

CASE 3584: Application of GULF
OIL CORP. for an unorthodox gas
well location, Eddy County.

x 990
443

CASE No.
3584

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. BOX 2088
SANTA FE

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

June 8, 1967

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico 88201

Re: Case No. 3534
Order No. R-3260
Applicant:
GULF OIL CORPORATION

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

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other _____

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. 3584
Order No. R-3260

APPLICATION OF GULF OIL CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 6, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of June, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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 the applicant, Gulf Oil Corporation, seeks author-
ity to drill its Eddy "BD" State Well No. 1 at an unorthodox gas
well location in an undesignated Strawn gas pool 660 feet from
the South line and 990 feet from the East line of Section 32,
Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That a well drilled at the above-described non-standard
location will avoid topographic difficulties that would be
encountered at a standard location in the E/2 of said Section 32.

(4) That approval of the subject application will afford
the applicant the opportunity to produce its just and equitable
share of the gas in the undesignated Strawn gas pool, will

-2-

CASE No. 3584
Order No. R-3260

prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights.

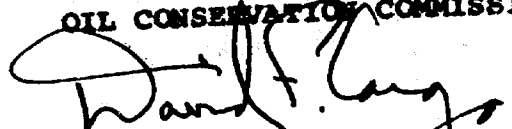
IT IS THEREFORE ORDERED:

(1) That the applicant, Gulf Oil Corporation, is hereby authorized to drill its Eddy "BD" State Well No. 1 at an unorthodox gas well location in an undesignated Strawn gas pool 660 feet from the South line and 990 feet from the East line of Section 32, Township 20 South, Range 30 East, MMPM, Eddy County, New Mexico.


(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

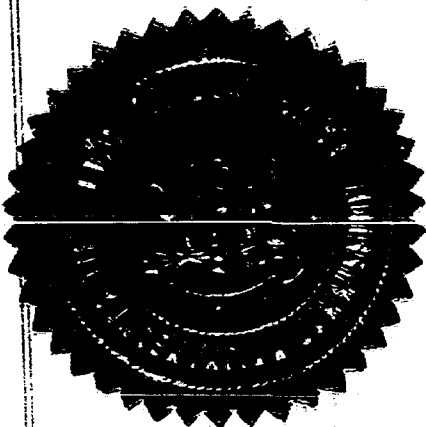
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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



esr/

Docket No. 17-67

DOCKET: EXAMINER HEARING - TUESDAY - JUNE 6, 1967

9 A. M. OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 3592: Application of Anne Burnett Windfohr, dba Windfohr Oil Company, for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the San Andres formation through eight wells in Sections 13, 14 and 24, Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico. Applicant further seeks an administrative procedure for future expansion of said project.

CASE 3584: (Continued and Readvertised)

Application of Gulf Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Eddy "BD" State Well No. 1 at an unorthodox location 660 feet from the South line and 990 feet from the East line of Section 32, Township 20 South, Range 30 East, in an undesignated Strawn gas pool, Eddy County, New Mexico.

CASE 3578: (Continued and Readvertised)

Application of Texas Pacific Oil Company for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

A 120-acre non-standard gas proration unit comprising the N/2 NE/4 and the SE/4 NE/4 of Section 7, to be dedicated to the State "A" A/c-2 Well No. 5, located in Unit A of said Section 7, and also to the State "A" A/c-2 Well No. 6 located in Unit B of said Section 7;

A 160-acre non-standard gas proration unit comprising the W/2 W/2 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 41, located in Unit M of said Section 5;

An 80-acre non-standard gas proration unit comprising the E/2 NW/4 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 44, located in Unit F of said Section 5;

A 160-acre non-standard gas proration unit comprising the N/2 SE/4 and the E/2 SW/4 Section 5, to be dedicated to the State "A" A/c-2 Well No. 28, located in Unit I of said Section 5;

Case 3578 continued

An 80-acre non-standard gas proration unit comprising the S/2 SE/4 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 27, located in Unit P of said Section 5;

A 160-acre non-standard gas proration unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 54, located in Unit O of said Section 8;

A 160-acre non-standard gas proration unit comprising the S/2 NW/4, NE/4 SW/4, and NW/4 SE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 56, located in Unit J of said Section 8;

An 80-acre non-standard gas proration unit comprising the S/2 NE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 43, located in Unit H of said Section 8;

An 80-acre non-standard gas proration unit comprising the N/2 NW/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 49, located in Unit C of said Section 8;

A 240-acre non-standard gas proration unit comprising the NE/4 and E/2 NW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 40, located in Unit A of said Section 9;

A 240-acre non-standard gas proration unit comprising the E/2 SE/4 Section 8, and the SW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 38, located in Unit K of said Section 9;

A 160-acre non-standard gas proration unit comprising the N/2 NE/4 Section 8, and the W/2 NW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 29, located in Unit D of said Section 9.

CASE 3579: (Continued from the May 24th Examiner Hearing)

Application of Texas Pacific Oil Company for three dual completions, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State "A" A/c-2 Wells Nos. 28, 54, and 29, located in Unit I of Section 5, Unit O of Section 8, and Unit D of Section 9, respectively, Township 22 South, Range 36 East, Lea County, New Mexico, in such a manner as to produce gas from the Jalmat Gas Pool and oil from the South Eunice Oil Pool.

CASE 3593: Application of Amerada Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Monument Paddock and Monument Blinbry Oil Pools in the wellbore of its L. M. Lambert Well No. 8 located in Unit G of Section 6, Township 20 South, Range 37 East, Lea County, New Mexico, with the assignment of a single allowable to said commingled production.

CASE 3594: Application of Amerada Petroleum Corporation for an Ogallala oil proration unit, special rules for said unit and authority for fresh water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the SE/4 NW/4 of Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, as a 40-acre proration unit for production of oil from the Ogallala formation. Applicant also seeks the establishment of special rules governing said 40-acre tract including a maximum density of one well per 0.625-acre with a provision that wells should be drilled no nearer than 82.5 to the outer boundary of the unit and no nearer than 165 feet to another well producing from the same formation, provided that an exception should be made for existing wells on said 40-acre tract which are not located in conformance with said spacing rules. Applicant also seeks a temporary exception to Rule 307 for each well to permit utilization of a vacuum-type drilling unit during the drilling and completion operations. Applicant also seeks authority to produce the wells at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable. Applicant further seeks authority to dispose of fresh water produced with the oil back into the Ogallala formation through an injection well or wells located no nearer than 330 feet to the outer boundaries of the 40-acre tract.

CASE 3595: Application of Ernest A. Hanson for acreage rededication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rededication of the SE/4 NW/4 of Section 19, Township 22 South, Range 38 East for the production of oil from the Blinebry Oil Pool, said 40-acre unit to be dedicated to applicant's Gutman Well No. 4, formerly the Gulf Oil Corporation's Max Gutman Well No. 3. This acreage is presently dedicated as a part of a 160-acre standard gas proration unit in the Blinebry Gas Pool to Gulf Oil Corporation's Max Gutman Well No. 2 located in Unit C of said Section 19.

CASE 3350: (Reopened)

In the matter of Case No. 3350 being reopened pursuant to the provisions of Orders Nos. R-3021 and R-3021-A, which orders established 80-acre spacing units for the Young-Wolfcamp Pool and the Young-Bone Spring Pool, Lea County, New Mexico, respectively, for a period of one year. All interested parties may appear and show cause why said pools should not be developed on 40-acre spacing units.

CASE 3596: Application of Tenneco Oil Company for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its Jicarilla "B" Well No. 8 at a point 790 feet from the North line and 2510 feet from the East line of Section 15, Township 26 North, Range 5 West, Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico.

-4- Examiner Hearing - June 6, 1967

Docket No. 17-67

CASE 3574: (Continued from May 24th Examiner Hearing)

Application of Cima Capitan, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formations through one well located in Unit C of Section 3, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico.

APR 25 1967
AH 8 12

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

April 25, 1967

P. O. Drawer 1938
Roswell, New Mexico 88201

May 24
Case 3584

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

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

Re: Application of Gulf Oil Corporation
for an Unorthodox Location, Eddy
County, New Mexico

Gentlemen:

Gulf Oil Corporation respectfully requests an examiner hearing be scheduled to consider its application for an unorthodox well location in an undesignated Strawn Gas Pool, Eddy County, New Mexico. Applicant proposes to drill the Eddy "BD" State Well No. 1 at a location 660 feet from the south line and 990 feet from the east line of Section 32, T-20S, R-30E.

Respectfully submitted,

GULF OIL CORPORATION

M. I. Taylor

M. I. Taylor

JHH:ers

cc: New Mexico Oil Conservation Commission
Post Office Drawer DD
Artesia, New Mexico 88210



DOCKET MAILED

Date 5-25-67
for 6-6-67

DOCKET MAILED

Date 5-12-67

PENNZOIL

ZAPATA DIVISION



COMPANY

1007 MIDLAND SAVINGS BUILDING

MAILED
MAY 22 AM 8 17

MIDLAND, TEXAS 79704

TELEPHONE 915 MUTUAL 2-7316

May 19, 1967

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Examiner Hearing Set For May 24, 1967
Case 3584 - Application of Gulf Oil
Corporation for an unorthodox gas well
location 660 feet from South line and
990 feet from East line of Section 32,
T-20-S, R-30-E, Eddy County, New Mexico

Attention: Mr. A. L. Porter, Jr.
Secretary-Director

Gentlemen:

Pennzoil Company, on behalf of the working interests
in offsetting tracts, wishes to go on record as opposing the
unorthodox location sought by Gulf in the above case.

We have a Strawn gas discovery well in the North half
of Section 4, T-21-S, R-29-E, and are now drilling a prospective
gas well at a standard gas well location in the West half of
Section 33, T-20-S, R-30-E. We feel that the location sought
by Gulf would not contribute to the orderly development of the
area, and could result in inequitable drainage of our leases.

Yours very truly,

PENNZOIL COMPANY

W. A. Hover
W. A. Hover
Vice President

*Called Hoover
5/22 and advised
hearing will be
held 6/6/67 rather
than 5/24*

CAB:FMCB

DOCKET MAILED

Date 5-25-67
h

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 6, 1967

EXAMINER HEARING

IN THE MATTER OF:)

Application of Gulf Oil Corporation for)
an unorthodox gas well location, Eddy)
County, New Mexico.)

Case 3584

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will take up Case 3584.

MR. HATCH: Case 3584 continued and re-advertised, application of Gulf Oil Corporation for an unorthodox gas well, location Eddy County, New Mexico.

MR. KASTLER: If the Examiner please, I am Bill Kastler from Roswell, representing Gulf and our two witnesses in this case will be Mr. John H. Hoover and T. F. Henson.

(Witness sworn.)

JOHN H. HOOVER, called as a witness on behalf of the Applicant, first having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q For the record, will you please state your name, your position, by whom you are employed and how long you have been employed?

A John Hoover. I am employed by Gulf Oil Corporation as District Production Engineer in Roswell, New Mexico and have worked with them for over twenty years.

Q You have appeared before the New Mexico Oil Conservation Commission hearings many times and given testimony as an expert witness?

A Yes, sir.

Q Are you familiar with Gulf's application in Case

Number 3584?

A Yes, sir.

Q What is Gulf asking for in this case?

A We are asking for approval of an unorthodox location for our Eddy "B-D" State Well Number One.

Q Do you have a location plat, and if so, please explain what is shown thereon?

(Whereupon, Applicant's Exhibit Number 1 was marked for identification.)

A Yes, sir, it is marked Exhibit Number 1 and it is a lease plat showing our Eddy "B-D" State Lease outlined in red. It is described as the East Half of Section 32, Township 20 South, Range 30 East, Eddy County, New Mexico. We have also shown on this plat the proposed location for our Eddy "B-D" State Well Number One, and it is shown by a circle and colored in red, and this proposed location is 990 feet from the east line and 660 feet from the south line of this Section 32.

Q Will you please point out the location of the discovery well for this undesignated Strawn gas pool?

A The discovery well was the Stoltz and Company, Hudson Federal Well Number One, and it is shown on the plat as a south offset to the Eddy "B-D" State Lease. It is located in Lot 3 of Section 4, Township 21 South, Range 29 East, Eddy County.

Q Is it correct that several dry holes have been drilled after the discovery well was completed?

A Yes, there have been three dry holes drilled after that well was completed and possibly a fourth.

Q Will you please locate these wells in referring to Exhibit Number 1?

A Starting to the west of our Eddy "B-D" State Lease, the Stoltz-Yates State Well Number One, which is located in the Southeast Quarter, Southwest Quarter of Section 32 was dry in the Strawn and it was plugged back, it is now an oil well in the Wolfcamp.

Union Oil Company, Cowden Federal Well Number One, which is located in Lot 11 of Section 4, was dry in the Strawn and has been plugged. The Pan-American Big Eddy Well Number Eighteen, which is in Lot 6 of Section 3, 21 South, 29 East, is, as we understand it, is dry in the Strawn. However, the well is still drilling to, that we understand, to test the Morrow. In Section 33 of 20 South, Range 30 East, the Pennzoil-Hudson-Federal 33, Well Number Two, which is located in the Northeast Quarter, Southwest Quarter of the Section 33, was dry in the Strawn and is plugged.

Q It is noted that there are two wells located in the east half of the northeast in Section 32 on Gulf's lease. Do you have any comments on these?

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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1400 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO 87108

A Yes, those are shallow oil wells in the Dose Harmonos Seven Rivers Pool. Gulf originally drilled those wells, however, have since sold the wells to Hudson & Hudson.

Q So, this lease is therefore, held by production at this present time?

A Yes.

Q Subject to, or pursuant to, a farm-out or operating agreement from Gulf to Hudson & Hudson?

A Yes, we sold the wells to them.

Q What would be a standard location for this undesignated pool?

A The statewide rules provide that a well shall be drilled on 320 acres for this depth and be located no less than 660 feet to a side boundary, or less than 1980 feet to an end boundary of the unit.

The standard location that we looked at was 660 feet from the east line and 1980 feet from the south line of this Section 32. A standard location would also be in that forty acres at 990 from the east line and 1980 from the south line. Neither one would be standard, but looking at the location which would be 660 from the east line and 1980 feet from the south line, this location is on the side of a hill and is directly under a high voltage power line. The location would have to be moved south to start with and, due to

topographical conditions and various obstructions, which we have another witness which will explain more in detail. The first location available would be 660 feet from the south and east lines of this Section 32.

On locating this location, the well would be practically on the highway, that is U. S. Highway Number 180 right-of-way fence line.

In order to locate a well in the area which is bounded by the highway, roughly the highway on the north and the lease lines on the west, south and east to move, you have to move over 990 feet in order to get the well and related equipment in and even with this, at this location, we are only about 125 feet from the highway right-of-way fence. That location is limited for any southerly movement, because there is a buried underground cable, some seventy to eighty feet south of the well.

Between the location and the highway is another obstruction of an overhead telephone system of some seventeen or eighteen wires which also interfere.

Q Then, it is your testimony and your conclusion, that a well situated anywhere on the, let's say the Southeast Quarter of Section 32 would best be situated south of the highway?

A Yes, that is correct.

Q Would the granting of this application protect correlative rights?

A Yes, in my opinion, it would, because it would allow Gulf and the state of New Mexico to recover their fair share of the gas.

Q Do you have anything further to add in this case?

A No, sir, I believe not.

MR. KASTLER: These are all of the questions I have of this witness on direct, Mr. Examiner.

MR. NUTTER: What is the other witness going to testify to, Mr. Kastler?

MR. KASTLER: He is going to testify more in detail to the topography and land situation, terrain.

MR. NUTTER: Are there any questions of Mr. Hoover?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hoover, I hear you making all kinds of discussions there about all the topography reasons for the location of the well. How about the geology?

A Well, I am not a geologist.

Q How about the reservoir engineering aspects.

A Well, I think, not being a geologist, and not being able to testify as an expert witness, I think I can say, in view of the dry holes that have been filled and the

location of the existing discovery well, that the reservoir is small. It is bounded to the west by a dry hole. The discovery well is offset to the south by a dry hole and our lease is offset to the east by a dry hole, but we have no dry hole or control point to the north.

MR. KASTLER: No condemnation to the north?

A Until you get up in the northwest quarter of Section 28. Now we know that well is in the Morrow and they recovered, I believe, a little oil and water in the Strawn.

Q (By Mr. Nutter) That well did test the Strawn?

A Yes, but it was not productive. I believe it was a little oil and considerable water. I am not sure on that, but, when you start north, your control point is limited, but, I believe the reservoir is small.

Q But, at any rate, Gulf Oil Corporation feels that the ideal location in this particular quarter section would have to be south of the highway?

A Yes, sir.

Q Do you feel that the entire east half will be productive of oil and gas from this reservoir?

A I don't know.

MR. NUTTER: Are there any further questions of Mr. Hoover? He may be excused.

(Witness excused.)

MR. KASTLER: I would like, at this time, to call Mr. Henson to the stand.

T. F. HENSON, called as a witness on behalf of the Applicant, first having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q Please state your name, by whom you are employed and your position?

A T. F. Henson, employed by the Gulf Oil Corporation as a Civil Engineer.

MR. NUTTER: Is that H-e-n-s-o-n?

THE WITNESS: Yes, sir.

Q (By Mr. Kastler) Have you previously appeared before a hearing of the New Mexico Oil Conservation Commission?

A No.

Q Will you please state what university you attended and state what degree you received and when?

A Texas A & M, a degree in Civil Engineering.

Q What year?

A I graduated in 1936.

Q Are you a member of any professional societies and if so, state what they are?

A Yes, registered Engineer, registered Surveyor, Texas

Surveyors Association.

Q Since 1936 have you been employed by Gulf as a Civil Engineer for all or substantially all, of your professional career?

A Yes, sir.

Q In what capacity?

A As a Civil Engineer, doing mainly surveying work.

Q As such, have you frequently been designated to select suitable well location sites for Gulf?

A Yes, many times.

Q How long has your employment as a Civil Engineer been centered in Roswell, New Mexico?

A About eight years.

Q Are you familiar with the land in the vicinity of Section 32, Township 20 South, Range 30 East, where Gulf's "D" State Lease is situated?

A Yes, sir. I have been on the grounds.

Q Were you on the ground at any time recently?

A Yes.

Q Have you prepared a plat, having gone on the ground and made measurements?

A Yes, I have.

Q Is this the plat you prepared, this copy of Gulf's, marked Gulf's Exhibit Number 2?

A Yes, it is.

Q Have you taken care to draw the various encumbrances, such as the highway right-of-way and scale on that plat?

A Yes, this plat is to scale, range 200 feet.

Q Can you generally describe what is shown on this plat, and I understand it doesn't show the entire east half of Section 32, but somewhat less?

A Well, this is more or less the east half of the southeast quarter.

Q It shows a highway and right-of-way, railroad right-of-way, are they contiguous or, will you describe them?

A Yes, that is a divided four-lane highway and a railroad that are not separated by a fence to determine the right-of-way for the highway and railroad, I didn't do because it is all under the same right-of-way fence.

Q There is no possibility of locating a rig, capable of drilling to a depth over ten thousand feet in any of that area, is there?

A Not in the right-of-way, no, between the right-of-way fences.

Q Mr. Henson, will you start at the location shown up here, as location Number 3, which is a station 19 plus 80. It is approximately 1980 feet north of the south line and 660 feet west of the east line of Section 32. Start from that

dearnley-meier

point and just kind of go around the clock and in your own words describe what is shown on your plat and what the terrain is like, referring to the plat?

A Well, at this point, marked location Number 3, at station 19 plus 80, is what was pointed out to be an orthodox location, that is 1980 feet from the south line and 650 feet from the east line, Section 32, Township 20 South, Range 30 East.

This point was located on the ground and pulls on the south slope of a rather steep hill and under a high voltage power line.

From this point --

Q Is this on a mesa or on a hill?

A No.

Q You have drawn a line around here --

A This line indicates the shape of a hill. This is not a mesa. It is rather a sharp, pointed hill and no flat top to it. This irregular line could best be taken as a contour, rather than an outline of a mesa.

Q But, you didn't take the time or the trouble to contour the elevation of it, did you?

A No.

Q Well, between what you have shown here, is this hill and the highway right-of-way and down to the south, a pit?

Is the pit lower than the highway? In other words, is it downhill from this first location, this location Number 3 that is marked, all the way to the south line?

A It is definitely downhill, that is a sharp grade going down to the highway.

Q Does it continue downhill on down to the south boundary line?

A No, after you cross the highway and an underground cable as shown on the plat, you start up a steep hill with the exception of going into the large bar pit that is shown on the west side of the plat.

Q Then, the highway is just about the lowest part?

A The highway and the railroad are in the lowest part of this area.

Q All right, now, pardon me for interrupting you, but go back to your location Number 3 and go southward on this 660 from the east line?

A All right. This line running south from the location Number 3 is parallel to the east line of Section 32 and 660 feet from the section line. As we went south, we went down a sharp, rugged hill and it slopes all the way south to the vicinity of the pipeline which is shown at station 12 plus 12. This is 1212 feet from the south line of the section and that is about the low point of this area. Crossing the pipeline,

you cross the north right-of-way fence of the highway and railroad at a point 1180 feet north of the south section line. Then, you cross the railroad right-of-way and the highway, crossing the south right-of-way fence at a point 721 feet north of the south section line, and then, at a point 660 feet north of the south section line, you pass under an overhead telephone line which has about seventeen wires. Continuing south, you pass over an underground cable, which is 487 feet from the south line of the section. Then, you immediately start up a steep hill and continue up the hill until you reach the south line of the section.

At this point, I moved over 330 feet west, which made me 1990 feet from the east line of the section, and started north and there is a large pit in this area, bar pit, and the south side of this pit is almost a vertical wall, some forty or fifty feet high. But, going north across the pit, you leave it at about 500 feet from the south line of the section, cross an underground cable again at 555 feet north of the section line.

At 660 feet, we looked over a location, which is between the cable and the telephone lines.

Q Now, that is the location that Gulf has made the application for in this case, is it not?

A Yes, sir.

Q All right, go ahead.

A At 727 feet north of the section line, we passed under the multiple telephone line again. At 785 feet north, we go over the south right-of-way fence and into the highway and railroad right-of-way. Crossing the north right-of-way fence at 1243 feet from the south line and again, crossing a pipeline at 1274 feet from the south line of Section 32. Immediately, we start up a steep grade with rugged terrain, passing over the nose of this hill and down into a small canyon, or draw, and then, back up a steeper hill to a point 1980 feet from the south line, which is marked location Number 2, which is on the south slope of a rather steep hill, and this point is also 330 feet west of our original location Number 3.

Q Now, then, Mr. Henson, in the area between, well, let's say, anywhere between the area of 1212 feet north of the south line and 1980 feet. Outside of this, it is somewhat deceptive because of this drawn hill, but, do you find the land anywhere in there, where a location could be made?

A No, that is rather rugged terrain and a slope all the way from the top of the hill, which is some point north of the 1980 station, all the way down to the railroad and the railroad has, oh, some eight to ten foot fill, at that point.

Q In your experience, you have made locations in such

places have you, nevertheless?

A Yes.

Q Have you found them to be satisfactory, desirable?

A Well, it causes a great deal of earth work and road work, generally.

MR. KASTLER: I believe that's all of the questions I have of this witness on direct.

MR. NUTTER: Are there any questions of Mr. Henson?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Henson, is there ample room there between the telephone lines and the underground cable, in which to build a location?

A I believe there is, that is a rather flat, smooth surface in there on the location Number 1.

Q On the location Number 1?

A Yes. That is the flatest area in this part of the section and would require -- You wouldn't have to disturb too much of the artificial conditions in this area.

Q What is that cable, is that a television or a telephone cable?

A That is a -- I don't know just what that is. I think it is a telephone buried cable going, one of trans-continental's telephone cables.

MR. KASTLER: It is marked with a sign, AT&T, or general telephone?

THE WITNESS: Yes.

Q (By Mr. Nutter) And, you have ample room to build the location and the pits and everything?

A Yes, I think this line that I show as an underground cable is the line of their marker poles, which is on the north side of their forty foot easements, so, actually, their easement and cable is south of the line I show on the --

Q So, you have got a few more feet than is shown here?

A Yes, sir.

MR. NUTTER: Are there further questions of this witness? He may be excused.

(Witness excused.)

MR. KASTLER: I have a statement I would like to make at this time.

MR. NUTTER: All right, Mr. Kastler.

MR. KASTLER: Originally, at the time of the blow-out and fire, which occurred when this gas pool was discovered, this lease appeared to be a very attractive drilling prospect, however, with the completion of the Stoltz Well Number Two, as a dry hole, and the plugging of Pennzoil's and Union's wells, the prospects have turned somewhat sour.

The present status of this is that our management

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is still only considering the drilling of this well. It is most likely, if Gulf is denied in this hearing, with the result that the well must be located at or near a standard orthodox location, the additional cost of preparing the pad, staking and the grading of the road, settling surface damages and so forth, could well be the straw that broke the camel's back.

In such an event, it would be necessary for Gulf to make a suitable farm-out, however, today our efforts in this direction, indicate that a reasonable, prudent operator, ready, able and willing to drill at such a location, cannot be found. This statement or position is not, in any sense, considered to be a threat or a defiant statement, it is intended only to outline the realities of the situation, as clearly as possible. I thank you.

MR. NUTTER: Thank you. Mr. Hatch?

MR. HATCH: I have a letter from Pennzoil Company, dated May 19, 1967, addressed to the New Mexico Oil Conservation Commission. "Remember (Examiner's Hearing set on May 24th, 1967, Case 3584, Pennzoil Company on behalf of the working interest and offsetting tracts, wishes to go on record as opposing the unorthodox location sought by Gulf in the above case.

We have a Strawn gas discovery well in the north half of Section 4, Township 21 South, Range 29 East, and are

now drilling a prospective gas well at a standard gas well location in the west half of Section 33, Township 20 South, Range 30 East. We feel that the location sought by Gulf would not contribute to the orderly development of the area and could result in an equitable drainage of our leases. Pennzoil Company, by W. A. Holbert."

MR. NUTTER: I believe the record will show that that is the well that Mr. Hoover testified that hadn't been completed as a dry hole, is that correct, Mr. Hoover?

MR. HOOVER: Yes, sir.

MR. NUTTER: The well that they mentioned was drilling in the west half of Section 33?

MR. HOOVER: Yes, sir, that's correct.

MR. NUTTER: Is there anything further in Case 3584? We will take the case under advisement. Did we excuse the witness, if not, he is excused.

(Whereupon, witness was excused.)

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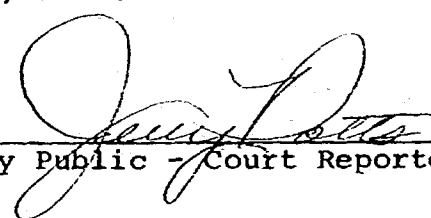
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STATE OF NEW MEXICO)
) SS.
COUNTY OF BERNALILLO)

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

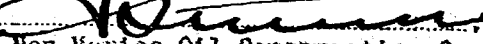
IN WITNESS WHEREOF I have affixed my hand and notarial seal this 30th day of June, 1967.


Notary Public - Court Reporter

My Commission Expires:

7-10-70

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3584 heard by me on 6/6, 1967.


Examiner
New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
EXAMINER HEARING

May 24, 1967

IN THE MATTER OF:)

Application of Gulf Oil Corporation) Case No. 3584
for an unorthodox gas well location,)
Eddy County, New Mexico.)

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 3584.

MR. HATCH: Application of Gulf Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico.

If the Examiner please, there was an error in the advertising in this case, too, in the footage, and it has been readvertised and continued to June 6th.

MR. UTZ: Case 3584 will be readvertised and continued to June 6th.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 6th day of June, 1967.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the hearing of Case No. 3 S.F. heard by me on *June 2, 1967*.
[Signature]
New Mexico Oil Conservation Commission

