IN THE DISTRICT COURT OF LEA COUNTY, NEW MEXICO

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| IN THE MATTER OF THE PETITION OF AMERADA PETROLEUM CORPORATION FOR REVIEW AND APPEAL OF PROCEEDING BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, IN CASE NO. 191 | Case No. _____ |

## PETITION FOR REVIEW

Comes, now Amerada Petroleum Corporation, and for its petition for the review of the action of the Oil Conservation Commission of the State of New Mexico in the proceeding referred to above, alleges and states:

1. That on July 29, 1949, Petitioner filed its application with the Oil Conservation Commission of the State of New Mexico for the establishment of eighty-acre proration units and the uniform spacing of wells in the Bagley Siluro-Devonian Pool, Lea County, New Mexico, and for the uniform spacing of wells in said pool, which application was given Case No. 191 by the Commission.

2. Petitioner further states that due notice having been given said application came on for hearing before the Oil Conservation Commission of the State of New Mexico on December 20, 1949, at which hearing Petitioner introduced evidence in support of its application, establishing by a clear preponderance thereof the following facts which Petitioner hereby realleges, to wit:

(a) That on July 26, 1949, Petitioner completed a well known as the "Amerada-State BTA No. 1 Well" located in the center of the NW/4 SE/4 of Section 2, Township 12 South, Range 33 East, Lea County, New Mexico, which said well discovered a new common source of supply known as the Bagley Siluro-Devonian Pool, found at the approximate depth of 10,790 feet to 10,980 feet.

"EXHIBIT A"

(b) That the probable productive limits of said Bagley Siluro-Devonian Pool is as follows:

E/2 of Sec. 34
All of Sec. 35
W/2 of Sec. 36, all in T11S-R33E

E/2 of Sec. 3
All of Sec. 2
W/2 of Sec. 1
N/2 of Sec. 11
NW/4 of Sec. 12, all in T12S-R33E
Lea County, New Mexico

(c) That one well in said pool will adequately, efficiently and economically drain an area of at least eighty acres and that to require the drilling of more than one well to eighty acres in said pool will result in the drilling of unnecessary wells and will require Petitioner to drill more wells than are reasonably necessary to secure its proportionate part of the production from said pool.

(d) That because of the effective drainage area of each well in said pool, the great depth thereof and the high cost and expense required in the drilling and completion of said wells, proration units of eighty acres or one-half of a governmental quarter section should be established.

(e) That to protect the correlative rights of all parties hereto and to prevent the unnecessary pooling of separately owned tracts within a proration unit, the unit should be formed by dividing each governmental quarter section by a line from north to south through the center thereof, so that the unit shall comprise the East Half and the West Half of each governmental quarter section, except the following units, to wit:

N/2 NW/4 Sec. 35-11S-33E
S/2 NW/4 Sec. 35-11S-33E
N/2 NE/4 Sec. 2-12S-33E
SW/4 NE/4 & NW/4 SE/4 Sec. 2-12S-33E
SE/4 NE/4 & NE/4 SE/4 Sec. 2-12S-33E
S/2 Sec. 2-12S-33E
N/2 NE/4 Sec. 11-12S-33E
S/2 NE/4 Sec. 11-12S-33E

(f) That to insure the proper and uniform spacing of all wells drilled to the common source of supply, and to

protect the correlative rights of all parties interested therein, all wells drilled into said common source of supply should be located in the center of the northwest and southeast quarters of each governmental quarter section with a tolerance of 150 feet in any direction to avoid surface obstructions.

(g) That the order of the Commission should cover all wells now or hereafter drilled to and producing from the common source of supply from which the discovery well as above described is now producing, known as the Bagley Siluro-Devonian Pool, whether within the probable productive area as delineated above or any extension thereof, as may be determined by further development, so as to insure a proper and uniform spacing, developing and producing plan for all wells in the common source of supply.

(h) That the daily oil allowable of a normal unit of eighty acres, or an area equivalent to one-half of a governmental quarter section assigned to each and every well hereafter drilled and produced in conformity with the spacing pattern hereinabove provided, should be the proportional factor of 4.67 times the top allowable until such time as the development of said pool, based upon evidence submitted to the Commission after notice and hearing, justifies an increase in allowable without injury to the reservoir, and that the Commission should retain jurisdiction to increase said allowable if the evidence so justifies.

(i) That in the event good cause is shown for the granting of an exception to the well location pattern proposed by Petitioner such exception should be granted by the Commission after notice and hearing, but in the event such exception is granted the allowable for said well should be reduced in an amount to be determined by the Commission in its discretion in accordance with the evidence presented at the hearing in order to protect the correlative rights of all parties in said common source of supply.

3. Attached hereto marked "Exhibit A" and made a part hereof is a plat showing the location of the Bagley Siluro-Devonian Pool as delineated above, the leasehold ownership, the wells drilled in said pool, the proposed spacing pattern for wells to be drilled in said pool and the proposed location of the proration units constituting an exception to the regular proration units comprising the West Half and the East Half of each governmental quarter section.

4. That thereafter on January 23, 1950, the Oil Conservation Commission entered its Order No. R-2 in Case #191, denying the application of Petitioner, which order is attached hereto marked "Exhibit B" and made a part hereof to the same extent as if set out in full herein.

5. That thereafter on February 6, 1950, Petitioner filed its timely application for rehearing before the Oil Conservation Commission of the State of New Mexico and said application for rehearing was denied by said Commission by Order No. R-8 in Case #191 on February 8, 1950, which said order is attached hereto, marked "Exhibit C" and made a part hereof to the same extent as if set out in full herein.

6. Petitioner further alleges that the grounds of invalidity of the orders of the Commission referred to above, upon which it relies and will rely, are as follows, to wit:

(a) That the Commission erred in finding the evidence insufficient to prove that the proposed plan of spacing would avoid the drilling of unnecessary wells, secure the greatest ultimate recovery from the pool, or protect correlative rights.

(b) That the Commission erred in finding the evidence insufficient to prove that one well drilled on each eighty-acre tract would efficiently drain the recoverable oil from the pool.

(c) That the orders entered by said Commission denying said application and denying the rehearing thereof are contrary to and in disregard of the evidence introduced at the hearing which established by a preponderance thereof the facts and matters alleged above and that eighty acres is the area that may be efficiently and economically drained and developed by one well and that the establishment of eighty-acre proration units and uniform spacing of wells as requested by Petitioner will prevent waste, avoid the drilling of unnecessary wells and protect the correlative rights of all parties interested in said pool.

(d) That the orders of the Commission referred to above are contrary to law.

Petitioner further alleges that all of the matters and questions herein presented were heretofore presented to the Commission by the Application for Rehearing.

WHEREFORE, Petitioner respectfully prays the Court, as authorized by Section 19b, Chapter 168 of the Laws of the State of New Mexico, 1949, to review the action of the Oil Conservation Commission herein complained of and to enter its order vacating the orders of the Commission hereinabove referred to and to enter its order in lieu thereof establishing eighty-acre proration units and the uniform spacing of wells in the Bagley Siluro-Devonian Pool, Lea County, New Mexico, as requested by the application of Amerada Petroleum Corporation filed with said Commission and in accordance with the evidence presented at the hearing before said Commission in support thereof as set out above and the evidence presented upon the trial de novo upon appeal, all as authorized by the laws of the State of New Mexico.

HERVEY, DOW & HINKLE

s/ By Clarence Hinkle

SETH & MONTGOMERY

s/ By Oliver Seth

s/ Harry D Page
Harry D. Page

s/ Booth Kellough
Booth Kellough

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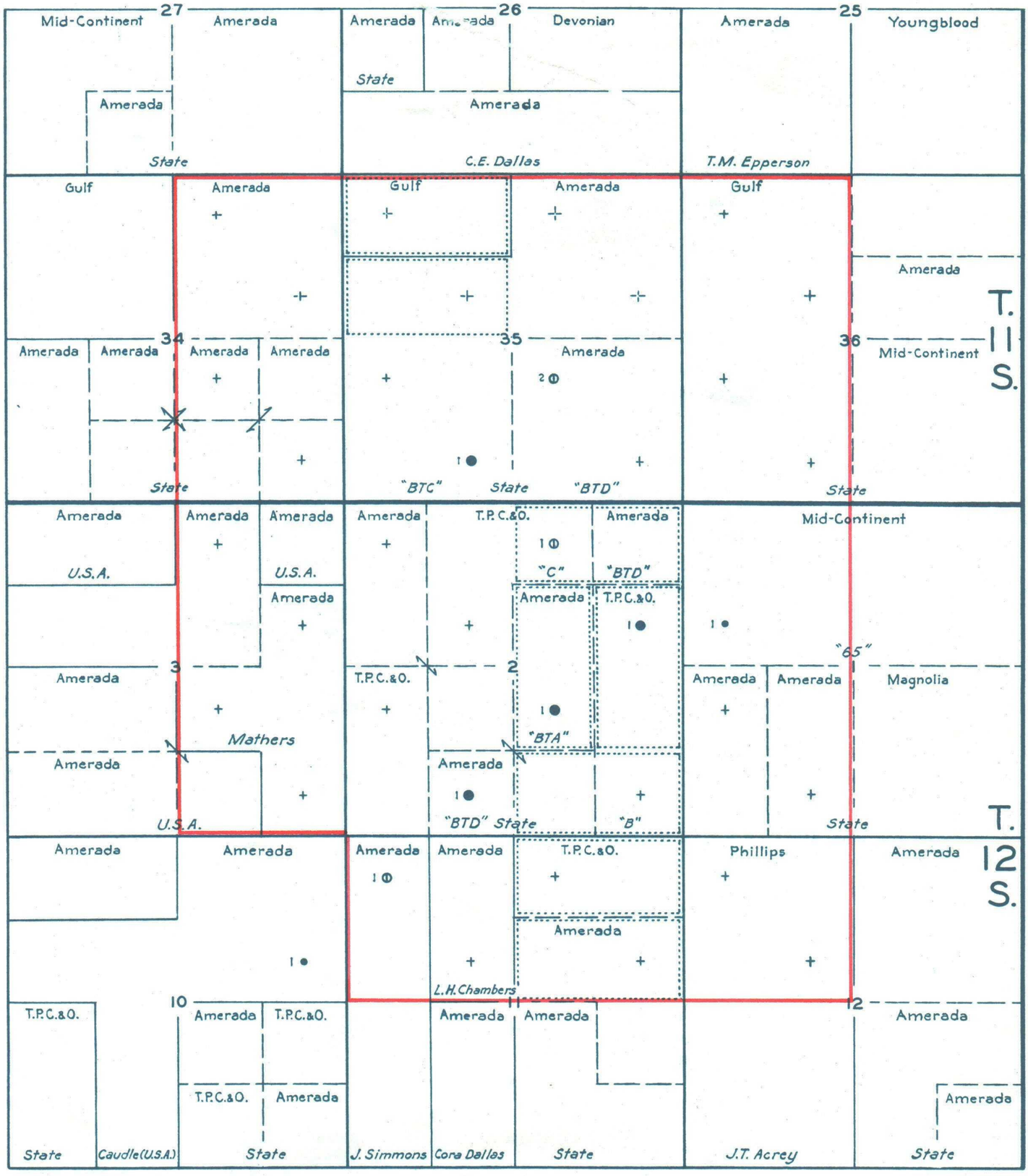
Attorneys for Petitioner
Amerada Petroleum Corporation.




R. 33 E.

# BAGLEY FIELD

## LEA COUNTY NEW MEXICO

- BAGLEY - SILURO-DEVONIAN POOL WELLS
- BAGLEY - PENNSYLVANIAN POOL WELLS

APPLICATION AMERADA PETROLEUM CORPORATION

DECEMBER 20, 1949

"EXHIBIT A"

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 191
ORDER NO. R-2

IN THE MATTER OF THE APPLICATION OF AMERADA PETROLEUM CORPORATION FOR THE ESTABLISHMENT OF PRORATION UNITS AND UNIFORM SPACING OF WELLS IN THE BAGLEY SILURO-DEVONIAN POOL IN LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing before the Commission on December 20, 1949, on the application of Amerada Petroleum Corporation to establish proration units and uniform spacing of wells in the Bagley Siluro-Devonian Pool in Lea County, New Mexico.

The Commission having heard the evidence, the argument of counsel and being duly advised,

FINDS:

1. The Commission has jurisdiction of the subject matter and of the interested parties, due notice of the hearing having been given.

2. The evidence is insufficient to prove that the proposed plan of spacing would avoid the drilling of unnecessary wells, secure the greatest ultimate recovery from the pool or protect correlative rights.

3. The evidence is insufficient to prove that one well drilled on each 80-acre tract would efficiently drain the recoverable oil from the pool.

IT IS THEREFORE ORDERED:

1. The application of Amerada Petroleum Corporation is denied.

2. Nothing contained herein shall be construed to require the drilling of one well on each 40-acre tract in the pool.

3. Nothing contained herein shall be construed to be a determination by the Commission as to what constitutes "reasonable development" of any lease in the pool in relation to the implied covenants of any such lease.

DONE at Santa Fe, New Mexico, on the 23rd day of January, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
Signed by:
Thomas J. Mabry, Chairman
Guy Shepard, Member
R. R. Spurrier, Secretary

"EXHIBIT B"

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 191
ORDER NO. R-8

IN THE MATTER OF THE APPLICATION OF AMERADA PETROLEUM CORPORATION FOR THE ESTABLISHMENT OF PRORATION UNITS AND UNIFORM SPACING OF WELLS IN THE BAGLEY-SILURO/DEVONIAN POOL IN LEA COUNTY, NEW MEXICO.

ORDER DENYING REHEARING

BY THE COMMISSION:

Amerada Petroleum Corporation having filed herein an application for rehearing on the alleged grounds that Order No. R-2 heretofore entered on 23 January 1950 was erroneous, and the Commission having considered said motion and having concluded that it is not well taken,

IT IS THEREFORE ORDERED that the application for rehearing filed by Amerada Petroleum Corporation will be denied.

DONE this 8th day of February, 1950, at Santa Fe, New Mexico.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ THOMAS J. MABRY, CHAIRMAN

/s/ GUY SHEPARD, MEMBER

/s/ R. R. SPURRIER, SECRETARY

"EXHIBIT C"

# NEW MEXICO
## OIL CONSERVATION COMMISSION



P. O. BOX 871
SANTA FE, NEW MEXICO

June 1, 1950

MEMORANDUM TO MR. SPURRIER:

In accordance with your instructions, I made the trip to Roswell for the purpose of attending the pre-trial conference in the Amerada matter.

The conference began at 9:00 A.M., May 29. After a 3-hour discussion, the point raised by Mr. Jack Campbell and supported by Mr. McCormick and myself to the effect that the trial de novo phraseology in the act was unconstitutional, was met by Amerada attorneys Mr. Kellough and Mr. Hinkle, with a request for a 30-day recess of the pre-trial conference within which time they wished to file briefs on the question. This office and the Texas Pacific Coal people will be allowed 10 days thereafter to file answer briefs, thus the pre-trial conference is in recess for at least 40 days.

George A. Graham

GAG:bw

COPY

ATWOOD, MALONE & CAMPBELL
LAWYERS

JEFF D. ATWOOD
ROSS L. MALONE, JR.
JACK M. CAMPBELL

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

January 9, 1950

Mr. R. R. Spurrier
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Re: Case No. 191

Dear Mr. Spurrier:

In compliance with the request of the Commission made at the conclusion of the hearing upon Case No. 191, we are enclosing herewith requested Findings of Fact and Conclusions of Law of protestant, Texas Pacific Coal and Oil Company, for filing in connection with this case. A copy of the requested findings is being forwarded to other members of the Commission.

Very truly yours,

ATWOOD, MALONE & CAMPBELL

Jack M. Campbell

By: Jack M. Campbell

JMC:bk

cc: Mr. Guy Shepherd
Commissioner of Public Lands

Honorable Thomas J. Mabry
Governor of the State of New Mexico

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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| In the matter of the application of Amerada Petroleum Corporation for the establishment of proration units and uniform spacing of wells for the common source of supply discovered in Amerada-State BTA No. 1 Well in NW¼SE¼ Section 2, Twp. 12 S., Rge. 33 E., N.M.P.M., in Lea County, New Mexico. | ) ) ) ) ) ) ) | Case No. 191 |

REQUESTED FINDINGS OF FACT AND CONCLUSIONS OF LAW OF PROTESTANT TEXAS PACIFIC COAL AND OIL COMPANY

Comes now protestant Texas Pacific Coal and Oil Company by its attorneys and requests the Commission to adopt the following Findings of Fact and Conclusions of Law.

## Findings of Fact

1. The lease owners in the Bagley Devonian pool here involved have not all agreed upon a plan for the spacing of wells.

2. None of the royalty owners, overriding royalty owners, or owners of production payments have agreed upon the plan proposed by applicant for spacing of wells in the pool here involved.

3. The applicant failed to prove, by a preponderance of the evidence, that the 80 acre fixed pattern spacing plan proposed by applicant would have the effect of preventing "waste", as such term is defined by Senate Bill No. 163, Acts of the 19th Legislature, State of New Mexico, 1949.

4. The applicant failed to prove, by a preponderance of the evidence, that the 80 acre fixed pattern spacing plan proposed by applicant is fair to the royalty owners in such pool.

5. The applicant failed to prove, by a preponderance of the evidence, that wells drilled upon the 80 acre fixed pattern spacing plan proposed by applicant would adequately and efficiently drain the recoverable oil from the pool reservoir.

6. The lease owners in the pool here involved have not all agreed upon the plan or method of distribution of the allowables, as proposed by applicant hereunder, nor have such lease owners all agreed upon the amount of the allowable per well proposed by applicant herein.

7. None of the royalty owners, overriding royalty owners, or owners of production payments, in the pool here involved, have agreed upon applicant's proposed plan or method of distribution of allowables, nor have such royalty owners agreed upon the per well allowable proposed by applicant.

8. The applicant failed to prove, by a preponderance of the evidence, that its proposed plan or method of distribution of allowables, or its proposed per well allowable, is fair to the royalty owners in such pool.

9. The applicant failed to prove, by a preponderance of the evidence, that wells drilled upon a 40 acre spacing pattern, in conformity with the existing Statewide spacing order, would constitute the drilling of unnecessary wells.

10. The applicant failed to prove, by a preponderance of the evidence, that applicant's proposed 80 acre fixed pattern spacing plan would afford the opportunity, insofar as practicable to do so, to each owner in the pool to produce, without waste, his just and equitable share of the oil or gas in the pool.

11. Establishment of applicant's proposed 80 acre fixed pattern spacing plan would reduce, or tend to reduce, the total quantity of crude petroleum oil and natural gas ultimately recoverable from the pool here involved.

12. Establishment of applicant's proposed 80 acre fixed pattern spacing plan would not afford the opportunity, insofar as practicable to do so, to each owner in the pool to produce, without waste, his just and equitable share of the oil and/or gas in the pool here involved.

13. Establishment of applicant's proposed 80 acre fixed pattern spacing plan would not properly protect the correlative rights of the lease owners and royalty owners in the pool here involved.

14. Applicant failed to prove, by a preponderance of the evidence, any basis or justification for granting its requested exceptions to the Statewide rules governing spacing of wells and assignment of allowables thereto, in the pool here involved.

## Conclusions of Law

1. Granting of the application would result in "waste", as such term is defined in Senate Bill No. 163, Acts of the 19th Legislature of New Mexico, 1949.

2. Granting of the application would not properly protect the correlative rights of the owners in the pool.

3. Applicant's proposed allocation of a 40 acre allowable to an 80 acre proration unit results in unreasonable and discriminatory allocation between oil fields in this State.

4. Granting of the application and the establishment of the 80 acre proration unit and the fixed pattern spacing plan in the pool here involved would violate the provisions of Section 13 (c) of Senate Bill No. 163, Acts of the 19th Legislature, New Mexico, 1949, which provides that the owner of any tract that is smaller than the drilling unit established for the field shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste.

Respectfully submitted,

Eugene T. Adair
Jack M. Campbell

By Jack M. Campbell
Attorneys for Protestant
Texas Pacific Coal and Oil Company