

CASE NO.

7496

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

16 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Viking Petroleum,  
Inc., for an unorthodox location,  
Chaves County, New Mexico.

CASE  
7496

BEFORE: RICHARD L. STAMETS

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Francis J. Mathew, Esq.  
JONES, GALLEGOS, SNEAD, &  
WERTHEIM  
215 Lincoln Avenue  
Santa Fe, New Mexico 87501

## A P P E A R A N C E S

For Mann Engineering:

William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P. A.  
Jefferson Place  
Santa Fe, New Mexico 87501

For the Commissioner of  
Public Lands:

Scott Hall, Esq.  
COMMISSIONER OF PUBLIC LANDS  
Santa Fe, New Mexico 87501

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1  
2 MR. STAMETS: We'll move ahead, then,  
3 to Case Number 7496.

4 MR. PEARCE: Application of Viking  
5 Petroleum, Inc., for an unorthodox location, Chaves County,  
6 New Mexico.

7 MR. STAMETS: Call for appearances in  
8 this case.

9 MR. MATHEW: Mr. Examiner, Francis  
10 Mathew from Jones, Gallegos, Snead and Wertheim, Santa Fe,  
11 New Mexico, for the applicant.

12 MR. CARR: Mr. Examiner, William F.  
13 Carr, with the law firm Campbell, Byrd, & Black, P. A., of  
14 Santa Fe, appearing on behalf of Mann Engineering.

15 MR. HALL: Mr. Examiner, My name is  
16 Scott Hall, appearing on behalf of the Commissioner of Public  
17 Lands in opposition.

18 MR. STAMETS: Any other appearances?  
19 I would ask that any participants who may be a witness in  
20 this case stand and be sworn at this time.

21  
22 (Witnesses sworn.)

23  
24 MR. MATHEW: The applicant would call  
25 Jack Grynberg.

JACK J. GRYNBERG

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. MATHEW:

Q Mr. Grynberg, would you state your name  
and your place of residence for the Commission?

A My name is Jack J. Grynberg, G-R-Y-N-  
B-E-R-G. I reside at 4661 South Dasa Drive, Englewood, Colo-  
rado, 80111.

Q What is your occupation, Mr. Grynberg?

A I am a petroleum engineer, chemical  
engineer, I'm a geophysical engineer. I'm also a Registered  
Professional Engineer in the State of Texas.

Q Have you appeared before this Commission  
before?

A No, I have not.

Q Mr. Grynberg, would you tell the Commis-  
sion briefly what your educational background is?

A I have a professional engineer's degree  
from Colorado School of Mines in petroleum engineering, pet-

1  
2 petroleum production engineering. I have a professional en-  
3 gineer's degree from Colorado School of Mines in petroleum  
4 refining and chemical engineering, and I completed all my  
5 work except the thesis for a doctorate of science in geo-  
6 physical engineering. I ended up getting an honorary degree  
7 from Colorado School of Mines.

8 Q Would you briefly describe your employ-  
9 ment history?

10 A I worked for Continental Oil Company, a  
11 research engineer in Ponca City in 1953-1954.

12 I started my own consulting company in  
13 1954, which I operated until 1962, with the exception of a  
14 tour in the United States Army Corps of Engineers and Army  
15 Research and Development Command in '56 and '57.

16 In '62 I became an independent oil and  
17 gas operator.

18 In '68 I started a company operating in  
19 oil and gas and mineral exploration overseas, outside the  
20 continental United States, and ran that company until 1976,  
21 at the same time continuing as an oil and gas operator, which  
22 I am to this day.

23 Q Have you published any professional pub-  
24 lications?

25 A Yes.

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Q Would you just briefly tell the Commissioner what those publications happen to be?

A Just a second.

MR. STAMETS: I believe that it's not necessary --

MR. MATHEW: Okay.

MR. STAMETS: -- to cover that unless one of the opposing attorneys would like to hear all the titles.

I believe that the Examiner is satisfied that Mr. Grynberg is qualified to testify in this case, and without objection he will be so considered.

Q Mr. Grynberg, are you familiar with the application before the Commission today?

A Yes, I am.

Q What is being requested by that application?

A You're referring to the first application?

Q That's right, Case Number 7496.

A What is being requested is for the Commission to agree to a privately agreed exchange of 160-acre ownership between my company and Yates Petroleum Company in order to help is the best way to describe a rather unfortunate mistake. The first mistake, as I understand, that Mr. Tom

1  
2 Mann has had in surveying a location for a gas well in the  
3 Abo trend in Township 5 South, Range 24 East, Chaves County,  
4 New Mexico.

5 The initial location was to be in the  
6 northwest quarter northeast quarter of Section 32. It was  
7 going to be 660 feet from the north line and 1980 feet from  
8 the east line.

9 Unfortunately, the location is 1980 feet  
10 from the east line and 62 feet, I believe, north rather than  
11 south of the north line, and in fact it is in the southwest  
12 quarter of the southeast quarter of Section 29.

13 In order to resolve it on an equitable  
14 and as amicable way one can resolve it, we have agreed with  
15 Yates Petroleum Company, and have in fact, subject to approval  
16 of this Commission, made an assignment to Yates Petroleum  
17 Company of the northeast quarter of Section 32, which is a  
18 State section, in exchange for the southeast quarter of Sec-  
19 tion 29, which is a Federal section.

20 Q Mr. Grynberg, I'm going to hand you  
21 what's been marked as Viking Exhibit Number One, for identifi-  
22 cation purposes. Can you identify that?

23 A Yes. This is an up-to-date map, or as  
24 up-to-date as we have it, dated March --

25 MR. STAMETS: Do you have copies of

1  
2 those exhibits --

3 A Yes.

4 MR. STAMETS: -- for the Hearing Examiner?

5 A Dated March 9th, 1982.

6 I have an extra copy so you can take it.

7 Q Can you identify on Exhibit Number One  
8 where the well that you've drilled pursuant to the survey is  
9 now located?

10 A It is located in the southwest quarter  
11 of the southeast quarter of Section 29, and there is no well  
12 in the northeast quarter of Section 32.

13 Yates Petroleum Company proposes to  
14 drill a well. It is not marked on the location, but if you  
15 could mark it, in the northeast northeast of Section 32,  
16 which would be 660 feet west of the east line and 660 feet  
17 south of the north line.

18 I might add that Sections 28 and 33 are  
19 Federal sections, as well.

20 Q Mr. Grynberg, I'm handing you what's  
21 been marked as Viking Exhibit Number Two, for identification  
22 purposes. Can you identify that?

23 A Yes, this is a letter dated March 11th.

24 MR. STAMETS: May we have copies of the  
25 exhibits before they're discussed, please?

1  
2 MR. MATHEW: I'm sorry, Mr. Commissioner,  
3 or Examiner, I only have one copy here.

4 I believe this already is in the files.

5 MR. STAMETS: Okay. How many exhibits  
6 do you have to present in this?

7 MR. MATHEW: We have three more exhibits  
8 in this case to present.

9 MR. STAMETS: Okay, do you have copies  
10 of all of those for the Examiner?

11 MR. MATHEW: No, I'm sorry, Mr. Examiner,  
12 we only have these three copies, or these copies that I have  
13 here before the witness.

14 MR. STAMETS: Are those an appropriate  
15 size to be Xeroxed?

16 MR. MATHEW: I believe so.

17 MR. STAMETS: We will take five minutes  
18 and let you Xerox them.

19 We'll take a five minute recess.

20 MR. MATHEW: Thank you.

21  
22 (Thereupon a recess was  
23 taken.)  
24  
25



(Thereupon following the noon  
recess Case 7496 again came on  
for hearing.)

JACK J. GRYNBERG

being previously called as a witness and being duly sworn  
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. MATHEW:

Q. Mr. Grynberg, I've handed you what's  
been marked as Viking Exhibit Number One, for identification  
purposes.

Could you once again identify the  
location where the wellsite is now located?

A. The wellsite is located in the south-  
west quarter of the southeast quarter of Section 29, Township  
5 South, Range 24 East; specifically it is 1980 feet west  
of the east line and 62 feet north of the south line.

Q. Does the applicant have any proprietary  
rights to that property at this time?

A. At this time we in fact do have pro-  
prietary right by virtue of an exchange consummated subject  
to consent and approval of this Commission with Yates Petro-

1  
2 leum Company, where we have exchanged the northeast quarter  
3 of Section 32 for the southeast quarter of Section 29.

4 Q I'm handing you what's been marked for  
5 identification purposes as Viking Exhibit Number Two. Can  
6 you identify that?

7 A Yes. This is an assignment on a Federal  
8 oil and gas lease form of the southeast quarter of Section  
9 29 - it's a Federal Number USA-New Mexico 28489 - by the  
10 various Yates entities, and there are four, Yates Petroleum,  
11 Yates Drilling, Myco Industries, and Abo Petroleum, to Celeste  
12 C. Grynberg, who is my wife, and she is the record owner for  
13 the northeast quarter of Section 32, and there's an assign-  
14 ment from her to the Yates entities of the northeast quarter  
15 of Section 32.

16 Q I'm handing you what's been marked as  
17 Viking Exhibit Number Three for identification purposes.

18 Can you identify that exhibit?

19 A Yes, that's the assignment I just men-  
20 tioned of the 160 acres in the northeast quarter of Section  
21 32 to Yates Petroleum Corporation, which is a nominee for  
22 the various Yates entities.

23 Q Mr. Grynberg, I am now handing you what  
24 has been marked for identification as Viking Exhibit Four.

25 Can you identify that?

1  
2 A. This is the New Mexico Oil and Gas Con-  
3 servation Commission drilling prognosis, which was filed for  
4 what we thought was going to be the 32 State-No. 1 Well, but  
5 which in fact ended up in the southeast quarter of Section  
6 29.

7 Q Can you identify the second page of that  
8 exhibit?

9 A. The second page of that exhibit is the  
10 plat prepared by Thomas T. Mann, Licensed Surveyor, Profes-  
11 sional Engineer, License Number 277, indicating that the  
12 well was located 1980 feet west of the east line and 660 feet  
13 south of the north line of Section 32.

14 Q Did the applicant, to your knowledge,  
15 rely on that plat when he placed his well in what is now  
16 found to be Section 29?

17 A. Yes.

18 Q Can you tell the Commission where the  
19 Federal lands are surrounding Section 29 and 32?

20 A. Well, Section 29 is a Federal lease.  
21 Section 28 is Federal. Section 33 is Federal.  
22 Section 32 is State.

23 Q Now, do you have an opinion as to the  
24 effect of placing the Viking well in Section 29 and allowing  
25 it to operate at the present location? What would -- what

1 would be the effect on drainage?

2 A. Well, we are dealing with a drainage  
3 system and with a regulatory rules that, needless to say, I  
4 believe everyone understands are not perfect.  
5

6 The rules of the State of New Mexico,  
7 and I'll not speak anything against the rules, provide that a  
8 160-acre spacing well is drilled in the center of a 40-acre  
9 tract. It does not provide that the well has to be drilled  
10 in the center of 160 acres.

11 We father (sic) our drilling with the  
12 reservoirs -- I'm sorry, we father our drilling with sands  
13 in the Abo formation that are definitely lenticular. These  
14 sands are discontinuous. They meander from well to well, and  
15 as such, no one can say that the depositional aspects of  
16 these various Abo sands are in a perfect alignment over a  
17 perfect 160-acre square.

18 Farther, each individual sand has a  
19 varying shale content; has a varying porosity; has a varying  
20 permeability; and possibly a varying fracture system, natural  
21 fracture system, as well.

22 As such, the third parameter is also  
23 not perfect. So we have three imperfect parameters, the  
24 location of the spacing itself, the geology, and lenticularity  
25 of the sands, and the reservoir parameter variations within

1  
2 each individual producing sand.

3 As such, what anyone can do is to come  
4 to the closest proximity in applying what one might feel is  
5 the best possible, equitable drainage system.

6 In my opinion, the difference of the  
7 spacing on the presently existing well is so insignificant  
8 as to affect the overall drainage, especially since Yates  
9 Petroleum has indicated that their spacing is going to be  
10 the northeast quarter northeast quarter of Section 32, and  
11 by virtue of placing their well in the northeast quarter  
12 northeast quarter of Section 32, they in fact will be draining  
13 Federal lands in Sections 29, 28, and 33.

14 One also should consider that since our  
15 own well, known as the 32-4, is in the southeast quarter  
16 northwest quarter of Section 32, being very close to the  
17 northeast quarter of Section 32, that well, being on State  
18 land, will in fact drain a good portion of the northeast  
19 quarter of Section 32.

20 One should also note that the Sanders  
21 well in Section 29, specifically in the northeast of the  
22 southwest of Section 29, has now been suspended by the oper-  
23 ator. We don't know precisely what the difficulties are but  
24 whatever they are, it is not a very good well and in our  
25 opinion will not necessarily drain what it is supposed to

1  
2 drain.

3 So the fact is that the well for which  
4 the hearing is presently being held should not adversely af-  
5 fect the drainage that one might look at as to be affected  
6 on the State lease.

7 One other aspect that one should consi-  
8 der is that since we are dealing with any perfect systems  
9 in here, we have to bring into consideration, in my opinion,  
10 the unfortunate tragedy that has resulted from this mistake.

11 Mr. Mann, who is a very knowledgeable,  
12 very reputable surveyor, 74 years old, has been in business  
13 for approximately 45 years, I understand; to the best of any-  
14 one's knowledge or recollection has never made a mistake.

15 Mr. Mann took this mistake very strongly and suffered a  
16 massive heart attack a week after the mistake was discovered  
17 by TransWestern Pipeline. That's who discovered the mistake.

18 He is now recuperating. His son, who  
19 has his own surveying business in Albuquerque, New Mexico,  
20 is present at this hearing, and so is his daughter.

21 And he is recuperating. Mr. Mann has  
22 no insurance in any way to try and correct any possible mis-  
23 take by his company. We have worked out what we feel is  
24 both equitable and a satisfactory arrangement so that there  
25 is absolutely no financial or emotional pressure put on Mr.

1  
2 Mann, and we're asking the Commission to consent to this ex-  
3 change of 160-acre tracts, which should not be to the detri-  
4 ment of anybody.

5 Q Mr. Grynberg, have you formed a plan as  
6 to the -- what the applicant would be willing to do should  
7 drainage be considered a problem at this time?

8 A We are -- we think we can produce about  
9 a million and a half cubic feet a day to the pipeline from  
10 the well in question. Until Yates Petroleum Company completes  
11 the well in the northeast quarter of Section 32, we would  
12 cut down, we've agreed voluntarily to cut down the production  
13 to about 750,000 cubic feet a day until the Yates well is  
14 complete in the northeast quarter.

15 Q And what would you do at the time the  
16 Yates well is completed?

17 A They we'd go back to normal production.  
18 And so will Yates.

19 Q In your opinion would the allowance of  
20 this application avoid the drilling of unnecessary wells?

21 A It certainly would avoid drilling of  
22 unnecessary wells and avoid, also, taking unnecessary risks.  
23 As a matter of fact, no one can guarantee that by moving  
24 this location 600 feet to the north where it is we in fact  
25 will be able to find the producing sands that have resulted

1  
2 in a calculated open flow of approximately 4-million cubic  
3 feet a day.

4 Q. What investment has the applicant made  
5 in the well at this time?

6 A. I believe it's about \$320,000. The well  
7 is ready to be hooked up by the pipeline subject to the  
8 Commission approval.

9 Q. In your opinion would the allowance of  
10 this application be in the best interest of conservation,  
11 prevent economic waste, and allow each owner with an interest  
12 affected by this application to avoid unnecessary expense  
13 and receive its fair share of any pool that is drilled?

14 A. It will do all that, plus it would also  
15 prevent any human waste.

16 I have talked to John Yates on the  
17 telephone during the lunch break, because I promised to keep  
18 him appraised, and he asked me to convey that he whole-  
19 heartedly supports this exchange and this approval, for the  
20 benefit of all concerned, especially Mr. Tom Mann.

21 MR. MATHEW: I have no further questions,  
22 Mr. Examiner.

23 MR. STAMETS: Are there questions of  
24 the witness?

25 MR. HALL: Yes, Mr. Examiner, I have



one.

CROSS EXAMINATION

BY MR. HALL:

Q. Mr. Grynberg, for the record do you know if you have received approval from the Mineral Management Service and the Commissioner of Public Lands for this acreage swap?

A. We have -- when you say Mineral --

Q. The USGS is what I mean.

A. The USGS, I think that's what you're saying, and I'm sorry, I'm still used to the old name. The USGS has indicated to us that they have absolutely no -- no objections to it. They are waiting on the Commission approval, and as soon as the Commission approves, they will grant their approval, too.

Q. But the signatures themselves are still pending, is that correct?

A. They are pending subject to the Commission's approval. The USGS has indicated to us that they would go along with us, that's why they're not present here. They're not objecting.

We notified them of this hearing. We notified them on at least three occasions and they have made

1  
2 a decision not to be present; they have no objection.

3 Q Thank you, sir.

4 MR. HALL: Mr. Examiner, I would like to  
5 state a simple objection to the extent that Mr. Grynberg has  
6 asked the Division to approve the assignments of the acreage.  
7 I believe that's beyond your jurisdiction and province.

8 MR. STAMETS: Your objection is noted.

9  
10 CROSS EXAMINATION

11 BY MR. STAMETS:

12 Q Mr. Grynberg, recognizing that the  
13 general rules and regulations for spacing are just that,  
14 general rules. Any individual well may exhibit different  
15 properties from the general well.

16 Would you say that the Division rules  
17 which provide that gas wells are located 660 feet from the  
18 quarter acre line would provide more protection from drainage  
19 to offset operators than a well 62 feet from the lease line?  
20 Or from the quarter section line?

21 A Mr. Stamets, I -- I certainly would  
22 agree with what you are saying. The only difference is that  
23 the two operators who owned the adjacent lands have each one  
24 indicated no objection to it. What you are saying is abso-  
25 lutely correct. I have no argument to the contrary and I

1  
2 don't propose to have any.

3 The only argument I can give is that we  
4 are fortunate enough to have made a good well where we are  
5 and we certainly cannot under any circumstances indicate the  
6 precise configuration and the drainage by that well.

7 The only thing we can do is we can deal  
8 with imprecise parameters and surmise, and I am using that  
9 logic in actually, well, the best way to describe it, ask for  
10 a plea of mercy. I don't know what else to tell you, espe-  
11 cially since all concerned seem to be not affected by it,  
12 agreeable, and everyone is willing to -- to come up and coop-  
13 erate.

14 MR. STAMETS: Are there any other ques-  
15 tions of this witness?

16 MR. CHAVEZ: Mr. Examiner, I have just  
17 one.

18  
19 QUESTIONS BY MR. CHAVEZ:

20 Q Mr. Grynberg, have you discussed the  
21 possibility with Yates that perhaps forming a non-standard  
22 unit would --

23 A I did. No reflection on -- on anyone  
24 concerned, as you can see, there are four different Yates  
25 entities, and Mr. John Yates has made the decision, but for

1  
2 their own internal situation, then want to operate a well  
3 they own. They don't necessarily want to operate, and I pro-  
4 posed the alternative, namely that the 160-acre tracts are  
5 in fact combined into one unit and two wells are operated as  
6 a unit, and I could not get it from Yates, for whatever  
7 reasons that they have.

8 And it is to, I feel, to everyone's ad-  
9 vantage, especially Mr. Mann's, that this thing gets resolved  
10 as quickly as possible so any pressure that he has is elimin-  
11 ated.

12 MR. CHAVEZ: No more questions.

13  
14 RECROSS EXAMINATION

15 BY MR. STAMETS:

16 Q Mr. Grynberg, I'm not sure if I've  
17 figured this properly or not. I took your production esti-  
18 mate of one and a quarter million a day into the pipeline  
19 and applied a price of \$5.00 an Mcf of gas. Is that a  
20 reasonable figure?

21 A That's fine.

22 Q And dividing that into the cost of  
23 \$320,000 gives about a 51-day payout. Does that sound about  
24 right?

25 A No, that's not exactly right because,

1  
2 number one, you've got operating costs; number two, you've  
3 got royalties, overriding royalties, but I'm not going to  
4 quibble with whatever it is.

5 The point is that you're on an approxi-  
6 mate track.

7 Q So even at half, half the rate, you  
8 would expect a reasonable payout on this well, assuming no  
9 mechanical problems.

10 A Right. I'm saying that -- that it is  
11 a reasonable one, yes.

12 MR. STAMETS: Any other questions of  
13 the witness? He may be excused.

14 MR. MATHEW: The applicant would call  
15 Mr. Thomas Mann, Junior.

16  
17 THOMAS T. MANN, JR.  
18 being called as a witness and being duly sworn upon his oath,  
19 testified as follows, to-wit:

20  
21 DIRECT EXAMINATION

22 BY MR. MATHEW:

23 Q Mr. Mann, would you state your name and  
24 occupation for the Examiner, please?

25 A My name is Thomas T. Mann, Junior. I'm

1  
2 a Registered Professional Engineer and land surveyor.

3 Q Where do you reside, Mr. Mann?

4 A Albuquerque, New Mexico.

5 Q Were you involved in the survey that  
6 resulted in the application here today?

7 A I was not involved in the survey, no.

8 Q Have you since become involved in the  
9 investigation of the problem that developed from that survey?

10 A That is correct.

11 Q What have you done to investigate that  
12 problem?

13 A I discussed the survey with the party  
14 chief and I've discussed it with my father and tried to make  
15 a determination of what went wrong to get the well in the  
16 wrong section.

17 Q And for the record, who is your father?

18 A My father is Thomas T. Mann, Senior.

19 Q And where does he reside?

20 A Roswell.

21 Q From your investigation, do you have an  
22 opinion as to how the problem developed?

23 A It's my opinion that the party chief  
24 in charge of staking the well apparently made a miscalculation  
25 and possibly an angular error when he left no surveying mon-

1  
2       uments.

3                       MR. MATHEW: I have no further questions,  
4       Mr. Examiner.

5                       MR. STAMETS: Any questions of this  
6       witness? He may be excused.

7                       MR. MATHEW: The applicant has no further  
8       witnesses, Mr. Examiner.

9                       MR. STAMETS: Mr. Carr, do you have a  
10      witness?

11                      MR. CARR: Mr. Stamets, I represent  
12      Mann Engineering. Mr. Mann was the only witness who was  
13      going to testify on behalf of his father.

14                      MR. STAMETS: Okay, Mr. Hall, do you  
15      have a witness?

16                      MR. HALL: Yes, sir, I do.

17  
18                      J. W. LAW  
19      being called as a witness and being duly sworn upon his oath,  
20      testified as follows, to-wit:

21  
22                      DIRECT EXAMINATION

23      BY MR. HALL:

24                      Q           Mr. Examiner, my name is Scott Hall.  
25      I'm an attorney for the Commissioner of Public Lands in this

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proceeding.

One witness this afternoon, whose been sworn already.

Could you please state your name and place of residence?

A. J. W. Law, Santa Fe, New Mexico.

Q. And how are you employed, Mr. Law?

A. I am employed as a petroleum engineer by the Commissioner of Public Lands for the State of New Mexico.

Q. Mr. Law, I'm going to give you a copy of what I've got marked as State's Number One. You have a copy of that there before you, and ask you to identify that.

A. Well, I don't think I do, Scott.

Q. Yes, you do. It's your resume.

A. Oh, my resume, yeah, I've got that.

Yes, sir, I do.

Q. Was that prepared by you?

A. Yes, it was.

Q. Could you briefly summarize your educational experience and professional background?

A. Yes. I graduated with a degree, a Bachelor of Science degree in petroleum engineering from Louisiana State University in 1949.



1  
2 From that time until 1952 I was employed  
3 by the Superior Oil Company as a petroleum engineer in various  
4 functions and from 1952 until 1956 I was Senior Reservoir  
5 Engineer for Superior, in charge of all secondary recovery  
6 operations in the United States.

7 From 1956 until 1958 I was Vice President  
8 in Charge of Reservoir Engineering for NorTex Oil and Gas  
9 Company of Dallas, Texas.

10 From 1958 until 1965 I was Vice President  
11 and General Manager of the Superior Oil Company of Venezuela.

12 From '65 until '67 I was General Mana-  
13 ger of the Rocky Mountain District for the The Superior Oil  
14 Company.

15 From 1967 until '75 I was the Manager  
16 of Joint Ventures for the western division of the Superior  
17 Oil Company. That included everything west of the Mississippi  
18 River and part of the Gulf of Mexico.

19 From '76 until '77 I was the Manager  
20 of Exploitation for Superior's easter region.

21 From '77 until '79 I was the Manager of  
22 Joint Interest for the eastern division of The Superior Oil  
23 Company, Gulf of Mexico and Eastern Seaboard.

24 And from that time until the present  
25 I've been employed by the Commissioner of Public Lands.

1  
2 Q Now, Mr. Law, I don't believe you've  
3 been qualified or previously testified as an expert witness  
4 before the Commission -- before the Division?

5 A. No, that's correct.

6 Q Have you been qualified or testified as  
7 an expert witness before conservation agencies in other  
8 states?

9 A. In Texas, yes.

10 Q Have you done the same before Federal  
11 courts or New Mexico State courts?

12 A. Yes, sir, I have.

13 MR. HALL: Mr. Examiner, we tender Mr.  
14 Law as an expert witness.

15 MR. STAMETS: The witness is considered  
16 qualified.

17 Q Mr. Law, are you familiar with the lands  
18 and the application in this proceeding?

19 A. Yes, sir, I am.

20 Q Does the State of New Mexico own lands  
21 that might be adversely affected by the Division decision?

22 A. Yes, sir. We own Section 32 of Township  
23 5 South, Range 24 East.

24 Q Now, Mr. Law, have you checked the re-  
25 cords of the State Land Office to see if that section is

1  
2 presently under lease?

3 A. Yes, I have.

4 Q. And to whom is that leased?

5 A. It's leased to Mr. Grynberg, I believe.  
6 Or one of those companies.

7 Q. Is it not in fact Celeste Grynberg, the  
8 lessee?

9 A. I believe so, yes.

10 Q. Mr. Law, you are generally familiar with  
11 the spacing rules and requirements of the Division, are you  
12 not?

13 A. Yes, sir.

14 Q. What is the standard location for an  
15 Abo well now?

16 A. Well, the spacing is 160 acres, which  
17 normally would put the well 660 feet from the property line.

18 Q. Effectively what kind of draining  
19 radius does that give you?

20 A. Effectively 1320 feet.

21 Q. All right. How will this proposed non-  
22 standard location affect state lands, or that particular  
23 Section 32?

24 A. This will result in drainage of hydro-  
25 carbons from Section 32.

1  
2 Q Do you know of any voluntary agreement  
3 or Division order pooling the mineral interests in Section  
4 29 and 32?

5 A No, sir.

6 Q In your opinion will approval of the  
7 application result in the prevention of waste and the pro-  
8 tection of correlative rights?

9 A No, sir.

10 MR. HALL: Mr. Examiner, that concludes  
11 my direct, and I would move the admission of Exhibit Number  
12 One.

13 MR. STAMETS: Exhibit Number One will --  
14 is admitted.

15  
16 CROSS EXAMINATION

17 BY MR. STAMETS:

18 Q Mr. Law, you've indicated that the cor-  
19 relative rights could be violated if this application is  
20 approved. I presume you were referring to the rights of the  
21 royalty interest owner, since apparently the working interest  
22 owners have agreed to it.

23 A Yes, sir.

24 Q It would appear that there could be a  
25 couple of ways, assuming that we do have drainage across

1  
2 this line that the rights of all interest owners could be  
3 protected.

4 One would be to somehow restrict the  
5 production from the well in question to try and compensate  
6 for this location, and the other would be for some sort of--  
7 what would be the equivalent of a working interest unit that  
8 would affect the royalty interest as well, to combine the  
9 interests in the southeast of Section 29 and the northeast  
10 of Section 32, and I'm not sure if you can answer this or  
11 maybe your lawyer wants to answer it.

12 Is that a, the second of those, a prac-  
13 tical possibility?

14 MR. HALL: Yes, Mr. Examiner, it is;  
15 however, we have not been approached to undertake such yet.

16 MR. STAMETS: Okay, assuming now that  
17 the -- the result of this hearing was to provide for some  
18 sort of a production penalty for the well to offset the  
19 proximity to the section line, would it be reasonable to have  
20 as an alternative a demonstration that all parties including  
21 the royalty interests had agreed to the location?

22 MR. HALL: If I understand you correct-  
23 ly, in setting the allowable itself?

24 MR. STAMETS: Well --

25 MR. HALL: Subject to the approval of

1 all interest owners?

2  
3 MR. STAMETS: Well, let's say that we  
4 set an allowable penalty of some sort, production restriction,  
5 that would provide that if the operator demonstrated that all  
6 parties, including the royalty interests, had agreed to the  
7 location, that such penalty would then come off. Would that  
8 satisfy the State Land Office?

9 MR. HALL: Yes, sir, that's feasible.  
10 Of course that's subject to the discretion and acceptance  
11 of the Commissioner himself.

12 MR. STAMETS: Okay. Commonly in situa-  
13 tions such as this, the Division has utilized factors based  
14 on theoretical drainage radii, the differences between the  
15 drainage radius of the standard location and the drainage  
16 radius at an unorthodox location as a factor.

17 We've also used variations from stand-  
18 ard locations as to footage as a factor in determining pro-  
19 duction penalties.

20 We've also used productive acres in  
21 establishing production penalties.

22 Do you have any other options which  
23 you might wish to offer or are those the types of options  
24 you are interested in today?

25 A Well, that is what we are interested

1  
2 in, yes, sir.

3 Q Okay.

4 MR. STAMETS: Are there any other ques-  
5 tions of this witness?

6 MR. MATHEW: May I confer with Mr. Gryn-  
7 berg?

8  
9 CROSS EXAMINATION

10 BY MR. MATHEW:

11 Q Mr. Law, I'd like you to look at Viking  
12 Exhibit Number One, if you would.

13 Now, Section 31 -- or excuse me, Section  
14 29, 33, are -- are Federal lands, are they not?

15 A To the best of my knowledge, yes, sir,  
16 it would appear.

17 Q Now, Viking now has a well on the  
18 northwest quarter of Section 32, does it not?

19 A There is a well shown there, yes.

20 Q And a well on the southwest quarter of  
21 Section 32.

22 A Yes.

23 Q And also one on the southeast quarter  
24 of Section 32.

25 A Yes.

1  
2 Q Now, with the proximity of those wells  
3 and the well that is proposed -- has been proposed to Gryn-  
4 berg to be placed on the northeast quarter of Section 32,  
5 would not that be adequate drainage of Section 32?

6 A It would absent the fact that you have  
7 a well 62 feet off the north line, which is going to drain  
8 Section 32.

9 MR. GRYNBERG: Now, Mr. Law, I think what  
10 Mr. Mathew's trying to say --

11 MR. MATHEW: Just a minute.

12 MR. STAMETS: A long time ago the State  
13 Attorney General said that anybody who questions a witness  
14 or appears in favor of somebody else is practicing law, and  
15 you have to be a member of the bar to do that, so that's the  
16 reason we have lawyers here. However, we'll give you every  
17 opportunity to consult with your attorney.

18 Q Mr. Law, is it not a fact that you have  
19 excessive drainage by the well located in the southeast  
20 quarter of the southwest section of Section 32 and the well  
21 located in the northeast quarter of the southwest -- south-  
22 east quarter of Section 32, and will have with the well located  
23 in the northeast quarter of the northeast quarter of Section  
24 32 of Federal lands, so that what you've got by the proposed  
25 unorthodox location is a little bit of drainage of State land



1  
2 being compensated for by a lot of drainage of Federal land  
3 by those three wells?

4 A The mistake has already been made. The  
5 State, the minute that this well in question goes on production,  
6 will begin to suffer drainage, whether or not a well is  
7 drilled in 32. A well in 32 will mitigate that drainage, to  
8 some extent, but it will not eliminate it.

9 Q But there is already drainage of Feder-  
10 al lands by the wells located in the south half of Section  
11 32, is there not?

12 A I'm not willing to testify to that.  
13 The spacing that has been set forth for the Abo in this area  
14 was done so by the Oil Conservation Division and we will have  
15 to assume that that is the best estimate as to what can be  
16 drained by one well.

17 Q But it is possible that those wells are  
18 draining Federal lands, is it not?

19 A Well, almost anything is possible.

20 Q If there is the drainage radius which  
21 you spoke of, 1320 feet, then if those wells are located  
22 within that distance of the Federal lands, they are draining  
23 Federal lands, are they not?

24 A Well, when you set up a 1320, the standard  
25 location is 660 from the property line, so there's 1320

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2 factual engineering information. One has to bring into  
3 consideration the drainage area of every well, regardless of  
4 where it is located, and assign whatever that drainage might  
5 be.

6 When you examine existing wells in Sec-  
7 tion 32, that's the three existing wells, you must consider  
8 the proposed location of the fourth well in the northeast  
9 quarter northeast quarter, and make you might say material  
10 balance calculation as to the overall drainage applied to  
11 the four wells located on the State section.

12 There is no doubt in my mind, and I'm  
13 sure there is no doubt in Mr. Law's mind, that the State  
14 royalty will benefit by far more from Section 32 drainage,  
15 because it will be draining not only State land but also  
16 the Federal lands surrounding it in three different cases,  
17 specifically, the well in the southeast quarter southwest  
18 quarter drains the Federal land to the south. The well in  
19 the northeast quarter southeast quarter drains the Federal  
20 land to the east, and the well in the northeast quarter  
21 northeast quarter drains the Federal land to the north,  
22 the northeast, and to the east.

23 One must examine the distances. You  
24 will notice that the distances between the wells are not  
25 necessarily 1320 feet, and I'm talking about the wells on

1  
2 Federal land, but in fact are half a mile or 2640 feet.

3 When you're trying as a Commission to  
4 weigh the equity, I feel that based on pure engineering and  
5 economic analysis the distribution of wells and the drainage  
6 areas associated with them, more than compensates for the  
7 reduced drainage of the well that is now known as the well  
8 located in the southeast quarter of Section 29.

9 And in all fairness to the State, in  
10 spite of the irregular location, the State still is more than  
11 compensated, comes out ahead by allowing the location to be  
12 where it is. Because the opposite would have to apply, too,  
13 if the State wants to restrict the well, then one has to  
14 consider the whole situation, not just an individual well,  
15 and if you make a balance, and you make a balance by drawing  
16 a series of circles on the drainage area, that can be done  
17 easily because I have actually done it in my mind, and I can  
18 do it and present it to the State if the State so desires,  
19 that will show that overall the balance of production will  
20 be in the State's favor.

21 MR. MATHEW: I have no further questions,  
22 Mr. Examiner.

23 MR. STAMETS: Are there any questions  
24 of the witness?

25 MR. HALL: Mr. Examiner, I have no fur-

1  
2 ther questions. I'd just like to state for the record a  
3 simple objection to the line of questioning and line of  
4 testimony we've just heard. I think they were issues more  
5 properly that should have been raised in the rule making  
6 establishing 160 acres.

7 That's all I have, excuse me.

8 MR. PEARCE: If I may, Mr. Examiner.

9  
10 CROSS EXAMINATION

11 BY MR. PEARCE:

12 Q Mr. Grynberg, can you give me the foot-  
13 age locations of the wells in the south half of 32?

14 A Yes, sir.

15 Q Do you know those?

16 A Yes, sir. The well in the northeast  
17 southeast is 660 from the east line and 1980 from the south  
18 line.

19 Q Okay.

20 A And the well in the southeast southwest  
21 is 660 from the south line and 1980 from the west line.

22 Q Okay.

23 A If I might just add that the neatness  
24 of the compensation is because they're irregular sections  
25 to the south, which you'll -- as you'll notice.

1  
2 MR. MATHEW: At this time I'd like to  
3 offer Exhibits One through Four into evidence.

4 MR. STAMETS: These exhibits will be  
5 admitted.

6 The witness is excused. I would sug-  
7 gest that all interested might want to go back and read the  
8 definition of correlative rights spelled out in the rules  
9 and regulations. That could be an enlightening experience  
10 to all concerned.

11 And I would take any closing statements  
12 at this time.

13 MR. CARR: I have a brief statement.

14 Mr. Examiner, what we have here is an  
15 honest mistake that has very serious consequences. When  
16 the mistake was discovered all the parties involved have  
17 taken some very substantial efforts in an effort to try and  
18 resolve this problem.

19 Today you've had Mr. Grynberg appear  
20 before you and has been able to show that all working in-  
21 terest owners involved have agreed to an exchange of property  
22 and would not object to drilling the well at the unorthodox  
23 location.

24 The only objection comes from the  
25 State, that is concerned about drainage of hydrocarbons

1  
2 from state properties, but I think if you look at the record  
3 there's been competent testimony which shows that this  
4 drainage would be compensated for by counter drainage from  
5 State owned tracts, and therefor, we ask that this proceeding  
6 not become an obstacle in a very difficult process, trying  
7 to resolve a problem, and that you enter an order approving  
8 the unorthodox location of this well so that the properties  
9 can be exchanged and we submit that a careful review of the  
10 evidence will show that no one's correlative rights, as  
11 defined by statute, will be impaired, for everyone will have  
12 an opportunity to produce their fair share.

13 MR. STAMETS: Mr. Hall, do you have a  
14 closing statement?

15 MR. HALL: Mr. Examiner, I'd simply like  
16 to go on the record as stating that the State opposes the  
17 application without at least an adjustment in the allowable  
18 production from the well.

19 MR. MATHEW: Mr. Examiner, I would con-  
20 cur in what Mr. Carr has said here today in his closing,  
21 and would like to point out that the operators involved took  
22 it upon themselves to correct a situation that, as Mr. Carr  
23 said, was unfortunate; was nothing more than an honest mis-  
24 take.

25 We have come before you today to gain

1  
2 your acceptance of the Commission of that solution and have  
3 done everything possible to make the remedy equitable to  
4 all parties, and protection of all parties with correlative  
5 rights involved.

6 They have not sought to undermine either  
7 the rules or the regulations but to abide by them and to  
8 work together to protect all parties involved, not simply  
9 the producers or royalty interest owners.

10 And I would like the Commission to take  
11 that into consideration when they review this application.

12 MR. STAMETS: If there is nothing fur-  
13 ther, this case will be taken under advisement.

14  
15 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a correct record of the hearing held in  
the Office of Hearing of the Oil Conservation Division  
heard by me on 3-16-82 7496  
Richard D. [Signature] Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 431-7409

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BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

April 12, 1982

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P. O. Box 2228  
Santa Fe, New Mexico 87501

Re: CASE NO. 7496  
ORDER NO. R-6935

Applicant:

Viking Petroleum, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD       

Other William F. Carr, Scott Hall

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE No. 7496  
Order No. R-6935

APPLICATION OF VIKING PETROLEUM, INC.  
FOR AN UNORTHODOX LOCATION, CHAVES  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of April, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Viking Petroleum, Inc., seeks approval of an unorthodox gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, to the Abo formation, Chaves County, New Mexico.
- (3) That the SE/4 of said Section 29 is to be dedicated to the well.
- (4) That the unorthodox location resulted from a surveying error.
- (5) That the State Land Office as the owner of the royalty interest in Section 32 offsetting this well to the South objected to the proposed location.
- (6) That unrestricted production from a well at the proposed location would result in drainage across the lease line from the State lease(s) to the South which would not be compensated for by counter drainage.

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Case No. 7496  
Order No. R-6935

(7) That such uncompensated drainage would result in violation of correlative rights and injury to the State lease(s) in said Section 32.

(8) That to protect correlative rights and to prevent injury to the State lease(s) to the South, the production from the well at the proposed unorthodox location should be limited from the Abo formation.

(9) That the well at the proposed location is 94 percent closer to the South line of said Section 29 than permitted by the rules and regulations governing Abo formation gas wells in Chaves County.

(10) That the well at the proposed location will have a theoretical area of drainage in the Abo formation which extends 38 net acres into said Section 32, more than a well located at a standard location in said formation (24 percent).

(11) That the production limitation referred to in Finding No. (8) above should be based upon the variation of the location from a standard location and the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location a production limitation factor of 0.41 (94 percent location factor plus a 24 percent net-acre encroachment factor divided by 2 subtracted from a 100 percent production factor).

(12) That in the absence of any special rules and regulations for the prorationing of production from the Abo formation in which the subject well is completed, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(13) That the minimum calculated allowable for the subject well should be reasonable, and 100,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(14) That the Director of the Division should be authorized to administratively rescind the application of said production limitation upon a satisfactory showing that the State Land Office no longer objects to the unorthodox location sought by this application.

(15) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the

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Case No. 7496  
Order No. R-6935

augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Viking Petroleum, Inc. is hereby authorized an unorthodox Abo formation gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(2) That the SE/4 of said Section 29 shall be dedicated to the above-described well.

(3) That said well is hereby assigned a Production Limitation Factor of 0.41 in the Abo formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said Abo formation in which applicant's well is completed, the Special rules hereinafter promulgated shall apply.

(5) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

SPECIAL RULES AND REGULATIONS  
FOR THE  
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"  
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.41 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

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Case No. 7496  
Order No. R-6935

#### DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure in the manner described in the last paragraph on Page I-6 of said test manual.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

#### CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

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Case No. 7496  
Order No. R-6935

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the well receive an allowable of less than 100,000 cubic feet of gas per day.

#### BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be

-5-

Case No. 7496  
Order No. R-6935

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RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be



-6-

Case No. 7496  
Order No. R-6935

rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17 or 18 above upon a showing that the same is necessary to avoid material damage to the well.

GENERAL

RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

IT IS FURTHER ORDERED:

(1) That the Director of the Division shall rescind the application of the production limitation factor and of the special rules contained in this order upon a proper showing that the State Land Office has withdrawn objection to the unorthodox gas well location granted by this order.

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

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

JOE D. RAMEY,  
Director

S E

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB NO. 1001-0031

ASSIGNMENT AFFECTING RECORD TITLE  
TO OIL AND GAS LEASE

Lease Serial No.  
**NM-28489**  
Lease effective date  
**November 1, 1976**  
FOR BLM OFFICE USE ONLY  
New Serial No.

PART I

1. Assignee's Name

**Celeste C. Grynberg**

Address (include zip code)

**1050 17th Street, Suite 1950, Denver, Colorado 80265**

The undersigned, as owner of 100 percent of the record title of the above-designated oil and gas lease, hereby transfers and assigns to the assignee shown above, the record title interest in and to such lease as specified below.

2. Describe the lands affected by this assignment

**Township 5 South, Range 24 East, NMPM  
Section 29: SE $\frac{1}{4}$**

**Containing 160.00 acres, more or less  
Chaves County, New Mexico**

Assignment approved as to lands described below

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
**U: King EXHIBIT NO. 2**  
CASE NO. **7496**  
Submitted by **U: King**  
Hearing Date **3/16/82**

NOTE: Assignment subject to 45 day reassignment rider plus rider to take oil & gas in kind, both signed for identification & attached hereto.

3. Specify interest or percent of assignor's record title interest being conveyed to assignee

**100%**

4. Specify interest or percent of record title interest being retained by assignor, if any

**None**

5. Specify overriding royalty being reserved by assignor

**None**

6. Specify overriding royalty previously reserved or conveyed, if any

**5% of 3/8ths**

7. If any payments out of production have previously been created out of this lease, or if any such payments are being reserved under this assignment, attach statement giving full details as to amount, method of payment, and other pertinent terms as provided under 43 CFR 3106.

It is agreed that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17 $\frac{1}{2}$  percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

I CERTIFY That the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this 23rd day of February, 1982.

ATTEST:

By:

**Randy H. Johnson**  
Assistant Secretary

ATTEST:

By:

**Randy H. Johnson**  
Assistant Secretary

ATTEST:

By:

**Sharon L. Johnson**  
Assistant Secretary

ATTEST:

By:

**Sharon L. Johnson**  
Assistant Secretary

YATES PETROLEUM CORPORATION

By:

**John A. Yates**  
Vice President

YATES DRILLING COMPANY

By:

**John A. Yates**  
Vice President

MYCO INDUSTRIES, INC.

By:

**John A. Yates, Atty-in-Fact for  
Frank Yates, President**

ABO PETROLEUM CORPORATION

By:

**John A. Yates**  
President

## PART II

## ASSIGNEE'S REQUEST FOR APPROVAL OF ASSIGNMENT

## A. ASSIGNEE CERTIFIES THAT

1. Assignee is over the age of majority
2. Assignee is a citizen of the United States
3. Assignee is ☐ Individual ☐ Municipality ☐ Association ☐ Corporation. If other than an individual, assignee's statement of its qualifications are attached. If previously furnished, identify the serial number of the record in which filed \_\_\_\_\_.
4. Assignee's interests, direct and indirect, do not exceed 200,000 acres in oil and gas options or 246,000 chargeable acres in options and leases in the same State, or 300,000 chargeable acres in leases and options in each leasing District in Alaska.
5. Assignee ☐ is ☐ is not the sole party in interest in this assignment. Information as to interests of other parties in this assignment must be furnished as provided in the regulations (43 CFR 3106).
6. A filing fee of \$25.00 is attached.

B. ASSIGNEE AGREES That, upon approval of this assignment by the authorized officer of the Bureau of Land Management, he will be bound by the terms and conditions of the lease described herein as to the lands covered by this assignment, including, but not limited to, the obligation to pay all rentals and royalties due and accruing under said lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any drilling operations as prescribed in the lease, and to furnish and maintain such bond as may be required by the lessor to assure compliance with the terms and conditions of the lease and the applicable regulations.

C. IT IS HEREBY CERTIFIED That the statements made herein are true, complete, and correct to the best of undersigned's knowledge and belief and are made in good faith.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

STATE OF NEW MEXICO )  
: ss.  
COUNTY OF EDDY )

The foregoing instrument was acknowledged before me this 23rd day of February, 1982, by JOHN A. YATES, Vice President of YATES PETROLEUM CORPORATION, and as Attorney-in-Fact for Frank Yates, President of MYCO INDUSTRIES, INC., both New Mexico corporations, on behalf of said corporations.

My commission expires:  
June 29, 1984

Betty Ruth Hodges  
Notary Public

STATE OF NEW MEXICO )  
: ss.  
COUNTY OF EDDY )

The foregoing instrument was acknowledged before me this 23rd day of February, 1982, by S. P. Yates, Vice President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:  
June 29, 1984

Betty Ruth Hodges  
Notary Public

STATE OF NEW MEXICO )  
: ss.  
COUNTY OF EDDY )

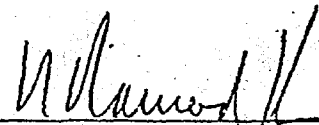
The foregoing instrument was acknowledged before me this 16th day of December, 1981, by John A. Yates, President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:  
June 29, 1984

Betty Ruth Hodges  
Notary Public

ATTACHMENT TO ASSIGNMENT OF USA NM-23489

1. In the event Assignee desires to surrender said lease as to all or any part of the acreage covered hereby, said Assignee agrees to notify Assignor at least forty-five (45) days in advance of the anniversary date specified in said lease, and Assignor hereunder shall then have thirty (30) days after receipt of such notice within which to elect to take a reassignment of said lease as to the portion thereof to be relinquished. Should Assignor hereunder elect to receive such a reassignment, same will be delivered by Assignee prior to the anniversary date of the lease with no further encumbrances other than those provided for in the Assignment to the Assignee. The liability for Assignee's failure to comply with the above shall be limited to the consideration paid for this assignment.
2. Assignor expressly reserves the right to take his share of oil or gas in kind and contract for the disposal of same on such terms as Assignor may choose. Provided, however, if Assignee proposes to sign an oil or gas contract covering his interest, he shall notify Assignor in writing and if Assignor does not notify Assignee to the contrary within 10 days thereafter, Assignee shall have the right to sell Assignor's share of said oil or gas for a period not to exceed one year at such price as Assignee is able to negotiate in good faith. Assignor shall bear all cost of taking or selling his gas or oil separately.



R. Ronald Schnier  
2451 Domingo  
Las Vegas, NV 89121



NEW MEXICO STATE LAND OFFICE  
ASSIGNMENT OF OIL AND GAS LEASE

From lease number

LG-0566-1

To lease number

KNOW ALL MEN BY THESE PRESENTS:

That Celeste C. Grynberg and Jack J. Grynberg, wife and husband  
(wife, if any or state of incorporation)

of 1050 17th Street, Suite 1950, Denver, Colorado 80265

hereinafter called "Assignor" (whether one or more), for and in consideration of Ten or more Dollars,  
paid by Yates Petroleum Corporation

whose Post Office address is 207 South Fourth Street, Artesia, New Mexico 88210

hereinafter called "Assignee" (whether one or more), does hereby sell, assign and convey to the  
Assignee the entire interest and title in and to that certain Oil and Gas Lease No. LG-0566  
made by the State of New Mexico to Jack J. Grynberg  
under date of September 1, 1972, only insofar as said lease covers the following land, in  
Chaves County, New Mexico, to-wit:

T 5 S - R 24 E  
Sec. 32: -NE $\frac{1}{4}$

Containing 160.00 acres more or less

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

U. King EXHIBIT NO. 3

CASE NO. 7496

Submitted by U. King

Hearing Date 3/16/82

together with the rights incident thereto, and the personal property thereon, if any, appurtenant  
thereto, or used or obtained in connection therewith.

Assignee assumes and agrees to perform all obligations to the State of New Mexico insofar as  
said described land is affected, and to pay such rentals and royalties, and to do such other acts  
as are by said lease required as to said land, to the same extent and in the same manner as if the  
provisions of said lease were fully set out herein. It is agreed that Assignee shall succeed to  
all the rights, benefits and privileges granted the Lessee by the terms of said lease, as to said  
land.

With warranty covenants as to the leasehold estate herein assigned, except as to any valid...  
overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal  
record, and Assignor covenants that said leasehold estate so assigned is valid and subsisting and  
that all rentals and royalties due thereunder have been paid.

EXECUTED this 19 day of February, 19 82.

Celeste C. Grynberg  
Celeste C. Grynberg, Assignor

Jack J. Grynberg, Spouse

(PERSONAL ACKNOWLEDGMENT)

STATE OF Colorado  
COUNTY OF Denver ss.

The foregoing instrument was acknowledged before me this 19 day of February  
Celeste C. Grynberg and Jack J. Grynberg

My commission expires: 5/20/85

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF \_\_\_\_\_ ss.  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ by

(Name)

(Title)

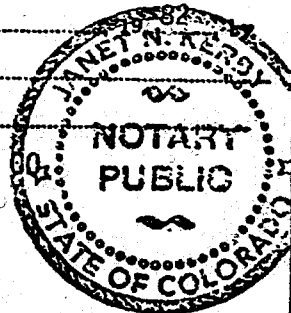
of

(Corporation)

a \_\_\_\_\_ corporation, on behalf of said corporation.

My commission expires: \_\_\_\_\_

Notary Public



( ACKNOWLEDGMENT BY ATTORNEY-IN-FACT )

STATE OF..... }  
COUNTY OF..... } ss.

The foregoing instrument was acknowledged before me this..... day of..... 19....., by

..... as attorney-in-fact in behalf of

My commission expires:..... Notary Public

APPROVAL OF THE COMMISSIONER

Office of Commissioner of Public Lands  
Santa Fe, New Mexico

I hereby certify that the within Assignment was filed in my office on.....  
approved by me and to be effective as to the State of New Mexico on.....

.....  
Commissioner of Public Lands

INSTRUCTIONS AND INFORMATION

1. An annual rental, at the rate of..... per acre shall become due and payable to the lessor by the lessee, or by any transferee or assignee of the same, or any part hereof, where such transferee or assignee has been recognized, and such transfer or assignment approved by the lessor, upon each acre of land above described and then claimed by such lessee, transferee or assignee, and the same shall be due and payable in advance to the Lessor on the successive anniversary dates of the lease, (not the date this assignment was executed) but the annual rental on any assignment shall in no event be less than Six Dollars (\$6.00).
2. The lease is for a primary term of Five Years from the date of the lease, and as long thereafter as oil and gas in paying quantities, or either of them is produced from said land by the lessee, subject to all of the terms and conditions set forth in the lease.  
If the lessee shall have failed to make discovery of oil and/or gas in paying quantities during the primary term of the lease, the lessee may continue the lease in full force and effect for an additional term of five years and as long thereafter as oil and gas in paying quantities, or either of them is produced from the leased premises, by paying each year in advance, as herein provided, double the rental provided herein for the primary term, or the highest rental prevailing at the commencement of the secondary term in any rental district, or districts in which the lands or any part thereof, may be situated, if it be greater than double the rental provided for the primary term. But the annual rental on any assignment shall in no event be less than Twelve Dollars (\$12.00) during the secondary term.
3. All Assignments must be filed in triplicate in the State Land Office within 100 days from date of signing and accompanied by Cashier's Check, Bank Draft, P.O. or Express Money Order.
4. Effective September 1, 1957, recording fee for each assignment is \$10.00 (if filed over 100 days from date of signing, additional fee of \$25.00 is charged).
5. When assignments are accompanied by personal check, the Commissioner of Public Lands reserves the right to withhold approval of assignment until checks are paid.
6. Assignments will not be approved when assigned to more than two persons, or for less than a regular subdivision or for undivided interests. By a regular subdivision is meant forty acres or a tract described by Lot number which may be more or less than 40 acres.
7. Assignments must show complete post office address of assignee.
8. Assignments must be executed before an officer authorized to take acknowledgments of deeds. Corporations must use corporate form of acknowledgment.
9. Assignments must show whether assignors are married or single; if married, both husband and wife must sign the assignment, and certificate of acknowledgment must show marital status of assignors.
10. All official business, letters and communications must be addressed to and sent direct to the Commissioner of Public Lands.
11. Make all payments for annual rental and recording and approval fees to

COMMISSIONER OF PUBLIC LANDS  
Santa Fe, New Mexico 87501

BUCKET  
OIL CONSERVATION  
Viking 7496  
Submitted by Viking  
Hearing Date 3/16/82

HAND DELIVERED TO GRESSETT

NS

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SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101  
Revised 1-1-85

CHRIS BENNELS  
HAND DELIVERED

5A. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
5. State Oil & Gas Lease No. STA-NM-LG-566
7. Unit Agreement Name N/A
8. Farm or Lease Name Grynberg 32 State
9. Well No. 1
10. Field and Pool, or Wildcat Undesignated Abo
12. County Chaves
19. Proposed Depth 4200'
19A. Formation Abo
20. Rotary or C.T. Rotary
21B. Drilling Contractor Stewart Brothers
22. Approx. Date Work will start November 21, 1981

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work b. Type of Well OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> 2. Name of Operator Viking Petroleum Inc. 3. Address of Operator 1050 17th St. Suite 1950, Denver, CO 80433 4. Location of Well UNIT LETTER B LOCATED 660 FEET FROM THE North LINE AND 1980 FEET FROM THE East LINE OF SEC. 32 TWP. T 5 S RGE. 24 E NMPM	DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>
19. Proposed Depth 4200'	19A. Formation Abo
20. Rotary or C.T. Rotary	21B. Drilling Contractor Stewart Brothers
22. Approx. Date Work will start November 21, 1981	

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
13 1/2"	10 3/4"	32#	900'	Cement to surface	
7 7/8"	4 1/2"	9.5#	4200'	500' above top of pay	

1. Spud well, drill 13 1/2" hole to 900', run 10 3/4" surface casing.
2. Drill 7 7/8" hole to 4200', checking B.O.P. daily.
3. Run tests and logs as needed.
4. Run 4 1/2" production casing to 4200' if warranted.
5. Perforate and stimulate as needed.

In the event that circulation is lost while drilling 7 7/8" hole and intermediate casing is needed, the hole will be reamed and 1500' of 7 5/8" intermediate casing will be set.

B.O.P. Diagram is Attached

Gas is not dedicated.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed MORRIS EITINGER, JACK GRYNBERG & ASSOCIATES Title Agent Date 11/19/81  
(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

# NEW LEASE OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the corner boundaries of the Section.

~~FAA~~ Viking Petroleum Inc. Grynberg 32 State 1

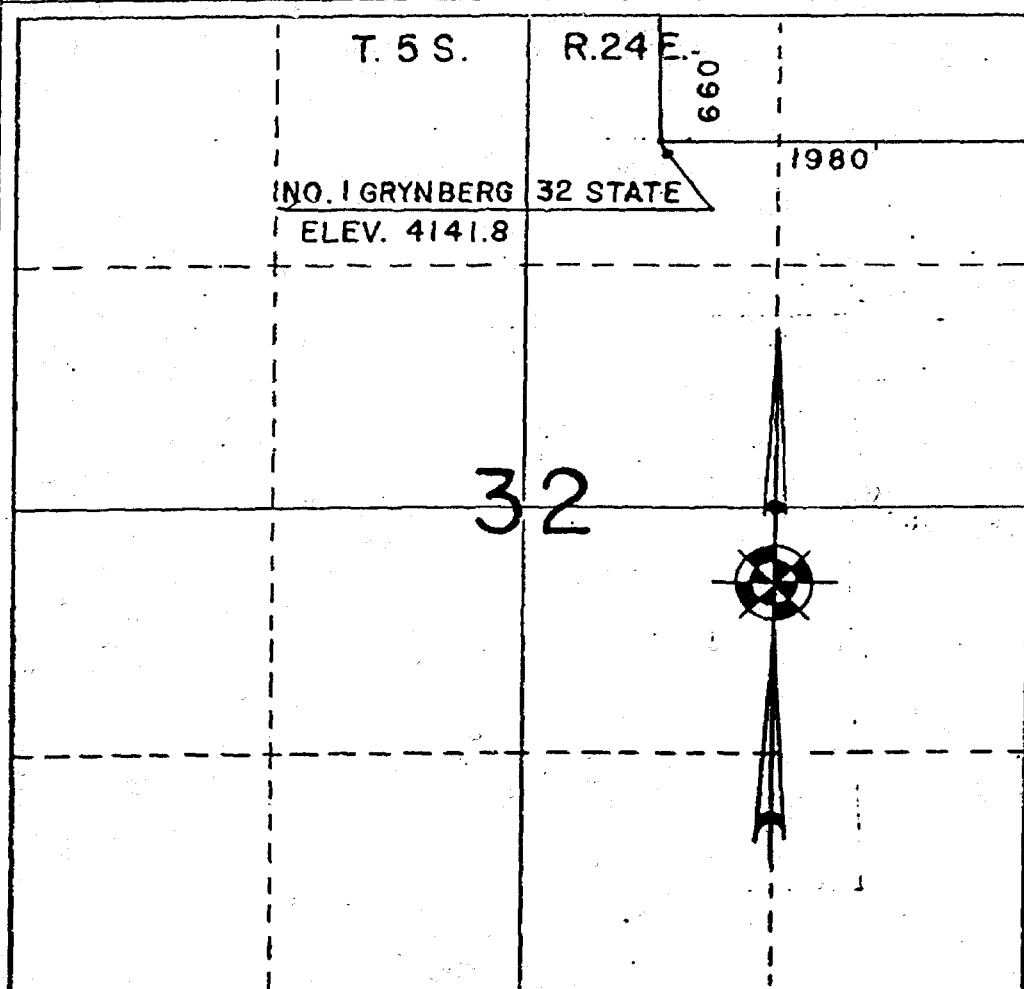
Section	32	Township	5-S	Range	24-E	County	Chaves
Section 32							
660	feet from the	NORTH	Line and	1980	feet from the	EAST	Line
Ground Level Elev.	Producing Formation		Prod	Dedicated Acreage			
4141.8							

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



## CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Position
Company
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

20 November 1981

Date Surveyed  
*Thomas T. Mann*  
 Registered Professional Engineer  
 and/or Land Surveyor  
 Thomas T. Mann, P.E. & L.S.  
 N.M. License No. 277

0 330 660 990 1320 1650 1980 2310 2640 2970 3300 0



PHONE 622-8771

1605 WEST SECOND STREET

P. O. BOX 2034

MANN ENGINEERING CO.  
REGISTERED ENGINEERS  
ROSWELL, NEW MEXICO  
~~XXXX~~  
88202-2034

January 25, 1982

Grynberg & Associates  
Suite 1950  
1050 17th Street  
Denver CO 80265

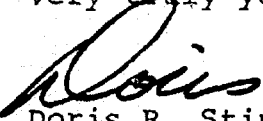
Attn: Nancy Stolzle

Gentlemen:

Re: T-5-S R-24-E Section 32  
No. 1 Grynberg 32 State

Transmitted herewith is one of the 660 FNL and 1980 FEL  
well location and acreage dedication plats as requested  
this morning during our telephone conversation.

Very truly yours,

  
Doris R. Stinson  
Secretary

RESUME  
(1949-1981)

Star

7496

Star of NM

3/16/82

James Westbrook Law  
Age - 55. Born - April 4, 1924. Los Angeles, California

HomeAddress: 1303 Calle Giraso  
Santa Fe, N.M. 87501  
Phone - 505-982-2196

Office:  
Santa Fe, N.M. 87501  
Phone - 505-827-2748

<u>School</u>	<u>Education</u>		<u>Course</u>	<u>Degree</u>
	<u>From</u>	<u>To</u>		
Lake Charles H.S.	1940	1942	Regular	
<u>College</u>				
Texas A&M	1942	1943	Petroleum Engr.	None
Stanford University (ASTP)	1943	1944	Civil Engineer.	"
Louisiana State University	1946	1949	Petroleum Engr.	Petr. Engr.

Experience

- 1949-1950 Junior Petroleum Engineer  
The Superior Oil Company, Lafayette, Louisiana  
General Engineering and Geological. Mostly field work, logging coring, etc.
- 1950-1952 General Petroleum Engineer  
The Superior Oil Company, Sinton, Texas  
Field Development - Logging, coring, reservoir and equipment design.
- 1952-1956 Senior Reservoir Engineer  
The Superior Oil Company, Houston, Texas  
During this period I was in charge of all Secondary Recovery operations for The Superior Oil Company (U.S.). Made and supervised reservoir engineering studies, installation of waterflood equipment and operations. The Illinois Basin, North Texas, and South Louisiana.
- 1956-1958 Vice-President - Reservoir Engineering, Mortex Oil & Gas Corp.  
Dallas, Texas.  
This was essentially an investor funded drilling operation with secondary recovery property acquisition as a sideline.  
Put in two successful waterflood projects for this company.

EXHIBIT

/

- 1958-1960      General Manager  
Superior of Venezuela, Maracaibo, and Caracas, Venezuela.  
Supervised all phases of this subsidiary company  
Production - 100,000 BPD.
- 1960-1965      Vice President and General Manager  
Superior of Venezuela.  
This subsidiary company was sold by Superior in 1965.
- 1965-1967      General Manager Operations, Rocky Mountain District  
The Superior Oil Company  
Casper, Wyoming
- 1967-1975      Senior Petroleum Engineer - Joint Ventures  
The Superior Oil Company  
Houston, Texas
- 1976-1977      Eastern Division Exploitation Engineer  
The Superior Oil Company  
Lafayette, Louisiana
- 1977-1979      Manager of Joint Interest - Eastern U.S.A., Gulf of Mexico  
and Eastern Seaboard  
The Superior Oil Company  
Lafayette, Louisiana
- Sept. 1979 - Present      Petroleum Consultant to the Commission of Public  
Lands, State of New Mexico

References: R. A. Kerr, (Ret.) Asst. Chief Engineer, The Superior Oil Company  
6312 Rutgers  
Houston, Texas      77081

John M. Casey  
14834 Chadbourne  
Houston, Texas      77024

F. P. Jones, Ret., Executive V.P. - Legal Counsel, The Superior Oil Co.  
3859 Chevy Chase  
Houston, Texas      77019

from planimeter 40 acres = 0.401 reading

st. loc.

Sec 29  
Sec 32

reading .359 = ~~35.9~~ acres  
35.8

$74.1 - 35.8 = 38.3$

reading .743 = 74.1 acres

2000

each unit equals 66 ft

Area of 160 acres = 6,967,600

Dockets Nos. 9-82 and 10-82 are tentatively set for March 31, and April 14, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - MARCH 16, 1982

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for April, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for April, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

**CASE 7502:** Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 760 feet from the South line and 960 feet from the East line of Section 6, Township 24 South, Range 37 East, Jalmat Gas Pool, and a 160-acre non-standard proration unit comprising the SE/4 of said Section 6.

**CASE 7503:** Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the North line and 1400 feet from the East line of Section 22, Township 22 South, Range 36 East, Jalmat Gas Pool, and a 120-acre non-standard proration unit comprising the W/2 NE/4 and SE/4 NE/4 of said Section 22.

**CASE 7504:** Application of Cities Service Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a subsurface depth of 3416 feet underlying the NW/4 of Section 19, Township 24 South, Range 37 East.

**CASE 7505:** Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lybrook-Gallup and Basin-Dakota production in the wellbores of wells drilled and to be drilled in Section 2, 3, 4, 9 and 10, Township 23 North, Range 7 West.

**CASE 7506:** Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Abo formation in the perforated interval from 8900 feet to 9300 feet in its State "P" Well No. 1, located in Unit P, Section 32, Township 16 South, Range 37 East, Lovington-Abo Pool.

**CASE 7507:** Application of Sonny's Oilfield Service, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.

**CASE 7508:** Application of P & O Oilfield Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

**CASE 7459:** (Continued from February 17, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

**CASE 7457:** (Continued from February 17, 1982, Examiner Hearing)  
(This Case will be continued to April 28, 1982)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4; Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

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Examiner Hearing  
TUESDAY - MARCH 16, 1982

- CASE 7509: Application of Supron Energy Corporation for a non-standard proration unit or compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit for the Dakota and Mesaverde formations comprising the SW/4 of Section 2, Township 21 North, Range 8 West, or in the alternative, an order pooling all mineral interests from the surface down through the Dakota formation underlying the S/2 of said Section 2, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7510: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Penn formations underlying the N/2 of Section 10, Township 22 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7511: (This Case will be continued to March 31, 1982)  
Application of Buffton Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 35, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7496: (DE NOVO)  
(Continued from March 3, 1982, Examiner Hearing)  
Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.
- CASE 7512: Application of Viking Petroleum, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well located in Unit H of Section 31, Township 13 South, Range 34 East, Nonombre-Penn Pool, said well being a recompleted Morrow test and located in the SE/4 of the quarter section whereas the pool rules require wells to be located in the NE/4 or SW/4 of the quarter section.
- CASE 7476: (Continued from March 3, 1982, Examiner Hearing)  
Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 7513: Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7514: Application of Santa Fe Exploration Co. for compulsory pooling, or in the alternative a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Permo-Penn, Stawn, Atoka and Morrow formations underlying the W/2 of Section 2, Township 20 South, Range 25 East to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200 percent charge for risk involved in drilling said well. In the event said 200 percent risk factor is not approved, applicant seeks a non-standard unit excluding the lands of owners not participating in the well.

PAGE 3

EXAMINER HEARING - TUESDAY - MARCH 16, 1982

CASE 7515: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12, and 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7445: (Continued from February 17, 1982, Examiner Hearing)  
( This Case will be continued to April 28, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collier Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

CASE 7492: (Continued and Readvertised)

Application of Harvey E. Yates Company for a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 28, 29, 30 and 31 East, containing 161,280 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7500: (Continued from March 3, 1982, Examiner Hearing)

Application of Read & Stevers, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

3 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Viking Petroleum  
corporation for an unorthodox  
location, Chaves County, New Mexico.

CASE  
7496

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:



1  
2 MR. NUTTER: Now we'll call Case Number  
3 7496.

4 MR. PFARCE: Application of Viking  
5 Petroleum Corporation for an unorthodox location, Chaves  
6 County, New Mexico.

7 Mr. Examiner, at the request of the --  
8 we have received a request from the applicant that this matter  
9 be continued until the hearing set on March the 16th of  
10 1982.

11 MR. NUTTER: Case Number 7496 will be  
12 continued to the hearing set for 9:00 o'clock a. m. at this  
13 same place on March the 16th, 1982.

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15  
16 (Hearing concluded.)  
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24  
25

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1, Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7496  
heard by me on 2/3 1982.

[Signature], Examiner  
Oil Conservation Division

Dockets Nos. 8-82 and 9-82 are tentatively set for March 16 and March 31, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 3, 1982

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Storatz, Alternate Examiner:

CASE 7469: (Continued from February 3, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit H. M. Bailey & Associates, Commercial Union Insurance Company, and all other interested parties to appear and show cause why the following wells on the H. M. Bailey lease, Township 21 South, Range 1 West, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program: In Section 10: Nos. 9 in Unit A; 9, 11, 12, and 13 in Unit B; 10 and 14 in Unit C; and No. 15 in Unit C of Section 9.

CASE 7494: Application of Bass Enterprises Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Humble City Unit Area, comprising 800 acres, more or less, of State lands in Township 17 South, Range 37 East.

CASE 7495: Application of Gulf Oil Corporation for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard Dumont proration unit comprising the E/2 of Section 25, Township 12 South, Range 30 East, to its Graham State Wells Nos. 8 in Unit 1 and 9 at an unorthodox location 990 feet from the North line and 1980 feet from the East line of said Section 25.

CASE 7496: Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.

CASE 7476: (Continued from February 3, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7497: Application of Parabo, Inc. for an oil treatment plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at its salt water disposal site in the SE/4 of Section 29, Township 21 South, Range 38 East.

CASE 7458: (Continued from January 6, 1982, Examiner Hearing)

Application of Marks & Garner Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Bough C formation in the perforated interval from 9596 feet to 9616 feet in its Betenbough Well No. 2, located in Unit M of Section 12, Township 9 South, Range 35 East.

CASE 7498: Application of Dwayne E. Hamilton for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 5, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Page 2

Examiner Hearing - WEDNESDAY - MARCH 3, 1982

CASE 7499: Application of Amoco Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 3, Township 23 South, Range 34 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7073: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7073 being reopened pursuant to the provisions of Order No. R-6558, which order promulgated special rules for the South Elkins-Fusselman Pool in Chaves County, including provisions for 80-acre spacing units and a limiting gas-oil ratio of 3000 to one. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units with a limiting gas-oil ratio of 2000 to one.

CASE 7074: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7074 being reopened pursuant to the provisions of Orders Nos. R-6565 and R-6565-B, which created the South Elkins-Fusselman Gas Pool in Chaves County. All interested parties may appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined that said pool is producing from a retrograde gas condensate reservoir.

CASE 7500: Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

CASE 7485: (Continued from February 17, 1982, Examiner Hearing)

Application of Berge Exploration for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying two 160-acre proration units, the first being the NW/4 and the second being the SW/4 of Section 27, Township 7 South, Range 26 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7501: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves, Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Caprock-Wolfcamp Pool. The discovery well is The Petroleum Corporation Landlady Well No. 1 located in Unit J of Section 8, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM  
Section 8: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Morrow production and designated as the Feather-Morrow Pool. The discovery well is the Santa Fe Energy Company State UTP Well No. 1 located in Unit J of Section 21, Township 15 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 21: SE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo Reef production and designated as the Garrett-Abo Reef Pool. The discovery well is the Marathon Oil Company Delmont L. Hatfield Well No. 1 located in Unit J of Section 23, Township 16 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, NMPM  
Section 23: SE/4

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Examiner Hearing - WEDNESDAY - MARCH 3, 1982

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Strawn and Atoka production and designated as the Pronghorn Strawn-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Pronghorn Unit Well No. 1 located in Unit G of Section 6, Township 23 South, Range 33 East, NMPM. Said Pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM  
Section 6: N/2

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Paddock production and designated as the Skaggs-Paddock Pool. The discovery well is the Conoco Inc. SEMU Burger Well No. 107 located in Unit J of Section 19, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

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

(f) EXTEND the Angell Ranch Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM  
Section 2: S/2  
Section 11: N/2

(g) EXTEND the Atoka-Yessc Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 26: E/2 NW/4 and E/2 SW/4

(h) EXTEND the Austin-Mississippian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 36 EAST, NMPM  
Section 18: S/2

(i) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 25 EAST, NMPM  
Section 3: E/2

(j) EXTEND the Bunker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 14: S/2 SW/4  
Section 23: N/2 N/2  
Section 24: S/2 NW/4 and NE/4 NW/4

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

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 36: S/2

(l) EXTEND the Chayeroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM  
Section 10: W/2  
Section 15: W/2

(m) EXTEND the Dark Canyon-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM  
Section 31: N/2

- (n) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 12: E/2

TOWNSHIP 21 SOUTH, RANGE 38 EAST, NMPM  
Section 7: NW/4

- (o) EXTEND the North Eidson-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM  
Section 6: Lots 3, 4, 5, 6, 11, 12, 13, 14, and SW/4

- (p) EXTEND the Happy Valley-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM  
Section 20: S/2

- (q) EXTEND the Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM  
Section 29: NW/4 SW/4

- (r) EXTEND the Hobbs-Blinbry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM  
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 39 EAST, NMPM  
Section 3: NW/4

- (s) EXTEND the Jalmat Yates-Seven Rivers Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 26: NE/4

- (t) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 30: W/2

- (u) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 20: E/2  
Section 21: All  
Section 22: S/2  
Section 27: All  
Section 28: All  
Section 29: All

- (v) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 7: SW/4

- (w) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 35: All

- (x) EXTEND the Oil Center-Glorieta Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
Section 11: NW/4

- (y) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 5: NW/4

- (z) EXTEND the Sand Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM  
Section 26: All

- (aa) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM  
Section 6: SW/4  
Section 7: NW/4

- (bb) EXTEND the Travis-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 12: S/2 SE/4

- (cc) EXTEND the Tule-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM  
Section 35: SW/4

- (dd) EXTEND the Turkey Track-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 22: SE/4 SW/4

- (ee) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 8: S/2  
Section 9: W/2

**JACK GRYNBERG AND ASSOCIATES**  
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 - 572-1455

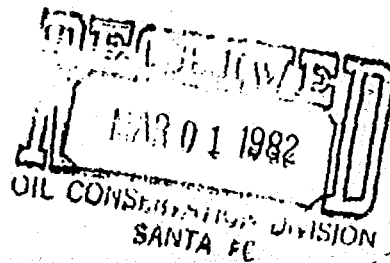
TELEX: 45-4497 ENERGY DVH  
TELECOPIER: 303-623-5224

February 26, 1982

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Attn: Mr. Dan Nutter, Examiner

RE: Case 7496 Viking Petroleum Inc. Unorthodox Location  
Case 7476 Jack J. Grynberg Compulsory Pooling



Gentlemen:

This letter is to confirm my telephone conversation with Mr. Dan Nutter in which we agreed that the captioned cases will be heard on March 16, 1982 instead of March 3, 1982.

Thank you for your assistance in this matter.

Yours truly,

Nancy Stolizle  
Land Manager

NS/ggd



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7496


APPLICATION OF VIKING PETROLEUM, INC.

ENTRY OF APPEARANCE

COMES NOW Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico, by and through the undersigned counsel, and requests of the Oil Conservation Division that he be allowed to enter this Appearance as a party of record in the aforesaid proceeding.

The Commissioner states further that oil and gas lands owned by the State of New Mexico are involved in this proceeding that may or may not be adversely affected by the order or decision of the Division in this matter.

Respectfully submitted,



J. SCOTT HALL  
Attorney for Alex J. Armijo  
Commissioner of Public Lands  
for the State of New Mexico  
P.O. Box 1148  
Santa Fe, New Mexico 87501  
505/827-2743

**JACK GRYNBERG AND ASSOCIATES**

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

FEB 15 1982  
OIL CONSERVATION DIVISION  
SANTA FE

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 - 572-1455

TELEX: 45-4497 ENERGY DVR  
TELECOPIER: 303-823-5224

February 5, 1982

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico

Attn: Mr. Joe D. Ramey, Director

RE: Application for Unorthodox Location  
and Request for Hearing  
Viking Petroleum, Inc.  
#1 Grynberg 32 State  
1984' FEL and 62' FSL  
Section 29, T5S - R24E  
Chaves County, New Mexico

*Case 7446*

Gentlemen:

As agent for Viking Petroleum, Inc., Jack Grynberg and Associates does hereby request an order for approval of the captioned unorthodox well location and the Division to schedule a hearing before an examiner at the earliest possible date.

The unorthodox location is the result of a gross surveying error. The captioned well location was to be surveyed, as reflected on the survey plat for the approved application for permit to drill, 1980' FEL and 660' FNL of Section 32, T5S - R24E, Chaves County, New Mexico. The well was drilled to 4,152 feet and completed in the Abo Formation on this pretense. Transwestern Pipeline Company surveyors discovered the surveying error and determined the actual well location to be 1984' FEL and 62' FSL of Section 29, T5S - R24E, Chaves County, New Mexico.

Exhibit "A", attached hereto, is a map showing the unorthodox location, ownership of all leases offsetting the proration unit, and all wells thereon. A copy of this letter and exhibit have been sent certified to the offset operators as notification of the application for unorthodox location.

If you require further information, please advise. Your efforts in setting this matter down for a hearing before an examiner at an early date are greatly appreciated.

Yours truly,

JACK GRYNBERG AND ASSOCIATES  
Agent for Viking Petroleum, Inc.

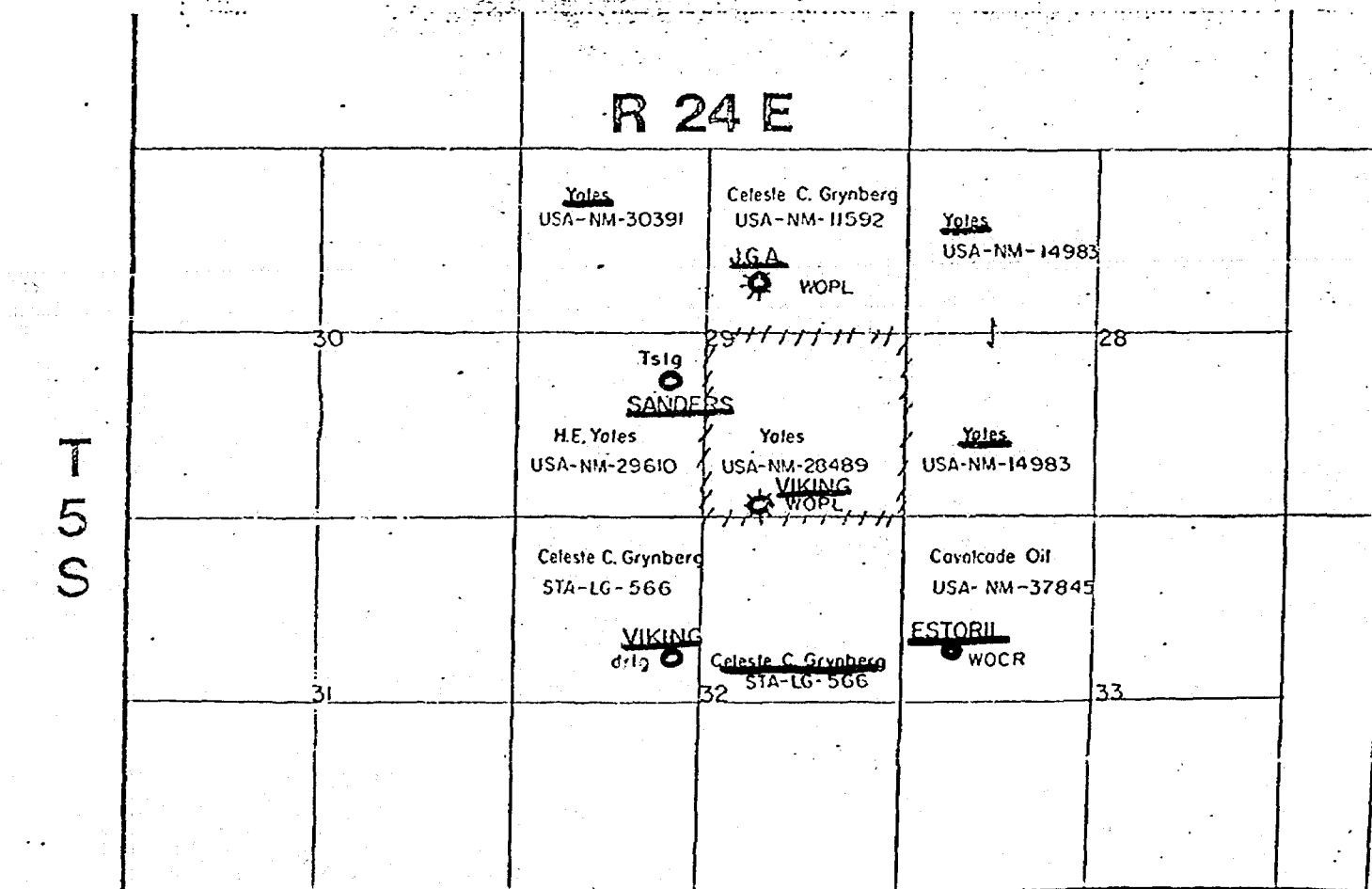
*Nancy Stolzle*

Nancy Stolzle  
Land Manager  
att. 1

RE: Application for Unorthodox Location  
 and Request for Hearing  
 Viking Petroleum, Inc.  
 #1 Grynberg 32 State  
 1984' FEL and 62' FSL  
 Section 29, T5S - R24E  
 Chaves County, New Mexico  
 February 5, 1982

7-1-1982  
 11-1-1982  
 11-1-1982  
 11-1-1982

EXHIBIT "A"



cc: Letter & Exhibit to: Yates Petroleum Corp., et al.  
 Sanders  
 Estoril

applicants:

Vikings Petroleum Inc.

unauthorized location #1 Trout well Fed

62' FSL

1984 FEL

29-55 24 E Chavco Co

A60 160 SE/4

Nancy Stagle (505) 572-1455 for

Jack Greynberg

HERBIE  
DIANE

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

MS. WAB

RLL

CASE No. 7496

Order No. R-6935

APPLICATION OF VIKING PETROLEUM, INC.  
FOR AN UNORTHODOX LOCATION, CHAVES  
COUNTY, NEW MEXICO.

*[Signature]*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of March, 1982, the Division  
Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Viking Petroleum, Inc., seeks approval of an unorthodox gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, to the Abo formation, Chaves County, New Mexico.

(3) That the SE/4 of said Section 29 is to be dedicated to the well.

(4) That the unorthodox location resulted from a surveying error.

(5) That the State Land Office as the owner of the royalty interest in Section 32 offsetting this well to the South objected to the proposed location.

(6) That unrestricted production from a well at the proposed location would result in drainage across the lease line from the State lease(s) to the South which would not be compensated for by counter drainage.

(7) That such uncompensated drainage would result in violation of correlative rights and injury to the State lease(s) in said Section 32.

(8) That to protect correlative rights and to prevent injury to the State lease(s) to the South, the production from

the well at the proposed unorthodox location should be limited from the Abo formation.

(9) That the well at the proposed location is 94 percent closer to the South line of said Section 29 than permitted by the rules and regulations governing Abo formation gas wells in Chaves County.

(10) That the well at the proposed location will have a theoretical area of drainage in the Abo formation which extends 38 net acres into said Section 32, more than a well located at a standard location in said formation (24 percent).

(11) That the production limitation referred to in Finding No. (8) above should be based upon the variation of the location from a standard location and the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location *a production limitation* ~~an~~ *Plus a 24 percent net-acre encroachment factor* ~~average~~ factor of 0.41 (94 percent location factor divided by 2 subtracted from a 100 percent production factor).

(12) That in the absence of any special rules and regulations for the prorationing of production from the Abo formation in which the subject well is completed, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(13) That the minimum calculated allowable for the subject well should be reasonable, and 100,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(14) That the Director of the Division should be authorized to administratively rescind the application of said production limitation upon a satisfactory showing that the State Land Office no longer objects to the unorthodox location sought by this application.

(15) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Viking Petroleum, Inc. is hereby authorized an unorthodox Abo formation gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(2) That the SE/4 of said Section 29 shall be dedicated to the above-described well.

(3) That said well is hereby assigned a Production Limitation Factor of 0.41 in the Abo formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said Abo formation in



which applicant's well is completed, the Special rules hereinafter promulgated shall apply.

(5) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

#### SPECIAL RULES AND REGULATIONS

##### FOR THE

##### APPLICATION OF A "PRODUCTION LIMITATION FACTOR"

##### TO A NON-PRORATED GAS WELL

#### APPLICATION OF RULES

RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.41 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

#### ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

## DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure in the manner described in the last paragraph on Page I-6 of said test manual.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

## CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the well receive an allowable of less than 100,000 cubic feet of gas per day.

## BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

*Diane  
Rule  
19 Added  
back in*

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17 or 18 above upon a showing that the same is necessary to avoid material damage to the well.

GENERAL

RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

IT IS FURTHER ORDERED:

(1) That the Director of the Division shall rescind the application of the production limitation factor and of the special rules contained in this order upon a proper showing that the State Land Office has withdrawn objection to the unorthodox gas well location granted by this order.

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

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

STATE OF NEW MEXICO

CASE 7496: VIKING PETROLEUM, INC. FOR  
UNORTHODOX LOCATION, CHAVES COUNTY, NEW  
MEXICO DE NOVO JULY 14, 1982

DOCKET MAILED

Date 6/25/82

CASE NO.

7496 DE NOVO

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.



NEW MEXICO OIL CONSERVATION COMMISSION  
COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date JULY 14, 1982 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Paul Salley	Paul Salley, Sreal Huerfano	Santa Fe
W. J. Kellakin	Kellakin & Kellakin	Santa Fe
Bill Lussati	NRDC	Antonia
M. E. Stover	NRDC	Santa Fe
Bob Hahn	Bryan	Santa Fe
James T. Jimmy	Jennings & Christy	Roswell
Lay W. White	Loco Hills Water Dept	Loco Hills
Myd. Graham	State Land Office	Santa Fe
Samuel Sanchez	State Land Office	Santa Fe
Scott Hall	Jennings & Christy	Roswell
Doug Perrin	Loco Hills Water Dept	Roswell
Jim Jimmy	Reed & Associates	Corpus Christi
Steve Reed		

## NEW MEXICO OIL CONSERVATION COMMISSION

## COMMISSION HEARING

SANTA FE, NEW MEXICOHearing Date JULY 14, 1982 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Paul Gallez	Env. Gallez, Smeal H. W. W. W. W.	Santa Fe
W. D. Kellolin	Kellolin & Kellolin	Santa Fe
Bill Innesett	W. W. W. W.	Antonia
M. E. Stanger	W. W. W. W.	Santa Fe
Bob Huler	Deppan	Santa Fe
James J. Jimmy	Jennings & Christy	Roswell
Lay W. W. W.	Loc Hills Water Dept	Loc Hills
Myd. Graham	State Land Office	Santa Fe
Samuel Sanchez	State Land Office	Santa Fe
Scott H. H.	State Land Office	Santa Fe
Doug Perrin	Jennings & Christy	Roswell
Jim Jennings	Loc Hills Water Dept	Roswell
Steve Reed	Reed & Associates	Corpus Christi

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
14 July 1982

COMMISSION HEARING

IN THE MATTER OF:

Application of Viking Petroleum, Inc.,      CASE  
for an unorthodox location, Chaves      7496  
County, New Mexico.

BEFORE:      Commissioner Ramey  
            Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

J. E. Gallegos, Esq.  
JONES, GALLEGOS, SNEAD, & WER-  
THEIM  
P. O. Box 2228  
Santa Fe, New Mexico 87501

1		3
2	E X H I B I T S	
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## A P P E A R A N C E S

For Commissioner of Public Lands: Scott Hall, Esq.  
Commissioner of Public Lands  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

## I N D E X

## MORRIS I. ETTINGER

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## RAY D. GRAHAM

Direct Examination by Mr. Hall	29
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1  
2 MR. RAMEY: The hearing will come to order.  
3 We'll call first Case 7496.

4 MR. PEARCE: That is the application of  
5 Viking Petroleum, Inc., for an unorthodox location, Chaves  
6 County, New Mexico.

7 MR. RAMEY: Ask for appearances at this  
8 time.

9 MR. GALLEGOS: J. E. Gallegos, Jones,  
10 Gallegos, Snead, and Wertheim, P. O. Box 2228, Santa Fe,  
11 New Mexico, appearing in behalf of the applicant.

12 MR. RAMEY: How many witnesses do you have,  
13 Mr. Gallegos?

14 MR. GALLEGOS: We have one witness, Mr.  
15 Morris Ettinger.

16 MR. HALL: Mr. Commissioner, my name is  
17 Scott Hall. I'm an Assistant Attorney General, representing  
18 the Commissioner of Public Lands in this case.

19 I have one witness this morning, Mr. Ray  
20 D. Graham.

21 MR. RAMEY: Any other appearances?

22  
23 (WITNESSES SWORN.)  
24  
25

MR. RAMEY: You may proceed, Mr. Gallegos.

MR. GALLEGOS: Call Mr. Ettinger.

MORRIS I. ETTINGER

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. GALLEGOS:

Q. Would you state your name, please?

A. Morris Ettinger, E-T-T-I-N-G-E-R.

Q. What is your business address?

A. It's 1050 - 17th Street, Denver, Colorado,  
80265.

Q. What business or profession are you engaged  
in?

A. In oil exploration.

Q. Do you have expertise in the field of  
petroleum geology, Mr. Ettinger?

A. Yes.

Q. Would you tell the Commission what educa-  
tion you have had to provide that expertise?

A. I am a graduate of Colorado School of  
Mines, where I got a geophysical engineering degree, 1955,

1  
2 and a Master of Science degree in geology in 1959, and since  
3 that time till today I have been working with oil exploration  
4 in the United States and also outside of the United States.

5 Q Who are you employed by?

6 A By Grynberg and Associates.

7 Q The application in this proceeding is in  
8 the name of Viking Petroleum Company. Will you explain to the  
9 Commission the relationship between Viking Petroleum and  
10 Grynberg and Associates?

11 A In this case we are agent for Viking.

12 Q And how does that come about?

13 A Viking, in a number of cases, is the oper-  
14 ator, and we are doing all of the geological and the supervision  
15 related to the drilling and the location and everything else,  
16 in drilling a number of wells in Chaves County, New Mexico.

17 Q Because of the peculiar circumstances sur-  
18 rounding the location of this well, which I'll ask you to  
19 describe later, has Grynberg and Associates terminated the  
20 position of being the actual operator as opposed to be being  
21 the agent for Viking Petroleum?

22 A Yes, sir.

23 Q All right. And if the -- as the matter  
24 proceeds, in that case is it requested by Viking Petroleum  
25 that the formal designation of operator in this case, is Jack



1

2

Grynberg and Associates, rather than Viking Petroleum?

3

A.

4

Correct. Actually, we applied for change of operator from Viking Petroleum to Grynberg and Associates for all the wells drilled.

5

6

Q.

7

Among the geographical areas in the United States in which Grynberg and Associates operates, is there included what is known as the Pecos Slope Region in Chaves County, New Mexico?

8

9

A.

Yes.

10

Q.

11

Just in general terms, and with regards to the last two year period, what has been the business activities of Grynberg and Associates in the Pecos Slope Field?

12

13

A.

We have drilled , whether ourself or as agent for Viking, altogether, with other operators, such as Yates, Mesa, Pool, I would say over 25 or maybe 30 wells in the area known as Pecos Slope Field, and right now participate in the order of 25 producing gas fields -- gas wells.

14

15

Q.

What role have you had, Mr. Ettinger, in connection with the drilling and completion of these wells?

16

A.

As far -- I did the work of deciding location of a number of wells, evaluating the results, deciding on completion techniques, and follow up the test results, production, and so forth.

17

18

Q.

Now, would you identify for the Division,

1  
2 and if they have not been handed out, Mr. Ettinger, would  
3 you please hand to the Commission and the reporter copies  
4 of the Exhibit Number One?

5 Would you identify what Exhibit Number One  
6 is?

7 A. Exhibit Number One is an area, or portion  
8 of the Pecos Field area, which is described as Sections 28, 29,  
9 and 30, 31, 32, and 33, Township 5 South, Range 24 East,  
10 Chaves County, New Mexico.

11 Q. And does it have a legend at the bottom  
12 for the symbols and identifications that are used? Is it  
13 self-explanatory?

14 A. Yes. Basically this map shows the leases  
15 and the wells drilled to date in this area shown.

16 Q. Now, Mr. Ettinger, I'd like for you to go  
17 back historically before the development of this area that's  
18 illustrated here as it exists today, and tell the Commission  
19 what the circumstances were, in particular focusing on Section  
20 32, prior to the drilling of the wells.

21 A. Sometime in November of 1981 we wanted to  
22 drill a well in Section 32, known as the 1-32 Well, located  
23 in the northwest northeast of Section 32.

24 We contacted Mann Engineering to survey  
25 and stake the location and we got from them a plat showing

1  
2 the location staked and we proceeded in December to drill a  
3 well.

4 Q Let me -- let me stop you before you go on  
5 to that. First of all, at that time, in the fall of 1981,  
6 what development, if any, existed as to wells in Section 32?

7 A Basically, in Section 32 this, the well  
8 that I'm talking about, the 1-32 was the well, the first well  
9 to be drilled in Section 32, and in Section 29 there might  
10 have been a well. I don't remember right offhand, but basi-  
11 cally, since many more wells have been drilled in the area.

12 Q But at that time there were no wells that  
13 had been drilled on Section 32?

14 A Correct.

15 Q Okay. Is that, Section 32, land that the  
16 State of New Mexico, under which the -- under Grynberg and  
17 Associates holds the oil and gas lease?

18 A Yes.

19 Q Now, you mentioned Mann and Associates.  
20 Where is that engineering firm located?

21 A In Roswell, New Mexico.

22 Q And is that firm known to your company as  
23 being a competent, reliable firm that has been used in the  
24 oil and gas industry for the location of wells?

25 A Yes.

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Q. Go ahead, then, with what events occurred.

A. So, based on this plat, and we of course filed with the Commission Permission to Drill, and we proceeded in December of '81 to drill a well, which was drilled to test the Abo, determined to be a producing well, and we then completed the well and proceeded to contact Transwestern Pipeline to connect the well to the pipeline.

As they started to do the work, they notified us that the location we gave them is wrong, and of course we were surprised, and the only thing we could do is we notified Mann Engineering to go and re-survey the location, and they came back and notified us that they made an error, and the actual location is not in Section 32 but in Section 29, and it is 62 feet north of the south line and 1980 feet west of the east line of Section 29.

Q. And is that the well that's shown on this map with the wording "1 Trout Federal" --

A. Yes.

Q. -- and then "JGA" above it?

A. That's correct. And the problem then, that Section 29 is a Federal lease and at that time the lease was held by Yates Petroleum and, of course, Section 32 is a State lease.

So we proceeded and contacted Yates and

1  
2 exchanged the 100 -- or the quarter section. We -- they as-  
3 signed to us the southeast of Section 29 and we assigned to  
4 them the northeast of Section 32.

5 Q And have those assignments been perfected

6 A Yes.

7 Q -- in the normal course with both the  
8 Federal government and the State?

9 A That's right.

10 Q All right.

11 A And then we proceeded and applied to the  
12 USGS, or Minerals Management today, for permission to drill  
13 this unorthodox location in Section 29, and of course, then  
14 the name changed to No. 1 Trout Federal, and also applied to  
15 the -- and we got approval from the USGS and also applied to  
16 the Commission to allow us this unorthodox location and -- and  
17 see what kind of arrangement we can make for producing this  
18 well.

19 The Commission had this -- our application  
20 and decided on a production limiting factor of 41 percent out  
21 of the deliverability of whatever the deliverability test  
22 will show on the Trout No. 1 Well.

23 Q We'll go into that about the production  
24 limiting factor --

25 A Okay.

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Q -- but let me ask you, about when was the Trout 1 Federal completed?

A. The well was completed, I think, sometime in January, in early January.

Q Is it on production now?

A. No.

Q To the pipeline?

A. No, sir.

Q Has it been tested?

A. Yes.

Q What is the production potential of the well?

A. The absolute open flow test showed 3.5-million cubic feet per day.

Q Do you have experience with wells connected to Transwestern Pipeline so that you can translate that open flow test into probable production against the pressure in Transwestern's line when connection is made?

A. Well, we did file with the Commission a kind of a deliverability test that we thought it would be sufficient, assuming a pipeline pressure of 250 psi. As I understand, the Commission did not accept it and required, based on the decision of the Commission, to conduct a test, a deliverability test at the time of connecting to the pipe-

1 line, which by the way, it would be down this tested (sic).

2 Q What were the results of your hypothetical  
3 calculation?

4 A The result showed that even with a limiting  
5 factor of 41 percent we can deliver somewhere around 1.2-million  
6 cubic feet per day.

7 Q Now, you show on your map, Exhibit Number  
8 One, a well existing in the northeast quarter of Section 32,  
9 labeled 1 Celeste. What -- would you explain that?

10 A Yes. After we exchanged the leases with  
11 Yates, and I think after the hearing by the Commission, Yates  
12 proceeded to drill a well on this in the northeast quarter of  
13 Section 32, and this is the well, the No. 1 Celeste TW State,  
14 that they drilled and completed as a gas well.

15 Q About when was that completed?

16 A I don't know. I would say something pro-  
17 bably the end of April or maybe beginning of May.

18 Q Is that well on production?

19 A It's not yet, as far as I know, connected  
20 to pipeline.

21 Q Do you have any information concerning  
22 testing performance of that well?

23 A Yes, we do have information obtained from  
24 the Commission that this well tested about 1.8-million cubic  
25

1  
2 feet per day on 1/2 inch choke.

3 Q Now, Mr. Ettinger, I'd like to call your  
4 attention to Exhibit Number Two. What is that?

5 A Exhibit Two, these are the Order of the  
6 Division related to this well we are talking about, which was  
7 given on April 9th, 1982.

8 Q And is that the Order under appeal to the  
9 whole Commission --

10 A Yes.

11 Q -- today?

12 Now, Mr. Ettinger, I'd like you to turn  
13 your attention to paragraph eleven on page two of the Order  
14 that speaks to the production limitation formula. Do you see  
15 the portion of the Order that I refer to?

16 A Shall I distribute copies of this?

17 Q Yes. Mr. Ettinger, while you're at it,  
18 go ahead and distribute Exhibit Three.

19 A Would you please repeat?

20 Q Yes, sir. I was drawing your attention  
21 to paragraph eleven and asking you, after you have an oppor-  
22 tunity to look at that, if that reflects the formula applied  
23 by the Division in arriving at a production limitation factor  
24 for this unorthodox location well?

25 A Yeah, this is actually, I think it's a



1  
2 summary of the results of the work made by the Commission in  
3 order to arrive at the limiting production -- limiting factor  
4 of 41 percent, and basically this formula, as I understand it,  
5 includes two parameters.

6 One parameter relates to the deviation  
7 from the standard location and the other is the additional area  
8 drained as a result of this deviation from the standard loca-  
9 tion.

10 Q Within that formula, Mr. Ettinger, I call  
11 to your attention that there is a location factor and an en-  
12 croachment factor. Would you comment on the technical suitabi-  
13 lity of using those two factors?

14 A Well, basically, when we talk, I think  
15 about production limitation factor, it's related to additional  
16 drainage, that this well is draining the adjoining lease. Of  
17 course, this is caused by the fact that the well was drilled  
18 not in a standard location but at a distance which is less than  
19 what is permitted by the Commission, and of course, the result  
20 of such a deviation from the standard location will result in  
21 additional area that is drained by the adjoining -- this well  
22 of the adjoining leases.

23 So, one, those two factors is causing  
24 exactly the same results, additional area drained by the well  
25 of the adjoining leases.

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Q. And put another way, does the location,

3

or the missed location, result in encroachment?

4

A. That's right. It's one factor, really,

5

caused this result of additional drainage.

6

Q. And in your opinion is it appropriate and

7

technically acceptable to use a location factor and an encroach-

8

ment factor in the matter it has been done in this formula?

9

A. I think we are two parameter using that

10

caused the same results, so we are like being punished for the

11

same, if I can say, for the same crime twice.

12

Q. Well, will you explain what you mean?

13

A. I think by moving -- and of course, in

14

this case we moved closer to the south line of the section.

15

The result of this drilling the well closer to the south line

16

of the section resulted in additional area to be drained from

17

Section 32. So I -- our feeling is that, yes, we should be

18

penalized for the area that we are draining from Section 32,

19

but why should be be penalized twice, one using as a parameter

20

the area, and the other time using as a parameter the deviation

21

from the standard location?

22

Q. Have you made calculations and are those

23

calculations illustrated on Exhibit Three as to the correct

24

manner in which to calculate the encroachment and the resulting

25

drainage on Section 32?

1  
2 A. First of all, let me bring out that even  
3 using the -- this factor of deviation from the standard loca-  
4 tion in which the Commission came up with a number of 94 per-  
5 cent, we feel that it is an arithmetical error. We feel it  
6 should be close to 91 percent, simply using the same numbers.

7 And what I have been doing, and I think  
8 the Commission has done the same to arrive at this number, they  
9 take 660 feet minus 62 feet divided by 660 feet, and once we  
10 do that we get a factor of 90.61 percent and not 94 percent.  
11 So I would like to point that out.

12 Q. In other words, even using the formula  
13 used by the Commission --

14 A. Yes.

15 Q. -- there is that mathematical error.

16 A. That's our opinion, yes.

17 Q. All right. Now, sir, let me re-ask the  
18 question I asked you before. Have you -- have you calculated  
19 what you believe is the correct application of the encroachment  
20 of this well on to Section 32 and the factor for minimization  
21 of production?

22 A. Yeah, I have done it in Exhibit Number  
23 Three, and I've done it in two ways.

24 In the second page of Exhibit Number  
25 Three --

Q Well, I think we need to start out with Exhibit Number Three and identify and tell the Commission what the first page shows.

A All right. Exhibit Number Three shows the location of the well with relationship to Section 29 and Section 32; the distance from the section line, which is 62 feet; and what -- we draw a circle which is 160 acres, and that circle is 1489.5 feet.

This exhibit shows that the well, and assuming 160 acres circle of drainage --

Q 160 acres is to correspond to the Abo --

A Abo spacing, yes.

Q All right.

A We show here that the well will drain 80 plus 4.24 acres in Section 29 and 75.76 acres in Section 32. In other words, over 50 percent in Section 29 and less than 50 percent in Section 32.

The second --

Q Turn to the second page and explain what that shows.

A The second page shows what will be the drainage area assuming 160-acre circle. If we drill it in a standard location that means 660 feet from the south line and 1980 feet from the east line compared to the actual location

1  
2 of the Trout well, and based on calculations of this additional  
3 drainage area that we're going to drain with this well from  
4 the Section 32, we see here that 38.86 acres of additional area  
5 will be drained by the Trout well, and by the way, the Commis-  
6 sion basically agreed with this number because in their formula  
7 they used also 38 acres, or 24 percent, and we have no problem  
8 with this number or this approach.

9 Q As being a factor of encroachment that re-  
10 sults from the unorthodox location as compared to an orthodox  
11 location.

12 A That's correct.

13 Okay, in page number three, we show again  
14 a circle of 160-acre drainage for the two wells; one is the  
15 Trout well and the other one is the well drilled by Yates, and  
16 here we show that really we have an overlap of only 15.7 acres  
17 between the two wells and therefor, which amount to about 9.8  
18 percent that supposedly we will drain the Yates well with the  
19 Trout well from the area of -- that should be assigned to the  
20 No. 1 Celeste TW State Well drilled by Yates.

21 Q And what is the fourth page?

22 A And the fourth page is assuming -- up to  
23 now we assumed drainage of a circle and here we said, let's  
24 assume the drainage is not necessarily a circle but it's a  
25 square which again, quarter section, which is the

1  
2 regular spacing area for the Abo, and in this case if we would  
3 have drilled it in a standard location, it would have been the  
4 southeast quarter of Section 39. As a result of the error in  
5 surveying, we have to move the entire quarter section, 598  
6 feet south, which will result in, again, in additional drainage  
7 of, what, basically 590 feet in Section 32, and if we convert  
8 it to the ratio or the drainage ratio, we can see in this case  
9 we can simply take the distances, 598 feet divided by the regu-  
10 lar quarter section distance of 2640 feet, 2640 feet, and this  
11 will give us that we -- a factor of 23 percent, or will give  
12 us a producing -- production limiting factor of 100 minus 23,  
13 which will give us 77 percent which will correspond very closely  
14 to the circle approach which does give us about a 24 percent,  
15 or production limiting factor of 76 percent.

16 Q In your opinion, based on your study as  
17 illustrated by Exhibit Number Three, should the production  
18 limiting factor on this well then be in the range of 75 to --  
19 .75 to .77 instead of .41?

20 A Yes. Basically, you can take the average  
21 and say it should be something in the order of .75 percent.  
22 .75, the factor should be .75.

23 MR. GALLEGOS: We move the admission of  
24 Exhibits One through Three and pass the witness for cross  
25 examination.

1  
2 MR. RAMEY: Exhibits One, Two, and Three  
3 will be admitted.

4 Are there any questions of Mr. Ettinger?  
5 Mr. Hall.

6 MR. HALL: Mr. Ramey.

7  
8 CROSS EXAMINATION

9 BY MR. HALL:

10 Q Mr. Ettinger, I have just three questions.  
11 Can you tell me whether or not Viking, or Grynberg, retained  
12 an interest in the leasehold assigned to Yates Petroleum?

13 A I cannot tell you exactly. I think the  
14 arrangement was, since some kind of overriding royalty existed  
15 on the Yates, the same overriding royalty should also exist  
16 in the exchange so it would be even exchange, and if I'm not  
17 mistaken, it's possible that Grynberg, or one of the Grynberg  
18 entities that's in the trust, might have 5 percent overriding  
19 royalty. I'm not so sure, but it's possible.

20 Q Fine. Can you tell the Commission whether  
21 or not you know if Grynberg or Viking participated in the cost  
22 bearing share of the Celeste well?

23 A The Yates well?

24 Q Yes.

25 A No.

1  
2 Q Thank you. Do you know if anyone at  
3 Viking or Grynberg and Associates, or perhaps yourself, was  
4 ever in contact with Yates regarding the proposed location of  
5 the Celest well?

6 A No, this was their decision, strictly  
7 their decision.

8 MR. HALL: No further questions.

9 MR. RAMEY: Any other questions of MR.  
10 Ettinger? Mr. Stamets.

11  
12 QUESTIONS BY MR. STAMETS:

13 Q Mr. Ettinger, I'd like to have you refer  
14 to your Exhibit Number Three, if you would, please.

15 A Uh-huh.

16 Q On the second page you have drawn some  
17 circles.

18 A Uh-huh.

19 Q And the first circle, the light colored  
20 circle, shows that at a standard location, assuming radial  
21 drainage, you would be draining 6.9 acres from Section 32 to  
22 the south.

23 A That's right. This is a standard location.

24 Q And under these conditions, then, the  
25 Division's normal rules and regulations would permit this type



1

2 of drainage.

3

A. Correct.

4

Q Is it your understanding that this is

5

generally accepted, sort of a standard in the oil and gas in-

6

dustry in the United States, and allows for drainage and counter-

7

drainage across proration unit lines?

8

A. Well, as I understand, this is the regula-

9

tion of New Mexico, because other -- like, to do the right

10

thing, then the location should have been in the center of the

11

quarter section so I won't drain anything of the adjoining

12

lease.

13

One time even we tried this location at

14

the --

15

Q Well, let me -- let me have you focus on

16

my question, if you would, please, sir.

17

A. Yes.

18

Q Now, I realize this is not a center loca-

19

tion and it does allow for some drainage across lease lines,

20

across proration unit lines, and is it your understanding that

21

this is pretty common practice throughout the United States?

22

A. I would say yes.

23

Q Okay. Now, as you move south from the

24

legal location towards the location that you completed the

25

well at, this drainage radius increases, is that correct?

1

2

A. I'm not so sure I follow you.

3

Q. In other words, it increases into the --

4

A. Yes.

5

Q. -- section to the south.

6

A. Yes, uh-huh.

7

Q. All right. Now, the location you have

8

here is 62 feet from the south line. If you moved that location

9

63 feet further south, that puts you a foot into Section 32,

10

is that correct?

11

A. That's correct.

12

Q. Now, at that location does Jack Grynberg

13

currently enjoy the rights to produce?

14

A. No.

15

Q. Okay. But at that location under your

16

theory here you would be capable of producing 50 percent under

17

your -- under the formula that you are proposing, pretty close

18

to 50 percent, of the allowable, is that correct?

19

A. Well, it would be a little bit less than

20

50 percent if we moved 63 feet.

21

Q. Well, do you think that a penalty formula

22

that will allow you to produce where you have no right to pro-

23

duce is an appropriate penalty formula?

24

A. Well, in this case I am penalized because

25

you're going to be draining also from Section 29 where we have

1  
2 the right.

3 Q Well, let me ask you the question again.

4 A Yes.

5 Q Do you think that a formula, penalty  
6 formula, that allows you to produce where you have no right to  
7 produce, is an appropriate formula?

8 A I really think that this, we get here into  
9 a completely different question, not drainage --

10 Q I wish you would answer my question.

11 A It's ownership of the well. I can't give  
12 it to you because it's a different --

13 Q Are you telling me that you aren't capable  
14 of answering the question that says very simply, is a formula  
15 that allows you to produce where you have no right an appro-  
16 priate formula?

17 A I don't own the well.

18 MR. GALLEGOS: I object. I think maybe  
19 the fault is with the question. It certainly isn't clear to  
20 me, and I think the witness is entitled to have questions ad-  
21 dressed to him that he's able to understand.

22 Maybe if we deal with the question we  
23 can get that.

24 MR. RAMEY: Mr. Stamets, why don't you  
25 ask the question again, and if it's the same question, please

1

2 let the witness answer anyway he desires.

3

Q Let me try and phrase this and make it  
4 clear to everyone.

5

Okay, we're talking about penalty formula  
6 and this is to penalize a person who drills at a wrong location  
7 and to offset any advantage he might gain by drilling at that  
8 wrong location.

9

Okay, is any formula, however made up, a  
10 formula which gives you the right to produce, gives you an  
11 allowable, where you have no legal right to produce, a proper  
12 formula?

13

A. Let me answer it in my way, if I may.

14

The problem there, in my opinion, is that  
15 I have no ownership of the actual well. The ownership of the  
16 well will be -- will belong to the owner of the working interest  
17 in this section where the well will be drilled, and if the  
18 well was drilled in the adjoining lease, whoever owned the ad-  
19 joining lease owned the well.

20

Now, I think the proper way of dealing  
21 with this is to make an agreement between me and this party  
22 who owns the well to arrange, based on drainage area, to ar-  
23 range the participation in the revenue from production.

24

But definitely I cannot produce a well  
25 or be operator of the well if the well was drilled on the lease

1  
2 where I don't own the working interest.

3 Q You spoke in answering that question only  
4 of the working interest. What about the royalty interest?  
5 Should --

6 A Well --

7 Q -- they have any concern in this case?

8 A Definitely. And I would say the same  
9 there, because they are being -- the penalty should be that  
10 nobody is going to lose. In other words, you don't want any-  
11 body to make extra money and somebody to lose money as a result  
12 of this error. This was, in my opinion, not a deliberate er-  
13 ror. It was an error by the surveying party that we didn't  
14 even know about.

15 So people should not be penalized, but  
16 nobody should benefit, and I think that's how the formula  
17 should be worked out.

18 MR. STAMETS: I have no further questions.

19 MR. PEARCE: Mr. Chairman, may I?

20 MR. RAMEY: Mr. Pearce.

21  
22 CROSS EXAMINATION

23 BY MR. PEARCE:

24 Q Mr. Ettinger, in addressing -- in answer-  
25 ing Mr. Gallegos question on paragraph eleven of the previous

1  
2 order --

3 A. Uh-huh.

4 Q -- you expressed your opinion that, as I  
5 recall, you were being double penalized by the use of the two  
6 penalizing factors.

7 Those two penalizing factors are averaged  
8 by that paragraph eleven procedure, are they not?

9 A. Yes.

10 Q One takes two factors and divides them  
11 by two.

12 A. That's correct.

13 Q So it is not a double penalizing. It is  
14 an average, averaging of two different penalizing approaches,  
15 is that correct?

16 A. Well, it's correct mathematically, but  
17 the problem that I have is when we talk about 94 percent,  
18 there is no, in my opinion, relationship between the 94 percent  
19 and the actual physical damage or drainage, or additional  
20 drainage, that we are talking about. It's a number that, in  
21 my opinion, has no physical meaning. It's just a number.

22 Q Thank you, sir.

23 MR. RAMEY; Any other questions of Mr.  
24 Ettinger?

25 MR. GALLEGOS: We have no redirect.

MR. RAMEY; He may be excused. Mr. Hall?

MR. HALL: Mr. Ramey, at this time we'll call Mr. Ray D. Graham.

RAY D. GRAHAM

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HALL:

Q For the record would you state your name and place of residence?

A I'm Ray D. Graham. I live in Santa Fe, New Mexico.

Q And where are you employed?

A By the Commissioner of Public Lands, Santa Fe.

Q Have you ever testified before the Commission?

A Yes, I have.

MR. HALL: Mr. Ramey, we tender Mr. Graham's testimony, and would have him testify as an expert in the administration of oil and gas leased lands belonging to the State of New Mexico, if his qualifications are acceptable.

1  
2 MR. RAMEY: I think he's certainly quali-  
3 fied to testify to that.

4 Q Mr. Graham, are you familiar with the  
5 application in this case?

6 A Yes, I am.

7 Q And are you also familiar with the Grynberg  
8 Trout Well No. 1 in Section 29?

9 A Yes, I am.

10 Q Does the State of New Mexico own lands  
11 that are affected by the order of the Division?

12 A Yes, the State owns Section 32 adjacent  
13 to the south.

14 Q And are you not familiar with the restricted  
15 allowable imposed upon the Grynberg Trout Well?

16 A I am.

17 Q And what is that?

18 A 41 percent. It's limited to the 41 per-  
19 cent of deliverability factor.

20 Q All right, in your opinion will that  
21 production limitation factor mitigate the fact of drainage  
22 of hydrocarbons in Section 32 by the Trout Well?

23 A I don't think so, because the well is  
24 going to drain the State acreage. It just takes a longer  
25 time to drain it. But I don't believe that it will reduce



1  
2 the drainage from State land, except possibly over a longer  
3 time the wells to the south have had time to -- to produce  
4 their share of this gas also from that section.

5 Q All right, thank you. Mr. Graham, in  
6 your opinion will the release of the production limitation set  
7 by the Division in this case result in the prevention of waste  
8 and protection of correlative rights?

9 A No, I don't think it will.

10 Q All right, thank you. Mr. Graham, I'm  
11 going to hand you what's marked as Viking's Exhibit Two and  
12 refer you to sub-paragraph one on page six.

13 First of all, could you identify that ex-  
14 hibit, please?

15 A This is a copy of the Order of the Oil  
16 Conservation Division in Case Number 7496, I believe, or 86.

17 Q All right, referring back to sub-paragraph  
18 one on page six, are you familiar with that provision of the  
19 Order?

20 A Yes, I am.

21 Q Would you briefly summarize what that  
22 provision is?

23 A That the Director of the Division shall  
24 rescind the application of the production limitation factor  
25 and of the special rules contained in this order upon the proper

1  
2 the drainage from State land, except possibly over a longer  
3 time the wells to the south have had time to -- to produce  
4 their share of this gas also from that section.

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19 Order?

20 A Yes, I am.

21 Q Would you briefly summarize what that  
22 provision is?

23 A That the Director of the Division shall  
24 rescind the application of the production limitation factor  
25 and of the special rules contained in this order upon the proper

1  
2 showing that the State Land Office has withdrawn objection to  
3 the unorthodox gas well location granted by this Order.

4 Q All right. Now at this point in time,  
5 Mr. Graham, does the State Land Office continue to make ob-  
6 jection to the unorthodox location?

7 A Yes, we do.

8 Q All right. Have you been contacted by  
9 representatives of either Viking Petroleum or Jack Grynberg  
10 and Associates regarding the Land Office's waiver of the ob-  
11 jection to the unorthodox location?

12 A Yes, we have. We received a letter re-  
13 questing a waiver of this objection, from Mr. Grynberg.

14 A I'll refer you to what's been marked as  
15 State's Exhibit Number One and would you identify that, please?

16 A State's EXhibit Number One is a copy of  
17 a letter dated April 26, 1982, addressed to the Land Office,  
18 to my attention, in reference to Oil Conservation Division  
19 Order R-6935, Case Number 7496, concerning this Trout Federal.

20 In that letter, in essence, Mr. Grynberg  
21 is asking that we remove our objection, or cease objecting to  
22 the drainage, or to the order, and so that he can go ahead and  
23 proceed to get an increased allowable.

24 In the second paragraph of this letter  
25 Mr. Grynberg stated that Yates Petroleum had spudded an offset

1  
2 well to the State lands, which well was located 660 feet from  
3 the north and 1980 feet from the east line of said Section  
4 32. This would have been in Unit B of Section 32, and would  
5 have been within approximately 722 feet of the Grynberg Well  
6 on the north and south direction and I don't know how far off  
7 it would have been from an east/west direction. And that he  
8 expected that the Yates well would be productive from the Abo  
9 formation. And, in essence, that was his letter to us asking  
10 for -- that we no longer object to the penalty and the unortho-  
11 dox location.

12 Q All right. I'll hand you what I have  
13 marked as State's Exhibit Number Two and ask you to identify  
14 that for me, please.

15 A State's Exhibit Number Two is my reply,  
16 dated April 28th, to Grynberg and Associates, and in this we  
17 stated that it was our intention to cause the production to  
18 be monitored from both the Yates well, which was to be drilled,  
19 according to Mr. Grynberg's letter, 660 from the north and  
20 1980 from the east line of Section 32, and to monitor the  
21 production from the No. 1 Trout Federal Well, for a period --  
22 a simultaneous period of least 60 days.

23 From that, from the results of that --  
24 the monitoring of that production, it was my intent to have  
25 our engineer evaluate the situation and see if we could -- what

1  
2 our position would be at that time, and as of yesterday, I  
3 became aware that Yates did not drill the well in 660 from the  
4 north and 1980 from the east line of that section, so -- as  
5 Mr. Grynberg stated in his letter, that they had spudded or  
6 had -- yeah, they had spudded the offset well.

7 And I became aware yesterday that that  
8 well was not drilled, so that would probably change my answer  
9 at this time from what I gave him in our letter of April the  
10 28th.

11 Q. Mr. Graham, would you say that corres-  
12 pondence between you and Jack Grynberg and Associates is fair-  
13 ly representative of your understanding regarding the State's  
14 waiver of objection to the unorthodox location?

15 A. Yes, that is correct.

16 Q. And they adequately set out the conditions  
17 that we would like to see satisfied before a waiver would  
18 take place?

19 A. That is correct.

20 Q. Were you in fact expecting a fairly direct  
21 offset from the Federal Trout Well?

22 A. Yes, I was. We were informed that that  
23 well would be drilled or had been spudded and at that loca-  
24 tion, and I figured that a well at that standard location  
25 would tend to somewhat protect us from drainage.

1  
2 Q Were you under the impression that the  
3 Order of the Division in this case was in fact predicated on  
4 there being an offset well to the Trout Well Federal No. 1?

5 A I'm not certain that their order took  
6 into consideration that there might or might not be a well  
7 drilled on the State acreage.

8 Q All right. Mr. Graham, in your opinion,  
9 do you feel that the Celeste "TW" Well, drilled in Section  
10 32 in Unit H of Section 32 adequately protects against  
11 drainage from the Trout Well Federal No. 1?

12 A I don't believe that it would adequately  
13 protect it; however, it's drilled at a standard location, and  
14 that -- I just don't believe that the Celeste No. 1 would  
15 adequately drain or protect us from drainage from this No. 1  
16 Trout Well.

17 Q And what would you have preferred had you  
18 been in control of this situation?

19 A I would have preferred a well in the --  
20 in Unit B, being 660 from the north and 1980 from the east  
21 line of Section 32.

22 Q All right, fine. Do you know whether  
23 there have been any sales of gas from either of the two wells?

24 A Only from the testimony submitted this  
25 morning. There have been no sales from the Trout Federal and

1  
2 Yates Petroleum has advised me that they've had no sales from  
3 their No. 1 Celeste.

4 Q So on the basis of your agreement with  
5 Viking Petroleum, you have not yet had an opportunity to take  
6 your 60-day look at production, is that correct?

7 A That's correct.

8 Q Mr. Graham, on the basis of what Viking  
9 and Grynberg had told you in the past and what you have heard  
10 here today from Mr. Ettinger, have you seen any evidence that  
11 would justify the State's lifting its objection to the unor-  
12 thodox location?

13 MR. GALLEGOS: We object to the witness  
14 being called on to evaluate the evidence. That's the provence  
15 of the Commission.

16 MR. RAMEY: Will you rephrase the question,  
17 Mr. Hall?

18 Q Mr. Graham, from your experience as an  
19 administrator of the State Land Office in dealing with prob-  
20 lems of this kind, can you justify waiving the objection to  
21 the unorthodox location based upon the evidence here today?

22 MR. GALLEGOS: Same question, and the same  
23 objection. We understand the State's position and I don't  
24 think the witness should be passing on the evidence, Mr.  
25 Chairman.

1  
2 MR. PEARCE: Excuse me, but for clarifi-  
3 cation, Mr. Gallegos, at the beginning of the question I  
4 honestly missed it.

5 The question is did -- essentially, did  
6 the evidence change in Mr. Graham's mind that the administrator  
7 of State lands, about whether or not he objected to the well  
8 location?

9 MR. HALL: That's essentially correct,  
10 Mr. Pearce.

11 MR. GALLEGOS: I don't object to that  
12 question. That wasn't the question, but if that's the question  
13 Mr. Hall wants to tender, I don't object to that and he's  
14 already answered.

15 MR. RAMEY: Well, would you like to ask  
16 that question, Mr. Hall? It would save us from making a big  
17 decision. WE hate to make decisions.

18 A. You want me to answer that question?

19 Q. Please.

20 A. I -- there has been nothing presented to  
21 me up to this very minute right here that would make me change  
22 my mind in waiving our objection whatsoever here.

23 Yes, we still oppose the -- any further  
24 allowable in the unorthodox location.

25 Q. All right, fine, thank you, Mr. Graham.



1  
2 Do you know whether or not Mr. Grynberg  
3 or Viking Petroleum have any sort of interest in the Celeste  
4 "TW" Well in Section 32?

5 A. I believe that testimony submitted here  
6 this morning reflected that they did have, possibly, a five  
7 percent interest, overriding royalty interest, in the north-  
8 east quarter of Section 32, due to the swap of the leases,  
9 and I believe that Yates reported that there was also a five  
10 percent burden on the State lease which was granted to Gryn-  
11 berg.

12 Q. Are retention of overriding royalty in-  
13 terests of that kind subject to the State's approval?

14 A. No, sir.

15 MR. HALL: Mr. Ramey, that would conclude  
16 my direct and I would move the admission of State's Exhibits  
17 One and Two, and I would also request that the record of the  
18 testimony in the Division hearing below be incorporated into  
19 the record here today.

20 MR. GALLEGOS: We have no objection to  
21 Exhibits One and Two.

22 We object to the incorporation by refer-  
23 ence. That's why this is a de novo proceeding, so that the  
24 evidence that's to be presented before the Commission is pre-  
25 sented at this time and place.

1  
2 MR. RAMEY: Exhibits One and Two will be  
3 admitted.

4 The Commission will sustain the objection  
5 as to incorporating the record from the Examiner hearing. A  
6 de novo hearing is a hearing anew and the evidence should stand  
7 on its own.

8 That makes a cluttered record in case it  
9 goes to Court, so --

10 MR. HALL: Well, in view of that ruling,  
11 Mr. Ramey, could I have Mr. Gallegos clarify his objection?

12 MR. GALLEGOS: Apparently the objection  
13 is clear enough to be ruled on.

14 MR. HALL: For purpose of the record.

15 MR. GALLEGOS: Well, we have a tender,  
16 we have an objection, and the objection is sustained.

17 MR. HALL: If I may, may I ask the grounds  
18 for the objection again? Is it on the basis of hearsay, or  
19 what have you?

20 MR. GALLEGOS: We have a ruling, Mr.  
21 Chairman, and I think we proceed from here. I don't think  
22 I'm obliged to go into the grounds after the objection has  
23 been sustained.

24 MR. HALL: I'd just like to have --

25 MR. RAMEY: Mr. Hall, you proposed that

1  
2 the Examiner Hearing record be consolidated in the de novo  
3 hearing record and Mr. Gallegos objected and we sustained the  
4 objection.

5 MR. HALL: I understand, Mr. Ramey, fine.  
6 Except that --

7 MR. RAMEY: We will not admit that record.

8 MR. HALL: -- I'd just like to point out  
9 for the record that I've found nothing in the rules that would  
10 prohibit the admission of the transcript from below to be  
11 incorporated.

12 MR. RAMEY: I think you're probably right.

13 MR. HALL: Thank you.

14 MR. RAMEY: Any questions of Mr. Graham?  
15 Mr. Gallegos?

16 MR. GALLEGOS: Yes, sir, thank you.

17  
18 CROSS EXAMINATION

19 BY MR. GALLEGOS:

20 Q Do you have Exhibit Number One before you,  
21 Mr. Graham? That's the map that Mr. Ettinger was using?

22 A No, I don't have.

23 Q I'll get you a copy of that.

24 As I understand it, you were qualified  
25 as an expert in the administration of State leases, Mr. Graham?

1  
2 Is that correct?

3 A. Yes, sir.

4 Q. You're not a geologist or a petroleum en-  
5 gineer --

6 A. No, I am not.

7 Q. -- or anything of that sort, okay.

8 I just want to ask a few questions to  
9 clear up what the State Land Office position actually is.

10 Now, if we take the map here and we look  
11 at the 1 Trout Federal Well, as I understand it, your position  
12 is that there should be zero production from that well which  
13 offsets the State lands, correct?

14 A. No, sir. I have not ever advocated zero  
15 production.

16 I am opposed, basically, to the well even  
17 being 62 feet away from the line. I think, in my own personal  
18 opinion, that the well should be plugged and the location  
19 moved back 660 feet away.

20 I did not testify in the original hearing.  
21 Our engineer took care of that hearing; whether he testified  
22 or not, I'm not sure.

23 My position would be that that well should  
24 be plugged and re-drilled at a standard location, 660 feet  
25 away. I don't wish to impose that penalty on anyone, but

1  
2 since the well is there and I think there should be some  
3 penalty. I think there should be some compensation to the  
4 State for the acreage, the State acreage, that will be drained.

5 Q You will agree, will you not, that if --  
6 if your position could be realized, that is the equivalent  
7 of zero production; in other words, plugging the well?

8 A I would say that, yes, from this particu-  
9 lar well would be zero production.

10 Q Right.

11 Then, as I take it, since you recognize  
12 the reality that it's located there and it resulted there  
13 from an innocent mistake, not that of either the producer or  
14 the royalty owners, the question becomes what is a fair mini-  
15 mization of that production, correct?

16 A Yes, sir.

17 Q And as I understand your letter of April  
18 28th, 1982, your Exhibit Two, you would like to monitor pro-  
19 duction of the Yates well for sixty days to evaluate the sit-  
20 uation. I believe those were your words.

21 A Yes, sir.

22 Q Okay. Well, tell me what you will be  
23 looking for. In other words, what facts will say to you that  
24 that well should produce at the rate of 80 percent of pro-  
25 ducability or 20 percent, or whatever?

1  
2 A. My letter of April the 28th was based on  
3 information given me in Mr. Grynberg's letter, that a well  
4 had been spudded and would be drilled at a standard location,  
5 660 from the north and 1980 from the east.

6 Based on that information I wrote this  
7 letter and it was my intent and the intent of monitoring pro-  
8 duction was at the -- was a conclusion arrived at between  
9 myself and others in my division, including our petroleum en-  
10 gineer, who had set in on the first case, and we felt like  
11 that our engineer was capable of monitoring, or looking at  
12 this production and then arriving at a conclusion in which we  
13 might be able to remove part of our objection, in which Mr.  
14 Grynberg could come in and get his allowable or his rate of  
15 deliverability increased to some extent to help him. It was  
16 not to remove any and all objection but merely to give him  
17 some relief as long as we were getting our fair share out of  
18 our well, which was to be located 660 from the north and 1980  
19 from the east.

20 Q Let me back up, first of all, based on  
21 that answer, which didn't give me the information I was asking  
22 about, but are you saying when you wrote this you were under  
23 the apprehension that the Yates well in the northeast quarter  
24 of Section 32 would be at a more northerly location but now  
25 that it was drilled at a location in fact it was drilled at,

1  
2 that this statement in your letter is cancelled or is no longer  
3 the intention of the Land Office?

4 A. That is essentially correct, yes, sir.

5 Q. So that's out the window, 60-day evaluating  
6 your position, you unequivocally take the position that you  
7 are stating here today, and that's it.

8 A. Yes, sir.

9 Q. Okay. Had the well, the Yates well been  
10 at a more northerly position that you described as one that  
11 would be protective of the State's underlying gas, then would  
12 you have seen that it would be appropriate for the Trout 1  
13 Federal to produce at 100 percent?

14 A. No, I don't think so.

15 Q. Looking at the Exhibit One, Mr. Graham,  
16 I call your attention to the Yates well that we've been talking  
17 about in the northeast quarter of Section 32, and the Grynberg  
18 well in the southeast quarter of Section 32. Do you see the  
19 two wells I'm referring to?

20 A. Yes, sir.

21 Q. Do you recognize that in Section 33 is  
22 Federal land, lands of the United States government?

23 A. That's what the map indicates and I don't  
24 dispute that at all.

25 Q. All right. We'll assume for purposes of

1  
2 my question that that is the true state of ownership.

3 Would it not appear to you that that Yates  
4 Well, the Celeste No. 1, and the Grynberg No. 2 are offsetting  
5 the lands of the United States in adjoining Section 33?

6 MR. HALL: If you please, Mr. Commissioner,  
7 I'm going to object to that question. I believe it's irrele-  
8 vant and beyond the purview of the applicant's hearing here  
9 today.

10 We're concerned solely with drainage by  
11 the Trout Fed No. 1.

12 MR. GALLEGOS: Well, we're concerned with  
13 Mr. Graham's philosophy as to drainage on which he bases his  
14 position that he's bringing forth to this Commission.

15 MR. RAMEY: I'm going to overrule the  
16 objection and let the witness answer the question.

17 Would you like to restate the question?

18 Q You recognize that those two wells are  
19 offsets to the adjacent lands of the United States in Section  
20 33, do you not?

21 A Yes, they do offset the federal lands.

22 Q And they would more likely than not drain  
23 the hydrocarbons from under the lands in Section 33 as they  
24 are produced. Isn't that true?

25 A It's possible they could, except for the



1 Celeste No. -- No. 1 Celeste is, I don't feel, draining the  
2 Federal acreage any more than the Estoril No. 3 Sheehan in  
3 Section 33. Those are located equidistant from the section  
4 line and I think that each well is probably getting its fair  
5 share of the hydrocarbons from under each tract of land.  
6

7 Q All right. Well, let's address the  
8 Grynberg No. 2. Do you think that well on State land should  
9 be permitted to produce at 100 percent?

10 A I don't think that I'm qualified to answer  
11 that question because this well was drilled at a legal loca-  
12 tion authorized by the Oil Conservation Division, and we do  
13 not ever, and have never, entered into any hearings or dis-  
14 cussions wherein they have set their own rules as to the  
15 spacing and the well locations within a spacing of any pro-  
16 ration unit.

17 Anything that is termed legal -- a standard  
18 location, we do not object to it because it affords all parties  
19 all the way around the same opportunity. So as long as it's  
20 drilled at a legal location, I have no objection either way,  
21 whether it's offsetting us or on our lands, either way.

22 Q Let me show you page three of Exhibit  
23 Number Three, Mr. Graham. Do you recognize and understand  
24 what is illustrated by that diagram?

25 A Yes, sir.

1  
2 Q Could you tell me how the overlap in  
3 drainage or encroachment on 160-acre units differs from the  
4 Trout 1 Federal and the Celeste "TW" State as illustrated  
5 there, from the circumstance that exists between the Yates  
6 Celeste 1 and the Estoril 3 Sheehan Federal?

7 MR. HALL: Mr. Commissioner, again I'm  
8 going to object. I simply did not tender Mr. Graham as a  
9 petroleum engineer.

10 MR. GALLEGOS: Well, he sure testified  
11 about this and I think I'm entitled to cross examine him.

12 If you want to withdraw his testimony on  
13 direct because of his lack of expertise, that's fine with us,  
14 but if it's been presented, then it's subject to being tested  
15 by cross examination.

16 MR. RAMEY: I'm going to overrule the  
17 objection, Mr. Gallegos, and I'd like for you to make your  
18 question -- maybe simplify it some and have the witness to  
19 answer.

20 MR. GALLEGOS: I'll try to make it simpler.

21 Q Can you tell me how the -- how the drain-  
22 age situation depicted on the portion of the exhibit that I  
23 called your attention to, would differ significantly from  
24 the -- significantly from the drainage situation between the  
25 Celeste 1 Well and the 3 Sheehan Federal Well that offset

each other in Section 32 and Section 33?

A. The Celeste, No. 1 Celeste is located 3 --  
6 -- apparently is located 660 from the east line of Section  
32. The No. 1 -- the Estoril No. 3 Sheehan, I believe, is  
also located 660 from the west line of Section 33.

Those two wells are located equidistant  
from the property line dividing the operators' interest and  
the royalty interest. Each, in my belief, is that each one  
of those wells are adequately protecting each party's interest  
on both side, east and west.

Due to the close proximity of the Trout  
Federal to the State line and the distance -- and the parti-  
cular location of the No. 1 Celeste, that the Trout Federal  
is getting a lot more gas from the State lands in which --  
from which -- or rather than the Estoril No. 3 Sheehan is.

So those two wells, the Celeste and the  
Sheehan Wells, are equidistance and equidistance from the  
property lines, and while I'm not an engineer, or anything,  
if the form -- if they're producing from the same formation,  
then each one has a right to get its own products and all,  
but that relationship between those two wells is in no way,  
I don't think, similar to the relationship of the Trout Federal  
and the No. 1 Celeste.

Q. Do you recognize that the No. 1 Celeste

1  
2 is drilled at a standard location in the northeast quarter  
3 of Section 32?

4 A. Yes, sir.

5 Q. Was there any consultation between your  
6 office and Yates Petroleum Company as to the location of that  
7 well?

8 A. No, sir, there wasn't. I am speaking from  
9 memory here, but at the time we got the letter from Jack  
10 Grynberg and Associates of some -- April the 26th, he made  
11 the statement that the well had been spudded on the northwest  
12 of the northeast quarter of Section 32.

13 At that time, and again I'm speaking from  
14 memory, the transfer of title had not come in from Grynberg  
15 to Yates, so I was not aware of any dealings other than I  
16 believe an employee of Mr. Grynberg had come in and briefly  
17 briefed me on the situation that there was going to be an ex-  
18 change of title to the lands and Yates would get this.

19 So when his letter came in, I assumed that  
20 all proper assignments or assignments of operating rights, or  
21 whatever it took to fix it, the title to each one so they could  
22 drill, would be done.

23 Q. Well, Mr. Graham, I'm not trying to go  
24 over all that you already testified about, but what I was  
25 trying to explore is that since you, since to your office it

1  
2 seemed so important where the Yates well was located within  
3 the northeast quarter of Section 32, I was just asking -- I  
4 was trying to inquire what steps were taken to communicate  
5 with Yates as to the location of that well.

6           A.           This correspondence between Grynberg came  
7 in the 26th of April and I replied the 28th, based upon his  
8 information that the well had been spudded. On May 1st I went  
9 into the hospital. I went into the hospital and didn't get  
10 out until after Memorial Day, and I didn't come back to work,  
11 so there was no correspondence between myself and Yates, and  
12 I don't know of any from the Land Office in which the well  
13 would be located at any other location other than what Mr.  
14 Grynberg had said that it had already been spudded.

15           Q.           Thank you. Finally, to just go back to  
16 one question that I don't think we ever came to the answer  
17 on. In the case of the Grynberg No. 2 on State land in Sec-  
18 tion 32, though there's no offsetting well on Federal land,  
19 the Land Office would take a position in opposition to any  
20 minimization of production of that well -- from that well,  
21 even though it might be draining adjoining acreage, is that  
22 correct?

23           A.           No, because it was drilled at a standard  
24 location. There was no -- this was not any unorthodox loca-  
25 tion.

1  
2 Q My geustion was, you would -- your position  
3 would be that it would be entitled to 100 percent production.

4 A That is correct.

5 MR. GALLEGOS: That's all the questions  
6 I have.

7 MR. RAMEY: Any other questions of Mr.  
8 Graham?

9 MR. HALL: Nothing on redirect, Mr. Ramey.

10  
11 CROSS EXAMINATION

12 BY MR. RAMEY:

13 Q Mr. Graham, when you issue a lease on  
14 State land, do you, or can you dictate where a well will be  
15 located?

16 A No, sir.

17 Q On that particular lease? Not even in  
18 unusual circumstances such as this?

19 A I don't think that we can dictate. We  
20 can request, possibly, but the Oil Conservation Division sets  
21 the spacing and well locations and we have never questioned  
22 that whatsoever.

23 It's only the unorthodox that might have  
24 an effect on us that we get involved once in awhile.

25 Q Would you normally think to request in

1  
2 this circumstance, where you have obviously swapped acreage?  
3 Would you -- could you ask that a well, say in Unit B instead  
4 of Unit A, in circumstances such as this?

5 A. Yes, sir, I sure would have suggested the  
6 well to be in Unit B in order to protect it from the drainage,  
7 from the No. 1 Trout.

8 Q But you did not in this case?

9 A. No, sir, because we -- the only information  
10 I had was the fact that Yates had spudded in that location  
11 that I would have liked to have seen it drilled.

12 MR. RAMEY: Any other questions of Mr.  
13 Graham? He may be excused.

14 Do you have anything further, Mr. Hall?

15 MR. HALL: No, Mr. Ramey.

16 MR. RAMEY: Any closing statements?

17 MR. GALLEGOS: We have none, Mr. Chairman.

18 MR. RAMEY: Does anyone have anything fur-  
19 ther to add in Case 7496?

20 If not, the Commission will take the case  
21 under advisement.

22  
23 (Hearing concluded.)  
24  
25

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALL. BOYD, C.S.R.

1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 433-7409





BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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July 30, 1982

Mr. J. E. Gallegos  
Jones, Gallegos, Snead & Wertheim  
Attorneys at Law  
P. O. Box 2228  
Santa Fe, New Mexico

Re: CASE NO. 7496  
ORDER NO. R-6935-A

Applicant:

Viking Petroleum, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Commission order recently entered in the subject case.

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC           

Other Scott Hall

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7496 DE NOVO  
Order No. R-6935-A

APPLICATION OF VIKING PETROLEUM,  
INC. FOR AN UNORTHODOX LOCATION,  
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 14, 1982, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of July, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Viking Petroleum, Inc., seeks approval of an unorthodox gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, to the Abo formation, Chaves County, New Mexico.

(3) That the matter came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets and, pursuant to this hearing, Order No. R-6935 was issued on April 9, 1982, which granted Viking's application with a production limitation factor of 0.41.

(4) That on April 28, 1982, application for Hearing De Novo was made by Viking Petroleum, Inc. and the matter was set for hearing before the Commission.

-2-

Case No. 7496 De Novo  
Order No. R-6935-A

(5) That the matter came on for hearing de novo on July 14, 1982.

(6) That because of the surveying error which was not the fault of the operator, Finding No. (9) is inappropriate in this case and should be stricken from Division Order No. R-6935.

(7) That Finding No. (11) in said order should be amended to read in its entirety as follows:

"(11) That the production limitation referred to in Finding No. (8) above should be based upon the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location a production limitation factor of 0.76 (24 percent net-acre encroachment factor subtracted from a 100 percent production factor)."

(8) That Order No. (3) of said order should be amended to read in its entirety as follows:

"(3) That said well is hereby assigned a Production Limitation Factor of 0.76 in the Abo Formation."

(9) That Rule 1 of the "Special Rules and Regulations For The Application Of A 'Production Limitation Factor' To A Non-Prorated Gas Well" as contained in Order No. (5) should be changed to read in its entirety as follows:

"APPLICATION OF RULES

"RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.76 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production."

(10) That the remainder of said Order No. R-6935 should be affirmed.

IT IS THEREFORE ORDERED:

(1) That Finding No. (9) in Division Order No. R-6935, entered April 9, 1982, is hereby stricken.

(2) That Finding No. (11) in said order is amended to read in its entirety as follows:

"(11) That the production limitation referred to in Finding No. (8) above should be based upon the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location a production limitation factor of 0.76 (24 percent net-acre encroachment factor subtracted from a 100 percent production factor)."

(3) That Order No. (3) in said order is amended to read in its entirety as follows:

"(3) That said well is hereby assigned a Production Limitation Factor of 0.76 in the Abo Formation."

(4) That Rule 1 of the "Special Rules And Regulations For The Application Of A 'Production Limitation Factor' To A Non-Prorated Gas Well" as contained in Order No. (5) of said order is hereby amended to read in its entirety as follows:

"APPLICATION OF RULES

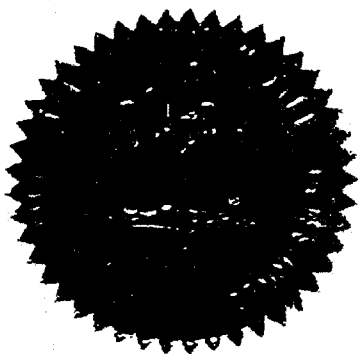
"RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.76 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production."

(5) That the remainder of said Order No. R-6935 is affirmed.

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

-4-  
Case No. 7496 De Novo  
Order No. R-6935-A

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Emery C. Arnold*  
EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

*Joe D. Raney*  
JOE D. RANEY, Member & Secretary

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

LC-11  
4-5-82

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 7496 Exhibit No. 3  
Submitted by Viking Petroleum, Inc. R-7496-35  
Hearing Date 7/14/82

APPLICATION OF VIKING PETROLEUM,  
FOR AN UNORTHODOX LOCATION, CHAVES  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of April, 1982, the Division  
Director, 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 Division has jurisdiction of this cause and the  
subject matter thereof.

(2) That the applicant, Viking Petroleum, Inc., seeks  
approval of an unorthodox gas well location for a well  
previously drilled at a point 62 feet from the South line and  
1984 feet from the East line of Section 29, Township 5 South,  
Range 24 East, NMPM, to the Abo formation, Chaves County, New  
Mexico.

(3) That the SE/4 of said Section 29 is to be dedicated to  
the well.

(4) That the unorthodox location resulted from a surveying  
error.

(5) That the State Land Office as the owner of the royalty  
interest in Section 32 offsetting this well to the South  
objected to the proposed location.

(6) That unrestricted production from a well at the  
proposed location would result in drainage across the lease line  
from the State lease(s) to the South which would not be  
compensated for by counter drainage.

(7) That such uncompensated drainage would result in violation of correlative rights and injury to the State lease(s) in said Section 32.

(8) That to protect correlative rights and to prevent injury to the State lease(s) to the South, the production from the well at the proposed unorthodox location should be limited from the Abo formation.

(9) That the well at the proposed location is 94 percent closer to the South line of said Section 29 than permitted by the rules and regulations governing Abo formation gas wells in Chaves County.

(10) That the well at the proposed location will have a theoretical area of drainage in the Abo formation which extends 38 net acres into said Section 32, more than a well located at a standard location in said formation (24 percent).

(11) That the production limitation referred to in Finding No. (8) above should be based upon the variation of the location from a standard location and the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location a production limitation factor of 0.41 (94 percent location factor plus a 24 percent net-acre encroachment factor divided by 2 subtracted from a 100 percent production factor).

(12) That in the absence of any special rules and regulations for the prorationing of production from the Abo formation in which the subject well is completed, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(13) That the minimum calculated allowable for the subject well should be reasonable, and 100,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(14) That the Director of the Division should be authorized to administratively rescind the application of said production limitation upon a satisfactory showing that the State Land Office no longer objects to the unorthodox location sought by this application.

(15) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the

94  
24  
-----  
2/118  
59  
  
91  
24  
-----  
2/115  
15  
  
4370

augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Viking Petroleum, Inc. is hereby authorized an unorthodox Abo formation gas well location for a well previously drilled at a point 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(2) That the SE/4 of said Section 29 shall be dedicated to the above-described well.

(3) That said well is hereby assigned a Production Limitation Factor of 0.41 in the Abo formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said Abo formation in which applicant's well is completed, the Special rules hereinafter promulgated shall apply.

(5) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

SPECIAL RULES AND REGULATIONS  
FOR THE  
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"  
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.41 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.



#### DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure in the manner described in the last paragraph on Page I-6 of said test manual.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

#### CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the well receive an allowable of less than 100,000 cubic feet of gas per day.

#### BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be

-6-

Case No. 7496  
Order No. R-6935

rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17 or 18 above upon a showing that the same is necessary to avoid material damage to the well.

GENERAL

RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

IT IS FURTHER ORDERED:

(1) That the Director of the Division shall rescind the application of the production limitation factor and of the special rules contained in this order upon a proper showing that the State Land Office has withdrawn objection to the unorthodox gas well location granted by this order.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Director

S E A L

**JACK GRYNBERG AND ASSOCIATES**

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 - 572-1455

TELEX: 45-4497 ENERGY DVR  
TELECOPIER: 303-623-5224

April 26, 1982

New Mexico State Land Office  
Attn: Mr. Ray Graham,  
Director Oil and Gas Dept.  
P.O. Box 1148  
Santa Fe, NM 87501

RE: Oil Conservation Division  
Case No. 7496  
Order No. R-6935

UNORTHODOX LOCATION  
#1 Trout Well Federal  
62'FSL & 1984'FEL  
Sec. 29, T5S - R24E, NMPM  
Abo formation  
Chaves County, New Mexico

Gentlemen:

As you know, the captioned unorthodox location was approved by the Commission subject to a production limitation factor limiting production of our well to 41% of deliverability. We understand the State's position in protecting the State's correlative rights and acknowledge that the captioned well is draining more of Section 32 than a well located at a standard location in the Abo formation. However, limiting production to 41% of deliverability for the life of the well seems pretty tough and we have requested a hearing de novo for the case, but we have also asked that the hearing not immediately be set for date to allow time to talk with the State Land Office and try to find a solution to our problem.

Yates Petroleum Corporation has spudded the offset well on State lands located 660'FNL and 1980'FEL (NWNE) of Section 32, Township 5 South - Range 24 East, NMPM, Chaves County, New Mexico. We expect this well to be productive from the Abo

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 7496 Exhibit No. 1  
Submitted by State  
Hearing Date 7-14-82

RECEIVED  
APR 26 9 33 AM '82  
STATE LAND OFFICE  
SANTA FE, N.M.

New Mexico State Land Office  
Page 2  
April 26, 1982

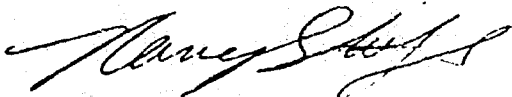
formation, but, of course, production has not yet been confirmed. If the Yates well is found to be productive from the Abo formation and is put on production would the State Land Office be in a position to approve of the captioned unorthodox location and no longer object to the unorthodox location?

Please review this situation at your earliest convenience and let me know what the State Land Office's opinion is in this matter.

Thank you.

Yours truly,

JACK GRYNBERG AND ASSOCIATES



Nancy Stolzle  
Land Manager

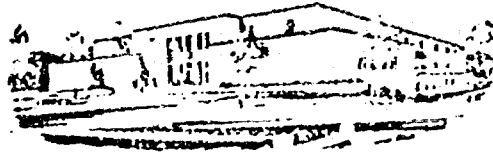
cc: Mr. J. Scott Hall  
Attorney, Legal Division

RECEIVED  
APR 28 9 33 AM '82  
STATE LAND OFFICE  
SANTA FE, N.M.

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

April 28, 1982

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87502

Jack Grynberg and Associates  
1050 17th Street, Suite 1950  
Denver, Colorado 80265

Re: Federal Trout No. 1 Well  
Section 29, T-5S, R-24E  
Chaves County, New Mexico

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 7496 Exhibit No. 2  
Submitted by State  
Hearing Date 7-14-82

Attn: Ms. Nancy Stolze

Gentlemen:

This is in reply to your letter of April 26, 1982, as referenced. It is our intention to monitor production from the referenced well and the Yates Well in Section 32, T-5S, R-24E for the earliest 60 day period that these wells are produced concurrently. Subsequent to our study of same, we will be in a position to consider the request put forth in your aforementioned letter.

Very truly yours,

Alex J. Armijo  
Commissioner of Public Lands

By: Ray D. Graham, Director  
Oil and Gas Division  
A/C 505-827-2748

AJA:RDG:cw

cc: Reader File  
General Correspondence  
Mr. Law ✓

FRONT OFFICE  
YATES LSE FILE (SEC 32)

Dockets Nos. 23-82 and 24-82 are tentatively set for July 21 and August 4, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - FRIDAY - JUNE 25, 1982

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

The following cases were continued from the June 22, 1982, Commission Hearing:

CASE 7522: (DE NOVO)

Application of Santa Fe Exploration Co. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 660 feet from the North and West lines of Section 14, Township 20 South, Range 25 East, Permo-Penn, Strawn, Atoka and Morrow formations, the N/2 of said Section 14 to be dedicated to the well.

Upon application of Chama Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7521: (DE NOVO)

Application of William B. Barnhill for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 660 feet from the South and West lines of Section 35, Township 19 South, Range 25 East, Permo-Penn, Strawn, Atoka and Morrow formations, the S/2 of said Section 35 to be dedicated to the well.

Upon application of Chama Petroleum Company and William B. Barnhill, this case will be heard De Novo pursuant to the provisions of Rule 1220.

\*\*\*\*\*  
Docket No. 22-82

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 7, 1982

9. A.M. - OIL CONSERVATION DIVISION, MORGAN  
HALL, STATE LAND OFFICE BUILDING, SANTA FE,  
NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 7566: (Continued from May 12, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Flag-Redfern Oil Co., Principal, National Surety Corporation, and all other interested parties to appear and show cause why four wells, being the Julander No. 1 located in Unit L, Section 34; Julander No. 2 located in Unit I, Section 33; Hargis No. 1 located in Unit G, Section 33; and Hargis No. 2 located in Unit J, Section 33, all in Township 30 North, Range 12 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7560: (Continued from May 12, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Charles E. Heisen, Fidelity and Deposit Company of Maryland, Surety, and all other interested parties to appear and show cause why the Crownpoint Well No. 1, located in Unit F, Section 18, Township 18 North, Range 13 West, McKinley County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7619: Application of Merriam Oil & Gas Corp. for pool creation and special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Gallup Pool to comprise Sections 3, 4, 8, 9, 10, 14, and 15, Township 23 North, Range 6 West, and the promulgation of special rules therefor including 160-acre spacing for oil and gas.

CASE 7620: Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface through the base of the Abo formation underlying the SW/4 of Section 8, Township 5 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7548: (Continued from June 23, 1982, Examiner Hearing)

Application of Tahoe Oil & Cattle Co. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4932 feet to 4992 feet in its Schwalbe Well No. 1, located in Unit P of Section 21, Township 9 South, Range 37 East, West Sawyer-San Andres Pool.

CASES 7528, 7529, 7532, 7533 and 7534: (Continued from May 12, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following 5 cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

CASE 7532: SE/4 Section 27, Township 6 South, Range 24 East

CASE 7533: SW/4 Section 27, Township 6 South, Range 24 East

CASE 7534: NW/4 Section 34, Township 6 South, Range 24 East

CASE 7621: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending certain pools in Chaves, Eddy, and Lea Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Big Sinka-Wolfcamp Gas Pool. The discovery well is the Perry R. Bass, Poker Lake Unit Well No. 30 located in Unit B of Section 4, Township 25 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM  
Section 4: N/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East Black River-Atoka Gas Pool. The discovery well is the Fogo Production Company MAW State Well No. 1 located in Unit E of Section 14, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM  
Section 14: W/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Black River-Morrow Gas Pool. The discovery well is the HMG Oil Company Loving 1 State Well No. 1 located in Unit B of Section 1, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM  
Section 1: N/2



- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Dog Town Draw-Morrow Gas Pool. The discovery well is the Perry R. Bass Poker Lake Unit Well No. 49 located in Unit E of Section 17, Township 24 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM  
Section 17: W/2

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the East Eumont-Yates Pool. The discovery well is Ike Lovelady, Inc. Linwood Well No. 1 located in Unit F of Section 30, Township 19 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 30: NW/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Featherstone-Bone Spring Pool. The discovery well is The Superior Oil Company Featherstone Federal Well No. 1 located in Unit G of Section 21, Township 20 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM  
Section 21: NE/4

- (g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Livingston Ridge-Atoka Gas Pool. The discovery well is the Perry R. Bass James Ranch Unit Well No. 12 located in Unit G of Section 21, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM  
Section 21: E/2

- (h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the West Nadine-Yates Pool. The discovery well is the Ike Lovelady, Inc. McNeill Well No. 1 located in Unit M of Section 33, Township 19 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 33: SW/4

- (i) ABOLISH the South Rock Tank-Morrow Gas Pool in Eddy County, New Mexico, heretofore classified, defined, and described as:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 2: N/2

- (j) EXTEND the Baldridge Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 1: W/2  
Section 2: All  
Section 14: S/2

- (k) EXTEND the West Bitter Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 25 EAST, NMPM  
Section 17: NE/4 NE/4 and W/2 NE/4

- (l) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 21: All  
Section 22: W/2

- (m) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM  
Section 7: S/2  
Section 8: SW/4

- (n) EXTEND the East Eagle Creek Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM  
Section 32: W/2

- (o) EXTEND the Malaga-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM  
Section 10: W/2

- (p) EXTEND the East Mason-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 16: NW/4

- (q) EXTEND the Panjack-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMPM  
Section 31: SE/4  
Section 32: All

- (r) EXTEND the Racetrack-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 28 EAST, NMPM  
Section 20: SW/4

- (s) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM  
Section 30: NW/4

- (t) EXTEND the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM  
Section 3: NW/4

- (u) EXTEND the Scharb-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM  
Section 9: SW/4

- (v) EXTEND the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 28: N/2

\*\*\*\*\*

DOCKET: COMMISSION HEARING - WEDNESDAY - JULY 14, 1982

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

CASE 7486: (DE NOVO)

Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section 29 to be dedicated to the well.

Upon application of Viking Petroleum, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7329: (DE NOVO)

Application of Loco Hills Water Disposal Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in the N/2 SW/4 SW/4 of Section 16, Township 17 South, Range 30 East.

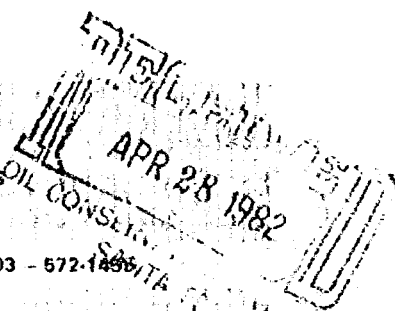
Upon application of Loco Hills Water Disposal Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

**JACK GRYNBERG AND ASSOCIATES**

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1550 • DENVER, COLORADO 80265 • PHONE 303 - 572-1456

TELEX: 45-4487 ENERGY DVR  
TELECOPIER: 303-623-5224



April 26, 1982

*Case 7496*

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, NM 87501

Attn: Mr. Richard L. Stamets

RE: Application of Viking Petroleum Inc.  
for DeNovo Hearing Before The  
Commission on Order R-6935 (Case 7496)

Gentlemen:

Jack Grynberg and Associates, on behalf of itself and Viking Petroleum Inc., does hereby request that Order R-6935 entered by the division pursuant to case 7496, concerning the approval of an unorthodox gas well location 62 feet from the south line and 1984 feet from the east line of Section 29, T 5 S - R 24 E, N.M.P.M. to the Abo formation, Chaves County, New Mexico, be heard de novo before the Commission and that this hearing de novo not be set for an immediate hearing date to allow Viking to pursue negotiations concerning this order with the State Land Office.

Thank you for your help in this matter.

Yours truly,

Nancy Stolze  
Land Manager

NS/ggd

cc: Francis J. Mathew, Esq.  
William F. Carr, Esq.  
J. Scott Hall, Esq., State Land Office

*Nancy Stolze  
called 4/30  
OK to ask for  
heg at any time  
now. Tell her if  
would probably  
be some time  
in June  
Don*

**JACK GRYNBERG AND ASSOCIATES**

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 - 572-1400

TELEX: 45-4497 ENERGY DVR  
TELECOPIER: 303-623-5224

APR 28 1982  
OIL CONSERVATION  
SANTA FE

April 26, 1982

Case 7496

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, NM 87501

Attn: Mr. Richard L. Stamets

RE: Application of Viking Petroleum Inc.  
for DeNovo Hearing Before The  
Commission on Order R-6935 (Case 7496)

Gentlemen:

Jack Grynberg and Associates, on behalf of itself and Viking Petroleum Inc., does hereby request that Order R-6935 entered by the division pursuant to case 7496, concerning the approval of an unorthodox gas well location 62 feet from the south line and 1984 feet from the east line of Section 29, T 5 S - R 24 E, N.M.P.M. to the Abo formation, Chaves County, New Mexico, be heard de novo before the Commission and that this hearing de novo not be set for an immediate hearing date to allow Viking to pursue negotiations concerning this order with the State Land Office.

Thank you for your help in this matter.

Yours truly,

*Nancy Stolze*

Nancy Stolze  
Land Manager

NS/ggd

cc: Francis J. Mathew, Esq.  
William F. Carr, Esq.  
J. Scott Hall, Esq., State Land Office

*Nancy Stolze  
called 4/30  
OK to ask for  
Hrg. at any time  
now - would hear it  
would probably  
be some time  
in June  
JSC*

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7496 DE NOVO  
Order No. R-6935-A

APPLICATION OF VIKING PETROLEUM, INC.,  
FOR AN UNORTHODOX  
LOCATION: CHAVES  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 14,  
1982, at Santa Fe, New Mexico, before the Oil Conservation  
Commission of New Mexico, hereinafter referred to as the  
"Commission."

NOW, on this        day of July, 1982, the Commission,  
a quorum being present, having considered the testimony presented  
and the exhibits received at said hearing, 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, Viking Petroleum, Inc., seeks  
approval of an unorthodox gas well location for a well  
previously drilled at a point 62 feet from the South line and  
1984 feet from the East line of Section 29, Township 5 South,  
Range 24 East, NMPM, to the Abo formation, Chaves County, New  
Mexico.

(3) That the matter came on for hearing at 9 a.m. on March  
16, 1982, at Santa Fe, New Mexico, before ~~Examiner Daniel S. RLS~~  
~~Nutter~~ and, pursuant to this hearing, Order No. R-6935 was  
issued on April 9, 1982, which granted Viking's application  
with a production limitation factor of 0.41.

-2- 7496  
Case No. ~~6985~~ De Novo  
Order No. R-~~6497-A~~  
6935-A

(4) That on April 28, 1982, application for Hearing De Novo was made by Viking Petroleum, Inc. and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo on July 14, 1982.

(6) That because of the surveying error which was not the fault of the operator, Finding No. (9) is inappropriate in this case & should be stricken from <sup>Division</sup> Order No. R-6935.

<sup>in said Order</sup>  
(7) That Finding No. (10) should be <sup>amended</sup> changed to read in its entirety as follows:

"(10) That the production limitation referred to in Finding No. (8) above should be based upon ~~the variation of the location from a standard location and~~ the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well at the proposed location a production limitation factor of 0.76 ~~(94 percent location factor~~

<sup>(24 percent net-acre encroachment factor</sup>  
<sup>subtracted from a 100 percent production factor.</sup>

<sup>if said Order</sup>  
(8) That Order No. (3) should be <sup>amended</sup> changed to read in its entirety as follows:

"(3) That said well is hereby assigned a Production Limitation Factor of 0.76 in the Abo Formation

(9) That Rule 1 of the 'Special Rules and Regulations for The Application Of A 'Production Limitation Factor' To A Non-Producing Gas Well' as contained in Order No. (5) should be changed to read in its entirety as follows:

"APPLICATION OF RULES

"RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.76 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production."

(10) That the remainder of <sup>521, d</sup> ~~Division~~ Order No R-6935 should be affirmed.

IT IS THEREFORE ORDERED:

(1) That Finding <sup>No</sup>(9) in Division Order No. R-6935, entered April 9, 1982, is



hereby stricken.

(2) That Finding No. (11) in said Order is <sup>amended</sup> changed to read in its entirety as follows:

"(11) ~~(11)~~ That the production limitation referred to in Finding No. (8) above should be based upon the ~~variation of the location from a standard location and~~ the 38 net-acre encroachment described in Finding No. (10) above, and may best be accomplished by assigning the well, at the proposed location, a production limitation factor of ~~0.76~~ <sup>0.76</sup> ~~(94 percent location factor~~

~~(24 percent net-acre encroachment factor~~ subtracted from a 100 percent production factor).

(3) That Order 3 in said Order is <sup>amended</sup> changed to read in its entirety as follows:

"(3) That said well is hereby assigned a Production Limitation Factor of 0.76 in the Abo Formation."

(4) That ~~the~~ Rule 1 of the "Special Rules and Regulations for the Application of a 'Production Limitation Factor' to a Non-Producing Gas Well" as contained in Order No. (5) of said Order is hereby amended to read in its entirety as follows:

"APPLICATION OF RULES

"RULE 1. These rules shall apply to the Viking Petroleum, Inc. Abo formation gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, which well's Production Limitation Factor of 0.76 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production."

(4) That the remainder of said Order No. R-6935 is affirmed.

(5) Jurisdiction