

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF JAKE L. HAMON
AND WARREN PETROLEUM CORPORATION
FOR APPROVAL OF 80-ACRE SPACING
AND METHOD OF DISTRIBUTION OF
ALLOWABLE IN THE SOUTHEAST KNOWLES
AREA, LEA COUNTY, NEW MEXICO, COM-
PRISING THE FOLLOWING DESCRIBED
LANDS, TO-WIT:

CASE NO. 819

T. 17 S., R. 38 E.
Section 12: $E\frac{1}{2}$, $SW\frac{1}{4}$
Section 13: All
Section 24: All

T. 17 S., R. 39 E.
Section 7: $W\frac{1}{2}$
Section 18: $W\frac{1}{2}$
Section 19: $W\frac{1}{2}$

Come the undersigned, Jake L. Hamon and Warren Petroleum Corporation and respectfully show:

1. That Jake L. Hamon is a resident of Dallas, Texas, and that the Warren Petroleum Corporation is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, with a certificate of authority to do business in the State of New Mexico, and that Jake L. Hamon and the Warren Petroleum Corporation are each the owners of an undivided $1/2$ interest in and to certain oil and gas leases embracing the following described lands situated in the "Southeast Knowles Area", Lea County, New Mexico, to-wit:

T. 17 S., R. 38 E., N.M.P.M.
Section 12: $NE\frac{1}{4}$, $SW\frac{1}{4}$
Section 13: $E\frac{1}{2}$, $NW\frac{1}{4}$
Section 24: $W\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$

T. 17 S., R. 39 E., N.M.P.M.
Section 7: $NW\frac{1}{4}$, $W\frac{1}{2}SW\frac{1}{4}$
Section 18: $W\frac{1}{2}$
Section 19: $W\frac{1}{2}$

2. That the Gulf Oil Corporation is the owner of certain leasehold interests covering the following described land situated in the "Southeast Knowles Area", Lea County, New Mexico, to-wit:

T. 17 S., R. 38 E., N.M.P.M.
Section 12: $SE\frac{1}{4}$
Section 13: $SW\frac{1}{4}$

T. 17 S., R. 39 E., N.M.P.M.
Section 7: $E\frac{1}{2}SW\frac{1}{4}$

3. That the Amerada Petroleum Corporation is the owner of certain leasehold interests covering the following described land situated in the "Southeast Knowles Area", Lea County, New Mexico, to-wit:

T. 17 S., R. 38 E., N.M.P.M.
Section 24: $N\frac{1}{2}NE\frac{1}{4}$

4. That the oil and gas leasehold interests hereinabove referred to owned by the undersigned applicants and the Gulf Oil Corporation and the Amerada Petroleum Corporation cover all of the lands which are believed to be within the productive limits of the "Southeast Knowles Area", which is more particularly shown by the plat attached hereto, made a part hereof and for purposes of identification marked Exhibit "A".

5. That Jake L. Hamon and the Warren Petroleum Corporation drilled the "Jake L. Hamon No. 1 Federal Davis" located in approximately the center of the $NE\frac{1}{4}NE\frac{1}{4}$ Section 13, T. 17 S., R. 38 E., N.M.P.M., which was the discovery well in the "Southeast Knowles Area" and which was completed as a well capable of producing oil and gas in paying quantities from the Devonian formation on or about May 19, 1954, at a depth of 12,171 feet. That since the drilling of said discovery well, there have been several additional producing wells completed in the area and from the information obtained in the drilling of these wells and geophysical surveys made of the area, the probable producing limits of the zone, reservoir or pool are believed to be reasonably well defined. That the plat attached hereto as Exhibit "A" shows the locations of the producing wells and the wells which are being drilled at the present time.

6. That the character of the production obtained in said field or area is such that due to the great cost of drilling said wells to a depth in excess of 12,000 feet, it would not be economical to develop said field or area by the drilling of one well to each 40-acre legal subdivision of the probable producing area. That the oil being produced from the Devonian formation underlying said area is actuated by a water drive and that the water table or level has been established with reasonable certainty and the porosity and permeability

of the producing horizon is such that one well will effectively, efficiently and economically drain 80 acres or more of the lands in said area and that the development of said area on an 80-acre spacing pattern would be the most economical and beneficial to all parties concerned and would be in the interest of conservation and have the effect of preventing waste, in that marginal wells would not be drilled if developed on a 40-acre spacing pattern due to the fact that the cost of drilling the same could not be recovered.

7. That the undersigned applicants are the owners of approximately 82.4% of the working interests in the oil and gas leases embracing the lands as shown on the plat attached hereto as Exhibit "A" covering the probable productive limits of the "Southeast Knowles Area" and have agreed upon a plan for the spacing of wells in the development of said area and also upon a plan or method for the distribution of the allowable fixed by the Commission for the pool or area. Under said plan, the area would be developed by the drilling of one well upon each 80-acre legal subdivision, the wells to be located not closer than 660 feet to any lease line and at least 1320 feet between wells, and the regular 40-acre allowable with deep well proportional factor set by the Commission each month for the pool or area would be allocated to each 80-acre subdivision constituting the proration unit for the well situated thereon. That the Gulf Oil Corporation is the owner of approximately 14.7% and the Amerada Petroleum Corporation is the owner of approximately 2.9% of the working interests in and to the oil and gas leases covering the said "Southeast Knowles Area" and both of said parties have indicated that they are in accord with said plan of development, as will more particularly appear by photostatic copies of letters of the Gulf Oil Corporation and Amerada Petroleum Corporation respectively, addressed to applicants, attached hereto, made a part hereof and for purposes of identification marked Exhibits "B" and "C" respectively.

It is believed that said 80-acre spacing pattern and plan or method for the distribution of the allowable will be in the interest of conservation and the prevention of waste and will promote the

greatest ultimate recovery of oil and gas from the area, as the characteristics of the reservoir are such that a too rapid rate of withdrawal and the coning effect caused by the drilling of one well upon each 40-acre legal subdivision will reduce the ultimate recovery from the pool or reservoir.

8. That it is believed that the well spacing plan and method of distribution of the allowable to be fixed by the Commission each month for the "Southeast Knowles Area" as hereinabove set forth, will be fair to the royalty owners having royalty and overriding royalty interests under the respective leases covering said area, in that by such method of spacing and development, each of the leases will be allocated a fair share of the recoverable oil from the pool or reservoir and that the ultimate recovery will be greater under such plan than by the drilling of one well upon each 40-acre legal subdivision and consequently, will be beneficial to and in the interest of said royalty owners as well as the working interest owners.

WHEREFORE, the undersigned applicants respectfully request that after notice and hearing hereon as provided by law, that the Commission enter an order approving the plan outlined herein for the spacing of wells and method of distribution of the allowable fixed by the Commission for the "Southeast Knowles Area" in accordance with the provisions of Section 13(e) (69-213 $\frac{1}{2}$ N.M. Stat. '41 Annot.; 65-3-14 N.M. Stat. '53 Annot.).

Respectfully submitted,



Jake L. Hamon

WARREN PETROLEUM CORPORATION

By  _____ 

HERVEY, DOW & HINKLE

BY 

Roswell, New Mexico
Attorneys for Applicants

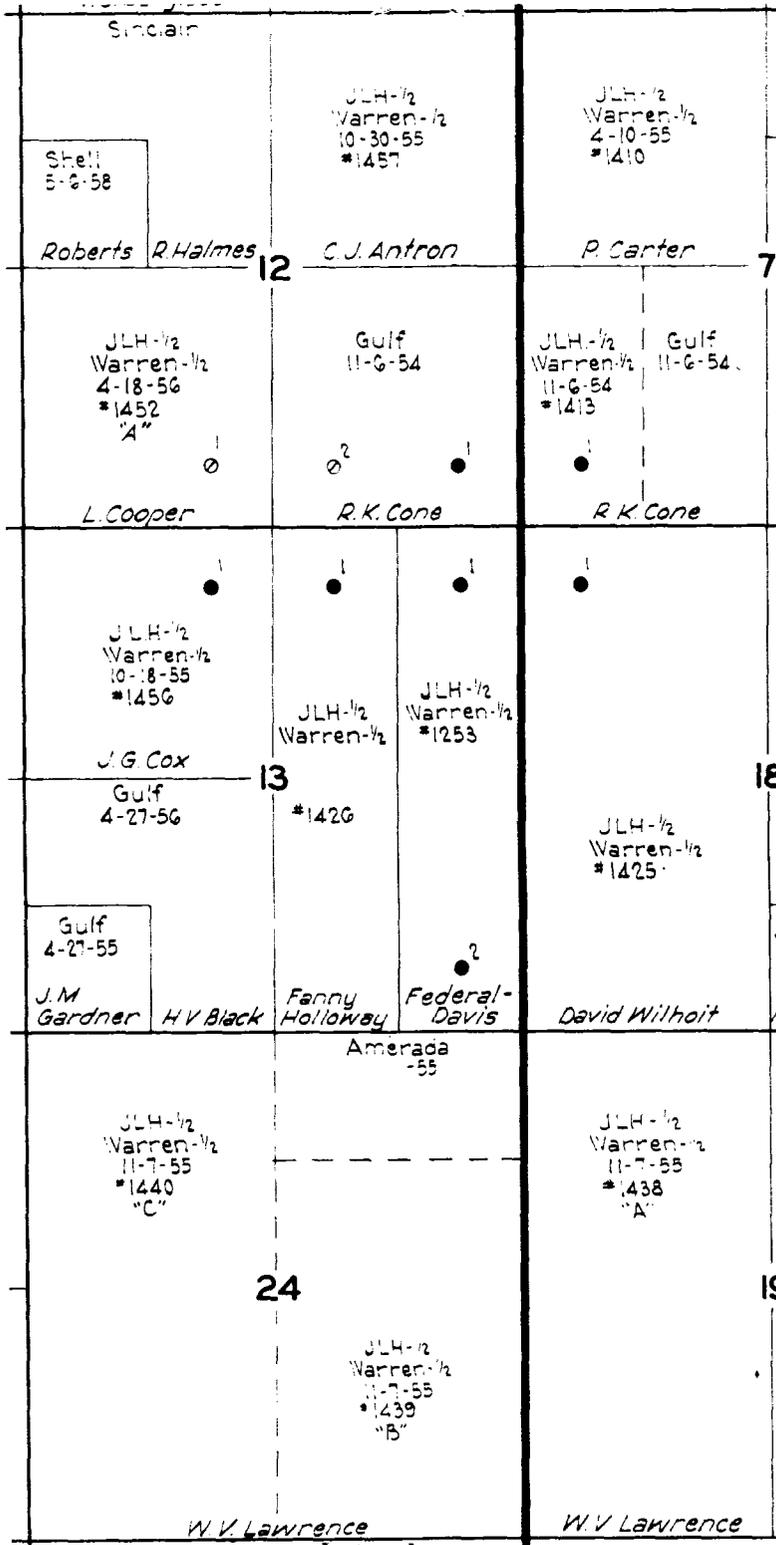


EXHIBIT "A"

Application of Jake L. Hamon et al for approval of agreed plan for the spacing of wells and method of distribution of allowable in the Southeast Knowles Area, Lea County, New Mexico