

BEFORE THE
OIL CONSERVATION COMMISSION
DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF TEXACO PRODUCING, INC.
FOR PERMITS TO DRILL IN POTASH-OIL
AREA, EDDY COUNTY, NEW MEXICO

Case No. 9148
Case No. 9158

AUTHENTICATION

William R. Humphries, duly sworn states:

1. I am the duly elected Commissioner of Public Lands for the State of New Mexico (State Land Commissioner) and am competent to testify to the matters stated herein.

2. As State Land Commissioner, I am the custodian of all records maintained at the New Mexico State Land Office.

3. I certify that the attached documents are true and exact copies of the originals maintained in the files and records of the New Mexico State Land Office.

Further affiant sayeth not;

William R. Humphries
Commissioner of Public Lands

By W. R. Humphries

Dated this 8th day of June, 1987.

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. <u>9148</u> <u>9158</u>	Exhibit No. <u>4</u>
Submitted by <u>TEXACO</u>	
Hearing Date <u>6-18-87</u>	



W.R. HUMPHRIES
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 10 1987	
FBI - SANTA FE	
RED	✓ COS 3-9
WHM	P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148	

March 5, 1987

GMP 3/9
BEH 3/9
GMP 3/9

Texaco USA
ATTENTION: Mr. S. L. Chandler
P. O. Box 3109
Midland, Texas 79702

Re: Forty-Niner Ridge Unit Agreement
Initial Participating Area for
Delaware Cherry Canyon Formation
Eddy County, New Mexico And 1987
Plan of Development

Gentlemen:

Reference is made to your application for approval of the Initial Delaware Cherry Canyon Participating Area for the Forty-Niner Ridge Unit Area, Eddy County, New Mexico.

A review of our records reflects that the Forty-Niner Ridge Unit Well No. 1-J is producing from the Forty Niner Ridge Delaware pool and the Unit Well No. 2-G is producing from the Forty Niner Ridge Bone Spring pool.

In our letter of March 28, 1986, we concurred with the Bureau of Land Management that the Initial Morrow Participating Area for the above captioned unit terminated automatically on October 1, 1981, being the date the Unit Well Nos. 1 and 2 were abandoned in the Morrow formation. We also requested that you submit a copy of your participating area for the Initial Delaware Cherry Canyon formation together with revised Exhibits "A" and "B" to this office and the Bureau of Land Management for approval. Your Application dated November 13, 1985 requested this participating area to include Sections 9, 10, 15, 16, 21 and 22, T. 23S., R. 30 E. containing 3.840.00 acres and was based on the completion of the Forty Niner Ridge Unit Well No. 1 from the Delaware Cherry Canyon formation at depths between 5433 and 5952 feet effective as of August 6, 1984.

In our letter of January 6, 1987, we notified you that a six section participating area containing 3.840 acres was not appropriate if only one well was going to be produced from the unit and therefore you were given thirty days to submit additional information about your future development plans for the unit.

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Please be advised that this office is in receipt of a copy of your 1987 Plan of Development dated February 3, 1987 and your subsequent letter of February 10, 1987 requesting that we reconsider approval of the six section Initial Delaware Cherry Canyon Participating Area for the Forty-Niner Ridge Unit Area. Please be advised that your 1987 Plan of Development is not acceptable.

A study of the development history of the Forty-Niner Ridge Unit clearly indicates that the operator did not pursue development in a diligent manner. The discovery well was completed November 10, 1973 and the second well was completed one year later in November 1974. For the past 11 years following the completion of the 2nd unit well the operator has occupied himself with reworking and workover operations conducted on these same existing wells. The only other indication of activity was your letter of September 30, 1985 advising that "in accordance with Oil Conservation Commission Order No. R-111-A, Texaco Producing Inc. wishes to notify you of our intention to drill the Forty Niner Ridge Unit Well No. 3 to be located 2310' FNL and 2310' FEL of Sec. 16-23S-30E and will be drilled to a total depth of 6400'". Accompanying this letter was NMOCD Form C-101 and C-102 dated October 10, 1985, and approved by the NMOCD on November 4, 1985. Our records indicate that this well was never drilled.

In your letter of February 10, 1987 you state that "as operator of the Forty-Niner Ridge Unit Texaco must strongly assert that it would be inequitable and illogical to deny our request for a six section unit due to lack of activity when the NMOCD has rejected all of Texaco's efforts to drill another well". Checking with the NMOCD confirms that an application was made and arbitration with potash operators failed. However, there was no follow-up and no hearing was ever requested. In short, it is our opinion that the operator did not diligently follow up on the requirement for developing the producing area.

The data provided by Texaco is highly interpretive and highly speculative. Production to date does not confirm the existence of a widespread blanket of producing lithology. Production to date suggests marginal capabilities and the small recoveries certainly do not suggest drainage areas of more than 40.00 acres for oil. It is our opinion that a drainage area of 160.00 acres per oil well would be considered overly generous.

In view of the above, your request for approval of the Initial Delaware Cherry Canyon Participating Area can not be approved unless Texaco resubmits an acceptable Plan of Development providing for the drilling and completion of two

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wells within the proposed unit spotting area by December 31, 1987. All other subsequent Plans should also provide for the drilling of additional wells until this unit area is fully developed.

If we can be of further help please do not hesitate to contact us.

Very truly yours.

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 

ERNEST VALDEZ, Assistant Director
Oil and Gas Division
(505) 827-5744

WRH/EV/pm

cc: OCD-Santa Fe, New Mexico
BLM-Roswell, New Mexico Attn: Mr. Armando Lopez