

CASE 5885: CONTINENTAL OIL COMPANY FOR
AMENDMENT OF ORDER NO. R-5315, EDDY
COUNTY, NEW MEXICO

Case Number

5885

Application

Transcripts

Small Exhibits

ETC.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 25, 1978

C
O
P
Y

Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Attention: Mr. E. L. Oshlo

Re: Extension Order No. R-5315-A

Gentlemen:

Reference is made to your letter dated May 4, 1978, wherein you have requested further extension to the provisions of Division Order No. R-5315-A, which requires commencement of drilling operations on the pooled unit comprising the W/2 of Section 31, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, by November 1, 1977, unless a time extension is approved.

Our letter of October 24, 1977, extended the time to May 1, 1978. It is our understanding that certain litigation involving these lands is now set for hearing on June 12, 1978. Time for commencement of drilling operations is therefore hereby further extended to September 1, 1978.

Yours very truly,

JOE D. RAMEY
Director

JDR/DSN/fd

cc: Jason Kellahin
Case File 5885



L. P. Thompson
Division Manager

E. L. Oshio
Assistant Division Manager

Production Department
Hobbs Division
North American Production

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

May 4, 1978

Oil Conservation Division
Department of Energy & Minerals
State of New Mexico
Box 2088
Santa Fe, New Mexico 87501

Attention Mr. J. D. Ramey

Gentlemen:

Order No. R-5315-A, Case No. 5885

Your letter dated October 24, 1977 extended the terms of the subject order to May 1, 1978. This matter is presently docketed before a Special Commission appointed by the Federal District Court on a trailing docket for June 12, 1978. We believe it would be advisable to further extend the order to September 1, 1978. We are certainly hopeful that this matter will be disposed of by that time.

Yours very truly,

E. L. Oshio

VTL/jj

cc:

C. F. Ellis, Houston
F. O. Hull, Houston
J. W. Kellahin, Santa Fe
D. M. Goodfellow, Midland

*Dan:
Please take care
of this.*

JDR

OIL CONSERVATION COMMISSION

P. O. BOX 2080

SANTA FE, NEW MEXICO 87501

October 24, 1977

C Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Attention: E. L. Oshlo

Re: Order No. R-5315-A
Case No. 5885

O Dear Mr. Oshlo:

P Reference is made to your letter of October 20, 1977, wherein
you request a six months extension of time in which to com-
mence the drilling of the well to which the lands compulsorily
pooled by the subject order are to be dedicated. Order No.
R-5315-A requires said well to be commenced not later than the
first day of November, 1977.

Y Continental Oil Company is hereby granted an extension of time
until May 1, 1978, to commence the drilling of the well on the
lands pooled by Commission Order No. R-5315-A.

Yours very truly,

JOE D. RAMEY
Director

JDR/RLS/fd

cc: Case File 5885
OCC Artesia



E. L. Oshlo
Assistant Division Manager
Production Department
Hobbs Division
North American Production

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

2 1977

Stamets

October 20, 1977

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

Attention Mr. Joe D. Ramey, Secretary-Director

Gentlemen:

Order No. R-5315-A, Case No. 5885

Order No. R-5315-A was entered following the hearing on Case No. 5885 on March 23, 1977. The order states that the operator of the unit should commence drilling before November 1, 1977, or the order will become null and void, unless a time extension is obtained for good cause.

The working interest owners involved in this proration unit have been in negotiation with the Energy Research & Development Administration in regard to the development or compensation for development rights under this proration unit. We have been given verbal assurance that condemnation proceedings on the N/2 of Section 31 will be initiated in the near future. Should this action not be taken by November 1, we intend to begin the process of selecting a drilling contractor and other steps prerequisite to the commencement of drilling operations.

As a part of the condemnation proceedings, it is essential that the ownership in the W/2 Section 31 remain as is provided under the order. Ambiguity of rights under the several contracts which have been entered into and the several fact situations which could arise from the condemnation proceedings make it mandatory to preserve this ownership situation. It is respectfully requested, therefore, that the provisions of this order be extended for an additional six months, during which time we are hopeful that the condemnation proceedings will have been completed, and the rights of the parties will have been clarified.

Yours very truly,

E. L. Oshlo

E. L. Oshlo

VTL/jj

CC: Bass Enterprises, 3100 Ft. Worth National Bank Bldg., Ft. Worth, TX 76102
Belco Petroleum Corp., 411 Petroleum Bldg., 204 W. Texas, Midland, TX 79701
C. F. Ellis - Houston
F. E. Radloff - Houston
J. W. Kellahin - Santa Fe



E. L. Oshlo
Assistant Division Manager
Production Department
Hobbs Division
North American Production

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

October 20, 1977

Mr. Delacroix Davis, Jr.
Energy Research & Development Administration
Albuquerque Operations Station
P.O. Box 5400
Albuquerque, New Mexico 87115

RE: James Ranch Unit No. 8, Los Medanos Pool, Eddy County, New Mexico

Dear Mr. Davis:

This letter confirms the telephone conversation between you and Mr. Thompson and further responds to your letter dated September 15, 1977, which offered a total sum of \$642,000 to the owners of oil and gas and other hydrocarbon leasehold interests in Section 31, T-22-S, R-31-E, Eddy County, New Mexico. This offer for the exclusive use of the surface and uppermost 6,000 feet of subsurface in all of Section 31 is unacceptable to the parties owning this interest. As discussed in the above mentioned telephone conversation, we hereby request that you institute condemnation proceedings for the N/2 of Section 31 and move to consolidate this action with that already commenced on the S/2 of the section. Should these proceedings not be instituted on or before November 1, 1977, we are hereby advising that it is our intention to immediately commence the selection of a drilling contractor and other steps prerequisite to commencing actual drilling operations.

Yours very truly,

E. L. Oshlo

VTL/jj

CC: ✓ New Mexico Oil Conservation Commission, Box 2088, Santa Fe, NM 87501
Bass Enterprises, 3100 Ft. Worth Natl. Bank Bldg., Fort Worth, TX 76102
Belco Petroleum Corp., 411 Petroleum Bldg., 204 W. Texas, Midland, TX 79701
C. F. Ellis - Houston
F. E. Radloff - Houston
J. W. Kellahin - Santa Fe

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 23, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil Co. for
amendment of Order No. R-5315, Eddy
County, New Mexico.

CASE
5885

Application of Continental Oil Co. for
an unorthodox gas well location, Eddy
County, New Mexico.

CASE
5886

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

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General Court Reporting Service
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Phone (305) 982-9212

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I N D E X

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EXHIBIT INDEX

	<u>Offered</u>	<u>Admitted</u>
Applicant's Exhibit One, Plat	5	10
Applicant's Exhibit Two	5	10

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1 MR. STAMETS: We will call next Case 5885.

2 MS. TESCHENDORF: Case 5885, application of Continental
3 Oil Company for amendment of Order No. R-5315, Eddy County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,
6 Santa Fe, New Mexico, appearing on behalf of the applicant and
7 I have one witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9 MR. KELLAHIN: If the Examiner please, we would like
10 to move for consolidation of this case, 5885, with the next
11 case, 5886.

12 MR. STAMETS: All right. Would you please call Case
13 5886?

14 MS. TESCHENDORF: Case 5886, application of Continental
15 Oil Company for an unorthodox gas well location, Eddy County,
16 New Mexico.

17 MR. STAMETS: We will consolidate these two cases
18 for purposes of testimony and separate orders will be issued.

19 MR. KELLAHIN: Thank you.

20

21

VICTOR T. LYON

22 called as a witness, having been first duly sworn, was examined
23 and testified as follows:

24

DIRECT EXAMINATION

25

BY MR. KELLAHIN:

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Phone (505) 982-9212

1 Q Would you please state your name, by whom employed
2 and in what capacity?

3 A I'm Victor T. Lyon, L-y-o-n. I'm employed by
4 Continental Oil Company as Conservation Coordinator in the
5 Hobbs Division located in Hobbs, New Mexico.

6 Q Mr. Lyon, have you previously testified before this
7 Commission and had your qualifications as an expert witness
8 accepted and made a matter of record?

9 A Yes, I have.

10 Q And are you familiar with the facts surrounding
11 these two particular applications?

12 A Yes, sir.

13 MR. KELLAHIN: If the Examiner please, are the
14 witness' qualifications acceptable?

15 MR. STAMETS: They are.

16 Q (Mr. Kellahin continuing.) Mr. Lyon, would you
17 please explain briefly what Continental is seeking by the
18 consolidated applications in these two cases?

19 A Cases 5885 and 5886 are the applications of Conti-
20 nental Oil Company for authority to drill a well nineteen
21 hundred and eighty feet from the north line, six hundred and
22 sixty feet from the west line of Section 31, Township 22 South,
23 Range 31 East, Eddy County, New Mexico in the Los Medanos
24 Field and the two cases represent alternative proration units.

25 MR. KELLAHIN: Excuse me, Mr. Lyon. Mr. Examiner,

1 at this point I would like to make reference to a previous
2 Oil Commission case and have that previous record incorporated
3 in this case. The previous case is Case Number 5794 and
4 resulted in Order No. R-5315.

5 MR. STAMETS: 5794, the record will be incorporated
6 in this case.

7 MR. KELLAHIN: Thank you.

8 Q (Mr. Kellahin continuing.) Please continue.

9 A Case 5885 is our application for amendment of
10 Order R-5315 to permit the well to be located in Unit E rather
11 than in Unit L. Order R-5315 was entered in Case 5794 and it
12 force pooled the west half of Section 31 for the drilling of
13 the well which was specified to be located in Unit L and due
14 to circumstances that I will describe later, we would like to
15 have the authorized location changed to a standard location in
16 Unit E. And then if circumstances should permit our allocating
17 the west half of the section to the well, we would like the
18 well to be authorized for the north half of the section which
19 would be a nonstandard location for that proration unit. And
20 that is what we have intended in Case 5886.

21 Q Would you make reference to Exhibits One and Two and
22 explain to the Examiner what gave rise to the need for the two
23 applications today?

24 A Yes, Exhibit Number One is the -- it shows the
25 proposed proration unit that was force pooled under Order

1 R-5315, which was the west half of Section 31 and this proration
2 unit is outlined in red. The original location of the well is
3 shown uncircled, just with an open location circle and the
4 location that we are requesting is the one that is circled in
5 red.

6 The hachured outline in the south half of Section
7 31 shows that that proration unit or that half section had been
8 condemned by the Energy Research and Development Administration.
9 That condemnation involves only the surface and the initial
10 six thousand feet of the subsurface.

11 Q The condemnation case was for what purpose, Mr.
12 Lyon?

13 A Well, the condemnation was for the purpose of
14 preserving the proposed atomic waste disposal site there that
15 ERDA had in mind.

16 Now, the exhibits which we introduced in Case 5794
17 are still applicable with the exception of the location of
18 this well but there have been several changes in the situation
19 since that time.

20 The Order by its own terms would expire on January 1st,
21 1977 unless the well were drilling on that date or the Order
22 was extended by the Commission and we have requested and
23 received extensions to February 1st and then to March 1st.

24 Q You are now asking for an additional extension until
25 what date under that order?

1 A. Well, there has been another extension until the
2 fifteenth of April but we would now like to have the Order
3 extended to November 1st of this year.

4 We got the extension to February 1st so that we could
5 get the permit approved. That permit was finally approved on
6 January 20th and then we had to construct the location and the
7 roads and get a drilling contractor and so forth so we needed
8 a further extension. And construction of the roads and the
9 drilling pad were commenced but on February 9th the District
10 Court in Albuquerque in Civil Action CIV 77-071B condemned the
11 south half of Section 31 which contains the drilling site.

12 And now that this has happened the USGS has advised
13 that they must classify this as an unusual location because it
14 is politically sensitive and they say that because of this
15 classification that they estimate that it will take from six to
16 eight months to process the application for a permit to
17 drill. So that is the reason we have requested that the thing
18 be extended to November 1st because it appears that we can't
19 have a permit before that time.

20 Now, the south half of the section is leased to
21 Bass Enterprises and this acreage is involved in a farmout
22 agreement between Bass and Belco and Continental Oil Company
23 owns an interest in the southwest quarter of the section only
24 through this Commission's forced pooling order and an operating
25 agreement which has been entered into by Continental and Belco

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1 and as you can tell from what I have testified to to this
2 time, the situation is extremely confused.

3 There is to be a hearing before a jury to review
4 the condemnation proceedings and we are not sure just exactly
5 how that is going to come out. Conceivably because of the
6 fact that only Bass's lease has been condemned, Continental
7 could be left out of any compensation for the withdrawal of
8 that half section and then the only way we could protect our
9 correlative rights would be to drill a well in the north
10 half and if we don't share in the condemnation proceedings
11 we will then, depending on how that order is worded and this
12 sort of thing, it may be necessary that we would have to
13 drill the well for the north half rather than the west half.

14 So we are trying to preserve our alternatives in
15 here without having to come to the Commission for additional
16 hearings every time there is some new development in this
17 situation.

18 Now, another interesting sideline of that is that
19 Gulf Oil Corporation has an approved permit to drill in the
20 west half of Section 32 on a State lease and they too started
21 construction of their roads, location and that sort of thing.
22 That lease has expired as of midnight Monday night and so that
23 well will not be drilled. At the time this application was
24 filed it appeared that that well might be drilled and then
25 Section 31 would be subject to drainage from both the west

1 offset and the east offset.

2 Q Mr. Lyon, would you summarize for the benefit of
3 the Examiner what you would propose or request from the
4 Commission with regard to these two applications?

5 A Yes, in regard to the forced pooling order we would
6 like the location changed to Unit E rather than Unit L.

7 In regard to the nonstandard location for a proration
8 unit for the north half of Section 31, it might be appropriate
9 -- well, I can see two possibilities, one is that the
10 Commission would withhold actually entering that order until
11 the other proration unit has been discarded by necessity. The
12 other alternative that I could see would be that the Commission
13 might enter both orders but make the second one contingent
14 upon the first one being dissolved, being condemned by court
15 order, the proration unit being infeasible.

16 Q Okay. In your opinion, Mr. Lyon, will the granting
17 of this application or these applications be in the best
18 interests of conservation, prevention of waste and the
19 protection of correlative rights?

20 A Yes, sir.

21 Q Were Exhibits One and Two prepared by you directly
22 or under your direction and supervision?

23 A Yes, they were.

24 MR. KELLAHIN: We move the introduction of Exhibits
25 One and Two.

1 MR. STAMETS: These exhibits will be admitted.

2 (THEREUPON, Applicant's Exhibits One
3 and Two were admitted into evidence.)

4 MR. KELLAHIN: That concludes our direct examination.

5
6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. Lyon, if the well is finally drilled as a north
9 half dedication, what is the reason that you would not drill
10 that well as proposed to drill it at a standard location for
11 that unit?

12 A We just like the location better over there. This
13 section we feel has been drained by Shell's Antelope Ridge
14 Well No. 1 for a number of years and we would propose to locate
15 it there because it is a preferable location geologically and
16 would help to protect our correlative rights.

17 Q Was there any evidence presented in the Case 5794
18 which bears on the geology of this area, why this would be a
19 preferable site to the other?

20 A No, I don't believe there was. We had a companion
21 case on that docket too involving the same thing but at that
22 time it looked like we would go for the west half and we with-
23 drew the second application.

24 But we are drilling to the Morrow or propose to
25 drill to the Morrow and the Atoka as a backup. As to the

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1 Morrow, I don't think that there is any kind of geology that I
2 know of that will tell you whether one location is better than
3 another. As to the Atoka, we are not sure of the full areal
4 extent of the reservoir that Antelope Ridge No. 1 is producing
5 from. We feel that a location on the western edge of Section 31
6 would most probably be in that reservoir and a location further
7 east may not be.

8 MR. STAMETS: Any other questions of the witness?
9 He may be excused.

10 (THEREUPON, the witness was excused.)

11 MR. STAMETS: Is there anything further in this
12 case?

13 MR. KELLAHIN: No, sir.

14 MR. STAMETS: The case will be taken under advise-
15 ment.

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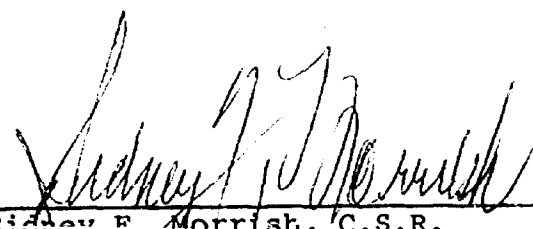
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5825-5886
heard by me on 3-23, 19 77.

, Examiner
New Mexico Oil Conservation Commission

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General Court Reporting Service
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Phone (505) 982-9212

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. 5885
Order No. R-5315-A

APPLICATION OF CONTINENTAL OIL COMPANY
FOR AMENDMENT OF ORDER NO. R-5315,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 23, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of March, 1977, 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, Continental Oil Company, seeks the
amendment of Order No. R-5315 to permit the dedication of a
previously approved 320-acre proration unit in Section 31, Town-
ship 22 South, Range 31 East, Los Medanos Field, Eddy County, New
Mexico, to a well to be drilled, commencing no later than November
1, 1977, at a standard location in Unit E of said Section 31,
rather than in Unit L as previously approved.

(3) That the W/2 of said Section 31 is to be dedicated to
the well.

(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 subject pool, will prevent the economic loss
caused by the drilling of unnecessary wells, avoid the augmenta-
tion of risk arising from the drilling of an excessive number of
wells, and will otherwise prevent waste and protect correlative
rights.

IT IS THEREFORE ORDERED:

(1) That Order (1) of Commission Order No. R-5315 is hereby
amended to read in its entirety as follows:

-2-

Case No. 5885

Order No. R-5315-A

"(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 31, Township 22 South, Range 31 East, NMPM, Los Medanos Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit E of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1977, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded."

(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

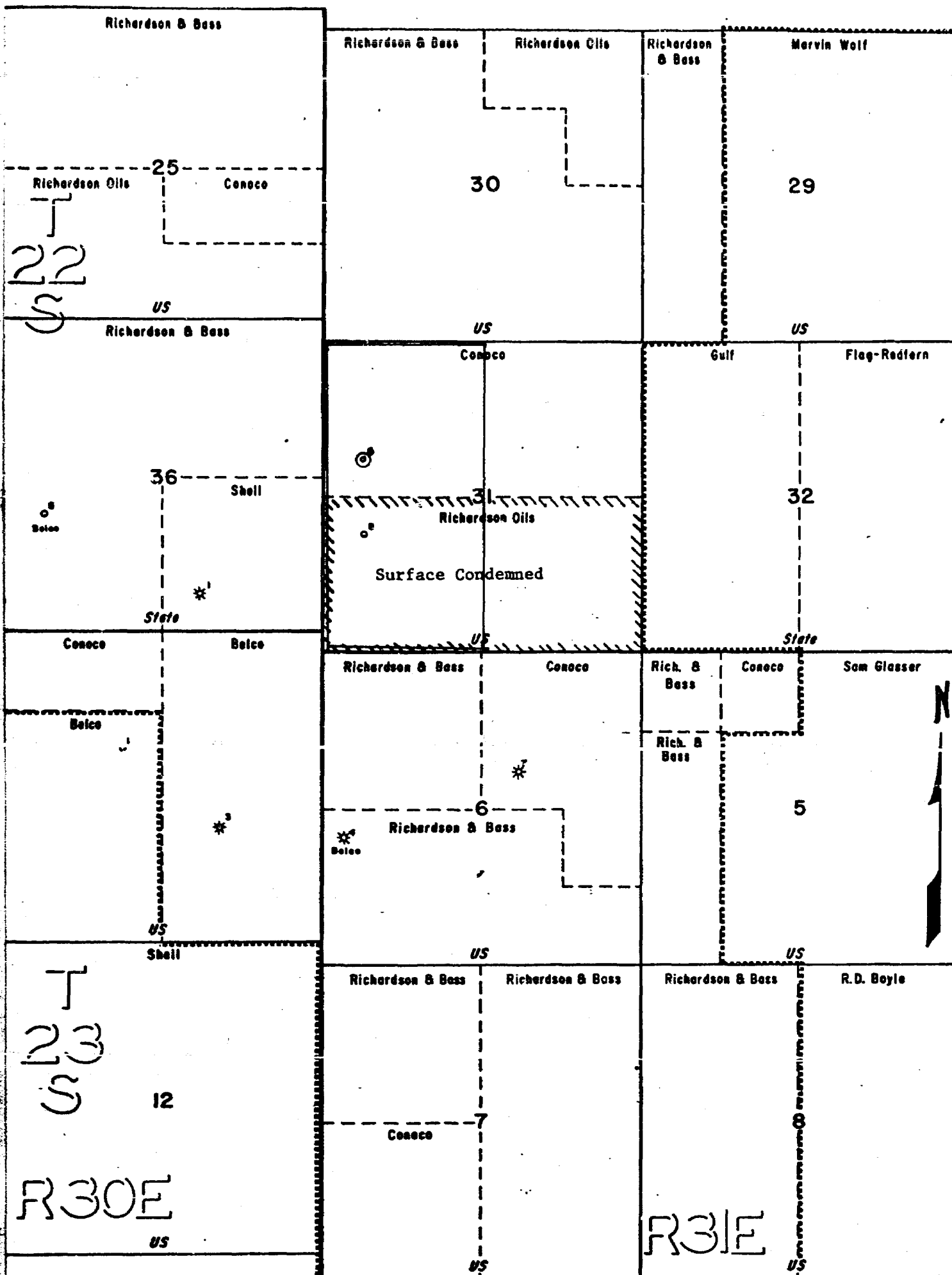
PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member

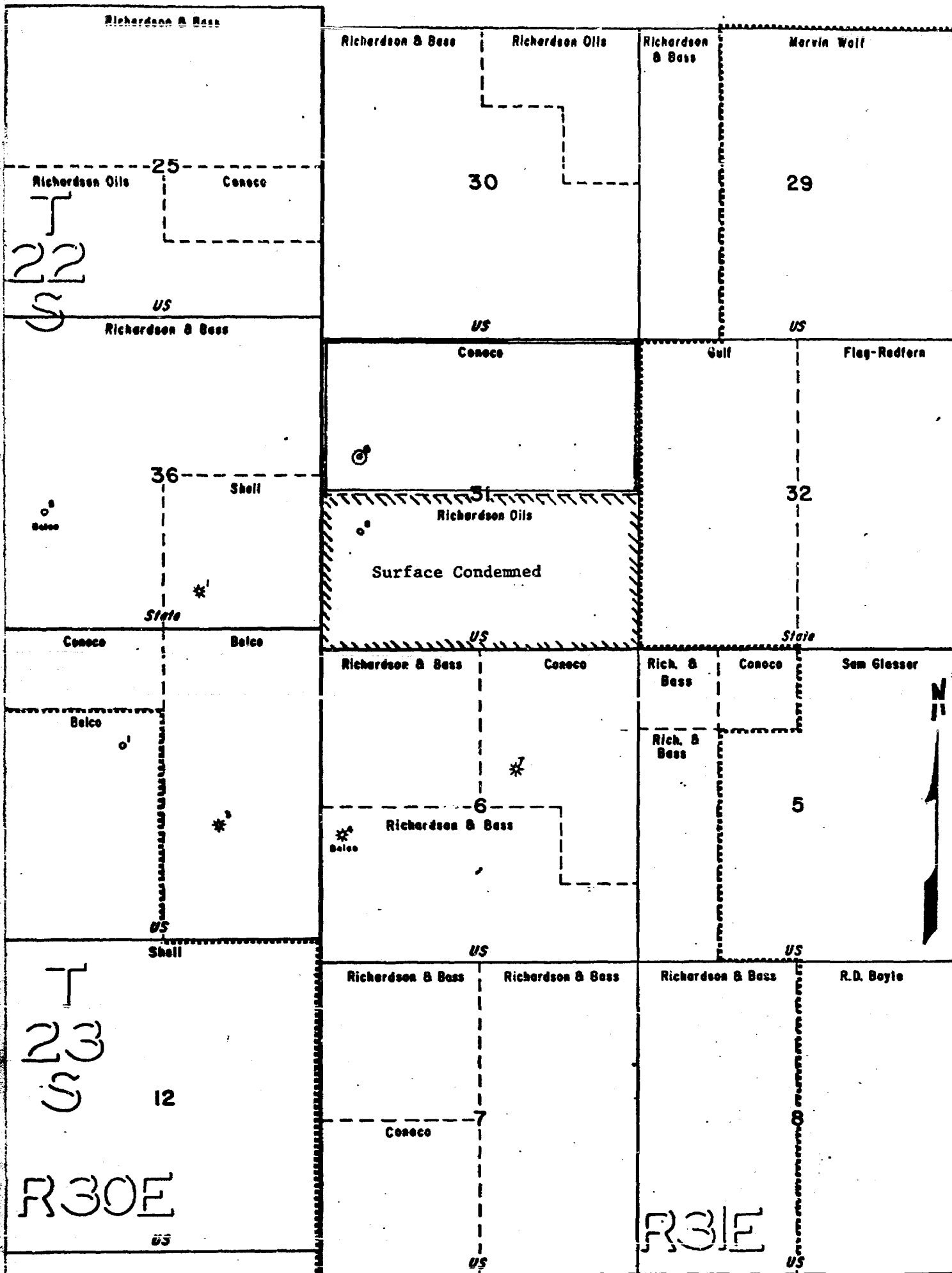

JOE D. RAMEY, Member & Secretary

S E A L

jr/



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
CONOC EXHIBIT NO. 1
CASE NO. 5885
Submitted by Lym
Hearing Date 23 MAR 77



REPORT TO THE UNITED STATES
OIL CONSERVATION COMMISSION
Conoco EXHIBIT NO. 2
CASE NO. 5885
Submitted by Lyon
Dated 23 MAR 77

Proposed Testimony For
Cases 5885 and 5886
March 23, 1977 NMOCC Examiner Hearing

Attorney makes opening statement, requesting that the two cases be consolidated for hearing and further requesting that the record in Case No. 5794 be incorporated into this record. The witness is introduced and sworn.

Cases 5885 and 5886 are applications of Continental Oil Company for authority to drill a well 1980' FNL and 660' FWL of Section 31, T-22S, R-31E in the Los Medanos Field, Eddy County, New Mexico, under alternative proration units. Case No. 5885 is our application for amendment of Order No. R-5315 which was entered in Case No. 5794 which force-pooled the W/2 of Section 31, for the drilling of the well in Unit "L" of the Section. Due to circumstances which we will describe shortly, we would like the authorized location of this well to be Unit "E" of the Section. If circumstances prevent our allocating the W/2 of the Section to this well, it is requested that the well be authorized at the same location, but allocating the N/2 of the Section to the well. This is the intent of Case No. 5886.

The exhibits which were introduced in Case No. 5794 which was presented at Examiner Hearing October 27, 1976, still apply. There have been several changes in this situation since that time which we would like to describe at this time. Order No. R-5315, by its own terms, expired on January 1, 1977, unless the well was drilling or extension was obtained. Extension to February 1, 1977, was obtained because the permit from the USGS was not obtained until January 20. An additional extension was requested and approved until March 1, to permit construction of the roads and drilling pad, to find a drilling contractor and get the rig moved to the location. Construction of the roads and drilling pad were commenced. On February 9, the United States District Court in Albuquerque, in civil action CIV77-071B condemned the S/2 Section 31, which contains our drilling site. The condemnation covered the surface and the initial 6000' of the subsurface. Application for permit to drill the well in Unit "E" has been filed with USGS, but we

have been advised by that agency that due to the actions of Energy Research and Development Administration, this area must be considered politically sensitive and therefore the processing of this permit will require 6 to 8 months. Protests have been filed with the District Court in regard to the condemnation proceedings and a hearing before a jury will be required. Furthermore, since the condemnation covered only the S/2 of Section 31, and the proposed proration unit consists of the W/2 Section 31, only half of the proration unit has been condemned. The S/2 of the Section is leased to Bass Enterprises Production Company and this acreage is included in a Farmout Agreement between that Company and Belco Petroleum Company. Continental Oil Company owns an interest in the SW/4 of the Section only through the Commission's force-pooling order and/or the Operating Agreement entered into by Continental and Belco.

As you can see this situation is somewhat confused at this time. Conceivably, Continental could be left without compensation in the condemnation proceedings. The only way that we would be able to protect our correlative rights would be to drill a well as requested in this application. If Continental shares in the compensation under the condemnation proceedings we would proceed to drill the well for the interest of the parties in the W/2 Section 31. If Continental does not participate in the compensation, then we would drill the well on the N/2 of Section 31.

Gulf Oil Corporation has been granted a permit to drill a well in the W/2 Section 32 on a state lease. This lease will expire this month unless the well is drilled. If the well is drilled and is completed as a producer, Section 31 will be subject to drainage both from the east and the west. The granting of this application in the alternative forms will result in prevention of waste and will protect correlative rights.

It is also requested that Order R-5315, amended as requested, be extended to November 1, 1977.

rej
3/18/77

Dockets Nos. 11-77 and 12-77 are tentatively set for hearing on April 6 and April 20, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 23, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 5882: Application of Amoco Production Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of a special gas-oil ratio limit of 6000 cubic feet of gas per barrel of oil for the South Empire Wolfcamp Pool, Eddy County, New Mexico.
- CASE 5883: Application of Am-Bett Oil Company, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purposes of treating and reclaiming sediment oil at a site in the SE/4 NW/4 of Section 3, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 5884: Application of BCO, Inc., for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Greenhorn, Graneros, and Dakota production in the wellbore of its Dunn Well No. 1 located in Unit M of Section 10, Township 23 North, Range 7 West, Rio Arriba County, New Mexico.
- CASE 5885: Application of Continental Oil Company for amendment of Order No. R-5315, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5315 to permit the dedication of a previously approved 320-acre proration unit comprising the W/2 of Section 31, Township 22 South, Range 31 East, Los Medanos Field, Eddy County, New Mexico, to a well to be drilled at a standard location in Unit E of said Section 31, rather than in Unit L as previously approved.
- CASE 5886: Application of Continental Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled at a point 1980 feet from the North line and 660 feet from the West line of Section 31, Township 22 South, Range 31 East, Los Medanos Field, Eddy County, New Mexico, the N/2 of said Section 31 to be dedicated to the well.
- CASE 5887: Application of Gas Company of New Mexico for suspension of Rules 14(a) and 15(a) of the gas proration rules, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from April 1, 1977, of those provisions of Rules 14(a) and 15(a) of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of underproduction and the shutting-in of overproduced wells, as applied to the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.
- CASE 5888: Application of Dalport Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its A. L. Christmas Well No. 3 to be drilled 330 feet from the South line and 2310 feet from the East line of Section 25, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.
- CASE 5889: Application of Saturn Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Blinberry formation underlying the NE/4 SE/4 of Section 11, Township 23 South, Range 37 East, Lea County, New Mexico, to be dedicated to its Lineberry Well No. 1 located in Unit I of said Section; and underlying the NW/4 SE/4 of said Section 11 to be dedicated to its Lineberry Well No. 2 located in Unit J of said Section. In the event re-entry into either well is unsuccessful, applicant proposes to drill a replacement well at a standard location on its tracts. Also to be considered will be the costs of recompletion or drilling and completing said wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in recompletion or drilling of said wells.
- CASE 5890: Application of James C. Whitten for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the re-entry of a well at an unorthodox location 1980 feet from the South line and 660 feet from the East line of Section 14, Township 20 South, Range 34 East, Lea Devonian Pool, Lea County, New Mexico. If said re-entry is unsuccessful, applicant proposes to drill a new well at an unorthodox location 2030 feet from the South line and 660 feet from the East line of said Section 14.

CASE 5891: Application of Sam H. Snoddy for directional drilling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of two 13,500 foot Morrow test wells from a single drilling site in the extreme Northwest five acres of the NW/4 SE/4 of Section 25, Township 20 South, Range 32 East, Potash-Oil Area, Lea County, New Mexico. Applicant proposes to vertically drill each of said wells to a depth of approximately 3000 feet and to then directionally drill one well in a Northeasterly direction bottoming said well in the approximate center of the NE/4 of said Section 25, and to then directionally drill the other well in a Southwesterly direction, bottoming said well in the approximate center of the SW/4 of said Section 25. Applicant would dedicate the N/2 to the first of the aforesaid wells, and would dedicate a non-standard 160-acre unit comprising the SW/4 of said Section 25 to the second.

CASE 5820: (Continued from March 9, 1977, Examiner Hearing)

Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 4, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5892: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East Burton Flat-Atoka Gas Pool. The discovery well is the J. C. Williamson & D. W. Underwood et al Williamson Federal Well No. 1 located in Unit J of Section 9, Township 20 South, Range 29 East, NMFM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMFM
Section 9: E/2

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Eidson Morrow Gas Pool. The discovery well is the Sabine Production Company North Eidson Fee Well No. 1 located in Unit M of Section 34, Township 15 South, Range 34 East, NMFM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMFM
Section 34: W/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Forehand Ranch Delaware Pool. The discovery well is the Husky Oil Company of Delaware Forehand Well No. 2 located in Unit K of Section 15, Township 23 South, Range 27 East, NMFM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMFM
Section 15: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Grayburg-Strawn Gas Pool. The discovery well is the Amoco Production Company Empire South Deep Unit Gas Com Well No. 8 located in Unit L of Section 33, Township 17 South, Range 29 East, NMFM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMFM
Section 33: S/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Indian Flats-Morrow Gas Pool. The discovery well is the Perry R. Bass Big Eddy Unit Well No. 41 located in Unit J of Section 35, Township 21 South, Range 28 East, NMFM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMFM
Section 35: E/2

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the South Maroon Cliffs-Morrow Gas Pool. The discovery well is the Perry R. Bass Big Eddy Unit Well No. 44 located in Unit H of Section 16, Township 21 South, Range 30 East, NMFM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMFM
Section 16: E/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Quahada Ridge-Atoka Gas Pool. The discovery well is the Perry R. Bass Big Eddy Unit Well No. 40 located in Unit G of Section 22, Township 21 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 22: N/2

(h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the East Red Tank-Morrow Gas Pool. The discovery well is the Gulf Oil Corporation Covington "A" Federal Well No. 1 located in Unit C of Section 25, Township 22 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 25: N/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the South Rock Tank-Morrow Gas Pool. The discovery well is the Amoco Production Company South Rock Tank Well No. 1 located in Unit H of Section 2, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 2: N/2

(j) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Trinity-Wolfcamp Pool. The discovery well is the Wainoco, Inc. Hodge et al Well No. 1 located in Unit P of Section 28, Township 12 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM
Section 28: SE/4

(k) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 30: NE/4

(l) EXTEND the South Bell Lake-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 31: S/2
Section 32: W/2

(m) EXTEND the South Bell Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: NE/4

(n) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 21: SW/4
Section 28: NW/4

(o) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 36: S/2

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 28: S/2
Section 31: S/2
Section 32: S/2
Section 33: All
Section 34: N/2
Section 35: N/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM
Section 1: All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Section 6: Lots 1, 2, 7, 8, 9, 10, 15 & 16

- (p) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMFM
Section 13: SE/4

- (q) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMFM
Section 5: S/2

- (r) EXTEND the Indian Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMFM
Section 17: S/2 SW/4
Section 18: N/2 NE/4

- (s) EXTEND the South Loco Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMFM
Section 29: All

- (t) EXTEND the Red Lake Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMFM
Section 22: S/2 NE/4
Section 23: S/2 SE/4 and SW/4 NW/4

- (u) EXTEND the North Teague-Devonian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMFM
Section 22: SE/4

- (v) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMFM
Section 2: NW/4

- (w) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMFM
Section 21: S/2

- (x) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMFM
Section 15: All
Section 28: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMFM
Section 2: All

Docket No. 10-77

Dockets Nos. 11-77 and 12-77 are tentatively set for hearing on April 6 and April 20, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING WEDNESDAY MARCH 23, 1977

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

CASE 5893: Application of the Oil Conservation Commission on its own motion for a redefinition of the vertical limits of the Blanco-Mesaverde Pool, Rio Arriba and San Juan Counties, New Mexico, to include the interval from the Huerfanito bentonite marker to a point 500 feet below the top of the Point Lookout sandstone, except that South and West of a Northwest-Southeast line generally running from the Northwest corner of Township 31 North, Range 13 West, to the Southwest corner of Township 24 North, Range 1 East, the vertical limits would include only the interval from a point 750 feet below the Huerfanito bentonite marker to 500 feet below the top of the Point Lookout sandstone.

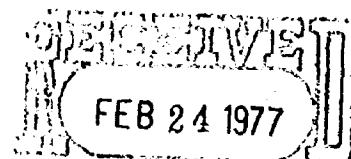
CASE 5821: (DE NOVO)

Application of Blackwood & Nichols Co., Ltd., for a hearing de novo, San Juan County, New Mexico. Upon petition of applicant in the above-styled cause and pursuant to the provisions of Rule 1220, Paragraphs (i) and (j) of Case No. 5821 will be heard de novo for the purpose of considering the nullification of Paragraphs (i) and (j) of Order No. R-5339 which created and defined the Navajo City-Chacra Pool in Township 30 North, Range 8 West, and the Animas-Chacra Pool in Township 31 North, Range 10 West, both in San Juan County, New Mexico.

CONOCO

Case 5885

L. P. Thompson
Division Manager
Production Department
Hobbs Division



OIL CONSERVATION COMM.
Santa Fe

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

February 23, 1977

*Extended R-5315 by ltr
and set for hrg.*

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

Attention Mr. J. D. Ramey - Secretary Director

Gentlemen:

Applications Regarding Order No. R-5315 and Related Matters Concerning
W/2 Section 31, T-22S, R-31E, Eddy County, New Mexico

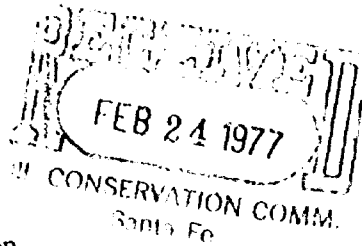
Upon our application dated January 26, 1977, the Commission granted extension of Order R-5315 to March 1 by letter dated February 1. Since that time, as you are probably aware, ERDA has instituted condemnation proceedings covering the S/2 Section 31, including the authorized location of the well contemplated in Order No. R-5315.

In response to the condemnation proceedings and in order to preserve our rights under the oil and gas lease, an application is enclosed, in triplicate, for amendment of Order No. R-5315 to authorize the well to be located in Unit E of Section 31; or in the alternative, should the forced pooling order not be amended and extended, for approval of a non-standard location for a well to be drilled in Unit E of Section 31, for a proration unit consisting of the N/2 of Section 31.

It is respectfully requested that Order No. R-5315 be extended until it can be superseded by an Order arising out of the enclosed application.

Case 5794

Case 5885



New Mexico Oil Conservation Commission
Page 2
February 23, 1977

Please set the application for hearing at the earliest Examiner hearing date.

Yours very truly,

VTL:ed

Enc

CC:

Belco Petroleum Company
411 Petroleum Building
204 West Texas
Midland, Texas 79701

Bass Enterprises Production Company
3100 Fort Worth National Bank Building
Fort Worth, Texas 76102

E.R.D.A.

P. O. Box 5400

Albuquerque, New Mexico 87111

CFE: FOH: JWK: BRM

Case 5885

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

FEB 24 1977

OIL CONSERVATION COMM.

Santa Fe

IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR
AMENDMENT OF ORDER R-5315 TO
PERMIT THE LOCATION OF THE WELL
IN UNIT E OF SECTION 31, T-22S,
R-31E, EDDY COUNTY, NEW MEXICO;
OR IN THE ALTERNATIVE, FOR APPROVAL
OF A NON-STANDARD LOCATION IN
UNIT E FOR A PRORATION UNIT CON-
SISTING OF N/2 SAID SECTION 31.

A P P L I C A T I O N

Applicant, Continental Oil Company, hereby respectfully requests that Order No. R-5315 entered in Case No. 5794 be amended so as to permit the drilling of the well at a standard location in Unit E of Section 31, T-22S, R-31E, Eddy County, New Mexico, or in the alternative, for approval of a non-standard location in Unit E for a proration unit consisting of N/2 said Section 31, and in support thereof would show:

1. Order No. R-5315 entered in Case No. 5794 compulsorily pooled the W/2 Section 31, T-22S, R-31E, Eddy County, New Mexico.
2. Said Order authorized the well to be drilled at a standard location in Unit L of said Section 31.
3. The S/2 said Section 31, has been condemned by the Energy Research and Development Administration as to the surface and 6,000' of the subsurface, precluding the drilling of the well in the prescribed location.
4. Applicant is willing and able to drill a well at a standard location in Unit E of said Section 31.
5. An alternate standard location for the pooled area is available and accessible in Unit E of said Section 31.
6. Said order should be amended permitting applicant to drill at the alternate location in Unit E.
7. That should applicant be denied amendment of the said order as described above, approval should be given to drill a well in said unit E as a non-standard location for the proration unit consisting of N/2 of said Section 31.
8. The granting of this application will prevent waste and protect correlative rights.

Application
Page 2
February 23, 1977

Wherefore, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed Examiner and, upon hearing, an Order be entered amending Order No. R-5315, or otherwise permitting the well to be located as described above.

Respectfully Submitted,

CONTINENTAL OIL COMPANY

A handwritten signature in cursive script, appearing to read "L. P. Thompson".

L. P. Thompson
Division Manager - Production

ed

DRAFT

dr/

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:

du CASE NO. 5885

Order No. R- 5315-17

APPLICATION OF CONTINENTAL OIL
COMPANY FOR AMENDMENT OF ORDER NO. R-5315,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 23,
19 77, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 19 77, 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, Continental Oil Company, seeks the
amendment of Order No. R-5315 to permit the dedication of a
previously approved 320-acre proration unit in Section 31,
Township 22 South, Range 31 East, Los Medanos Field, Eddy County,
New Mexico, to a well to be drilled ^{*commencing no later than November 1, 1977.*} at a standard location in
Unit E of said Section 31, rather than in Unit L as previously
approved.

(3) That the W/2 of said Section 31 is to be dedicated to the
well.

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Case No. 5885
Order No. R-

~~(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.~~

~~(5) That no offset operator objected to the proposed unorthodox location.~~

(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 subject pool, will 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 will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That ~~paragraph (1)~~ Order (1) of Commission Order No. R-5315 is hereby amended to read in its entirety as follows:

" (1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 31, Township 22 South, Range 31 East, NMPM, Los Medanos Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit 5 of said Section 31.

-3-
Case No. 5794
Order No. R-5315

November,

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of ~~January~~, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

November,

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of ~~January~~, 1977, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.))

(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