

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

TRANSCRIPT OF HEARING
Case No. 324

November 20, 1951

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OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

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In Re:

In the Matter of the application of)
The Texas Company for an order approv-)
ing an unorthodox location for its)
State "AR" Well No. 1, 660 feet south)
of the north line and 1980 feet east)
of the west line of Section 2, Town-)
ship 11 South, Range 37 East, NMPM,)
Lea County, New Mexico, and for uni-)
tization for proration purposes of Lot)
3, Section 2, Township 11 South, Range)
37 East, NMPM, Lea County, New Mexico,)
comprising 18.52 acres, more or less.)

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(Notice of publication read by Mr. Kellahin.)

MR. Brown. G. R. Brown of the Texas Company.

MR. WHITE: Do you wish to be sworn?

MR. BROWN: Yes.

MR. BROWN: The location of The Texas Company's State of New Mexico "AR" Well No. 1 was staked 660 feet from the north line and 1980 feet from the west line of Section 2, T-11-S, R-37-E, Lea County, New Mexico. This was intended to be a regular location and would have been had a full section existed. On March 30, 1951, Form C-101, Notice of Intention to Drill, was received and approved by Mr. Roy Yarborough, Oil and Gas Inspector. On September 7, 1951, following the potential test, The Texas Company received a letter from Mr. A. L. Porter setting an allowable of 301 barrels per day for the well, effective September 1, 1951. The well had been producing subsequent to that date in accordance with the allowable granted effective September 1.

When other operators became active offsetting this lease, the location was further investigated and found to not be in conformance with Rule 104, which states that "any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter section or lot being a legal subdivision of the U. S. Public Land Survey." Mr. A. L. Porter brought this fact to the attention of The Texas

Company's Midland Office and as a result this hearing was requested.

As shown in Exhibits A and B, there is a row of odd size sections extending across Lea County, including Section 2, T-11-S, R-37-E, upon which the well in question was drilled. Each section consists of a full south half but the north half is only approximately 600 feet wide. Therefore, a well located 660 feet from the north line of the section will actually be some 47 feet south of the regular subdivision marking the south half of the section. The Texas Company's State of New Mexico "AR" Lease consists of 117.1 acres in the form of a rectangle. Two regular sized 40-acre units (N/2 of SW/4 of Section 2) make up the southern portion of the lease, whereas an additional 37 acres makes the northern portion of the lease. In order to avoid the necessity for special hearings to drill on the narrow 37-acre portion of our lease, it is recommended that the 37 acres be evenly divided and, for proration purposes, be considered a portion of the two regular 40-acre units in the southern portion of the lease. Therefore, The Texas Company's State of New Mexico "AR" Lease would consist of two 58.6-acre tracts for proration purposes.

In order to avoid drilling more than two wells upon the 117.1 acres included in this portion of The Texas Company's State of New Mexico "AR" Lease, it is requested that the portion be divided into two proration units containing 58.6

acres each and that the allowable for any well drilled on either of the two proration units be given an allowable equal to $58.6/40 \times 5.67$ x normal unit allowable for The Texas Company's State of New Mexico "AR" Well No. 1. The 18.5 acres lying in the lot north of the NE/4 of the SW/4 of Section 2, T-11-S, R-37-E, will be included for proration purposes and thus the allowable for the well will be calculated as requested above.

Then there are two plats attached as exhibits.

Q (by Mr. Kellahin): Do you offer that exhibit in evidence?

MR. BROWN: Yes.

CHAIRMAN SPURRIER: Without objection, it will be received. With 117 acres is it conceivable that you had about three wells, if you had three wells you would have 40 acres per each well.

MR. BROWN: Yes, Mr. Spurrier, almost. There would be a three-acre penalty on one well. If you notice on Exhibit Two the lots across the north are extremely narrow and would have to be a triangular location. That is, two wells to the north and one somewhat in the south central portion at least to gain an even distribution. Also if we started drilling on the narrow lots the persons to the north consider themselves under offset or possibly non-offset. Depending on whether the well, where it fell. We plan in the future, if we drill

that well to the west on the "AR" Lease, to drop it down in the center of the 40 acres so it will be a regular location.

CHAIRMAN SPURRIER: Do you have any reaction from the offset leaseholders?

MR. BROWN: Southern Union production to the east was the one that brought it to our attention that it was an irregular spacing. It is my understanding that they located their well in the center of the 40-acre from a geological standpoint. Apparently either location would be the same.

CHAIRMAN SPURRIER: Does anyone have a question of the witness?

MR. WHITE: What is the correct description of the location of this well as to Section, Township and Range?

MR. BROWN: The plat I submitted to you marked Exhibit One was incorrect. It should be Township 11 South. I believe it was submitted as Township 2 South.

MR. WHITE: In your petition, which was filed with the Commission, you also designated it as Township 2 South.

MR. BROWN: That is 11 SE. The notice of hearing was correct. The application was incorrect.

MR. WHITE: That is all I have.

CHAIRMAN SPURRIER: Any further questions?

MR. SANDERS: Continental. I would like to ask one question. Would you repeat how you propose to figure your allowable?

MR. BROWN: Strictly on a per acreage basis. It would be the area of the 40-acre unit plus that of the lot to the north of it, divided by 40 times the normal unit allowable. The factor I read of 5.67 is the depth factor for that particular depth.

MR. SANDERS: That is all, thank you.

CHAIRMAN SPURRIER: Any further questions? If not, the witness may be excused. The case will be taken under advisement and we will proceed to Case No. 325.

