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LOSEE AND STEWART  
CARRER BUILDING 100 DRAWER 39  
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SANTA FE, NEW MEXICO

21 March 1962

Mr. Richard Morris, Attorney  
New Mexico Oil Conservation Commission  
Land Office Building  
P. O. Box 871  
Santa Fe, New Mexico

Re: Oil Conservation Commission Case No. 2473  
Newmont Oil Company, Applicant

2520

Dear Mr. Morris:

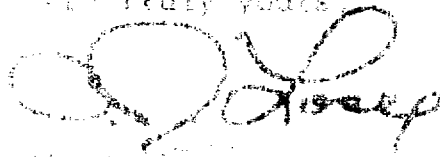
Enclosed herewith you will please find triplicate copies of an Application for a Modification or Amendment of Oil Conservation Commission Order R-2178 duly entered in Case No. 2473. As stated to you on the telephone, I will furnish, in triplicate, Exhibits 1 and 2 to this Application in the next few days.

As an extraordinary measure and in order to be assured that you will receive this Application by March 22, we are sending it to Santa Fe under separate cover, an additional triplicate of the Application. We have requested the bus company to deliver it to you upon arrival.

On behalf of Applicant, Newmont Oil Company, I request that a hearing be set for hearing before an examiner on March 26, 1962.

Advise me for your consideration of this request.

Very truly yours



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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

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April 9, 1962

MEMORANDUM

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TO: COMMISSIONER E. S. WALKER  
FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR  
SUBJECT: THE NEWMONT CASE TO BE HEARD APRIL 10, 1962

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The applicant in the subject case has applied for what amounts to capacity allowables for a waterflood project in the Loco Hills Pool of Eddy County, and since you were not a member of the Commission when we had the lengthy hearings from which our present waterflood rules evolve, I will give you some of the background on the subject in general, as well as the specifics in this particular case.

Our first major waterflood case came on before Governor Mechem, Commissioner Morgan and myself during 1957 and was known as the "Graridge" case. The testimony in this case convinced the Commission that for a temporary period until more information could be had, waterflood projects should have capacity allowables, though it was strongly opposed by certain operators at the time.

In October of 1959, after observing the performance of several waterfloods and the effects of unlimited waterflood production on the overall state allowable, the Commission, which was composed of Governor Burroughs, Commissioner Morgan and myself, decided that the whole matter should be reopened for further

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

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Memorandum

April 9, 1962

information. A three day hearing was held in Roswell during which the foremost experts of both the proponents and the opponents of capacity allowables were heard.

As a result of the above-mentioned project, the Commission concluded that unrestricted waterflood production had had an adverse impact upon the market available for primary production, and that production from waterfloods could be controlled without waste. The Commission, however, recognized that a constant injection rate was beneficial and so we provided for allowables which would not fluctuate with the normal unit allowable. The allowables established were based on a ten year average of normal unit allowables.

Because operators of previously authorized projects had already purchased equipment designed for capacity production, we exempted such existing projects from allowable limitations. We also made provisions for the establishment of buffer zones between old and new floods where it could be shown at a hearing that correlative rights might suffer. We further concluded that the allowable provisions of our waterflood rule should not apply to a legitimate expansion of an existing project. In determining what constitutes a legitimate expansion, we consider whether or not the acreage is contiguous, whether the ownership is common, whether efforts at unitizing were underway when the flood was started and whether the equipment had already been designed.

The applicant in the Newmont case first applied for a legitimate expansion of a pilot flood which was authorized before the institution of our rule which limits waterflood allowables. Mr. Nutter heard the case and recommended a buffer zone to be established between the pilot flood and the proposed expansion area and that the new area be subjected to the rules which limit production. The Commission entered an order in line with the examiner's recommendations after reviewing the matter in your office.

Now, the applicant says that after several weeks study, that to comply with our order would result in considerable waste and proposes to offer evidence based upon the operation of the pilot

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

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Memorandum

April 9, 1962

flood, as to how and why such waste will occur.

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There are serious questions, and they may be raised at the hearing, as to why this case should be heard in view of the fact that the Commission has already determined that waterflood production can be controlled. I think that the answer is that:

1. The applicant proposes to present evidence that he claims is peculiar to his situation, and

2. The Commission should continue its policy of allowing any applicant a full opportunity to show why he thinks he has a valid reason for exception to any rule when there is a chance that waste is involved.

LAW OFFICES

LOSEE AND STEWART

A. J. LOSEE

EDWARD B. STEWART

CARPER BUILDING - P. O. DRAWER 239

ARTESIA, NEW MEXICO

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21 March 1962

Mr. Richard Morris, Attorney  
New Mexico Oil Conservation Commission  
Land Office Building  
P. O. Box 871  
Santa Fe, New Mexico

Re: Oil Conservation Commission Case No. <sup>2520</sup>2473  
Newmont Oil Company, Applicant

Dear Mr. Morris:

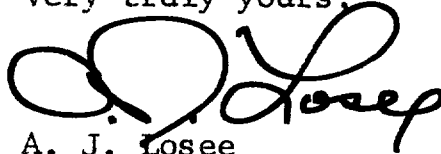
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As a precautionary measure and in order to be assured that you will receive this Application by March 22, we are sending by bus to Santa Fe under separate cover, an additional copy of this Application. We have requested the bus company to call you upon arrival.

On behalf of the Applicant, Newmont Oil Company, I request that this matter be set for hearing before an examiner on April 10, 1962.

Thank you in advance for your consideration of this request.

Very truly yours,



A. J. Losee

AJL/bk  
Enclosures

103 38

Jm

J. CLEO THOMPSON, SR. & JAMES CLEO THOMPSON, JR.

OIL PRODUCERS  
12TH FLOOR KIRBY BUILDING  
DALLAS 1, TEXAS

April 6, 1962

New Mexico Oil & Gas Conservation Commission  
Box 871  
Santa Fe, New Mexico

Case 2520

Re: West Loco Hills Water Flood Unit - Eddy County,  
New Mexico

Attention: Mr. A. L. Porter

Gentlemen:

It is our understanding that on the 10th of April, 1962, you are to give consideration to the application of the West Loco Hills Unit to amend the Order of the Commission, as previously rendered by your Order R-2178, and being one of the unit owners, we would like to submit to you our views regarding the Application, since we will be unable to have a representative at the Hearing.

You are, therefore, respectfully requested to make this letter a part of your record.

It is our feeling: (a) That the evidence as submitted establishes the fact that the Reservoir proposed to be water flooded is in the same field, and the producing horizon is identical with the area which is presently being flooded to the East by Newmont Oil Company.

We, therefore, submit:

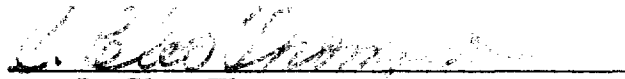
- (1) That the proposed West Loco Hills unit is a natural expansion of the existing water flood of Newmont Oil Company;
- (2) The proposed unit being a natural expansion of an existing water flood, it would be inequitable for the expanded area embraced in the proposed unit to receive different treatment to that presently enjoyed by the present existing water flood;

In support of the above conclusions, we respectfully submit that unless the proposed unit is granted the same rights and privileges which are enjoyed by the present water flood unit operators, the unit being in the same field, and the same horizon, and being adjacent properties, that the proposed unit owners would not be permitted to recover their fair share of the oil in place, and would, in our opinion, result in waste because it would not permit a uniform flood which we feel is necessary in order to recover the most possible oil from the area.

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In view of our conclusions as herein stated, we respectfully urge that favorable consideration be given to the Application of the West Loco Hills Unit Operators to amend your Order as heretofore granted, giving the new area the same rights and privileges which their neighbors enjoy at the present time.

Very truly yours,

  
J. Cleo Thompson

  
James Cleo Thompson, Jr.

JCT: b . .