

CASE 4300: Application of TEXAS
AMERICAN FOR CREATION OF NEW GAS
POOL AND SPECIAL POOL RULES.

Case Number

4300

Application

Transcripts.

Small Exhibits

ETC.

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 17, 1971

EXAMINER HEARING

IN THE MATTER OF:

Case No. 4300 being reopened pursuant)
to the provisions of Order No. R-3917,) Case No. 4300
which order established 640-acre spacing)
units for the Sand Dunes-Atoka Gas Pool,)
Eddy County, New Mexico, for a period of)
one year.)

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

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1 MR. NUTTER: Call Case 4300.

2 MR. HATCH: In the matter of Case No. 4300 being
 3 reopened pursuant to the provisions of Order No. R-3917,
 4 which order established 640-acre spacing units for the Sand
 5 Dunes-Atoka Gas Pool, Eddy County, New Mexico, for a period
 6 of one year.

7 MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant,
 8 Cox and Eaton, Roswell, appearing on behalf of the Texas
 9 American Oil Company. We have one witness and five exhibits,
 10 I believe.

11 (Witness sworn.)

12 (Whereupon, Applicant's Exhibits 1 through 5 were
 13 marked for identification.)

14 MR. HINKLE: Mr. Examiner, Exhibit No. 2, we only
 15 have one copy of. It's the same exhibit that was introduced
 16 in the original case and we just wanted to call your attention
 17 to the structural condition there, but it's already an
 18 exhibit in the original case; I believe it's Exhibit No. 3
 19 in the original case.

20 MR. NUTTER: If we will identify these as being
 21 Exhibit No. 2, 3, 4 and 5, Case 4300 reopened, if you please --

22 MR. HINKLE: Yes, that's right.

23 MR. NUTTER: -- that will separate them from the
 24 ones last year.
 25

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ROY VALLA,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence and by whom you are employed.

A My name is Roy Valla. I am a resident of Odessa, Texas. I am employed as production manager and petroleum engineer for Texas American Oil Corporation.

Q Are you a graduate petroleum engineer?

A Yes, I am.

Q Have you previously testified before the Commission?

A Yes, I have.

Q And your qualifications as a petroleum engineer are a matter of record with the Commission?

A Yes.

Q Are you familiar with the special pool rules which were adopted for the Sand Dunes-Atoka Gas Pool about a year ago?

A Yes, I am.

Q Are you familiar with the wells that have been drilled in that area --

A Yes, I am.

Q -- made a study of them?

A Yes.

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1 Q Have you prepared or has there been prepared under your
 2 direction certain exhibits for introduction in this case?

3 A Yes, that's correct.

4 Q Refer to Exhibit 1 and explain what this is and what it
 5 shows.

6 A Exhibit 1 outlines Texas American leases in the Sand
 7 Dune Field or area in Eddy County. In Section 26, in the
 8 northeast quarter, is located our Todd 26 Federal No. 1
 9 which was completed as an Atoka Gas Well.

10 This well was given temporary 640-acre proration
 11 unit. Later, we drilled a well in Section 14. This
 12 Atoka producing interval was not present to the -- in
 13 such proportion to be able to produce in that well. It
 14 was later completed from a lower zone.

15 Q What zone was that, the Morrow?

16 A That was the Morrow; that is correct. Still later,
 17 Texas American drilled a well in Section 36, south --
 18 approximately a mile southeast of the subject well.

19 This well also did not have the Atoka zone present
 20 and is being completed at the present time in the Morrow
 21 zone. This map also depicts the isopach of this Atoka
 22 zone, which possibly the effective pay lies in the
 23 shaded blue area here.

24 Q You might refer to Exhibit No. 2 so as to show the
 25 location of these wells.

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- 1 A Exhibit No. 2 was from the original hearing, was a
- 2 structure map depicting the structure of this area and
- 3 can explain the reason for the additional wells being
- 4 drilled. The structure lies -- is an anticline trending
- 5 in a north-south direction here.
- 6 Q Now, Exhibit No. 2, is that a result of seismic survey
- 7 that was made?
- 8 A That is correct.
- 9 Q And these two additional wells that you have referred
- 10 to in Sections 14 and 36 were located on the axis of
- 11 that structure, were they not --
- 12 A That is correct.
- 13 Q -- with the hope that you could expand the Atoka pay
- 14 zone here?
- 15 A That is correct.
- 16 Q What acreage does Texas American Oil Corporation own in
- 17 this area?
- 18 A These 16 sections less one 80-acre track depicts the
- 19 acreage that Texas American controls here.
- 20 Q Now, have you made a study of the Atoka reservoir as
- 21 result of this discovery?
- 22 A Yes, I have.
- 23 Q Refer to Exhibit No. 3, I guess it is, and explain that.
- 24 A This is a volumetric reserve calculation that was made just
- 25 immediately after the Todd 26 Federal No. 1 was completed

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1 which depicts the reservoir data; net pay of 67 feet;
2 average porosity of 8.7 percent; bottom hole temperature
3 of 190 degrees Fahrenheit; original bottom hole pressure
4 of 9620 PSIA; specific gravity of the gas is .594; com-
5 pressibility factor originally of 1.38; water saturation
6 of 40 percent, and using a recovery figure of 85 percent,
7 we -- I have calculated 733 MCF per acre foot recoverable
8 gas.

9 Relating this to a net pay of 67 feet and 640 acres
10 in area, the reserves are 31.434 billion cubic feet of
11 gas from that well.

12 Q Now, have you prepared any information with respect to
13 the cumulated production from this well?

14 A Yes, I have.

15 Q Refer to Exhibit No. 4.

16 A Exhibit No. 4 is a plot of bottom hole pressure divided
17 by compressibility factor versus cumulative production
18 in this well with two points plotted, the original bottom
19 hole pressure and a pressure taken in July of 1970.
20 This extrapolates to a thousand pound abandonment pressure
21 and extrapolates to reserves of 31.2 billion cubic feet
22 which, in my opinion, is very close to that -- those
23 reserves that were originally calculated from volumetric
24 methods.

25 MR. NUTTER: That was at one thousand pound

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abandonment pressure?

THE WITNESS: That is correct.

Q (By Mr. Hinkle) Does this information have any bearing on the area that this well is draining?

A Well, it is my opinion that it is very close to being a reservoir of 640 acres, especially since the volumetric reserves calculated on a 640-acre area match almost identically to a pressure decline history on this well.

Q In your opinion, will this well effectively and efficiently drain 640 acres?

A It will.

Q Due to the unusual conditions here, the other wells that you have testified to in Sections 14 and 36 having missed the Atoka formation, could your company justify the drilling of any additional wells in this area?

A No, we could not. This well, of course, originally was drilled to the Devonian -- tested the Devonian at a depth of 16,500 feet. The cost of drilling and completing this first well was \$1,150,000.00. This well -- if we do have 640-acre spacing, it will be an economical well.

Q Refer to Exhibit 5 and explain what that is.

A This is a history tabulation of gas production and MCF since the well was put on production in March of 1970.

Q It's been on continuous production since that time?

A That is correct. Natural Gas Pipe Line Company of

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1 America is purchasing the gas. They laid a 20-mile
 2 pipe line in for this one well into this area and they,
 3 themselves, have spent close to a million dollars on
 4 purchasing this gas.

5 Q What is your recommendation to the Commission with respect
 6 to these special pool rules?

7 A It's my recommendation that the Commission, if they
 8 deem -- see necessary, see fit, to continue the temporary
 9 rules that were set up a year ago, make these rules
 10 permanent.

11 Q In your opinion, would making these rules permanent be
 12 in the interest of conservation of waste --

13 A It would.

14 Q -- and tend to protect correlative rights?

15 A That's correct.

16 MR. HINKLE: We would like to offer Exhibits 1
 17 through 5.

18 MR. NUTTER: Applicant's Exhibits 1 through 5 will
 19 be entered into evidence.

20 MR. HINKLE: That's all of our direct.

21 CROSS EXAMINATION

22 BY MR. NUTTER:

23 Q Mr. Valla, Exhibit No. 5 here shows the monthly production
 24 from the well since it was first put on the line. What
 25 did this total up, about four or five billion or what?

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1 A I believe for the first year, the year 1970, is right
 2 in the neighborhood of three and a half billion, yes,
 3 sir.

4 Q Now, I notice that it has declined from the first or
 5 second month. Is this a decline in the well's capability
 6 or is this less takes by the pipe line or what?

7 A Well, we have cut the well back. The well is producing
 8 some water. Since this is a reef type formation, we have
 9 cut the production back substantially.

10 MR. HINKLE: Voluntarily.

11 THE WITNESS: Voluntarily, that is correct.

12 Q (By Mr. Nutter) I see. But it has a greater capacity
 13 than is shown here?

14 A That is correct.

15 Q Now, is July, 1970, the most recent bottom hole pressure
 16 you have on the well?

17 A That is correct.

18 Q When do you anticipate you will be taking another
 19 pressure?

20 A Probably in the next three to four months here.

21 Q And, so far, if the one point bears out the rest of the
 22 curve later on, it would indicate that your volumetric
 23 calculation of 640-acre reserves would show that that's
 24 all you are draining is 640 acres?

25 A Yes, that's correct.

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- 1 Q What is the basis for drawing the isopach in the manner
- 2 that it's drawn in Exhibit No. 1?
- 3 A Well, this -- our geologist drew this with help from
- 4 some of the other interest owners in this area, of course,
- 5 utilizing logs, this was really the main thing, but the
- 6 Spear Oil Comapny has made a study of the sample cuttings
- 7 through this Atoka formation here and have determined
- 8 that this is an Algamound reef type formation and where
- 9 we have porosity and permeability, especially perme-
- 10 ability, it is a very good producing formation, but to
- 11 the north and also to the southeast here there was
- 12 absolutely no permeability in this.
- 13 Q Your structure map doesn't change, though?
- 14 A No, it does not. It's fairly accurate.
- 15 Q Just no development here in the Atoka?
- 16 A That's correct.
- 17 Q How about the Morrow in each of these other two wells;
- 18 what kind of wells did you get there?
- 19 A We have two wells that are in the Morrow and they are
- 20 poor wells.
- 21 Q They are?
- 22 A Yes.
- 23 Q And no Atoka at all?
- 24 A That is correct.
- 25 Q You had a Bone Spring Well in here, I believe, somewhere,

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1 didn't you?

2 A We had a Cherry Canyon Well that is a twin to this 26

3 No. 1 here, that's correct.

4 MR. NUTTER: Are there any further questions of Mr.

5 Valla? He may be excused.

6 (Witness excused.)

7 MR. NUTTER: Do you have anything further, Mr.

8 Hinkle?

9 MR. HINKLE: No, sir, that's all.

10 MR. NUTTER: Does anyone have anything they wish to

11 offer in Case No. 4300 reopened?

12 MR. HATCH: The Commission has received telegrams

13 from Marathon Oil Company and from Mobil Oil Corporation in

14 support of Applicant.

15 MR. NUTTER: Thank you. Does anyone else have

16 anything for Case No. 4300 reopened? We will take the case

17 under advisement.

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I N D E X

WITNESS

PAGE

ROY VALLA

Direct Examination by Mr. Hinkle

3

Cross Examination by Mr. Nutter

8

E X H I B I T S

Applicant's 1 through 5

2

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, GLENDA BURKS, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Glenda Burks
Court Reporter

I do hereby certify that the foregoing is a true and correct record of the proceedings in the Bernalillo County of Case No. 1511, dated 3/17/71.

Glenda Burks
Court Reporter
New Mexico Oil Conservation Commission

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209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



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ROY VALLA,

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BY MR. HINKLE:

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25 did this total up, about four or five billion or what?

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1 A I believe for the first year, the year 1970, is right
 2 in the neighborhood of three and a half billion, yes,
 3 sir.

4 Q Now, I notice that it has declined from the first or
 5 second month. Is this a decline in the well's capability
 6 or is this less takes by the pipe line or what?

7 A Well, we have cut the well back. The well is producing
 8 some water. Since this is a reef type formation, we have
 9 cut the production back substantially.

10 MR. HINKLE: Voluntarily.

11 THE WITNESS: Voluntarily, that is correct.

12 Q (By Mr. Nutter) I see. But it has a greater capacity
 13 than is shown here?

14 A That is correct.

15 Q Now, is July, 1970, the most recent bottom hole pressure
 16 you have on the well?

17 A That is correct.

18 Q When do you anticipate you will be taking another
 19 pressure?

20 A Probably in the next three to four months here.

21 Q And, so far, if the one point bears out the rest of the
 22 curve later on, it would indicate that your volumetric
 23 calculation of 640-acre reserves would show that that's
 24 all you are draining is 640 acres?

25 A Yes, that's correct.

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- 1 Q What is the basis for drawing the isopach in the manner
2 that it's drawn in Exhibit No. 1?
- 3 A Well, this -- our geologist drew this with help from
4 some of the other interest owners in this area, of course,
5 utilizing logs, this was really the main thing, but the
6 Spear Oil Comapny has made a study of the sample cuttings
7 through this Atoka formation here and have determined
8 that this is an Algamound reef type formation and where
9 we have porosity and permeability, especially perme-
10 ability, it is a very good producing formation, but to
11 the north and also to the southeast here there was
12 absolutely no permeability in this.
- 13 Q Your structure map doesn't change, though?
- 14 A No, it does not. It's fairly accurate.
- 15 Q Just no development here in the Atoka?
- 16 A That's correct.
- 17 Q How about the Morrow in each of these other two wells;
18 what kind of wells did you get there?
- 19 A We have two wells that are in the Morrow and they are
20 poor wells.
- 21 Q They are?
- 22 A Yes.
- 23 Q And no Atoka at all?
- 24 A That is correct.
- 25 Q You had a Bone Spring Well in here, I believe, somewhere,

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didn't you?

A We had a Cherry Canyon Well that is a twin to this 26
No. 1 here, that's correct.

MR. NUTTER: Are there any further questions of Mr.
Valla? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr.
Hinkle?

MR. HINKLE: No, sir, that's all.

MR. NUTTER: Does anyone have anything they wish to
offer in Case No. 4300 reopened?

MR. HATCH: The Commission has received telegrams
from Marathon Oil Company and from Mobil Oil Corporation in
support of Applicant.

MR. NUTTER: Thank you. Does anyone else have
anything for Case No. 4300 reopened? We will take the case
under advisement.

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I N D E X

WITNESS

PAGE

ROY VALLA

Direct Examination by Mr. Hinkle

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Cross Examination by Mr. Nutter

8

E X H I B I T S

Applicant's 1 through 5

2

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, GLENDA BURKS, Court Reporter in and for the County
5 of Bernalillo, State of New Mexico, do hereby certify that
6 the foregoing and attached Transcript of Hearing before the
7 New Mexico Oil Conservation Commission was reported by me;
8 and that the same is a true and correct record of the said
9 proceedings to the best of my knowledge, skill and ability.

Glenda Burks

Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the hearing held on June 20, 1971, at
Albuquerque, New Mexico, before the
New Mexico Oil Conservation Commission.
3/17 1971

Glenda Burks, Secretary
New Mexico Oil Conservation Commission

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EXAMINER HEARING

Application of Texas American Oil Corporation for the creation of a new gas pool and for special pool rules, Eddy County, New Mexico.

Case No. 4300

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order, please.
Case 4300.

MR. HATCH: Case 4300. Application of Texas
American Oil Corporation for the creation of a new gas
pool and for special pool rules, Eddy County, New Mexico.

MR. EATON: Paul W. Eaton, Jr., of the firm of
Hinkle, Bondurant and Christy, Roswell, New Mexico, repre-
senting the Applicant.

We have one witness.

(Witness sworn).

(Whereupon, Applicant's
Exhibits 1 through 4 were
marked for identification).

MR. UTZ: Are there other appearances? You may
proceed.

H. L. ATNIPP

called as a witness, having been first duly sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. EATON:

Q Please state your name, residence, occupation
and employer.

A H. L. Atnipp, 2200 Humble, Midland, Texas; vice-
president, Texas American Oil Corporation.

Q How do you spell your last name?

A A-t-n-i-p-p.

Q I.e. Atnipp, are you familiar with the application in this case?

A Yes, I am.

Q Are you familiar with the Texas American Oil Corporation Todd 26 Federal No. 1 Well in Section 26, Township 23 South, Range 31 East, Eddy County?

A Yes, I am.

Q Have you previously testified before this Commission?

A No, I have not.

Q Will you please give a resume of your educational background and experience in the oil business?

A Bachelor of Science, petroleum engineering, University of Texas; eight years various engineering capacities, Texaco; eight years various capacities, Great Plains Land Company; current capacity, vice-president, Texas American Oil Corporation and a registered professional engineer in the State of Texas.

Q That's a very short resume, Mr. Hearing Examiner. Is it satisfactory?

MR. UTZ: Yes.

Q (By Mr. Eaton) Please state what Texas American seeks by its application.

A We seek temporary 640 acre spacing for the Atoka Formation in what we call the Todd Federal Area.

Q And you also seek the establishment of a new gas pool?

A That is correct.

Q Would you please refer to what has been marked as Exhibit No. 1 and state what it represents?

A Exhibit No. 1 shows what we call area one and area two. Area one is the acreage in which three farm-out arrangements and the drilling of the Todd Federal 26 No. 1 Texas American Oil Corporation has earned their rights in this acreage.

Area number two is an area in which Texas American has an option to earn the rights in this acreage, again through farm-out from the various major companies by the drilling of a well in Section 14 of this acreage.

Q The exhibit also shows the location of the Todd Federal 26 No. 1 Well and it also shows the lease hole ownership in the area and it also shows the existence of other wells, does it not?

A That is correct.

Q Is the acreage within so-called area number one under the effective control of Texas American at this time?

A That is correct.

Q Please, Mr. Athipp, refer to what has been marked as Exhibit No. 2 and state what that represents.

A Yes. Exhibit 2 is a cross section showing the various wells in the general vicinity that have penetrated the Atoka and are lower zones.

The map down in the right hand corner gives an aerial extent of the cross section. Basically, it runs through the Shell James Ranch area on down through on our Todd Federal area and down to Texaco's Cotton Draw Unit area and on to the Red Hills.

Q Are there any particular features represented by this exhibit which you desire to point out?

A We have constructed ourself on the Bend zone or set it as the datum because this particular zone is present in all of the wells and apparent in all of the wells.

We have tried to show the variations in the Atoka zone through these areas.

Q Is there anything else you wish to testify to with respect to this exhibit?

A No, I believe not.

Q At this point, Mr. Atnipp, you might give us the history of the No. 1 Todd 26 Federal Well as to when it was drilled, completed and the drilling and testing data.

A The Todd Federal 26 was officially completed on December 11, 1969, with an absolute open flow taken on the Atoka zone. In the drilling of the well, we tested various zones, the first zone being the Cherry Canyon Section in which we had a good drill stem test; recovered seventy-three barrels of oil in three hours.

We also tested the Morrow zone which showed to be tight. We took the well to the Devonian, which was wet; recovered water on the drill stem test. Subsequently, the well was completed, as I stated, on December 11 from the Atoka for an absolute open flow of seventy-five million.

Q Do you have anything else you wish to testify with respect to that well?

A Not unless there are any questions in regards to it.

Q Referring to what has been marked as Exhibit No. 3, please state what that exhibit portrays.

A Exhibit No. 3 is our structural interpretation on top of the Bend line, which was our datum markum in the

previous exhibit; our interpretation of the structure in the Todd Federal area as we refer to it.

Again, this map is indicated color code. The yellow is the acreage in which Texas American Oil Corporation effectively controls and has earned their rights. The yellow cross hatches indicate the acreage in which we have an option to drill wells and earn additional rights.

Q Have any other projected Atoka wells been staked in this area?

A No, they have not at this time.

Q What are the development plans of Texas American in this area?

A Texas American plans to drill in the next few months -- probably be about four months -- a second well two miles north in Section 14 to develop our rights in this area.

Q What is the approximate cost of an Atoka well in this area?

A An Atoka well alone we estimate will cost us about seven hundred fifty thousand dollars to drill.

Q When do you anticipate that your Todd Well will be connected to a pipe line?

A We anticipate that in the latter part of March

that we will be making deliveries from this. We have a gas contract with Natural Gas Pipeline and included in the exhibits is a letter from them setting forth the latter part of March as their target date for initial delivery.

Q That letter is marked as Exhibit 4, is it not?

A Yes; that's correct.

Q In your opinion, will the Todd Well and any other similar well in the vicinity completed in the Atoka effectively and efficiently drain 640 acres?

A It's our opinion at this time, with the limited information available, that one well will be capable of draining 640 acres.

Q What is the basis for that opinion of yours, Mr. Atnipp?

A Well, we again refer to the back pressure test taken on the well; the absolute open flow was seventy-five million, as previously stated.

The highest flow rate that we had in this was 10.9 million; with a bottom hole pressure of approximately ninety-three hundred pounds, which was a draw-down of only about three hundred pounds from the original shut-in pressure.

We feel that this indicates to us good permeability and that we should have good flow rates and should be able to

effectively drain a wide area.

Q After this well has produced for some ten months or so, will you have a much better idea of the characteristics of this pool?

A Yes, we will. We will run certain pressure data, as best we can at that point in time, to determine the effective area of drainage from the one well.

Q Will temporary development on 640 acres basis be detrimental to a later development on 320 acre spacing if it's ultimately determined that a well will not effectively drain 640 acres?

A No, we don't believe so.

Q In your opinion, will the establishment of 640 acre spacing avoid the drilling of unnecessary wells and prevent waste?

A Yes.

Q Mr. Atnipp, in the establishment and determination of a new pool, what is your opinion as to the lands which are properly within the pool at this time?

A We feel that the minimum area that the pool will ultimately show would be Sections 22, 23, 24, 27, 26, 25, 36 and 35.

Q Of Township 22 South, 31 East?

A That's correct.

Q What is the basis for that opinion of yours?

A Well, this is our interpretation -- structural interpretation at this point in time and a look at the map will indicate that the area to the north -- we are going to move two miles to the north, which we do not include in that acreage and we don't have a great deal of control in this area and so we don't know whether or not this will confirm or deny our current interpretation north of where we are.

We think that it is quite feasible that the area, certainly to the north that we show as cross hatched where we drilled the well to earn our rights, could be as we have interpreted. We are not sure in this regards; limited amount of data at this time.

Q Have Exhibits, I think 1, 2 and 3 been prepared by you or under your supervision?

A They have been prepared under my supervision; not by me personally.

MR. EATON: Mr. Examiner, we request admission of Exhibits 1 through 4.

MR. UTZ: Without objection, Exhibits 1 through 4 will be entered into the record of this case.

MR. EATON: Mr. Atnipp, do you have anything else to state in connection with this application?

THE WITNESS: I have nothing else to state. Be happy to answer any questions you may have.

MR. EATON: That's the end of our case, Mr. Examiner.

CROSS EXAMINATION

BY MR. UTZ:

Q How far is this area from Natural Gas' pipeline?

A I think we must be about twenty miles. I don't know whether -- exactly where the point they are going to take off from, but I think this is right, about twenty miles.

Q They are going to drill a lateral to this area?

A That is correct. As a matter of fact, subsequent to the letter that we have entered here as an exhibit, we had a later report yesterday which indicated that March 10 was their target date for having this line complete.

Q It's good to know that they have much confidence in the area.

A Of course, we are quite anxious for them to lay the line, start delivery, so we will have a little performance history to go with our estimates at this time.

Q But, seventy-five million didn't hurt any a bit?

A No. That, I'm sure had something to do with their --

Q Mr. Atnipp, did you have any core data when you drilled this well?

A No. We had no core data in that Atoka or in any of the areas -- any of the zones of interest. We did not have any core data.

Q Do you have any log interpretation as to what the permeability might be?

A Yes. I did not do the work, but as our -- you are talking about permeability?

Q Yes.

A I have no number for that at this point in time. We have done some work along these lines. I did not personally do this work and I don't have a number for it.

Q Can you tell me whether this is a sand reservoir or fractured reservoir?

A Our geological interpretation of this thing is that this is a dolomitic sand. We feel that treatment certainly effectively increased the rates. There's quite a bit of dolomite in the sand section. We don't feel

that it is a fractured sand as you speak of.

Q Do you recall the rate or did you run a test on it before?

A Yes. We ran a drill stem test and the rates varied from capillator rate of ten million decreasing to around two million a day on our drill stem test.

Q You fractured it pretty heavily?

A No, we only acidized it. We did not fract it at all.

Q I see, since it is dolomite. I am sure you filed a copy of the C122 with the Commission.

A That's correct.

Q What were your pressures in the reservoir?

A Yes. Our shut-in bottom hole pressure 9,664 pounds. The draw-down that we had was approximately 400 pounds to affect this 10.9 actual rate of flow a day, so perhaps the thing that was most encouraging to us was the fact that we had almost instantaneous stabilized rates at the rates that we ran. It doesn't show here.

It shows duration of flow approximately sixty minutes. Actual test indicated that within fifteen minutes at each of the various choke sizes and pressures that we had, we did have stabilization.

Q This 7871 you show here was a surface pressure?

A That's correct.

Q Did you have a bottom hole gauge?

A Yes. I believe this is the one that is shown down below, the left hand corner, 9664, as I recall was the shut-in pressure at that point.

Q Mr. Atnipp, I don't know whether you are familiar with our usual so-called standard, if there is one, 640 acre spacing order but ordinarily in those orders an area such as this is protected by a provision that all wells drilled within one and it may be two miles of 640 acre spacing, that other wells drilled have to conform with the pool rules.

This would protect you insofar as your offsetting acreage is concerned, would it not?

A Yes, this is true.

Q In other words, the Commission hesitates ordinarily to designate a large area to a pool.

A Yes. I am familiar through Mr. Eaton as to these provisions.

MR. HATCH: It is one mile.

MR. UTZ: One mile? Are there other questions of the witness?

O (By Mr. Utz) You are requesting here a temporary

order?

A That's correct.

Q You intend to run more data?

A Yes. We had actually considered running the additional information prior to the connection of the pipeline, but the prompt action by Natural Gas Pipeline, we have decided that we will wait until it's on stream to run additional test.

MR. HATCH: I have one. This was advertized as pool creation and all of a sudden, I vaguely -- has this pool been created before?

MR. EATON: No.

MR. HATCH: It has not?

THE WITNESS: No.

MR. UTZ: Are there other questions? The witness may be excused.

(Witness excused).

MR. UTZ: Statements? The case will be taken advisement.

The hearing is adjourned.


I N D E X

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E X H I B I T S

Applicant's Exhibits	
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Linda B. [Signature]
Notary Public

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 4300
heard by me on 1-21-78.

_____, Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 23, 1971

Mr. Clarence Hinkle
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 4300 (Reopened)
Order No. R-3917-A
Applicant:
Texas American Oil Corporation

Dear Sir:

Enclosed herewith is a copy of the above-referenced Commission order recently entered in the subject case. Letter pertaining to conditions of approval and maximum allowable to follow.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC
State Engineer

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4300
Order No. R-3917-A

APPLICATION OF TEXAS AMERICAN OIL
CORPORATION FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1971,
at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 23rd day of March, 1971, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That by Order No. R-3917, dated February 3, 1970,
temporary Special Rules and Regulations were promulgated for the
Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, establishing
640-acre spacing units for a period of one year from the date
that a pipeline connection is first obtained for a well in said
pool.

(3) That pursuant to the provisions of Order No. R-3917,
this case was reopened to allow the operators in the subject
pool to appear and show cause why the Sand Dunes-Atoka Gas Pool
should not be developed on 320-acre spacing units.

(4) That the evidence establishes that one well in the
Sand Dunes-Atoka Gas Pool can efficiently and economically drain
and develop 640 acres.

-2-

CASE NO. 4300
Order No. R-3917-A

(5) That the Special Rules and Regulations promulgated by Order No. R-3917 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-3917 should be continued in full force and effect until further order of the Commission.

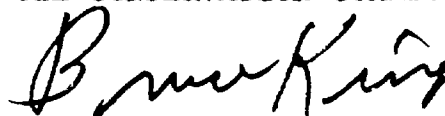
IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, promulgated by Order No. R-3917, are hereby continued in full force and effect until further order of the Commission.


(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIGO, Member


A. L. PORTER, Jr., Member & Secretary

dr/

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 4300
Order No. R-3917
NOMENCLATURE**

**APPLICATION OF TEXAS AMERICAN OIL
CORPORATION FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 21, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of February, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Texas American Oil Corporation, seeks the creation of a new gas pool for Atoka production in Eddy County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 640-acre spacing units.
- (3) That the Texas American Oil Corporation Todd "26" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, having its top perforations at 13,679 feet, has discovered a separate common source of supply which should be designated the Sand Dunes-Atoka Gas Pool; that

-2-

CASE No. 4300
Order No. R-3917

the vertical limits of said pool should be the Atoka zone of the Pennsylvanian formation as found in the interval from 13,553 feet to 14,122 feet on the log of the aforesaid Todd "26" Federal Well No. 1; and that the horizontal limits of said pool should be all of said Section 26.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the Sand Dunes-Atoka Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Sand Dunes-Atoka Gas Pool, at which time the operators in the subject pool should appear and show cause why the Sand Dunes-Atoka Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the Sand Dunes-Atoka Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and designated the Sand Dunes-Atoka Gas Pool, with vertical limits

CASE No. 4300
Order No. R-3917

comprising the Atoka zone of the Pennsylvanian formation as found in the interval from 13,553 feet to 14,122 feet on the log of the Texas American Oil Corporation Todd "26" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, and horizontal limits comprising the following-described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 26: All

(2) That temporary Special Rules and Regulations for the Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SAND DUNES-ATOKA GAS POOL

RULE 1. Each well completed or recompleted in the Sand Dunes-Atoka Gas Pool or in the Atoka zone of the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Atoka gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.

-4-

CASE No. 4300
Order No. R-3917

- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Sand Dunes-Atoka Gas Pool or in the Atoka zone of the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before February 15, 1970.

-5-

CASE No. 4300

Order No. R-3917

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Sand Dunes-Atoka Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

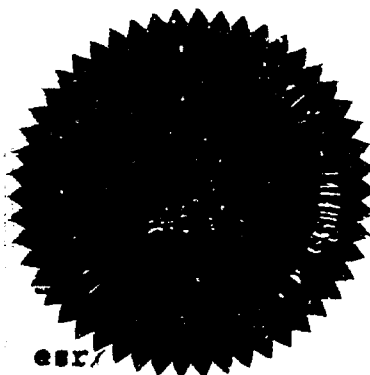
Failure to file new Forms C-102 with the Commission dedicating 640 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Sand Dunes-Atoka Gas Pool or in the Atoka zone of the Pennsylvanian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Sand Dunes-Atoka Gas Pool, at which time the operators in the subject pool may appear and show cause why the Sand Dunes-Atoka Gas Pool should not be developed on 320-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the Sand Dunes-Atoka Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. GARGO, Chairman

ALEX J. ARMISTEO, Member

A. L. PORTER, Jr., Member & Secretary



western union

Telegram

KA038 NSB067 KC 1971 MAR 16 AM 9 17

.(925)...

NS MDA009 NP PDB=MIDLAND TEX 16 850A CST=
NEW MEXICO OIL CONSERVATION COMM=

STATE LAND OFFICE BLDG PO BOX 2088 SANTA FE NMEX=

RE CASE 4300 - REOPENED MARCH 17 1971 DOCKETT
ATTENTION MR DAN S NUTTER, MOBIL CONCURS WITH TEXAS
AMERICAN OIL CORP IN APPLICATION FOR PERMANENT 640
ACRE SPACING UNITS FOR THE SAND DUNES - ATOKA GAS
POOL AS BASED ON THE FOLLOWING REASONS: =

1. THE PERFORMANCE OF THE WELL TO DATE HAS
DEMONSTRATED THAT A WELL CAN REASONABLY DRAIN 640 ACRES
IN THIS POOL. =
2. THE RELATIVELY GREATER DEPTH OF THE SUBJECT

WU 1201 (R 5-69)



western union

Telegram

POOL AND THE ABSENCE OF ECONOMICAL SHALLOWER PROSPECT
INCREASE THE DEVELOPMENT COST AND RISK TO A LEVEL THAT
IT BECOMES QUESTIONABLE THAT DEVELOPMENT COULD CONTINUE
ON UNITS OF LESS THAN 640 ACRES=

IRA B STITT MOBIL OIL CORP.

WU 1201 (R 5-69)



western union

Telegram

KA061 NSB149 KC

NS MDA037 RS PDF=MIDLAND TEX 16 1055A CST=

1971 MAR 16 AM 10 25

NEW MEXICO OIL CONSERVATION,

A L PORTER JR= STATE LAND OFC BLDG SANTA FE NMEX=

RE: EXAMINER HEARING MARCH 17, 1971, CASE NUMBER 4300
"REOPENED". MARATHON OIL CO RECOMMENDS THAT RULES ONE
THRU FIVE, ORDER NUMBER R-3917 SPECIAL RULES, AND
REGULATIONS FOR THE SAND DUNES - ATOKA GAS POOL, BE
MADE PERMANENT FOR SAID POOL=

D E MORRIS DIST OPERATIONS MGR MARATHON OIL CO
MIDLAND TEX.=

71 MAR 16 AM 11 11

=17 1971 300 "REOPENED" R-3917

WU 1201 (R 5-69)

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 17, 1971

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for
April, 1971, from fifteen prorated pools in Lea, Eddy,
Roosevelt and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas from
nine prorated pools in San Juan, Rio Arriba and Sandoval
Counties, New Mexico, for April, 1971.

CASE 4490: (Continued from the February 3, 1971 Examiner Hearing)
Application of Texas Pacific Oil Company for an exception to
Order No. R-3221, as amended, Eddy County, New Mexico. Appli-
cant, in the above-styled, seeks an exception to Order No.
R-3221, as amended, which order prohibits the disposal of water
produced in conjunction with the production of oil on the
surface of the ground in Lea, Eddy, Chaves, and Roosevelt
Counties, New Mexico. Said exception would be for the applicant's
Wooley Federal Well No. 3 located in Section 21, Township 17
South, Range 30 East, Loco Hills-Abo Pool, Eddy County, New
Mexico.

CASE 4514: Application of Continental Oil Company for salt water disposal,
Lea County, New Mexico. Applicant, in the above-styled cause,
seeks authority to dispose of produced salt water into the
Seven Rivers formation through perforations in its Farney A-5
Well No. 5 located in Unit G, Section 5, Township 23 South,
Range 36 East, Jalmat Field, Lea County, New Mexico.

CASE 4515: Application of Continental Oil Company for the reinstatement of
cancelled underproduction, Lea County, New Mexico. Applicant,
in the above-styled cause, seeks an exception to the general
rules and regulations for prorated gas pools of Southeastern
New Mexico promulgated by Order No. R-1670, as amended, to
permit the reinstatement of underproduction accumulated by four
of its proration units and cancelled January 1, 1971, the wells
for the proration units being located as follows:

<u>WELL NAME AND NUMBER</u>	<u>LOCATION</u>	<u>POOL</u>
State KN-12 No. 1	12-19S-36E	Eumont
State A-17 No. 5	17-19S-37E	Eumont
Meyer B-23 Nos. 1, 2, and 3	23-22S-36E	Jalmat
State A-32 No. 4	32-22S-36E	Jalmat

CASE 4511: Application of Skelly Oil Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-590-A to permit the rededication of the 240-acre non-standard gas proration unit in the Tubb Gas Pool authorized in said order to its Baker "B" Well No. 7 located 1980 feet from the South and East lines of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico, in lieu of its Well No. 15 located in the same quarter-quarter section.

CASE 4300: (Reopened):
In the matter of Case No. 4300 being reopened pursuant to the provisions of Order No. R-3917, which order established 640-acre spacing units for the Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 4512: Application of Union Oil Company of California for rededication of acreage and a non-standard proration unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the establishment of a non-standard oil proration unit comprising the NW/4 SE/4 and the SW/4 NE/4 of Section 17, Township 8 South, Range 38 East, Roosevelt County, New Mexico, by the rededication of acreage to its Federal 17 A Well No. 1 located in the NW/4 SE/4 of said Section 17.

CASE 4513: Southeastern New Mexico nomenclature case calling for the extension, creation and abolishment of certain pools in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico:

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the South Buffalo-Pennsylvanian Pool. The discovery well is King Resources Company Kimo Sabe No. 1 located in Unit J of Section 16, Township 19 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
SECTION 16: SE/4

(b) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Grandi Ranch-Atoka Gas Pool. The discovery well is the Byron M. McKnight Grandi Ranch No. 1 located in Unit J of Section

(Case 4513 (b) continued)

19. Township 23 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
SECTION 19: S/2

- (c) Create a new pool in Chaves County, New Mexico, classified as a gas pool for Cisco production and designated as the Haystack-Cisco Gas Pool. The discovery well is the Shenandoah Oil Corporation Federal I No. 1 located in Unit K of Section 21, Township 6 South, Range 27 East. Said pool would comprise:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM
SECTION 21: All

- (d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the HG-Morrow Gas Pool. The discovery well is the H. L. Brown, Jr., Yates Federal No. 1 located in Unit G of Section 30, Township 19 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM
SECTION 30: E/2

- (e) Create a new pool in Lea County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Kemnitz-Morrow Gas Pool. The discovery well is the Elk Oil Company Diamond State No. 1 located in Unit J of Section 16, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
SECTION 16: E/2

- (f) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Lower Pennsylvanian production and designated as the Sand Dunes-Lower Pennsylvanian Gas Pool. The discovery well is the Texas American Oil Corporation Todd 14 Federal No. 1 located in Unit K of Section 14, Township 23 South, Range 31 East, NMPM, with special vertical limits being from 14,030 feet to 15,220 feet as on the log of the discovery well. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
SECTION 14: W/2

- (g) Create a new pool in Lea County, New Mexico, classified as a gas pool for Drinkard production and designated as the East Skaggs-Drinkard Gas Pool. The discovery well is Continental Oil

(Case 4513 (g) continued)

Company. Semu Burger No. 21 located in Unit O of Section 19, Township 20 South, Range 38 East, NMPM. Said pool described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 19: SE/4

- (h) Abolish the Cline-Abo Pool in Lea County, New Mexico, described as:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
SECTION 11: SE/4

- (i) Extend the vertical limits of the Cline-Drinkard Pool in Lea County, New Mexico, to include the Abo formation and re-designate said pool as the Cline Drinkard-Abo Pool.

- (j) Extend the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
SECTION 30: SW/4

- (k) Extend the Bluitt-San Andres Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 38 EAST, NMPM
SECTION 20: NE/4

- (l) Extend the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
SECTION 31: E/2
SECTION 32: W/2

- (m) Extend the South Carlsbad-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
SECTION 31: E/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
SECTION 6: N/2

- (n) Extend the Double L-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM

SECTION 24: SW/4 SW/4

SECTION 25: N/2 NW/4, SE/4 NW/4, and
NE/4 SW/4

- (o) Extend the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

SECTION 29: NE/4

- (p) Extend the Shugart Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

SECTION 22: S/2 SE/4

- (q) Extend the Todd-Wolfcamp Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 35 EAST, NMPM

SECTION 23: SW/4

SECTION 26: N/2

- (r) Extend the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

SECTION 33: SW/4

- (s) Extend the Vada-Pennsylvanian Pool in Lea and Roosevelt Counties, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM

SECTION 36: SW/4

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM

SECTION 5: SE/4

(915) 683-4811

300 WALL ST.



RECEIVED

MAR 19 1970

TEXAS AMERICAN OIL CORPORATION

OIL PRODUCERS

MIDLAND, TEXAS 79701

March 18, 1970

O. C. C.
ARTESIA, OFFICE

SMH

Send Deems - atoba

New Mexico Oil Conservation Commission
P. O. Drawer DD
Artesia, New Mexico 88210

Gentlemen:

This is to notify you of first gas sales from our
Todd Federal "26" No. 1, (Sec 26, T-23-S, R-31-E)
which occurred on March 16, 1970.

Very truly yours,

Roy K. Valla

Roy K. Valla
Production Manager

RVK:cc

Atch.

*C-4300
R-3117*

*Let this up
to be prepared in
March, 1971*

Dan Nutter

MAIN OFFICE

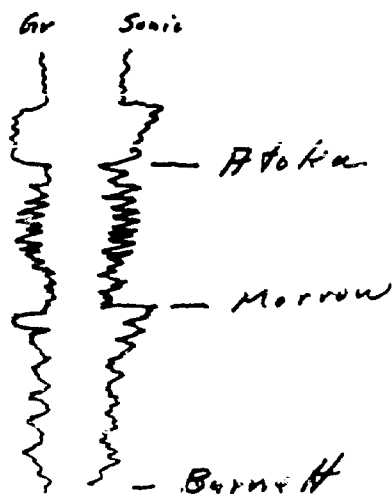
20 FEB 2 AM 8

Re: Ato Ka Ln top & bottom
Texas American Oil Corp
To dd 26 Feb. 16 26-23-31
Case No 4300

Received logs of subject well today. In comparing them with other logs in the Area I find the following tops to be consistent with previous picks.

Top Ato Ka 13553, base 14122

Top is picked at the base of the relatively massive Strawn Lime and the base at the top of the least radio-active lime in the Morrow.



Operator tops are:

Top Ato Ka 13672, base 14320

Dick

Case 4300

Lead 1-21-70

Res. 1-21-70

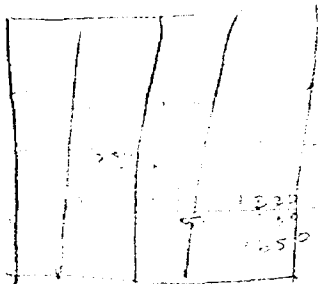
Grant Indian American.
A new Pool to be called
Sand Dunes - Atoken Sea
Pool.

Grant⁶⁴⁰ spacing as in Indian
Barr. 18-2440, #111 to be
located not closer than 1650/
section line outer boundary
or closer than 330/any
144 sec. line.

Give 1 year order to be
recalled for show cause
in Dec. 2001 Jan 7/1.

Preliminary evidence shows
1 will not answer 640 Ac.

Trust. *[Signature]*



Docket No. 3-70

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 21, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elviss A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4295: Application of Texaco, Inc., for waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Delaware formation through the Cotton Draw Unit Well No. 13, formerly the Continental Oil Company State Z-16 Well No. 1, located in Unit G of Section 16, Township 25 South, Range 12 East, Paduca- Delaware Pool, Lea County, New Mexico.

Cont.
CASE 4296: Application of S. P. Yates for a pressure maintenance project expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the S. P. Yates West McMillan Anderson Pressure Maintenance Project, authorized by Order No. R-3852, by the injection of water into the Queen formation through one additional well, the Anderson Well No. 3 located 2310 feet from the East line and 990 feet from the South line of Section 11, Township 20 South, Range 26 East, West McMillan-Seven Rivers-Queen Pool, Eddy County, New Mexico.

2-4
CASE 4297: Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.

CASE 4298: Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 171.15 acre non-standard gas proration unit comprising the NW/4 SE/4, S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, to be dedicated to a well to be drilled to an undesignated Pictured Cliffs gas pool in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4. In the alternative applicant seeks approval of a 131.93 acre non-standard proration unit comprising the NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to said well in the SW/4 SE/4 of said Section 33.

CASE 4299: *Dismissed* Application of Texas Pacific Oil Company, Inc., for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard gas proration units into one 240-acre non-standard unit comprising the N/2 NW/4 and the NE/4 of Section 8, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its State "A" a/c-2 Wells Nos. 43 and 49, located in Units H and C, respectively, of said Section 8. Applicant further seeks to produce the allowable assigned to said unit from either of the afore-said wells in any proportion.

CASE 4300: Application of Texas American Oil Corporation for the creation of a new gas pool and for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Atoka gas pool for its Todd #26" Federal Well No. 1 located 1980 feet from the North and East lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico, and for the promulgation of special rules therefor, including provision for 640-acre spacing units.

CASE 4301: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

State Well No. 1 located 487 feet from the North line and 990 feet from the East line;

State "A" Well No. 1 located 400 feet from the North line and 990 feet from the East line;

State Well No. 3 located 330 feet from the North line and 330 feet from the West line;

State Well No. 6 located 220 feet from the North line and 1485 feet from the East line;

State Well No. 6-Y located approximately 5 feet West of the above-described Well No. 6;

State Well No. 8 located 1155 feet from the North line and 2475 feet from the East line.

JAN 16 1970

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING P. O. BOX 1410

D. L. RAY
DIVISION ENGINEER

FORT WORTH, TEXAS—76101
January 13, 1970

Case 4300

File: PEH-21-986.510.1

Subject: New Pool Designation and 640-Acre
Unit Request - Texas American Oil Corp's
Todd Federal "26" Well No. 1,
North Cotton Draw Unit,
Eddy County, New Mexico

Sub

New Mexico Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico 87501

Gentlemen:

It is our understanding that Texas American Oil Corporation has scheduled a hearing for January 21, 1970, to consider their application for a new pool designation for Atoka production and 640-acre proration units in the area of their Todd Federal "26" Well No. 1. Pan American Petroleum Corporation, as an interest owner in this area, hereby supports Texas American in their request.

Yours very truly,

D.L. Ray

WCW:jn

cc: Texas American Oil Corporation
300 Wall Street
Midland, Texas 79701

CASE 4299: Application of Texas Pacific Oil Company, Inc., for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard gas proration units into one 240-acre non-standard unit comprising the N/2 NW/4 and the NE/4 of Section 8, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its State "A" a/c-2 Wells Nos. 43 and 49, located in Units H and C, respectively, of said Section 8. Applicant further seeks to produce the allowable assigned to said unit from either of the afore-said wells in any proportion.

CASE 4300: Application of Texas American Oil Corporation for the creation of a new gas pool and for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Atoka gas pool for its Todd #26 Federal Well No. 1 located 1980 feet from the North and East lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico, and for the promulgation of special rules therefor, including a provision for 640-acre spacing units.

CASE 4301: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

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Docket No. 3-70

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 21, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elviss A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

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- CASE 4296: Application of S. P. Yates for a pressure maintenance project expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the S. P. Yates West McMillan Anderson Pressure Maintenance Project, authorized by Order No. R-3852, by the injection of water into the Queen formation through one additional well, the Anderson Well No. 3 located 2310 feet from the East line and 990 feet from the South line of Section 11, Township 20 South, Range 26 East, West McMillan-Seven Rivers-Queen Pool, Eddy County, New Mexico.
- CASE 4297: Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.
- CASE 4298: Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 171.15 acre non-standard gas proration unit comprising the NW/4 SE/4, S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, to be dedicated to a well to be drilled to an undesignated Pictured Cliffs gas pool in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4. In the alternative applicant seeks approval of a 131.93 acre non-standard proration unit comprising the NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to said well in the SW/4 SE/4 of said Section 33.

TODD FEDERAL "26" NO. 1 GAS RESERVES

Atoka Formation 13,672'-13,908'

Reservoir Data:

Net Pay - 67' ✓

Average Porosity - 8.7% ✓

BHT - 190° F - 650° R ✓

BHP - 9620 psia

Specific Gravity (Air=1) - 0.594 ✓

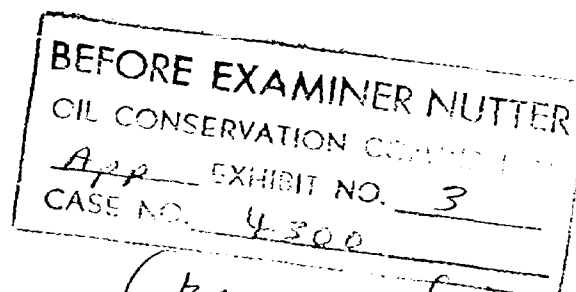
Compressibility Factor (z) - 1.38 ✓

Water Saturation - 40% ✓

Recovery Factor - 85% ✓

$$Q = 43,560 \times .087 \times (1-.40) \times \frac{9620}{14.7} \times \frac{520}{650} \times \frac{1}{1.38} \times .85 = 733 \text{ MCF/Ac-Ft}$$

$$\text{Recoverable Gas} = 733 \text{ MCF/Ac-Ft} \times 67 \text{ Ft.} \times 640 \text{ Ac.} = \underline{\underline{31,434 \text{ MMCF}}}$$



(reopened)

TODD FEDERAL "26" NO. 1
GAS PRODUCTION - MCF

March 1970	67,150
April	428,477
May	581,866
June	561,457
July	467,982
August	567,079
September	521,991
October	428,930
November	448,909
December	386,913
January 1971	323,144

3.5 billion

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>App</i>	EXHIBIT NO. <i>5</i>
CASE NO.	<i>4300</i>

(no pencil)

NGPL

NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: MUTUAL 4-6383

December 30, 1969

A. G. PETZOLD
ASSISTANT VICE PRESIDENT

Texas American Oil Corporation
1012 Midland Savings Building
Midland, Texas 79701

Attention: Mr. Ted B. LaCaff, Jr.

Re: Texas American Oil Corporation Todd Federal 1-26 Well,
Eddy County, New Mexico.

Gentlemen:

Article Second of the Gas Purchase Contract dated as of August 15, 1969 between Natural Gas Pipeline Company of America and Texas American Oil Corporation and Texas American Oil Exploration Program-1969, provides among other matters, that Natural shall have a period of sixty (60) days following receipt of the data necessary for evaluation of the subject well, to determine if it elects to undertake the purchase of gas from said well under the terms of the above mentioned contract.

This is to advise that Natural has received the necessary data and has elected to purchase the gas from said well and is currently making the necessary arrangements for the construction of a lateral line to connect said well to its thirty (30) inch pipeline in Lea County, New Mexico. Barring some presently unforeseen difficulty, it is anticipated that this lateral line will be completed and ready to be placed in service sometime during the latter part of March, 1970.

It is Natural's understanding that Texas American plans to commence delivery of gas from said well immediately upon completion of the aforesaid lateral line, under the authority of its Federal Power Commission's Small Producers Certificate or in the alternate, such other Federal Power Commission authorization which it may seek and receive prior to the date of first delivery of gas from said well to Natural.

Very truly yours,

A. G. Petzold

A. G. Petzold

AGP/mrc

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>App</i>	EXHIBIT NO. <i>4</i>
CASE NO.	<i>1300</i>

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4691

January 5, 1970

TELEPHONE (505) 822-6510
POST OFFICE BOX 10

gm
OK file -
Case 4300

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose in triplicate application of Texas American Oil Corporation for designation of a new Atoka gas pool and adoption of temporary special pool rules including 640 acre spacing and proration units in connection with their No. 1 Todd-Federal "26" well located in Section 26, Township 23 South, Range 31 East, Eddy County.

I have heretofore given information to the Commission through Ida Rodriguez so that this case might be included on the examiner's docket for January 21.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By *C. E. Neeley*

CEH:cs
Enc.
cc: Claude E. Neeley

DOCKET MAILED

Date 1-9-70

JAN 1 1970

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF TEXAS AMERICAN OIL)
CORPORATION FOR DESIGNATION OF NEW)
ATOKA GAS POOL DUE TO DISCOVERY OF)
GAS IN PAYING QUANTITIES IN APPLI-)
CANT'S NO. 1 TODD FEDERAL 26 LOCATED)
1980 FEET FROM THE NORTH AND EAST)
LINES OF SECTION 26, TOWNSHIP 23)
SOUTH, RANGE 31 EAST, EDDY COUNTY,)
NEW MEXICO AND FOR THE ADOPTION OF)
TEMPORARY SPECIAL POOL RULES, IN-)
CLUDING 640 ACRE SPACING AND PRO-)
RATION UNITS)

Gil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Texas American Oil Corporation, acting by and through the undersigned attorneys, and hereby makes application for designation of a New Atoka Gas Pool due to discovery of gas in paying quantities in applicant's No. 1 Todd Federal 26 located 1980 feet from the north and east lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico, and for the adoption of temporary special pool rules, including 640 acre spacing and proration units, and in support thereof respectfully shows:

1. Applicant drilled its No. 1 Todd Federal 26 well at the location above set forth to a depth sufficient to test the Devonian formation at approximately 16,000 feet and the well was dry in the Devonian formation and was plugged back and completed at a total depth of 14,950 feet on or about December 12, 1969. That said well was completed as a well capable of producing gas in paying quantities from the Atoka formation in the interval from 13,679 feet to 13,907 feet with a potential gas production of 75 million cubic feet per day. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the location of the

discovery well and the ownership of the oil and gas leases in the immediate area, as well as the character of the lands and other wells which have been drilled in the general area.

2. That due to the character of the discovery and all of the information available to applicant, it is believed that the pool in which said well is completed will cover a considerable area and that said well will effectively and efficiently drain more than 640 acres and that it will prevent the drilling of unnecessary wells, and will be in the interest of conservation and the prevention of waste and tend to protect correlative rights to adopt temporary special pool rules before any additional wells are drilled providing for 640 acre spacing and proration units.

3. That applicant contemplates the drilling of an additional well or wells during the next year and anticipates that the second well will be commenced within approximately 90 days from the time of completion of the initial test well.

4. Applicant requests that this matter be included on the docket for the examiner's hearing to be held on January 21, 1970.

TEXAS AMERICAN OIL CORPORATION

By



Member of the Firm of
HINKLE, BONDURANT & CHRISTY
Attorneys for Applicant
Box 10
Roswell, New Mexico 88201

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

(RECORDS CENTER)

CASE No. 4300

Order No. R- 3917-A

APPLICATION OF TEXAS AMERICAN OIL
CORPORATION FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1971,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of March, 1971, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That by Order No. R-3917, dated February 3, 1970,
temporary Special Rules and Regulations were promulgated for the
Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, establishing
640-acre spacing units for a period of one year from the date
that a pipeline connection is first obtained for a well in said
pool.

(3) That pursuant to the provisions of Order No. R-3917,
this case was reopened to allow the operators in the subject
pool to appear and show cause why the Sand Dunes-Atoka Gas Pool
should not be developed on 320-acre spacing units.

(4) That the evidence establishes that one well in the Sand Dunes-Atoka Gas Pool can efficiently and economically drain and develop 640 acres.

(5) That the Special Rules and Regulations promulgated by Order No. R-3917 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-3917 should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, promulgated by Order No. R-3917, are hereby continued in full force and effect until further order of the Commission.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

RECORDS CENTER

CASE No. 4300

Order No. R-3917

NOMENCLATURE

APPLICATION OF TEXAS AMERICAN OIL
CORPORATION FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 21, 19670, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this _____ day of January, 19670, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Texas American Oil Corporation, seeks the creation of a new gas pool for Atoka production in Eddy County, New Mexico. and the promulgation of special rules and regulations governing said pool, including a provision for 640-acre spacing units.

(3) That the Texas American Oil Corporation Todd "26" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, having its top perforations at 13,679 feet, has discovered a separate common source of supply which should be designated the Sand Dunes - Atoka Gas Pool;

that the vertical limits of said pool should be the Atoka zone of the Pennsylvanian formation as found in the interval from ^{13,553}~~13,672~~ feet to ^{14,122}~~14,320~~ feet on the log of the aforesaid Todd "26" Federal Well No. 1; and that the horizontal limits of said pool should be ~~the~~ all of said Section 26.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the Sand Dunes-Atoka Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Sand Dunes-Atoka Gas Pool, at which time the operators in the subject pool should appear and show

that the vertical limits of said pool should be the Atoka zone of the Pennsylvanian formation as found in the interval from ^{13,553}~~13,672~~ feet to ^{14,512}~~14,320~~ feet on the log of the aforesaid Todd "26" Federal Well No. 1; and that the horizontal limits of said pool should be ~~the~~ all of said Section 26.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the Sand Dunes-Atoka Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Sand Dunes-Atoka Gas Pool, at which time the operators in the subject pool should appear and show cause why the Sand Dunes-Atoka Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the Sand Dunes-Atoka Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production, is hereby created and

designated the Sand Dunes-Atoka Gas Pool, with vertical limits comprising the Atoka zone of the Pennsylvanian formation as found in the interval from ~~13,672~~ 13,553 feet to ~~14,320~~ 14,122 feet on the log of the Texas American Oil Corporation Todd "26" Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, and horizontal limits comprising the following-described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 26: All

(2) That temporary Special Rules and Regulations for the Sand Dunes-Atoka Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SAND DUNES-ATOKA GAS POOL

RULE 1. Each well completed or recompleted in the Sand Dunes-Atoka Gas Pool or in the Atoka zone of the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Atoka gas pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard

unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located *no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter - quarter section line.*

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Sand Dunes-Atoka Gas Pool or ~~in~~ the Atoka zone of the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before February 15, 1970.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Sand Dunes-Atoka Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 640 acres to a well or to obtain a non-standard unit

approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Sand Dunes-Atoka Gas Pool or in the Pennsylvanian formation within one mile thereof shall receive no more than ~~one-half~~ of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Sand Dunes-Atoka Gas Pool, at which time the operators in the subject pool may appear and show cause why the Sand Dunes-Atoka Gas Pool should not be developed on 320-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the Sand Dunes-Atoka Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

Application of Texas American Oil Corporation for the adoption of special field rules, due to the discovery of gas in paying quantities in the No. 1 Todd Federal No. 26 located 1980 feet from the North and East lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico. The well was completed at a depth of 14,950 feet - producing gas from the Atoka formation at a depth of between 13,679 feet to 13,907 feet. The well was potentialled for 75 million cubic feet of gas per day. The well was completed on December 12, 1969.

The applicant is asking for temporary field rules for one year, including 640 acre spacing and 640 acre proration units if prorated.

Mr. Clarence Hinkle 622-7943 (Home
622-6510 (office.

Todd No. 26

*C. A. Hinkle
12/31/69*