Yes, sir.

Q Well, No. 1 in the southeast of the northwest, is that Drinkard or Tubb, it's just T.



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A In the southeast of the northwest?

Q Yes.

A That is Drinkard.

Q How about the well in the southeast of the northeast?

A Southeast of the northeast, that is a Drinkard.

Q Is there a difference to the shape of the T's?

A No, sir, I had to go and look them up. It is confusing but that is the way our maps are designated. I did list the pertinent Tubb Wells surrounding that unit circled in green.

Q Those are the Tubb Gas Wells?

A Yes, sir, being the unit wells for those units outlined in green.

BY MR. PAYNE: What is the gravity of the proposed unit well?

A The last test was 45.2 corrected.

Q Have any of these wells in Section 14 from time to time been reclassified from gas to oil or oil to gas in Section 14 in the Tubb Gas Pool?

A I don't believe so. They are still producing on a 160 acre allowable as to the last proration schedule in September. They have been gas wells as long as I have been checking on them.

Q Do you anticipate that the proposed unit well might sometime have to be reclassified as a Tubb Oil Well?

A No, sir, we have no indication of that. If it does, the unit does not apply since it only pools dry gas and associate



liquid hydrocarbons.

Q Since it would have to be reclassified, what would happen to the money Shell would pay for the unit well, just the risk of the business?

A Yes, sir, that is what it amounts to.

BY MR. NUTTER: Mr. Hoover, you stated that 23 percent of your royalty owners had not agreed or 22½ percent to be exact, then you stated that some of your royalty owners that had agreed to it were also royalty owners in the Shell acreage.

A 23 percent of our royalty also have royalty in Shell's G. R. Smith lease.

Q That is not this same 23 percent.

A I am not saying they have 23 percent in Shell's royalty, no, sir. That is not the same 23 percent of our royalty owners. In fact this 23 percent disapproval have no royalty interests.

Q Are they the only ones that have no royalty interests in Shell's?

A No, 23 percent disapproving then we had 23 percent which have approved that of royalty so that would make it 46 percent so we have had another 54 percent which did approve that of just of royalty under our naomi Keenum lease.

Q You got 100 percent royalty owners and 77 percent of them have approved and 23 percent have not approved.

A That is right.

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Q And of this 77, that has been approved only.

A 23.

Q Only 23 percent of them have royalty in the Shell acreage gas well?

A Yes, sir.

Q 54 owners or royalty under your tract have approved?

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Hoover?

BY MR. KASTLER: Mr. Hoover, in the event Gulf's unit well ceases to be classified as a gas well, does the unit agreement provide for further development of the Tubb Pool before it's exploration?

A I believe this is what you are referring to. Gulf shall use reasonable diligence to the operator in maintaining of the unit well so as to produce and develop a maximum quantity of gas subject to limit. After the unit well is completed - you are not talking about that.

Q Read that.

A It is further provided that after the exploration of said 1 year period should the unit well or wells be reclassified by the New Mexico Oil Conservation or should the pool proration unit cease to produce gas in paying quantities from any cause, this agreement shall not terminate, if within 6 months after the date of any reclassification situation of such production, Gulf shall

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commence operation for the purpose of restoring gas production from the unit. In which event this agreement shall remain in full force and effect during the such operation or diligently prosecuted and so long thereafter as dry gas with or without associated hydrocarbons are produced from said unit in paying quantities.

Q Isn't it possible that if the proposed unit wells should be reclassified that is an adjacent unit well could be developed in the west half northeast quarter of the unit, of 160 units in the north half of the unit.

A Yes, sir, it would be possible.

Q And in such an event, would then the royalty owners in the south half of the unit benefit?

A Yes, sir.

Q Would that develop on the other hand in the west half?

A Yes, sir, they would.

Q Thank you. One other question. Can you imagine any case where a gas well has been developed on the smaller area then is allowed under the pool rules and the operator wants to unitize with another operator who is adjacent to that area so as to make this a below a standard or at least allowable size of a unit. Can you imagine any such unit where that might be proposed where the royalty owner would not have the same complaint as Mr. Byers' or have grounds for the same complaint as Mr. Byers'? What I am



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asking you is, isn't it a force-pooling to some extent at the peril at least as a royalty owner in one small tract that contains, isn't it also some kind of peril or depravation or his requirements for the royalty to be pooled.

A I believe you lost me on there.

Q Well, I will try to state it again in some other words. If you take it hypothetically, any small lease that is smaller than the allowed unit for a single proration unit.

A Let's take 40 acres.

Q And let's assume there is a gas well in this pool on this 160 on that 40 acres and suppose in order to make that gas economic the operator of that 40 acres proposes to pool that 40 acres into a standard proration unit of 160 acres. Isn't it true that the royalty owner not having any interest in the remaining 120 acres would also be able to state the same objections in substance as Mr. Byers?

A Yes, sir, that is right.

MR. KASTLER: That is all.

BY MR. PAYNE: Mr. Hoover, if this well was reclassified and you developed the north half of this proposed unit as another Tubb Gas Unit, then you would be back on an 80 acre development which I understood was not economically feasible.

A If I said it was not economically feasible, that is not correct. I didstate that to require two wells on 80 acres in a



160 acre field where the 160 acres is allowed, is an economic waste but development on 80 acres, I would not say is economical.

Q And in fact in Section 23 there is a Tubb Well on a 40 acre unit.

A Yes, sir.

Q So while it might be economical, the well might pay, it would be the drilling of an unnecessary well.

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Hoover?

(No response)

MR. NUTTER: You may be excused. Do you have anything further, Mr. Kastler?

MR. KASTLER: No, sir.

MR. NUTTER: We have two objections from Mr. Newton. Royalty on the south half of the proposed 80 or 160 unit and also from Mr. Ronald J. Byers who objects to the formation of this unit. Both of these statements will be placed in the record in their entirety and they are available at this time if anybody wishes to read them.

MR. KASTLER: Have you received anything from Shell in concurrence?

MR. NUTTER: We have a telegram in which they concur this likewise will be in the record for anybody to read or inspect. Does anyone have anything further for Case 2083?

(No response.)

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CM 3-6691

ALBUQUERQUE, NEW MEXICO



MR. NUTTER: We will take the case under advisement and
call case 2084.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



I N D E X

WITNESSES

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JOHN H. HOOVER	2
Direct Examination by Mr. Kastler	13
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Cross Examination by Mr. Nutter	

E X H I B I T S

<u>Number</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Received</u>
1		12	12
2		12	12
3		12	12
4		12	12

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6591

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 25th day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn J. Nelson
NOTARY PUBLIC

My Commission Expires:

June 14, 1964.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2083, heard by me on 9/21, 1960.

[Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 2083
Order No. R-1792**

**APPLICATION OF GULF OIL CORPORATION
FOR AN ORDER FORCE-Pooling ALL MINERAL
INTERESTS IN A 100-ACRE GAS PRODUCTION
UNIT IN THE TUBB GAS POOL, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BE THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 21, 1960, at Santa Fe, New Mexico, before Daniel S. Matter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 11th day of October, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Matter, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That by virtue of a communitization agreement, the applicant is the operator of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico.
- (3) That the applicant presently has an 80-acre non-standard Tubb gas production unit dedicated to the Miami Eosum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.
- (4) That inasmuch as the applicant has been unable, after diligent effort, to secure the consent to communitization of all mineral interest owners in the W/2 E/2 of said Section 14, the applicant seeks an order force-pooling all mineral interest owners in said acreage in the Tubb Gas Pool.
- (5) That the W/2 E/2 of said Section 14 can reasonably be presumed to be productive of gas from the Tubb Gas Pool.

-2-
CASE No. 2083
Order No. R-1792

(6) That while the proposed gas proration unit is non-standard in shape, it contains 160 acres which is the area that one gas well in the Tubb Gas Pool can efficiently and economically drain.

(7) That it is completely impractical to form a standard 160-acre Tubb gas proration unit consisting of the NE/4 of said Section 14, since all the acreage in said Section 14 is presently dedicated to Tubb gas wells with the exception of the W/2 NE/4 of said Section 14.

(8) That certain royalty owners in the W/2 NE/4 of said Section 14 object to approval of the force-pooling order sought by the applicant on the ground that when the unit well becomes incapable of producing a 160-acre allowable, their royalty payments will decline as compared to the amount of such payments if the present 80-acre non-standard gas proration unit remains in effect.

(9) That while this result will occur sometime in the future, as it always does when a unit smaller in size than the standard unit for the pool is communitized with other acreage to form a standard sized unit, it is more than offset by the fact that denial of such an application will deprive, or tend to deprive the mineral interest owners of the W/2 NE/4 of said Section 14 of the right to recover any of the oil or gas, or both, underlying their acreage, unless a Tubb gas well is drilled in the W/2 NE/4 to which is dedicated only 80 acres.

(10) That accordingly, denial of the subject application would be tantamount to requiring the drilling of a well on an 80-acre proration unit in a pool where the standard drilling and proration unit for a gas well is 160 acres.

(11) That correlative rights can better be protected by approval of the subject application than by denial.

IT IS THEREFORE ORDERED:

(1) That the interests of all persons having the right to drill for, produce, or share in the production of dry gas and associated liquid hydrocarbons, or either of them, from the Tubb Gas Pool underlying the W/2 E/2 of Section 14, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, be and the same are hereby force-pooled to form a 160-acre Tubb gas proration unit comprising all of said acreage, which unit shall be dedicated to the Naomi Keenum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

(2) That the effective date of this order is November 1, 1960, or the first day of the month following the month in which

-3-
CASE No. 2083
Order No. R-1792

the well has been brought substantially in balance, whichever date is later.

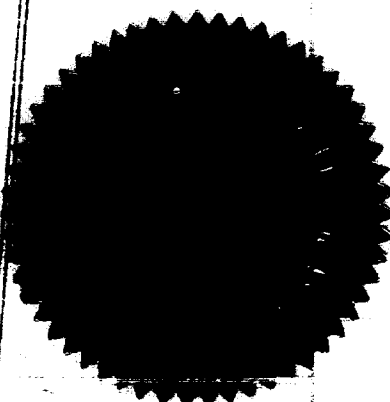
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Norman
MURRAY E. NORMAN, Member

A. L. Foster, Jr.
A. L. FOSTER, Jr., Member & Secretary



ccx/

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



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

P. O. BOX 871
SANTA FE

October 11, 1960

Mr. Bill Eastler
Gulf Oil Corporation
Box 600
Roswell, New Mexico

Re: Case No. 2083
Order No. B-1782
Applicant:
Gulf Oil Corp.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

Other

CLARK OFFICE OCC

1960 SEP 2 AM 8:35

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

*Send copy of docket
to the 4 people listed
on next page.*

APPLICATION OF GULF OIL CORPORATION FOR AN ORDER GRANTING AN EXCEPTION TO RULE 5 (a) OF THE SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL AS SET FORTH IN ORDER NO. R-1670 FOR THE ESTABLISHMENT OF A NON-STANDARD 160 ACRE GAS PRORATION UNIT CONSISTING OF THE W/2 E/2 OF SECTION 14, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO, AND THE POOLING OF THE INTERESTS THEREIN OF THE GAS RIGHTS WITHIN THE VERTICAL LIMITS OF THE TUBB GAS POOL.

NO. 2083

Gulf Oil Corporation for its application states as follows:

(1) On December 22, 1959, Gulf Oil Corporation, as Operator, entered into a certain Gas Pooling Agreement with Shell Oil Company. Said Pooling Agreement designated Naomi Keenum Gas Unit, covers 160 acres consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico. Said Pooling Agreement is effective as to gas and associated liquid hydrocarbons produced within the vertical limits of the Tubb Gas Pool through Gulf's Naomi Keenum No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

(2) Gulf Oil Corporation is the owner and holder of an oil and gas lease dated October 11, 1944, from Naomi Keenum and W. T. Keenum, her husband, as lessor, and Everett M. Byers, as lessee, covering the W/2 SE/4 of said Section 14. Under NSP-408 dated January 12, 1958, of the Oil Conservation Commission of New Mexico, the above described 80 acres consisting of the W/2 SE/4 of Section 14, Township 21 South, Range 37 East, has been approved as a non-standard gas proration unit ascribed to the Naomi Keenum No. 2 Well.

(3) Shell Oil Company is the owner and holder of various oil and gas leases, hereinafter described, all of which cover the W/2 NE/4 of Section 14, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico:

(a) Oil, Gas and Mineral Lease dated April 7, 1947 from J. R. Smith, a single man, as lessor, to Shell Oil Company, as lessee.

*Docketed
9-2-60
to Mr. Smith
to Mr. Byers
to Mr. Keenum
to Mr. Smith
to Mr. Byers
to Mr. Keenum*

(b) Oil and Gas Lease dated March 19, 1947 from Allie M. Lee, a widow, as lessor, to John J. Redfern, Jr., as lessee.

(c) Oil and Gas Lease dated March 21, 1947 from the Leonard Oil Company, as lessor, to John J. Redfern, Jr., as lessee.

(d) Oil and Gas Lease dated March 17, 1947 from M. H. McGrail, a bachelor, as lessor, to John J. Redfern, Jr., as lessee.

(4) That although all owners of interests in and under the W/2 NE/4 of said Section 14 have ratified and confirmed the said Naomi Keenum Gas Unit, the following named parties are owners of interest in and under the W/2 SE/4 of said Section 14 who have not executed Consents and Ratifications sent to them by Gulf Oil Corporation covering the pooling of interests under the said Naomi Keenum Gas Unit:

(a) J. M. Newton ✓
1653 Sixteenth Street
Corpus Christi, Texas

(b) Ronald J. Byers ✓
P. O. Box 4554
Austin 51, Texas

(c) Robert E. Byers ✓
P. O. Box 4554
Austin 51, Texas

(d) Constance E. Byers, a widow ✓
P. O. Box 4554
Austin 51, Texas

and that the aggregate interests of the above named parties in and under the W/2 SE/4 of said Section 14 do not exceed 23% of all royalty and overriding royalty interest in said W/2 SE/4. 77%
22 2/3%

Copies of this application have this day been mailed to the above named parties at the addresses shown and also to all operators owning interests offsetting the proposed Naomi Keenum Gas Unit.

WHEREFORE, Applicant requests a hearing before an examiner in order that the Commission may upon proper findings of fact and conclusions of law enter its order granting an exception to Rule 5 (a) of the Special Rules and Regulations of the Tubb Gas Pool as set forth in Order No. R-1670 for the establishment of a 160 acre non-standard gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and approving the Naomi Keenum Gas Unit.

Applicant further requests that the Commission upon proper findings

of fact and conclusions of law enter its order requiring forced pooling of all royalty and overriding royalty interests whose owners have not heretofore ratified or consented to the Naomi Keenum Gas Unit.

Respectfully submitted this _____ day of September, 1960.

GULF OIL CORPORATION

By

William V. Kastler
William V. Kastler, Attorney

☐ Proposed Gas Proration Unit

☒ Pertinent Well

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

WESTERN UNION TELEGRAM

W. F. MARSHALL, President

1220
(R 11-54)

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

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

LA071 SSC104

L RWAO46 LONG PD=ROSWELL NMEX 20 1037A MST=
NEW MEXICO OIL CONSERVATION COMMISSION=
P O BOX 871 SANTA FE NMEX=

1960 SEP 20 PM 12 50

ATTENTION MR. A. L. PORTER, JR. REFERENCE N.M.O.C.C.
EXAMINER HEARING, SEPTEMBER 21, 1960. CASE NUMBER 2083
APPLICATION OF GULF OIL CORPORATION FOR A 160-ACRE
NONSTANDARD GAS PRORATION UNIT AND AN ORDER
FORCE-POOLING THE MINERAL INTEREST THEREIN. SHELL OIL
COMPANY AS OPERATOR OF 80 ACRES BEING THE W/2 NE/4
SECTION 14-21S-37E WHICH IS INCLUDED IN SUBJECT
APPLICATION CONCURS WITH GULF'S RECOMMENDATIONS=

R L RANKIN SHELL OIL CO P O BOX 845
ROSWELL NEW MEXICO==

N M O C C 21 1960 2083 160 W/2 NE/4 14-21S-37E 845. 59

1960 SEP 20 PM 1:52

MAIN OFFICE OCC

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Case 2083 Sept 14-1960

Oil Conservation Commission

1000 SEP this is in regard
to the proposed gas
merger of the
Naomi Kelson gas
well. As a royalty

Owner I am against
forced merger as

it looks like confiscation
of Property for private
gain. I suggested long
ago that that Gulf Oil

and other interested
people buy half interest
in this well as they
will be the ones

that profit by this
merger

J. M. Newton
1653-16th St
Corpus Christi Tx

MAIN OFFICE OCC

THE BYERS COMPANY

~~XXXXXXXXXXXXXXXXXXXX~~

CONSTANCE E. BYERS
RONALD J. BYERS

7:51

AUSTIN, TEXAS

P. O. Box 4554

Case file
~~XXXXXXXXXXXX~~
GL 3-5680

September 19, 1960

Re: CASE No. 2083

Application of Gulf Oil Corporation for an order granting an exception to Rule 5 (a) of the Special Rules and Regulations for the Tubb Gas Pool as set forth in Order No. R-1670 for the establishment of a non-standard 160 acre gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and the force-pooling of the interests therein of the gas rights within the vertical limits of the Tubb Gas Pool.

Mr. Daniel S. Nutter, Examiner
Mr. Oliver E. Payne, Alternate Examiner
New Mexico Oil Conservation Commission
Sante Fe, New Mexico

Gentlemen:

We respectfully submit this letter in protest to Gulf Oil Corporation's Application seeking an order force-pooling all the mineral interests under the proposed captioned gas proration unit.

It will be gratefully appreciated by us, the non-consenting interest owners, to have this letter read at the above hearing. We also respectfully request that this letter be given your utmost consideration in the final determination of this hearing, and especially with regard to the forced pooling of all royalty interests whose owners have not consented to the above proposed gas unit.

We feel that everyone will benefit by communitizing the W/2 SE/4 Section 14, 21S, 37E, with the W/2 NE/4 Section 14, 21S, 37E, except the royalty owners under the W/2 SE/4 Section 14, being the tract on which the Naomi Keenum Well No. 2 is located.

Communitizing or pooling our interests will probably leave us with the same royalty income under the now existing allowable; however,

New Mexico Oil Conservation Commission

September 19, 1960

Page 2

*but when it becomes marginal, royalty
owners in South 80 lower.*

should this 160 acre proposed production unit be formed, and our interests forced pooled, twice as much gas would have to be produced from the well under which we own for us to receive the same royalty income as we are receiving now. The additional production from this well would be for the benefit of and credited to the royalty owners and Shell's working interest in the W/2 NE/4 Section 14, 21S, 37E.

The forced pooling of our interests, and the formation of this unit, immediately places Shell Oil Company and the royalty owners in the W/2 NE/4 Section 14, under a producing well.

Gulf Oil Corporation will also benefit by this proposed unit. Shell Oil Company will pay their proportionate part of the cost of drilling and operating this now producing well to Gulf. Gulf will realize the same income from the new allowable for the unit as they do now; however, Gulf will recoup from Shell a goodly part, if not one-half, of the drilling and operating expenses.

As you can see above, Shell's benefits from the proposed unit would also be great. Shell will not have the expense of drilling a well on the W/2 NE/4 Section 14, and probably Shell will pay for their interest in the cost of Gulf's well out of production.

As we have stated before, this 160 acre proposed production unit with forced pooling benefits all concerned except the royalty owners under the W/2 SE/4 Section 14, 21S, 37E. To us, the non-consenting owners, there are no benefits gained. In fact, our production would be drained from our own well and the entire deal would benefit other parties from our own production.

It is our opinion, to confiscate property and in this case production by forced pooling, without due compensation, and for the benefit of private parties, is grossly unjust to the extreme.

Again, we respectfully urge your utmost consideration to the above facts in the determination of this hearing.

Very truly yours,

Ronald J. Byers
RONALD J. BYERS

RJB:mm

DOCKET: EXAMINER HEARING, WEDNESDAY, SEPTEMBER 21, 1960

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, Attorney, as Alternate Examiner:

* Case Nos. 2083 through 2089 will not be heard before 1 p.m.

CASE 2055: (Continued)

Application of Aztec Oil & Gas Company for a gas-gas dual completion utilizing two strings of casing. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 12-D, located in Unit H, Section 7, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant proposes to install 2 3/8-inch tubing to produce the Dakota gas.

NEW CASESCASE 2073:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 18-D, located in Unit B, Section 5, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2074:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 16-D, located in Unit K, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

Docket No. 27-60

-2-

CASE 2075:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 15-D, located in Unit B, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2076:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hare Well No. 15-D located in Unit D, Section 10, Township 29 North, Range 10 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Aztec-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2077:

Application of El Paso Natural Gas Company and Sinclair Oil & Gas Company for two non-standard gas proration units. Applicants, in the above-styled cause, seek an order establishing two 191-acre non-standard gas proration units in the South Blanco-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, one comprising the NE/4 and lots 1 and 2 of Section 18, the other comprising the SE/4 and lots 3 and 4 of said Section 18, both in Township 24 North, Range 3 West. Said units are to be dedicated respectively to the Tonkin Federal Well No. 3, located 1470 feet from the North line and 1750 feet from the East line of said Section 18 and to the Tonkin Federal Well No. 4, located 1500 feet from the South line and 990 feet from the East line of said Section 18.

CASE 2078:

Application of Chambers & Kennedy for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monterey State Well No. 2, Unit D, Section 32, Township 18 South, Range 31 East, Eddy County, New Mexico, in such a manner as to permit the production of oil from an undesignated Yates oil pool and the production of oil from the North Shugard Queen-Grayburg Pool through parallel strings of 1 1/2-inch and 2 3/8-inch tubing respectively.

CASE 2079:

Application of Socony Mobil Oil Company for a "slim-hole" oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its E. O. Carson Well No. 23, located 760 feet from the South line and

860 feet from the West line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool using parallel strings of 2 7/8-inch tubing cemented in a common well bore.

CASE 2080:

Application of W. H. Swearingen for an amendment of Order No. R-1748. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1748 to include the SE/4 NW/4 of Section 21 with the remainder of the N/2 of said Section 21, both in Township 18 South, Range 26 East, Eddy County, New Mexico, to form a standard 320-acre gas unit in the Atoka-Pennsylvanian Gas Pool. Applicant further seeks a determination of the well costs which are to be paid by the parties.

CASE 2081:

Application of Phillips Petroleum Company and Phillips Chemical Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks permission to commingle the production from the Vacuum Pool from all wells on the following-described portions of three State leases:

State Lease No. B-2073, SE/4 NE/4 of Section 19

State Lease No. B-2388, NW/4 SE/4 of Section 20

State Lease No. B-1501, NE/4 NW/4 of Section 29

all in Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 2082:

Application of Pan American Petroleum Corporation for off-lease storage of oil. Applicant, in the above-styled cause, seeks an order authorizing it to store the Empire-Abo Pool production from its Malco "N" Lease (NW/4 and N/2 SW/4 of Section 15) in a separate tank battery to be located on its State "BR" Lease (NE/4 NE/4 of Section 16), both in Township 18 South, Range 27 East, Eddy County, New Mexico.

The following cases will not be heard before 1 p.m. on September 21, 1960.

CASE 2083:

Application of Gulf Oil Corporation for a 160-acre non-standard gas proration unit and for an order force-pooling the mineral interests therein. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Tubb Gas Pool in a 160-acre

non-standard gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico, including the following non-consenting interest owners: J. M. Newton, Ronald J. Byers, Robert E. Byers, and Constance E. Byers. Said unit is to be dedicated to the Naomi Keenum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

CASE 2084:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Terry-Blinbry Pool with the production from the North Paddock Pool, on its Harry Leonard "F" Lease, consisting of the E/2 of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2085:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Wantz-Abo Pool, Paddock Pool, Penrose-Skelly Pool and Drinkard Pool with the gas condensate production from the Tubb Gas Pool and the Blinbry Gas Pool, from all wells on its Eunice King Lease consisting of the N/2 of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2086:

Application of Gulf Oil Corporation for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled on the M. M. Harris Lease comprising the NW/4 of Section 8, Township 12 South, Range 38 East, Lea County, New Mexico.

CASE 2087:

Application of Gulf Oil Corporation for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled

Docket No. 27-60

-5-

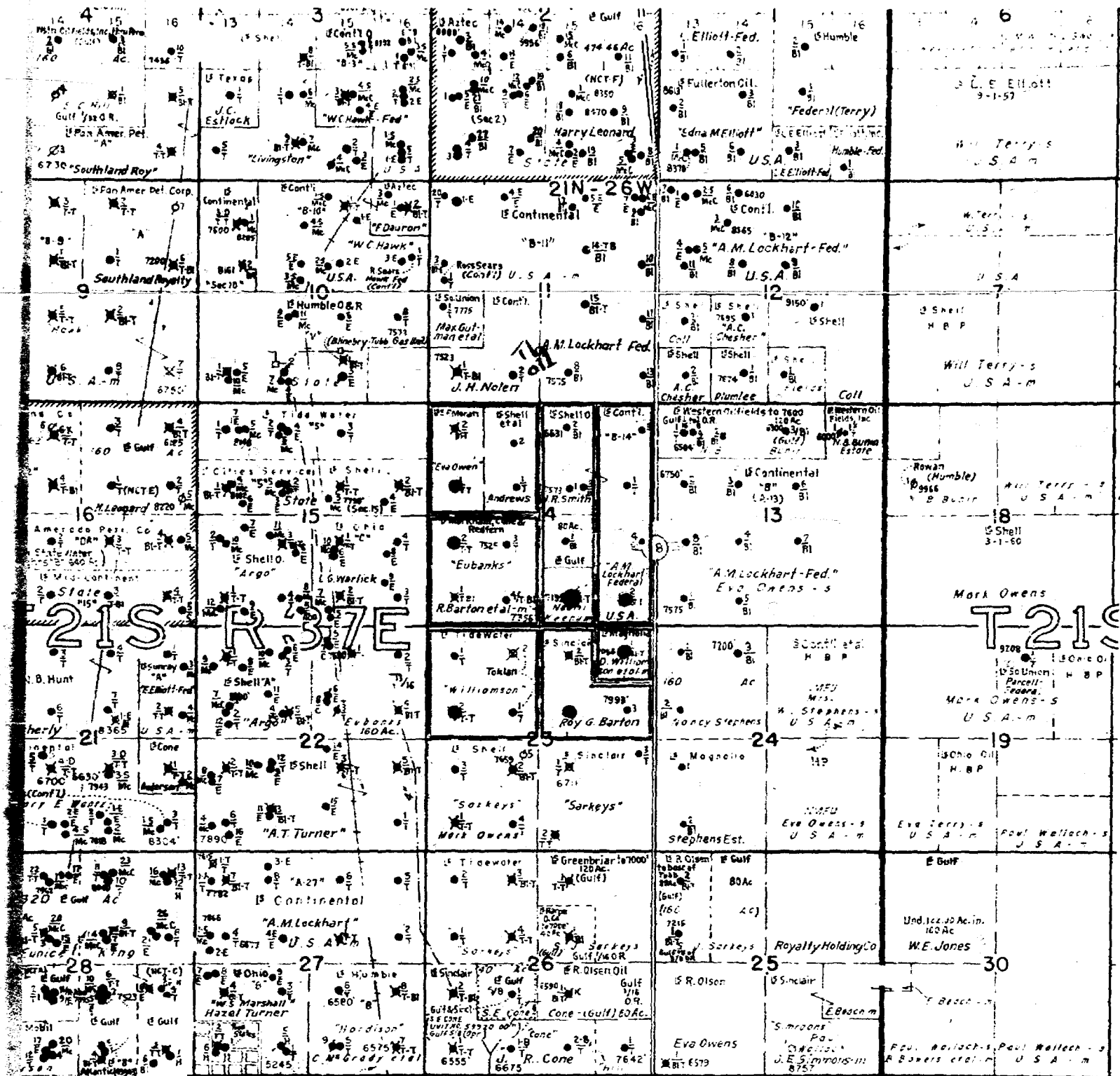
on the Lea-State "AV" Lease comprising the NW/4 of Section 19, Township 12 South, Range 38 East, Lea County, New Mexico.

CASE 2088:

Application of Tennessee Gas Transmission Company for an amendment of Order No. R-1755. Applicant, in the above-styled cause, seeks an order amending Order No. R-1755 to expressly designate the applicant as operator of the unit pooled in said order with all powers incidental to the proper operation of the unit including the power and authority to market the production from the unit well.

CASE 2089:

Application of Val R. Reese & Associates, Inc. for the promulgation of special rules and regulations governing the Escrito-Gallup Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations governing the drilling, spacing and production of oil and gas wells in the Escrito-Gallup Oil Pool, Rio Arriba County, New Mexico and further, to extend said pool to include all of Section 25, Township 25 North, Range 7 West.



PLAT
NAGMI KEENOM GAS PRORATION UNIT
TUBB GAS POOL
LEA COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION
EXHIBIT NO. 1
CASE NO. 2083

- LEGEND -

Proposed Unit Boundary
Surrounding Tubb Gas Proration Units
Pertinent Well

Case No. 2083
Exhibit No. 1

THE BYERS COMPANY

XXXXXXXXXXXXXXXXXXXX

CONSTANCE E. BYERS
ROBERT E. BYERS
RONALD J. BYERS

AUSTIN, TEXAS

P. O. Box 4554

GREENWOOD 8-0594
GL 3-5680

June 1, 1960

Re: W/2 SE/4 Sec. 14, 21S, 37E,
Lea County, New Mexico

Gulf Oil Corporation
P. O. Drawer 669
Roswell, New Mexico

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Copied EXHIBIT NO. *2*
CASE NO. *2083*

Gentlemen:

We are in receipt of your letter dated May 23, 1960, together with the Consent and Ratification Gas Pooling Agreement for the Naomi Keenum Tubb Gas Unit No. 1, which proposes to pool for gas in the Tubb Formation the above captioned tract with the W/2 NE/4 Section 14, 21S, 37E, Lea County, New Mexico.

We feel, from the deal presented to us, that everyone will benefit by communitizing this 80 acre tract into a 160 acre production unit except the mineral owners under the W/2 SE/4 Sec. 14, 21S, 37E.

Communitizing our interests still leaves us with the same income under the now existing allowable; however, should this 160 acre production unit be formed, two times as much gas would have to be produced from the well under which we own for us to receive the same income as we are receiving now. The extra production from this well would be for the benefit of the Shell's working interest and the mineral owners and credited to their interests in the W/2 NE/4 Sec. 14, 21S, 37E.

Gulf will benefit too. Shell will pay their proportionate part of the cost of drilling and operating this well to Gulf. Shell will benefit too. Shell will not have to drill a well on the W/2 NE/4 and probably they will pay for their interest in Gulf's well out of the production.

Then how about the mineral owners under the W/2 NE/4? When this Agreement is fully executed they are immediately under a producing well. They do not have to wait for a well to be drilled nor take a chance of a well being dry, which, in this case isn't very likely.

Case No. 2083
Exhibit No. 2

Gulf Oil Corporation
June 1, 1960
Page 2

As I said before, this deal benefits all concerned except the mineral owners under the W/2 SE/4 Sec. 14, 21S, 37E. To us, as you can see, there are no benefits gained. Our production would be drained from our own well and the entire deal would benefit other parties from our production.

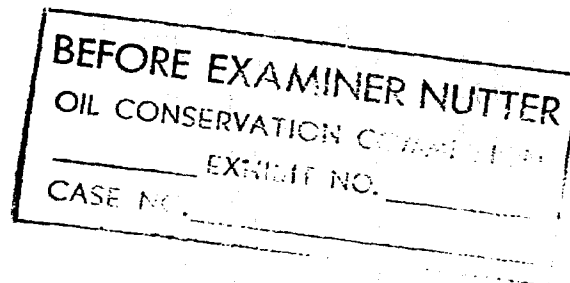
In view of the above, it would not be to our advantage to execute the Gas Pooling Agreement without substantial compensation. We feel, under the circumstances, to increase our royalty under the W/2 SE/4 Section 14, 21S, 37E, within the vertical limits of the Tubb Gas Pool, from a 1/8th as provided in the lease to a 1/4 royalty would be a just compensation for executing this Gas Pooling Agreement.

We shall appreciate it if you will let us hear from you.

Yours very truly,

Ronald J. Byers
RONALD J. BYERS

RJB:mm



OK
JH

P. O. Box 4554



4420

GL 3-5680

June 22, 1960

Re: Proposed Tubb Gas Proration Unit
W/2 E/2 Section 14, 21S, 37E,
Lea County, New Mexico

Gulf Oil Corporation
P. O. Drawer 669
Roswell, New Mexico

Attention: Mr. W. A. Shellshoar

Gentlemen:

Thank you for your letter of June 8, 1960.

Since we feel that it is not to our advantage to execute the captioned gas pooling agreement without substantial compensation, and since you feel that additional compensation is not justified, it is our intent not to execute this instrument.

Very truly yours,

Ronald J. Byers
RONALD J. BYERS

RJB:mm

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Apple EXHIBIT NO. 3
CASE NO. 2083

Case No. 2073
Exhibit No. 3

Rankin (H11)

Dear Sir, Gulf Oil Corp 4255

Received your letter about
the Tubbs for consolidation
Guertong?

Is adjoining 80 acres
producing as much ore
more gas than the Noomi
Keenum lease?

Does this pooling of
interests mean that you
will or can produce more
gas?

Put down more wells?
Increase the allowable?
What does the Noomi
Keenum Realty owners
gain by this merger?

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4
CASE NO. 2083



Case No 2083
Exhibit No 4

June 20 - 62
Your letter dated the
13th you stated that
it would double the allowance
for the Naomikoen
gas well producing its
allowable for 80 acres?
if not why? How can you
double it?

Now this merger would
give royalty owners $\frac{1}{2}$ interest
in the Naomikoen well.
I suggest that the royalty
owners of 80 acre mentioned
in merger buy $\frac{1}{2}$ interest
in the Naomikoen well
go into contract that
the owners of gas royalty
get all royalty for 10 years
and thereafter be decided
50-50
Yours
J. M. Newton

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
441	EXHIBIT NO. 5
CASE NO.	2083

Case No. 2083
Exhibit No 5