

CASE 5073: Application of BELCO
FOR A NON-STANDARD GAS PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

CASE No.

5073

Application,
Transcripts,
Small Exhibits

ETC.

(Continued and readvertised)
CASE 5073: Application of Belco Petroleum Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 SW/4 and SE/4 of Section 30 and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33 East, South Salt Lake Field, Lea County, New Mexico, to be dedicated to a well to be drilled ~~either in the center of Unit O of said Section 30, or at an unorthodox location in the center of Unit P of said Section 30.~~

→ 660 FSL and
1200 FEL of said

dearnley, meier & associates

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
October 31, 1973

EXAMINER HEARING

IN THE MATTER OF:

NO. 5073

Application of Belco Petroleum
Corporation for a non-standard
gas proration unit and unorthodox
gas well location, Lea County,
New Mexico.

BEFORE: RICHARD L. STAMETS
EXAMINER.

TRANSCRIPT OF HEARING

1 MR. STAMETS: 5073.

2 MR. DERRYBERRY: Application of Belco Petroleum
3 Corporation for a non-standard gas proration unit and
4 unorthodox gas well location, Lea County, New Mexico.

5 MR. STAMETS: Call for appearances in this case.

6 MR. KELLAHIN: Tom Kellahin, Kellahin & Fox, on
7 behalf of the applicant, Belco Petroleum Corporation.

8 MR. KELLY: Booker Kelly, Santa Fe, New Mexico,
9 White, Koch, Kelly and McCarthy, on behalf of Texaco.

10 MR. KELLAHIN: Brief opening statement. As you
11 will recall, and you were the Examiner that heard this
12 case on the 3rd of October, and it appeared from the
13 testimony at that hearing that there was an error in the
14 unorthodox location as advertised for the hearing. On the
15 3rd of October it was then readvertised to be heard again
16 today. The original hearing, Belco through Mr. Brown,
17 put on its case with regard to this application and they
18 were opposed by Mr. Bateman, representing Texaco. It is
19 our position at this time that we rely upon the testimony
20 presented at that hearing and that we believe that for
21 purposes of this hearing we are limited to the specific
22 area of considering opposition as to the unorthodox
23 location as now advertised.

24 MR. STAMETS: There was discussion of the necessity
25 for the unorthodox location at the original hearing.

1 MR. KELLAHIN: And we incorporate that.

2 MR. STAMETS: Is there anybody who would appear
3 here to object to this unorthodox location?

4 MR. KELLY: Texaco doesn't object to the unorthodox
5 location, however, we do feel at the hearing there were
6 several questions that were left unresolved and, in fact,
7 Mr. Bateman informed me it was his recollection that we
8 did indicate that we wished to put additional testimony
9 in, especially considering the status of the Audie Richards
10 lease and this is really the heart of the matter.

11 Now, in order to avoid any time-consuming process
12 since the basic thrust of our testimony was introduced
13 in the Amini application, we could handle it by asking
14 the Commission to take as evidence in this case the
15 testimony of Mr. Hellman in case 5088 I believe it was.

16 MR. KELLAHIN: Let me state briefly we are opposed
17 to it on the grounds of relevancy. We feel that specific
18 problems with our particular application here with
19 regard to the non-standard proration unit are certainly
20 not in any way contingent or affected upon the matters
21 raised in the Amini hearing earlier with regard to the
22 Richardson unit, and that is our objection.

23 MR. STAMETS: Let's go off the record a second.

24 (Whereupon, a discussion was held off the record.)

25 MR. STAMETS: Back on the record. At this time

1 there appears to be no reason for Belco to put on any
2 testimony. There are no objections to the location.
3 Mr. Kelly, do you have a witness you would like to call
4 at this time?

5 MR. KELLY: Mr. Hellman.

6 MR. STAMETS: Let the record show this witness has
7 previously been sworn.

8 *****

9 MR. HELLMAN,

10 a witness, having been previously duly sworn according
11 to law, upon his oath testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLY:

14 Q You are the same Mr. Hellman that testified in Case 5088
15 this morning, the Amini application?

16 A I am.

17 Q For purposes of clarification are what has been marked
18 as Exhibits 1 and 2 identical to Exhibits 1 and 2 in
19 that Amini application?

20 A That is correct.

21 MR. KELLY: Just so you won't have to rely too much
22 on the record of the other case, Mr. Examiner, we have
23 gone ahead and marked the same two exhibits.

24 Q Now, would you just tell the Examiner what the problem is
25 as far as the Audie Richards 160-acre spacing and whether

1 160 acres can be dedicated to that well is the key to
2 the problem as far as Texaco is concerned, as far as
3 the application?

4 A Briefly, the Richards well had 160-acre spacing unit
5 assigned to it since its completion in 1958 and was valid
6 in that spacing until the recent Order of the Commission
7 approving 320-acre spacing for Morrow wells in this field.
8 And this necessity for 320 acres under the Richards well
9 which is a Morrow well occurred to Texaco only at a
10 hearing subsequent to the --

11 Q To the first hearing in this case?

12 A Yes, to the first hearing in this case and in an effort
13 to resolve the spacing unit under the Richards well
14 Texaco has requested administrative approval for a
15 non-standard unit of 160 acres under the Audie Richards
16 well which would be the southeast quarter of Section 25,
17 and would make available for an additional well acreage
18 in Section 30 identified as the West half of the
19 Southwest Quarter for a standard proration unit for
20 Morrow zone of the south half of Section 30, but if
21 Texaco is unsuccessful in obtaining a non-standard
22 proration unit of 160 acres under the Richards well, then
23 the only remaining acreage under the Richards lease or
24 otherwise identified as the Little Eddy Unit with the
25 same identical owner would require the spacing unit of

1 320 acres of the Richards well would increase the west
2 half of the southwest quarter of Section 30 among other
3 lands and necessitate non-standard proration units for
4 the remainder of the field in Texaco's opinion except
5 for two units which have already completed Morrow wells
6 on them and then Texaco is seeking to avoid this by
7 obtaining the single, non-standard proration unit under
8 the Richards well of 160 acres.

9 MR. KELLY: Mr. Examiner, I would ask at this time
10 that the testimony of this witness in Case 5088 be
11 considered as if given in this case.

12 MR. STAMETS: Is there any objection to that?

13 MR. KELLAHIN: I have no objection, but there are
14 some questions I would like to ask.

15 MR. STAMETS: That testimony will be considered
16 with this record.

17 Q Mr. Hellman, does Texaco want to form a standard unit
18 with Belco?

19 A That is correct and we have so advised Belco.

20 Q And has Belco expressed any objection to forming this
21 unit?

22 A None to my knowledge.

23 Q Is Texaco willing to dedicate the 80-acre tract if the
24 Audie Richards lease is restricted to its present 160
25 acres?

1 A Yes, sir, we are ready, willing and able to commit the
2 80 acres in question to the standard proration unit of
3 Belco's well.

4 Q And that hearing is coming up on the 28th of November of
5 this year, right?

6 A That is correct.

7 Q Do you ask the Commission, then, to withhold any action
8 in this case until that matter is decided?

9 A That is correct, to open the door for standard proration
10 unit for the remainder of the field, for the remainder
11 of the acreage involving the Little Eddy Unit which is
12 concerned here.

13 Q And the standard proration units are shown for the rest
14 of the unit on Exhibit 1, right?

15 A That is correct.

16 MR. KELLY: That is all I have on direct.

17 MR. STAMETS: Mr. Kellahin, do you have any
18 questions?

19 CROSS-EXAMINATION

20 BY MR. KELLAHIN:

21 Q Mr. Hellman, do I understand your testimony to be that
22 you are presently willing to form a standard unit in
23 the south half of 30? I said presently willing, I didn't
24 say able.

25 A With the only condition that the west 80 acres of that

1 standard proration unit is available and not needed by
2 the owners under the Richards well for a 320-acre spacing
3 unit there if required by the Commission.

4 Q Then you are not in a position at this point to form a
5 standard unit? If I submitted you an operating agreement
6 for a standard unit, and AFE, and all the rest of the
7 stuff it takes, you could not sign it today, is that
8 correct?

9 A That is correct.

10 Q Now, do I understand your testimony to be that because
11 or your problems with the Richards Units that you desire
12 Belco's application for the non-standard unit to be
13 desired? That is not right, is it?

14 A No, that is not right. We just desire that the
15 Commission postpone its decision until the proration
16 unit for the Richards well is determined.

17 Q And if you get a favorable decision on that hearing that
18 you would then form a standard unit with Belco for the
19 south half of 30?

20 A That is correct and we have so informed Belco we would
21 do that.

22 Q And if conversely you got an unfavorable decision, would
23 you withdraw your protest to the non-standard gas
24 proration unit?

25 MR. KELLY: I object to that question unless you

1 saying the unfavorable decision would require the
2 dedication of the 80 acres that we are concerned with
3 to some other --

4 MR. KELLAHIN: Subject to that qualification I didn't
5 want to state an unfair question for you. Let's assume
6 you cannot seek your own by the 28th of November and cannot
7 free up that 80 acres because of the dual dedication
8 problem. Then would you be in a position to withdraw
9 your protest as to Belco's non-standard proration unit?

10 A All I can say is that Texaco anticipates that that will
11 be its position. We are favorable to joining Belco in a
12 non-standard unit if that is the only ultimate recourse,
13 but we do not have the authority at this time like we
14 do on the standard unit to commit in the event the 80 acres
15 is available.

16 Q What acreage in Section 25 is presently dedicated to any
17 well? Would you locate that for me again, on the plat?
18 What on 25 is dedicated?

19 A By dedicated you mean within a proration unit?

20 Q Yes, sir.

21 A Only the southeast quarter of Section 25 is dedicated to
22 the Richards well which is the only well in that section.

23 Q The west half of the southwest quarter of Section 30 now
24 is presently participating in production from this Richardson
25 Number One well, is that correct?

1 A That is right.

2 MR. KELLAHIN: I have one more question.

3 MR. STAMETS: I think it is time that we finish

4 up here.

5 MR. KELLAHIN: I have one more brief question.

6 Q Mr. Hellman, I was interested in one of these exhibits

7 and I am not sure which one it is, where you have attempted

8 to show what kind of situation is created by the

9 proliferation of non-standard proration units.

10 A Yes.

11 Q I have some problem over here in Section 36. Now, what

12 amounts to the east half, what kind of well is that that

13 is spudded there?

14 A That is the New Mexico CH Number One and it is currently

15 produced from the Atoka.

16 Q It is not a Morrow?

17 A It is completed in the Morrow, but it is presently shut-in.

18 Q It is an Atoka well? What would be the number of acres

19 dedicated to an Atoka well?

20 A 160.

21 Q How many acres have you drawn in your unit?

22 A 320.

23 Q Why is that, Mr. Hellman?

24 A Because we feel that it is reasonably necessary to

25 reserve 320 acres for a Morrow completion in that well

1 because of its Morrow potential.

2 Q It is not producing from the Morrow now, but you say
3 there is potential for the Morrow?

4 A We feel it is really necessary to reserve 320 acres for
5 the Morrow in the likelihood that we will reopen
6 production in the Morrow.

7 MR. KELLAHIN: I don't have any further questions.
8 Thank you.

9 MR. STAMETS: Mr. Hellman, as I recall in your
10 testimony in Case 5088, you did say that the United
11 States Geological Survey would not allow you to take the
12 southeast quarter, Section 25 and add to that another
13 quarter section outside the unit to form a standard
14 spacing unit?

15 A That is correct.

16 MR. STAMETS: Did you discuss with them the
17 possibility of someone outside the unit still in a
18 standard spacing unit, forced pooling unit? For instance,
19 Belmont's in the southwest corner, 25, if it chose to
20 bring a forced pooling case at this time on the Audie
21 Richards well, did you discuss that possibility with the
22 USGS?

23 A Not in my most recent conversations, but my experience
24 with them in other conversations is that they interpret
25 in which we contour that acreage within a unit of this

1 sort is only available if it is not within or necessary
2 for a proration unit for existing unit well and to force
3 pool acreage in Section 25 with the Richards well would
4 assume there would be a necessity for such cause there is
5 a lack of acreage within the unit or some other necessity
6 to protect the unit. Also it has a geological point
7 because the participations are established or set within
8 the unit under the Richards well and the agreement for
9 the unit provides for adjustment of equity within the
10 unit and not for acreage of outside the unit. So there
11 is no basis within the unit agreement as expressed
12 recently to me by the USGS on which they can agree to
13 allow outside acreage to participate that their only
14 basis for allowing outside acreage to participate with
15 unit acreage is by an amendment to the unit which requires
16 unanimous agreement.

17 MR. STAMETS: If the entire south half of Section 30
18 were dedicated to the Belco well and Texaco failed in
19 its application for non-standard unit, some kind of
20 accomodation would have to be worked out regardless of
21 whether it has been done in the past or not, would you
22 think?

23 A Would you state that again, please?

24 MR. STAMETS: I don't think I will. Just forget
25 about that question, whatever it was. Any other questions

1 of this witness?

2 MR. KELLY: Just one or two.

3 REDIRECT EXAMINATION

4 BY MR. KELLY:

5 Q I think we would like to clarify one point whether there
6 would be any objection to the application request. We
7 cannot use that 80 acres and, as I understand it, we would
8 have no objection if we can't use the 80 acres. We are
9 not going to try.

10 A We would not object to a non-standard unit as proposed
11 by Belco. My previous answer to your question was only
12 to illustrate that we do not have the immediate or present
13 ability to commit to a well on non-standard unit.

14 Q Does Texaco have any interest in the other three 80-acre
15 tracts lying to the east of the one in question?

16 A Yes, in two of the 80s Texaco has a 5 percent working
17 interest.

18 Q So Texaco would have an interest in the unit regardless
19 of which way it is formed?

20 A That is correct.

21 Q Has Belco made any offer of an AFE of the non-standard
22 unit on Texaco?

23 A Yes, we have an AFE and an offer.

24 Q On the non-standard unit?

25 A We have no agreement on a non-standard unit, but we have

1 a proposal to join and an AFE.

2 Q And I take it Texaco has not accepted that proposal?

3 A That is correct.

4 MR. KELLY: That is all we have. We would like
5 to offer our two exhibits.

6 MR. KELLAHIN: No objection.

7 MR. STAMETS: They will be so admitted.

8 (Whereupon, the exhibits were offered and admitted.)

9 MR. STAMETS: Do you have anything further in this
10 case?

11 MR. KELLY: I think the point is obvious by now,
12 Mr. Examiner.

13 MR. STAMETS: Anything from Belco? At this stage?

14 MR. KELLAHIN: In order to be very brief I would
15 like to give Mr. Brown an opportunity to make a statement
16 on behalf of Belco as opposed to me calling him and asking
17 him questions. Mr. Brown. I will be happy to let you
18 ask him questions.

19 MR. KELLY: I think that if he is going to make a
20 statement, then he should be sworn.

21 MR. KELLAHIN: All right. I don't want to call
22 Mr. Brown on rebuttal.

23 MR. STAMETS: Okay, has Mr. Brown been sworn?

24 MR. KELLAHIN: He has been sworn previously, but
25 not today.

1 (Whereupon, Mr. Brown was duly sworn.)
2 *****
3 MR. BROWN,
4 a witness, having been previously duly sworn according
5 to law, upon his oath testified as follows:
6 DIRECT EXAMINATION
7 BY MR. KELLY:
8 Q Mr. Brown, have you previously testified before the
9 New Mexico Oil Conservation Commission?
10 A Yes, I have.
11 Q What is your present employment?
12 MR. STAMETS: How is he qualified in the last
13 go-round?
14 MR. KELLAHIN: As a geologist..
15 A No, district land man for Belco.
16 MR. STAMETS: That would still apply?
17 A Nothing has changed.
18 Q Now, Mr. Brown, subsequent to the hearing on October 3,
19 1973, in which this application is considered, what
20 additional efforts have you made to reach an agreement
21 with Texaco with regard to this problem?
22 A Well, we have met with them on more than one occasion
23 to discuss the problem and we have offered to withdraw
24 our non-standard unit application if Texaco is prepared
25 to go forward to sign the necessary instruments to allow

1 us to drill our proposed test. They have consistently
2 taken the position that they cannot do so until their
3 problem has been resolved relative to the Audie Richards
4 well.

5 Q What is Belco's position with regard to the proposed
6 continuation of Belco's application pending a determination
7 of the Richards matter?

8 A We don't feel we can withdraw our application unless
9 Texaco can agree to go ahead and join with us in drilling
10 the well on a standard unit basis. What that really
11 amounts to they are asking us to withdraw our application,
12 but they are not really committing themselves to join in
13 our well. I think it is important that the Commission
14 understand there may be some other alternatives open to
15 Texaco and that it isn't absolutely necessary, in my
16 opinion, that they reserve the west half of the southwest
17 quarter of Section 30 for their internal problems relative
18 to the Audie Richards well, but if they want to do that,
19 then we should be free to go ahead and drill our well
20 on a non-standard basis.

21 My previous testimony on October 3 pointed out some
22 problems relative to the inclusion of the west half of
23 the southwest quarter and lo and behold we see some
24 problems here. We have a company who is sort of trying
25 to have their cake and eat it, too. They want to have it

1 both ways. They want to see their internal problems
2 cleared up and in the meantime they want to prevent
3 slow-down development on the part of not only Belco, but
4 we heard testimony here in the previous case Amini Oil
5 Company, two companies who are trying to prevent drainage
6 at least in some instances to protect some correlative
7 rights.

8 MR. KELLY: Mr. Examiner, I'm going to ask that
9 that statement be stricken from the record. It is
10 strictly argumentative, speculative, and it puts bad
11 motives of Texaco and I think it shows clearly animosity
12 rather than any type of valid argument. It has not
13 suggested there is any problem here except the problem
14 of trying to get a standard unit and we need a little time
15 until it can be resolved.

16 MR. STAMETS: Mr. Kellahin, do you wish to respond?

17 MR. KELLAHIN: No, I don't. Perhaps it was an
18 unfair comment on the evidence.

19 MR. STAMETS: I am not sure exactly to start striking
20 this thing. I agree with you. It should be, and I don't
21 know where to start. I think some of the things he said
22 were appropriate, such as, Texaco may have some other
23 options to them and I think that is proper, but --

24 MR. KELLAHIN: I believe the comment with regard to
25 the Amini case is not appropriate for your consideration.

1 MR. STAMETS: Consider that stricken from the
2 record.

3 Q (By Mr. Kelly) Now, Mr. Brown, with regard to Texaco's
4 request that this case or the decision in this case be
5 continued until this other matter is resolved, is Belco
6 to your knowledge, in a position to concur in the
7 continuance or do you oppose that continuance?

8 A I would like to see the Commission make a ruling on the
9 basis of Belco's application before the Commission.

10 MR. KELLY: Fine, I have nothing further.

11 MR. STAMETS: Mr. Brown, let's consider for a moment
12 that one possible order issuing from this case would be
13 a denial of the non-standard proration unit and that
14 finding in such an order might say that Belco had the
15 option to force pool the entire south half to form a
16 standard unit. This would result in some delay to Belco.
17 Would this be preferable to Belco, offer a waiting period
18 here until Texaco's problem is resolved?

19 A Well, it is difficult to make a decision as to exactly
20 what is preferable. We are desirous of drilling the well
21 as soon as we can and want to show a high degree of
22 flexibility both with Texaco and the Commission and to
23 that end have been seeking to drill this well over
24 a period of several months now.

25 CROSS-EXAMINATION

1 BY MR. KELLAHIN:

2 Q Am I correct in summarizing your testimony, Mr. Brown,
3 to say that regardless of what action is taken, whether
4 a standard unit is formed or non-standard unit formed,
5 you desire the Commission to take whatever action necessary
6 to allow Belco to drill this well regardless of whether
7 standard or non-standard unit is formed?

8 A Yes, sir.

9
10 REDIRECT EXAMINATION

11 BY MR. KELLY:

12 Q It is true, isn't it, that you have had potash protests
13 on this application?

14 A We have two potash protests. We were aware of one before
15 today. We felt that that would be -- was not a serious
16 threat and we received information from Commission
17 personnel to that end. There has been a second protest
18 which was just received yesterday, I believe, which may
19 have more serious consequences.

20 Q Which could cause the delay regardless of our particular
21 problems?

22 A That is a possibility.

23 MR. STAMETS: Anything further?

24 MR. KELLAHIN: No.

25 MR. STAMETS: The witness may be excused. Anything

1 additional to offer in this case?

2 MR. KELLAHIN: Nothing.

3 MR. STAMETS: The case will be taken under
4 advisement.

5 (Whereupon, the case was concluded at 9:05 P.M.)

6 *****

7 REPORTER'S CERTIFICATE

8
9 I, PEGGY COLLAROS, a Court Reporter, in and for
10 the County of Bernalillo, State of New Mexico, do hereby
11 certify that the foregoing and attached Transcript of Hearing
12 before the New Mexico Oil Conservation Commission was reported
13 by me; and that the same is a true and correct record of the
14 said proceedings to the best of my knowledge, skill and ability.

15 Peggy Collaros
16 COURT REPORTER
17
18
19
20
21

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the County of Bernalillo, State of New Mexico, Case No. 5073,
25 dated Oct 31, 1973.
Richard L. Hunt, Examiner
New Mexico Oil Conservation Commission

I N D E XWITNESS:MR. HELLMANPage

Direct Examination by Mr. Kelly	4
Cross-Examination by Mr. Kellahin	7
Redirect Examination by Mr. Kelly	13

WITNESS:MR. BROWN

Direct Examination by Mr. Kelly	15
Cross-Examination by Mr. Kellahin	18
Redirect Examination by Mr. Kelly	19

E X H I B I T SApplicant'sOfferedAdmitted

Exhibits 1 and 2.

14

14

dearnley, meier & associates

209 SIMMS BLDG., P.O. BOX 1092 • PHONE 243-6891 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG., EAST • ALBUQUERQUE, NEW MEXICO 87108

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
October 3, 1973

EXAMINER HEARING

IN THE MATTER OF:

Case No. 5073

Application of Belco Petroleum
Corporation for a non-standard gas
proration unit, Lea County, New
Mexico.

BEFORE: RICHARD L. STAMETS,
Examiner.

TRANSCRIPT OF HEARING

1 MR. STAMETS: We will call next case 5073.

2 MR. DERRYBERRY: Case 5073, Application of
3 Belco Petroleum Corporation. for a non-standard gas
4 proration unit, Lea County, New Mexico.

5 MR. KELLAHIN: Jason Kellahin, Kellahin & Fox,
6 Santa Fe, New Mexico, appearing for the applicant.
7 We have one witness.

8 MR. STAMETS: Are there any other appearances
9 in this case?

10 MR. BATEMAN: Ken Bateman, White, Koch, Kelly
11 & McCarthy, appearing for Texaco Incorporated. I'll
12 have one witness as well.

13 MR. STAMETS: If all the witnesses would stand
14 and be sworn please.

15 *****

16 OMAR BROWN

17 a witness, having been first duly sworn according
18 to law, upon his oath testified as follows:

19 DIRECT EXAMINATION

20 BY MR. KELLAHIN:

21 Q Would you state your name, please?

22 A My name is Omar Brown.

23 Q By whom are you employed and in what position, Mr.
24 Brown?

25 A I am District Land Man with Belco Petroleum Corporation

1 in Midland, Texas.

2 Q Have you testified before this Oil Conservation
3 Commission as a land man and made your qualifications
4 a matter of record?

5 A No, they are not.

6 Q Would you briefly outline your experience as a land
7 man and your educational background?

8 A I graduated from Casper College in 1956, Associate
9 of Arts degree, and in 1966 completed a prescribed
10 course of studies with La Salle Correspondence
11 Institution in Chicago leading to a study of American
12 Law and Jurisprudence.

13 I have been employed by several oil companies,
14 with Midwest Oil Corporation from 1961 to February
15 of 1972, in the capacity of draftsman, chief draftsman,
16 associate land man and land man and acting district
17 land man; and in February of 1972 I assumed my
18 present responsibilities as District Land Man with
19 Belco Petroleum Corporation.

20 Q And in connection with your work for Belco, do you
21 have anything to do with the area in Lea County?

22 A Lea County as well as all of southeast New Mexico is
23 under the jurisdiction of the District Office in
24 Midland, Texas, and all of the land activities are
25 carried on under my supervision.

- 1 Q Have you had anything to do with the attempts to
2 form either a standard or a non-standard unit in the
3 area involved in the application 5073?
- 4 A Yes, I have.
- 5 Q Briefly, what is proposed by the application in this
6 case?
- 7 A Belco Petroleum Corporation proposes to form and
8 seeks approval of a 320-acre non-standard unit gas
9 proration unit covering the east half of the southwest
10 quarter and the southeast quarter of Section 30 and
11 the north half, northeast quarter of Section 31,
12 Township 20 South, Range 33 East, and further for the
13 approval of an unorthodox location located 1300 feet
14 from the east line and 16, pardon me, 660 feet from
15 the south line of Section 30, Township 20 South,
16 Range 33 East.
- 17 Q Now, referring to what has been marked as Applicant's
18 Exhibit 1, would you identify that exhibit, please?
- 19 A Exhibit 1 shows principally the outline of the Little
20 Eddy Federal Unit; and because of quite a few lines
21 on here, that possibly might be confusing. I'll give
22 a description of the lands that are contained within
23 the Little Eddy Federal Unit being the southeast
24 quarter of Section 25 and the east half of Section 36
25 of 20 South, Range 32 East, the West half of the

1 southwest quarter of Section 30, all of Section 31
2 except the north half of the northeast quarter, the
3 southwest quarter of the northwest quarter of Section
4 32, and the west half of the southwest quarter of
5 Section 32 in 20 South, Range 33 East, and the north
6 half of Section 5 of 21 South, Range 32 East.

7 Q Who is the operator of the Little Eddy Unit?

8 A Texaco Incorporated is the operator of the Little
9 Eddy Unit.

10 Q Now, your Exhibit 1 also shows your proposed non-standard
11 unit and your proposed well location; does it not?

12 A Yes, it does.

13 Q As I understand it, your proposed unit includes only
14 lands which are outside the Little Eddy Unit?

15 A That's correct.

16 Q Now, referring to what has been marked as Exhibit 2,
17 would you identify that exhibit, please?

18 A Exhibit 2 in addition to showing the outline of the
19 Little Eddy Federal Unit and the outline of the
20 proposed non-standard unit gives additional informa-
21 tion relative to the oil and gas leasehold ownership
22 in the immediate area. It can be seen that the
23 mineral ownership of the southwest quarter of Section
24 30 is fee ownership and the west half of the southeast
25 quarter of Section 30 is State.

1 The east half of the southeast quarter of
2 Section 30 is united States, and the north half of
3 the northeast quarter of Section 31 is State. Belco
4 Petroleum Corporation's oil and gas leases are shown
5 in yellow. The blue represents leases shown in the
6 name of Perry R. Bass of Bass Enterprises Production
7 Company et al.

8 There are other parties who own a small
9 interest in that acreage shown as blue, Bass & Bass
10 Enterprises Production Company owning an 89 percent
11 interest, Texaco owning a 5 percent interest, and
12 Franklin Elliott and Clarence Hinkle as trustees,
13 one-half of 1 percent, and Edna Hall and Clarence
14 Hinkle as trustees, one-half of 1 percent.

15 The west half of the southwest quarter of
16 Section 30, the ownership we believe to be 94 percent
17 Texaco, Arco 2 percent, Phillips 2 percent,
18 Tenneco 1 percent, Franklin Elliott and Clarence
19 Hinkle trustees, one-half of 1 percent, and Edna
20 Hall and Clarence Hinkle trustees, one-half of 1 percent.

21 Q And that west half of the southwest quarter is in
22 the Little Eddy Unit; is it not?

23 A It is not only in the Little Eddy Unit, but if you
24 will refer back to Exhibit 1, you will see a dotted
25 line encompassing the southeast quarter of Section 25,

1 the north half of the northeast quarter of Section 36,
2 the west half of the southwest quarter of Section 30,
3 and the northwest quarter of the northwest quarter of
4 Section 31.

5 This dotted line encompasses the upper Morrow
6 participating area which is dedicated to the Texaco
7 1-Richards well in the southeast quarter of Section
8 26. Consequently, the west half of the southwest
9 quarter of Section 30 is participating in the
10 production from the Texaco well in the southeast
11 quarter of Section 25.

12 Q Now, that's as to the upper Morrow formation?

13 A That is as to the upper Morrow formation.

14 Q But the Morrow is defined as one pool by this
15 Commission whether it be upper or lower; is that
16 correct?

17 A I believe that to be correct.

18 Q Now, have you made a list of the participating area
19 in the Little Eddy Unit?

20 A Yes.

21 Q Referring to what has been marked as Exhibit 3, will
22 you identify that exhibit, please?

23 A Exhibit 3 is merely a tabulation showing the lands
24 which are encompassed within three approved participating
25 areas within the Little Eddy Unit. I'll not read the

1 lands contained within each of those units, but
2 basically we have an Atoka participating area, we
3 have an upper Morrow participating area previously
4 mentioned, and we have a lower Morrow participating
5 area.

6 Q Now, did you make any effort to form a standard unit
7 consisting of the south half of Section 30 with
8 Texaco?

9 A Yes. With a letter dated July 30, 1973, Texaco was
10 requested to consider joining in a standard unit
11 covering the south half of Section 30. I might inject
12 one other bit of information in here so that the
13 Examiner will be clear. Relative to the ownership
14 here, the acreage shown in blue on Exhibit 2 identified
15 there as Perry R. Bass et al., Belco Petroleum Corpora-
16 tion through contractual arrangement has rights to all
17 of those interests except those owned by Texaco and
18 Tenneco.

19 Q They are a small interest; is that correct?

20 A They are, Texaco being 5 percent and Tenneco 1 percent.

21 MR. STAMETS: I'm not clear on that. You are
22 referring to all of the blue acreage on your Exhibit 2
23 here?

24 THE WITNESS: Yes.

25 MR. STAMETS: Texaco and Tenneco have some

1 interest in the blue acreage?

2 THE WITNESS: Yes, that's correct.

3 MR. STAMETS: Which are minority interests?

4 THE WITNESS: 5 percent Texaco and 1 percent
5 Tenneco. The other parties have all become parties
6 to a contractual obligation to Belco.

7 Q Referring again to Exhibit 2, the State lease in
8 there, is that also subject to a Potash lease?

9 A The State lease covering the, what would be the west
10 half of the east half of Section 30 and the State lease
11 covering the north half of the northeast quarter of
12 Section 31 are subject to a Potash lease owned by
13 the Potash or U.S. Potash and Chemical Company which
14 I think is more commonly known as Teledyne.

15 Q Is that one of the reasons for your choice of the
16 well location as you have proposed here?

17 A Yes. In an effort to locate our well so that it will
18 not in any way interfere with this Potash lease, we
19 are asking for the unorthodox well location 1300 feet
20 from the east line and 660 feet from the south line.
21 We are asking for that particular location so as to,
22 on the advice of the geological department, place the
23 well in what we believe to be the most advantageous
24 position and at the same time not interfere with
25 the Potash lease.

12-55103-74-001-BANK 0100. EAST ALBUQUERQUE, NEW MEXICO 87108

4 | A No, I did not.

6 A Yes. On August 31 of 1973, another letter was furnished
7 to Texaco and the other parties again giving additional
8 information and requesting that a unit be formed, a
9 standard unit be formed.

11 A No, I did not.

16 A Well, it's obvious from the exhibits that we have
17 that the north half of the northeast quarter of
18 Section 31 is outside of the Little Eddy Federal Unit;
19 and a real possibility exists that if a standard unit
20 is formed, we have two things happening.

21 The west half of the southwest quarter of
22 Section 30 finds itself in the unique position of
23 participating in two wells, and the north half of the
24 northeast quarter of Section 31 may be in a position
25 where it will never participate in any well at all.

dearnley, meier & associates

200 SIMMS BLDG., P.O. BOX 1092, PHONE 2-3-6691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

1 Q When were the Texaco wells drilled?

2 A The Texaco wells were drilled from 1958 to 1967. I

3 believe that that is correct. Consequently, it has

4 been, I don't think that information is correct. Just

5 a moment.

6 I need to find my proper note on that. There

7 will be just a moment here. Incidentally I have

8 mislaid my notes relative to the exact dates that

9 those wells were drilled. However, they were drilled

10 in the 1950s, a considerable time ago. I'm sure the

11 Commission will have the exact dates of those, when

12 those wells were drilled.

13 Q Was there any further drilling in the area until

14 Belco drilled a well in the north half of Section 30?

15 A No, there was not.

16 Q When was that well drilled?

17 A Belco's wells in the north half of Section 30, the

18 #1 Bass Federal was drilled late in 1972. I do not

19 have before me the exact commencement and completion

20 dates.

21 Q Now, referring to what has been marked as Exhibit 4

22 and 5, would you identify those two exhibits, please?

23 A Exhibit 4 is a letter from Phillips Petroleum Corporation,

24 an owner of a minority interest in this proposed non-

25 standard unit. I believe that the Commission should

1 have a copy of this letter advising that they have
2 no objections to the formation of the non-standard
3 unit, nor to the unorthodox well location.

4 Exhibit 5 is a letter dated September 25, 1973,
5 from Perry R. Bass and Bass Enterprises Production
6 Company advising that they have no objection to the
7 formation of the non-standard unit or to the unorthodox
8 well location.

9 Q Were Exhibits 1, 2, and 3 prepared by you or under
10 your supervision?

11 A Yes, they were.

12 Q And Exhibits 4 and 5 are letters received by your
13 company in the course of business?

14 A They were.

15 MR. KELLAHIN: At this time, I'd like to offer
16 into evidence Exhibits 1 through 5 inclusive.

17 MR. STAMETS: Without objection, these exhibits
18 will be admitted.

19 MR. KELLAHIN: That's all we have on Direct
20 Examination.

21 *****

22 CROSS-EXAMINATION

23 BY MR. STAMETS:

24 Q Mr. Brown, there are a couple things I'd like to
25 clarify. What is the non-standard location again?

1 What are those footages?

2 A 1,300 feet west of the east line and 660 feet north
3 of the south line of Section 30.

4 Q 660?

5 A 660.

6 MR. KELLAHIN: If the Examiner please, that
7 would not agree with the advertising at least as it
8 appears on the docket, which says it would be at
9 the center. We are at a loss as to how that got into
10 the advertising, to the center of either Unit O or
11 Unit P.

12 MR. STAMETS: I'd have to check the legal ad
13 on that to see what it says. I would assume it says
14 the same thing.

15 MR. KELLAHIN: We are at a loss as to how it
16 got there.

17 MR. STAMETS: That would appear that if there
18 were an application as you requested here, that it
19 would have to be readvertised.

20 MR. KELLAHIN: That seems correct.

21 MR. STAMETS: Certainly that would be the same
22 set of people who are interested here today. So we
23 should be able to get it all taken care of at this
24 hearing.

25 Q (By Mr. Stamets) If the non-standard proration unit

1 were to be denied, would you still wish to have the
2 non-standard location approved?

3 A Yes.

4 Q You mentioned a Potash lease on the State acreage.

5 A On your Exhibit 2, you will find a green border around
6 the west half of the east half of Section 30 and the
7 north half of the northeast, 31. That identifies the
8 Potash lease. The remainder of the acreage in Section
9 30 is not to our knowledge under Potash lease.

10 Q Now, is this State lease within the boundaries of
11 the Potash oil area as defined by Commission order
12 R-111A and all of its additions?

13 A Yes, it is.

14 Q So the potential would be there for the Potash Company
15 to object?

16 A That is correct, sir.

17 Q And there is no Potash lease on the blue acreage from
18 the well as proposed?

19 A That is correct.

20 Q Have you made any contacts with the owner of the Potash
21 lease to see if they would object to the location on
22 that lease?

23 A No, we have not.

24 MR. STAMETS: Mr. Bateman, do you have some
25 questions?

CROSS-EXAMINATION

BY MR. BATEMAN:

Q Mr. Brown, referring to your Exhibit 2, is there any reason why the west half of the southwest quarter of Section 30 is not qualified to participate in the standard proration unit?

A There perhaps is no --

MR. KELLAHIN: If the Examiner please, I object to the question. I think it calls for a legal conclusion. You have a problem here where you have a well within a participating area within a Federal Unit and you propose to dedicate it also to another well producing from the same formation, and I don't feel this witness is qualified to answer the question.

MR. BATEMAN: On the contrary, Mr. Examiner. He was testifying concerning the Little Eddy Federal Unit. I'm calling on a question concerning the Texaco 1-Richards. I think it's a proper question. Obviously he made contact to Texaco. They made their own allusion to that.

MR. KELLAHIN: That wasn't what the question was. The question was: Was there any reason they could not participate; and I submit the witness is not qualified to answer that question. It's a legal question.

MR. BATEMAN: Well, I would limit it, of course,

1 to the witness' knowledge of the situation.

2 MR. STAMETS: If you would rephrase your
3 question, Mr. Bateman, perhaps that would solve the
4 problem.

5 Q (By Mr. Bateman) Well, let's go on to the Texaco Richards
6 No. 1. Would you restate your testimony as to the
7 dedication of acreage indicated on your Exhibit 1?

8 A Are you referring to the dedication of acreage or are
9 you referring to the participating area?

10 Q Well, I'm referring to both, but preliminarily the
11 dedication of acreage.

12 A I assume that the southeast quarter of Section 25 is
13 dedicated. That's purely an assumption on my part
14 based upon the fact that at one time the Federal Rules
15 within the Little Eddy Unit I believe were 160 acre
16 spacing.

17 Q Do you know from what area the Texaco Richards No. 1
18 is producing? Is it a Morrow well?

19 A Well, I understand, I am a land man not a geologist; but
20 I understand it is producing from the upper Morrow.

21 Q I see. Now, you stated that the organization contacted
22 Texaco on two occasions, the last being August 31, 1973;
23 and you stated that you had no response to your letter.
24 Do you know whether you or any other representative of
25 your Company have been contacted since August 31 by a

1 representative from Texaco?

2 A I received a telephone call yesterday at approximately
3 3:00 o'clock.

4 Q Do you know whether or not Texaco is willing to participate
5 in the standard proration unit?

6 A I was so-advised during the course of that telephone
7 conversation that Texaco would participate in a standard
8 proration unit.

9 Q So is it safe to say that the fact that you got no
10 response from the letters did not indicate that Texaco
11 was not interested in participating?

12 A I think that's probably a fair statement.

13 MR. BATEMAN: I have no further questions.

14 *****

15 RECROSS-EXAMINATION

16 BY MR. STAMETS:

17 Q Mr. Brown, do you have information now that Texaco is
18 willing to communitize to form a standard unit? Would
19 that event have altered the application here today if
20 you had known about it a little earlier?

21 A No, sir. We do not believe that that changes the
22 problem. The problem that we will have one tract
23 participating at two wells and another tract which may
24 not participate in any well at all still remains.

25 Q Mr. Brown, if the application for the non-standard

1 proration unit were approved here today, would that
2 tend to cause the formation of an additional non-standard
3 proration unit being a proration unit including the
4 northeast quarter of Section 31?
5 A Would you rephrase your question or would you repeat
6 your question? I lost you there someplace.
7 Q Part of the proposed non-standard proration unit you
8 have here today includes the north half and the northeast
9 quarter of Section 31?
10 A Yes, sir.
11 Q Normally, we would be looking at the well on 320-acre
12 spacing having either the east half of Section 31
13 dedicated to it or the north half of Section 31 dedicated
14 to it. In either of those events, wouldn't approval of
15 your application result in the necessity for forming
16 an additional non-standard proration unit?
17 A Well, first off, the north half of Section 30 is dedicated
18 to the Belco #1 Bass Federal well. The formation of
19 this non-standard unit will not result in a cumulative
20 position where the Commission will be asked on a
21 cumulative basis to approve other non-standard units.
22 The only other possible non-standard unit that
23 I could envision would be one encompassing those
24 remaining lands in the north half of Section 31 and the
25 tract in the west half of the southwest quarter of

1 Section 30. This would include only lands within the
2 Little Eddy Federal Unit and would not involve us then
3 in a position of crossing these Little Eddy Federal
4 Unit lines.

5 Q Mr. Brown, in your experience have you ever seen
6 communitized proration units which included unitized
7 acreage and non-unitized acreage?

8 A I have not.

9 Q You have not seen this? If the Commission records
10 reflected that this were a common practice, would you
11 think that we should consider that in this case?

12 A Well, let me make sure I understand your question.
13 Would you repeat it to me again, please?

14 Q In your experience have you ever seen an instance where
15 unitized acreage and non-unitized acreage were
16 communitized to form a standard drilling and spacing
17 unit for a particular well?

18 A My answer will remain the same. I do not have knowledge
19 of where a standard proration unit or non-standard for
20 that matter has crossed a Federal unit line. It may
21 have taken place. I do not have knowledge. Now, what
22 was the last part of that question?

23 Q Well, never mind the last part there,

24 MR. STAMETS: Are there any other questions of
25 this witness? He may be excused. Mr. Kellahin, do you

dearnley, meier & associates

209 SIMMS BLDG. P.O. BOX 1092 PHONE 243-6891 ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108

1 have anything further at this time?

2 MR. KELLAHIN: Nothing further.

3 MR. STAMETS: Mr. Bateman? You may proceed.

4 *****

5 JACK D. GLENN,

6 a witness, having first been duly sworn according to

7 law, upon his oath testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BATEMAN:

10 Q Mr. Glenn, have you previously testified before the

11 Commission here in New Mexico?

12 A No, sir.

13 Q Would you briefly state your educational background

14 and work experience, please?

15 A B.S. Degree from Oklahoma State in Geology, graduated

16 in 1950. I have 20 years experience with Texaco working

17 West Texas and Southern New Mexico.

18 Q What is your title?

19 A I'm a Senior Development Geologist, Midland Division.

20 Q In your position as Senior Development Geologist, are

21 you familiar with the area in question on this application?

22 A Yes, sir.

23 MR. BATEMAN: Mr. Examiner, are the witness'

24 qualifications acceptable?

25 MR. STAMETS: They are. I did miss his first

dearnley, meier & associates

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6651 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 name.

2 MR. BATEMAN: Jack, Jack Glenn.

3 MR. STAMETS: Thank you.

4 Q (By Mr. Bateman) Mr. Glenn, I'd like to first of all
5 direct your attention to the Texaco Richards #1 which
6 is located in the southeast quarter of Section 25.

7 Would you tell the Examiner what area that well is
8 producing and what proration unit it has?

9 A The well produces from the Atoka. It has a cumulative
10 production of approximately 1.7 billion cubic feet. It
11 is currently producing from the Atoka. The proration
12 unit for it is 160 acres being as I understand, in the
13 southeast quarter of Section 25.

14 MR. STAMETS: This is the same well that's
15 previously been identified as the contributing well to
16 the upper Morrow participating area?

17 MR. BATEMAN: Yes, it is.

18 MR. STAMETS: Okay.

19 Q (By Mr. Bateman) Mr. Glenn, would you just state
20 briefly why Texaco opposes the application today?

21 A Texaco opposes this application in that we are ready,
22 willing, and have so notified Belco that we would
23 participate here in their proposed well for an orthodox
24 location consisting of the south half of Section 30. If
25 this application for the non-orthodox location is approved,

1 Texaco as soon as this Belco well is completed will
2 have to file for another unorthodox unit which will be
3 rather odd in shape and will have to consist of acreage
4 in Section 30 and acreages in the section immediately
5 south of it, Section 31.

6 Q Now, Mr. Glenn, to clear the record, though, you are
7 speaking of non-standard proration units, not an
8 orthodox location; is that correct?

9 A Texaco has no objection to the unorthodox location that
10 Belco has proposed.

11 Q All right. Now, do you know what efforts Texaco has
12 made to participate in this unit?

13 A We have approval to join with Belco in drilling this well
14 on an orthodox unit consisting of the south half of
15 Section 30 and we have so-notified them.

16 Q Then I take it that you have been rejected?

17 A I don't know. I did not make the contact.

18 Q It appears that you have been, however. Now, assuming
19 if we can look into the future, that the application is
20 granted today, that a well is completed in the location
21 indicated on the applicant's Exhibit 1 as a producing
22 well, you have already touched on this; but would you
23 state again for the record what you would expect Texaco
24 to do, what its reaction would be?

25 A If Belco's proposed well in the southeast quarter of

1 Section 30 is completed as a good well as we anticipate
2 and we have so-advised by our approval of this well,
3 then Texaco will immediately have to file for another
4 unorthodox unit consisting of the south half of or the
5 northeast quarter of Section 31, the northwest quarter
6 of Section 31, and the west half of the southwest
7 quarter of Section 30 in order to meet this offset. We
8 would also require an unorthodox location.

9 Q Would you tell, of course, without committing yourself,
10 what would you expect the unorthodox location would be?
11 A In the northeast quarter of Section 31.

12 Q All right. Now, from your knowledge of geology, do you
13 think that a well completed in that unorthodox location
14 could be expected to economically drain the non-standard
15 proration unit that would result?

16 A It is possible although you are getting a rather long
17 diagonal on an unorthodox location of this size.

18 Q Well, Mr. Glenn, would you just briefly review the
19 recent drilling history in the area?

20 A The Texaco wells as previously indicated here were
21 drilled during the 1950s and 1960s. They are completed.
22 The #1-CM is completed from the Morrow. The #1-CH was
23 previously completed from the Morrow and Atoka. The
24 Morrow has now been abandoned. The #1 Richards is
25 completed from the Atoka.

1 Q Mr. Glenn, you have also heard testimony to the effect
2 that on speculation that the north half of Section,
3 excuse me, Section 31 would be jeopardized if the
4 application is not granted in that it would possibly
5 not participate in any production. Do you have any
6 response to that remark?

7 A If the proposed Belco well is drilled as indicated, we
8 anticipate that this will make an excellent Morrow well
9 comparable at least to the #1 Texaco #1-CM to the south
10 which has got a cumulative now in excess of 5 billion
11 and would offer a very attractive location to be drilled
12 for a standard proration unit in the north half of
13 Section 31.

14 Q All right. Then in summary, what recommendation do you
15 have to the Commission today?

16 A That the Commission deny the application for the
17 unorthodox location, that it grant them approval on
18 the unorthodox location but the unit for this well,
19 proration unit, be the south half of Section 30.

20 Q Mr. Glenn, do you have anything further to add?

21 A No, sir. We deny the unorthodox unit, non-standard unit.

22 MR. BATEMAN: Is that clear, Mr. Examiner?

23 MR. STAMETS: It is.

24 MR. BATEMAN: I have no further questions.

25 MR. STAMETS: Are there any questions of this

1 witness?

2 MR. KELLAHIN: Yes, I have a couple.

3 *****

4 CROSS-EXAMINATION

5 BY MR. KELLAHIN:

6 Q Mr. Glenn, you refer to your Richards No. 1 as an
7 Atoka well. That is completed in what the Commission
8 has defined as the South Salt Lake Morrow Gas Pool; is
9 it not?

10 A The technical field name at this time escapes me. I
11 thought that it was cleared as upper Penn.

12 Q Well, we have a confusion of nomenclature I'm afraid
13 here. It's sometimes referred to as upper Morrow and
14 lower Morrow and the Morrow formation is the Pennsylvanian
15 age?

16 A Yes, sir.

17 Q Are you familiar with Order Number R-2101 of the Oil
18 Conservation Commission?

19 A No, sir.

20 Q It defined the South Salt Lake Morrow Gas Pool. If the
21 records of the Commission reflect that the Atoka and
22 the Morrow were treated in one common source of supply,
23 you wouldn't quarrel with that; would you?

24 A The Commission recently broke out Morrow production in
25 this field and assigned 320-acre proration units to it.

1 The only two wells in the field at that time I think
2 that qualified for 320-acre proration units were the
3 Texaco #1-CM State which has a proration unit of the
4 south half of Section 31 and Belco's #1 Bass Federal
5 having a unit for the north half of Section 30.

6 Q Now, your well in the south half of 31 was drilled in
7 1961; was it not?

8 A Yes, sir.

9 Q You didn't see fit then to drill in the north half of
10 Section 31?

11 A No, sir.

12 Q Is that because it was unitized?

13 A No, sir.

14 Q Do you know of any reason that Texaco did not drill it?

15 A No, sir. I do not.

16 Q Now, you are proposing the formation of a standard unit
17 consisting of the south half of Section 30 but the west
18 half of the southwest quarter is participating in the
19 production from the Little Eddy Unit; is it not?

20 A Again.

21 Q You are the witness that testified it's in the participating
22 area. Do you dispute that?

23 A This is shown on your Exhibit 1 as the participating
24 area for what is called upper Morrow. This may be
25 nomenclature problems, but the proration unit for the

1 #1 Richards is the southeast quarter of Section 25
2 consisting of 160 acres. The participating area is
3 out of my bailiwick.

4 Q You are not familiar with the difference between the
5 proration unit and the participating area then?

6 A No, sir.

7 Q Well, I will not pursue that further. In the event
8 a standard unit as proposed is approved by this
9 Commission consisting of the south half of Section 30,
10 does Texaco propose to drill and dedicate a well to
11 the north half of 31?

12 A In all likelihood, yes, if this well is good; and we
13 anticipate it to be good.

14 Q You say in all likelihood. Are you in a position to
15 say that they will if it is good?

16 A You cannot predict absolute success on wells, but we
17 anticipate the Belco well to be a good Morrow producer;
18 and as such, we would want to offset it.

19 Q You testified I believe that your Richards well is
20 dedicated 160 acres. Are you familiar at all with
21 Order Number R-4600 of the Oil Conservation Commission?

22 A No, sir.

23 Q Were you aware that that gave you 60 days in which to
24 notify the Commission of the 320-acre unit you would
25 dedicate to that well?

1 A No, sir.

2 Q And it required the dedication of 320 acres?

3 A No, sir.

4 Q For your information, Mr. Glenn, the Order was dated
5 July 23, 1973. Now, you said you have agreed to
6 participate in the well which Belco proposes. Do you
7 know when you notified Belco of this?

8 A No, sir. I do not. I did not make the contact.

9 Q You wouldn't dispute the testimony that was offered
10 here this morning then that they received a call
11 yesterday?

12 A No, sir.

13 MR. BATEMAN: I object, Mr. Examiner. I don't
14 believe that was the testimony.

15 MR. KELLAHIN: I don't recall. It was in the
16 last week anyway.

17 MR. BATEMAN: I don't think there was a time
18 identified.

19 MR. BROWN: On the examination by the attorney,
20 I believe I concurred that I received a telephone call
21 late yesterday afternoon.

22 MR. STAMETS: I believe that's right.

23 MR. KELLAHIN: That's all I have. Thank you.

24 (Whereupon, a discussion was held off the record.)

25 *****

CROSS-EXAMINATIONBY MR. STAMETS:

1
2
3 Q Mr. Glenn, you have alleged that the Texaco Richards
4 well is completed in the Atoka formation. Do you have
5 any logs, correlations, any fossils, anything to prove
6 that this is completed in what the Commission recollects
7 as the Atoka interval?

8 A I have logs and scout tickets available in my briefcase
9 here, sir, to lay them out if you so desire to show
10 where this well is completed now. There may be some
11 nomenclature, but the interval is definitely above what
12 the Morrow completion is in the CM, our #1-CM and the
13 recent Amini Well to the southeast.

14 Q Mr. Glenn, do you have any idea of what the effect
15 would be as to the west half of the southwest quarter
16 of Section 30 if this application were denied and a
17 standard proration unit were formed in the south half
18 of Section 30? Do you have any idea of what the effect
19 would be as to its participation in a proposed well of
20 Belco's and your Richards well?

21 A If the application for the non-standard unit is denied
22 and a standard unit consisting of the south half is
23 a decision of the Commission, then Texaco will participate;
24 and as I have stated, we anticipate the Belco to be a
25 good Morrow producer.

1 Then we would immediately form a standard unit
2 consisting of the north half of Section 31 if the
3 Belco well is good, and we anticipate that it will be.

4 MR. STAMETS: Mr. Bateman, I'm asking you this
5 as a legal question. If the west half of the southwest
6 quarter of Section 30 is dedicated or not dedicated,
7 is participating in the Morrow formation in the Little
8 Eddy Unit, does Texaco have the legal right or Texaco
9 and Belco together, the legal right to dedicate that
10 acreage to the well Belco proposes to drill?

11 MR. BATEMAN: Well, I'll have to give you my
12 opinion which is that it does. I think it's participating
13 in the other well; and, of course, we don't know the
14 nomenclature; but I do believe that that acreage is not
15 a part of the other proration unit.

16 I believe it could become a part of the new
17 proration unit to form a Morrow well which Belco proposes
18 to drill.

19 MR. STAMETS: Mr. Kellahin, may I assume that
20 your opinion differs from Mr. Bateman's?

21 MR. KELLAHIN: Quite sharply. I would like to
22 ask the witness one question.

23 *****

24 RECROSS-EXAMINATION

25 BY MR. KELLAHIN:

1 Q Is the west half of the southwest quarter receiving
2 royalty from the Richards #1 well?

3 A I do not know.

4 Q If it's in a participating area, it would have to; would
5 it not?

6 A I don't know.

7 Q Aren't you familiar with the unit at all?

8 A I am a geologist.

9 Q Do you have anyone here who is acquainted with this?

10 A No, sir.

11 MR. KELLAHIN: Well, if the Commission please,
12 I might as well make a closing statement if I may.

13 MR. STAMETS: I think Mr. Derryberry might have
14 had a question at this point.

15 MR. DERRYBERRY: I was wondering how dedication
16 of this area to a well located in the proposed standard
17 proration unit would affect the rights of the other
18 operators and royalty owners in the Little Eddy Unit.

19 MR. BATEMAN: Can you answer that?

20 THE WITNESS: No.

21 MR. STAMETS: Mr. Bateman, do you have anything
22 further at this point?

23 MR. BATEMAN: Well, I may have a closing
24 statement after Mr. Kellahin.

25 MR. STAMETS: Are there any other questions of

1 this witness?

2 MR. BATEMAN: Mr. Examiner, it appears to me
3 the stronger point made by the witness for the applicant
4 here was concerning that the north half of Section 31
5 may not participate in the well in the future. I believe
6 that's been significantly rebutted by the testimony of
7 the witness for Texaco.

8 I think it is obvious that if a significant
9 producing well is completed in the south half of
10 Section 30, then the offsetting well would follow; and,
11 of course, that would be in the north half of Section 31
12 and all royalty owners would participate in that.

13 There obviously is some confusion about
14 nomenclature on the Texaco-Richards #1 well which will
15 have to be straightened out; and, of course, we will
16 make an effort to do that right away and inform the
17 Commission. I should think that a standard proration
18 unit should be preferred over non-standard units
19 wherever possible. It appears to me that there is no
20 disqualification of the west half of the southwest
21 quarter of Section 30.

22 Belco apparently came to the conclusion there
23 was no disqualification having contacted Texaco where
24 there is testimony that Texaco responded affirmatively
25 and is ready, willing and able to participate. In

1 addition, the extremely unorthodox, if I may use that
2 term, shape of the non-standard unit for the offsetting
3 well which would result by approval of this application
4 I think should be considered rather strongly by the
5 Commission in deciding this case.

6 It has been testified that it's possible to
7 drain it, but it's rather unusual, very long diagonal,
8 and possibly could not drain it effectively; and waste
9 would therefore result. I have nothing further.

10 MR. KELLAHIN: If the Examiner please, on the
11 first instance, Mr. Bateman said that there appeared to
12 be some confusion as to the nomenclature and they would
13 straighten this out and inform the Commission. I hardly
14 feel that's a proper procedure since they have declined
15 to offer any evidence as to the producing interval in the
16 Richards #1 well here at this hearing; and certainly for
17 them to come now with logs, cross-sections, or any other
18 evidence to present to the Commission in the absence of
19 the applicant would be highly improper; and we would
20 object to such a procedure as that.

21 Now, if there is any confusion as to nomenclature,
22 it rests in the mind of the Texaco witness. I believe
23 that the records, and we have checked them, of the Oil
24 Conservation Commission and the records of the United
25 States Geological Survey both show that the Richards well

1 is producing from the upper Morrow. We are in
2 agreement with this.

3 It is producing from the same interval the
4 Belco well is, and we find and have shown this
5 Commission that it is in the participating area for the
6 upper Morrow formation. Now, we are proposing a Morrow
7 well and to dedicate the acreage as proposed by Texaco
8 would then automatically result in the dual dedication
9 of the west half of the southwest quarter for Morrow
10 production which again would be improper and in violation
11 of the Commission's rules and would impair the correlative
12 rights of the other operators in the pool.

13 Those owners under the west half of the southwest
14 quarter of Section 30 would be participating in the
15 production from the Richards #1 well and from the
16 proposed Belco well. Meanwhile, the north half of the
17 northeast quarter of Section 31 would be left out in the
18 cold with no production at all.

19 Now, Texaco says that if we get a good well in
20 the south half of Section 30, they of course will
21 probably come back and drill a well in the north half
22 of 31. Their enterprise in this regard I think is
23 restricted by the fact that their last well was drilled
24 in 1961, and we are not inclined to rely on such a
25 promise unless it is a little more definite than possible.

1 We feel that in order to protect the correlative
2 rights of the operators here and bearing in mind that
3 the west half of the southwest quarter is already
4 participating in Morrow production, the only alternative
5 for us is to form a non-standard unit for the protection
6 of the other operators in the pool.

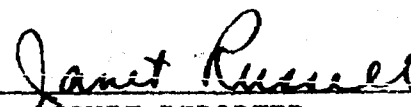
7 We are ready to drill the well immediately as
8 soon as we can get our permits through. For that
9 reason, we feel that a non-standard unit and a non-standard
10 location should both be approved by the Commission.

11 MR. STAMETS: Is there anything further in this
12 case? We will take the case under advisement.

13 *****

14 REPORTER'S CERTIFICATE

15 I, JANET RUSSELL, a Court Reporter, in and
16 for the County of Bernalillo, State of New Mexico, do
17 hereby certify that the foregoing and attached
18 Transcript of Hearing before the New Mexico Oil
19 Conservation Commission was reported by me; and that
20 the same is a true and correct record of the said
21 proceedings to the best of my knowledge, skill and
22 ability.

23 
24 COURT REPORTER
25

I N D E XWITNESS.OMAR BROWNPage

Direct Examination by Mr. Kellahin	3
Cross-Examination by Mr. Stamets	13
Cross-Examination by Mr. Bateman	16
Recross-Examination by Mr. Stamets	18

WITNESS.JACK D. GLENN

Direct Examination by Mr. Bateman	21
Cross-Examination by Mr. Kellahin	26
Cross-Examination by Mr. Stamets	30
Recross-Examination by Mr. Kellahin	31

E X H I B I T S

<u>Applicant's</u>	<u>Offered</u>	<u>Admitted</u>
Exhibits 1, 2, 3, 4, and 5	13	13

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5073
heard by me on 3/19/73
Richard F. Dearnley Examiner
New Mexico Oil Conservation Commission

LITTLE EDDY
FEDERAL UNIT

Participating Areas

<u>FORMATION</u>	<u>AREA</u>	<u>ACRES</u>	<u>WELL</u>
<u>ATOKA</u>	E/2 Section 36	320.00	<u>TEXACO 1-CH</u>
	W/2 Section 31, Lot 1	40.26	
	W/2 Section 31, Lot 2	40.19	
	W/2 Section 31, Lot 3	40.11	
	W/2 Section 31, Lot 4	40.04	
	W/2 Section 31, E/2W/2	<u>160.00</u>	
		640.60	
<u>UPPER MORROW</u>	SE/4 Section 25	160.00	<u>TEXACO 1 RICHARDS</u>
	N/2NE/4 Section 36	80.00	
	W/2SW/4 Section 30, Lot 3	40.19	
	W/2SW/4 Section 30, Lot 4	40.26	
	NW/4NW/4 Section 31, Lot 1	<u>40.26</u>	
		360.71	
<u>LOWER MORROW</u>	E/2 Section 36	320.00	<u>TEXACO 1 CM</u>
	W/2 Section 31	320.60	
	SE/4 Section 31	160.00	
	S/2NE/4 Section 31	80.00	
	SW/4NW/4 Section 32	40.00	
	W/2SW/4 Section 32	80.00	
	Lot 1 Section 5	41.06	
	Lot 2 Section 5	41.18	
	Lot 3 Section 5	41.30	
	Lot 4 Section 5	41.42	
	S/2N/2 Section 5	<u>160.00</u>	
		1325.56	

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 3

CASE NO. 5073

DATE 10-3-73

Case 5073

Reply to: T. Harold McLemore
(915) 337-8611, Ext. 257



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79760
PHILLIPS BUILDING, FOURTH & WASHINGTON

EXPLORATION & PRODUCTION DEPARTMENT

September 27, 1973

In re: Case No. 5073: October 3, 1973--
Application for Non-Standard Gas
Proration Unit--
Lea County, New Mexico

File: W2-Ed-511-73

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

Attention: Mr. Omar L. Brown
District Landman

Gentlemen:

We have been duly advised of your application for a non-standard gas proration unit and/or an unorthodox well location in Sections 30 and 31, T-20-S, R-33-E, South Salt Lake Field, Lea County, New Mexico, which is styled as the captioned Case to be heard by the Commission October 3, 1973.

Phillips Petroleum Company has no objections to either or both of your proposals within this application. The New Mexico Oil Conservation Commission and United States Geological Survey offices are so advised by copies hereof.

Yours very truly,

PHILLIPS PETROLEUM COMPANY

G. W. Edwards,
Supervisor, Reservoir Engineering

HM:rm

cc: New Mexico Oil Conservation Commission
Box 2088

Santa Fe, New Mexico 87501

United States Geological Survey

Attention: Mr. N. O. Frederick

Regional Oil and Gas Supervisor

Box 1857

Roswell, New Mexico 88201

Case 5073
BELCO PETROLEUM CORPORATION

EXHIBIT NO. 4

CASE NO. 5073

DATE 10-3-73

VERAL OFFICES - FORT WORTH

PERRY R. BASS
DIVISION LAND & GEOLOGICAL OFFICE
POST OFFICE BOX 171
MIDLAND, TEXAS 79701

September 25, 1973

RECEIVED
SEP 26 1973
MIDLAND OFFICE

Mr. Omar Brown
Belco Petroleum
2000 Wilco Bldg.
Midland, Texas 79701

Re: Teas Prospect
Belco #2 Bass-Federal
SE $\frac{1}{4}$ & E $\frac{1}{4}$ SW $\frac{1}{4}$ Section 30;
N $\frac{1}{4}$ NE $\frac{1}{4}$ Section 31, T-20-S,
R-33-E, Lea County, N.M.

Dear Mr. Brown:

This letter is to advise you Perry R. Bass and Bass Enterprises Production Co. have no objections to an unorthodox location for the drilling of a Morrow test in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 31, T-20-S, R-33-E, or the non-standard proration unit covering the above described acreage.

Yours very truly,

PERRY R. BASS

BY: Burr Seetzer

BASS ENTERPRISES PRODUCTION CO.

BY: Burr Seetzer

BS/sc

cc: Mr. Pat Duncan

Case 5073

BELCO PETROLEUM CORPORATION

EXHIBIT NO. 5

CASE NO. 5073

DATE 10-3-73

Docket No. 31-73

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 31, 1973

9 A.M. - OIL CONSERVATION COMMISSION 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:

CASE 5076: (Continued from the October 17, 1973, Examiner Hearing)

Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well at an unorthodox location 1980 feet from the North line and 660 feet from the West line of Section 7, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 7 to be dedicated to the well.

CASE 5086: Application of Skelly Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Myers Langlie-Mattix Unit Area comprising 9924 acres, more or less, of Federal, State, and Fee lands in Townships 23 and 24 South, Ranges 36 and 37 East, Lea County, New Mexico.

CASE 5087: Application of Skelly Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Myers Langlie-Mattix Unit Area, Langlie-Mattix Pool, Lea County, New Mexico, by the injection of water into the Queen formation through 84 injection wells in said unit area.

CASE 5088: Application of Amini Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Pennsylvanian formation underlying the S/2 of Section 32, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit N of said Section 32. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5089: (This case will be dismissed)

Application of Coquina Oil Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed Cities Service State Well No. 3, at an unorthodox location 1325 feet from the South line and 660 feet from the East line of Section 27, Township 14 South, Range 34 East, High Plains-Pennsylvanian Pool, Lea County, New Mexico.

- CASE 5090: Application of Atlantic Richfield Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 309-A to permit the commingling of unitized and non-unitized production within applicant's Seven Rivers-Queen Unit Area, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 5091: Application of Superior Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 of Section 2, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well presently being drilled at a point 2080 feet from the South line and 660 feet from the East line of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5092: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the base of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 9, Township 16 South, Range 35 East, Townsend-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to its Hulda Townsend Well No. 2 located in Unit I of said Section 9. Also to be considered will be the present value of said well and the cost of deepening and completing same and the allocation of such values and costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in deepening said well.
- CASE 5093: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 17, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit B of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5094: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Azotea Mesa Unit Area comprising 5686 acres, more or less, of Federal and State lands in Township 23 South, Range 24 East, Eddy County, New Mexico.
- CASE 5095: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Loafer Draw Unit Area comprising 5844 acres, more or less, of Federal, Fee, and State lands in Township 21 South, Ranges 21 and 22 East, Eddy County, New Mexico.

CASE 5096: Application of H. L. Brown, Jr. for a non-standard gas proration unit and unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the SE/4 of Section 15 and the E/2 NE/4, SW/4 NE/4, and NE/4 SE/4 of Section 22, all in Township 17 South, Range 29 East, Grayburg-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox gas well location 330 feet from the South and East lines of said Section 15.

CASE 5097: Application of Dorchester Exploration Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Wolfcamp production for its well located in Unit F of Section 35, Township 19 South, Range 28 East, and the promulgation of special rules therefor including a provision for 320-acre spacing and standard 320-acre well locations.

CASE 5073: (Continued and Readvertised)

Application of Belco Petroleum Corporation for a non-standard gas proration unit and unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 SW/4 and SE/4 of Section 30 and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33 East, South Salt Lake Field, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30.

Find

Application Belco Pet Corp
for NS Gas Pro Unit
~~NSL~~

Describe

That The owner of the ~~acres~~ ~~remaining~~ to
remaining acreage in the S/2 of
said section 30 objects to NSU

That that formation of NSU would
result in necessity for additional
NSUs.

That ~~applicant's~~ application for NSU
should be denied.

That applicant ~~and~~ further seeks
NSL describe.

~~That the ~~NSL~~ a well located~~
~~on a standard~~

That ~~the~~ approval of the NSL
will allow ~~the~~ the proposed well to
be located outside the boundaries
of an existing potash lease.

That no offset operator
has objected to the proposed
location.

That application for ~~NSL~~ NSL
should be approved.

Therefore ordered



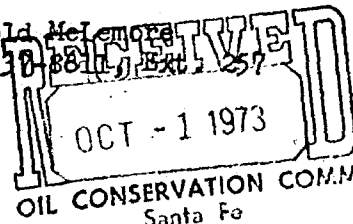
PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79760
PHILLIPS BUILDING, FOURTH & WASHINGTON

EXPLORATION & PRODUCTION DEPARTMENT

September 27, 1973

Reply to: T. Harold McElmore
(915) 330-8811 Ext. 257



Case 5073

In re: Case No. 5073: October 3, 1973--
Application for Non-Standard Gas
Proration Unit--
Lea County, New Mexico

File: W2-Ed-511-73

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

Attention: Mr. Omar L. Brown
District Landman

Gentlemen:

We have been duly advised of your application for a non-standard gas proration unit and/or an unorthodox well location in Sections 30 and 31, T-20-S, R-33-E, South Salt Lake Field, Lea County, New Mexico, which is styled as the captioned Case to be heard by the Commission October 3, 1973.

Phillips Petroleum Company has no objections to either or both of your proposals within this application. The New Mexico Oil Conservation Commission and United States Geological Survey offices are so advised by copies hereof.

Yours very truly,

PHILLIPS PETROLEUM COMPANY

G. W. Edwards,
Supervisor, Reservoir Engineering

HM:rm

cc: New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

United States Geological Survey
Attention: Mr. N. O. Frederick
Regional Oil and Gas Supervisor
Box 1857
Roswell, New Mexico 88201

Docket No. 27-73

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 3, 1973

9 A.M. - OIL CONSERVATION COMMISSION 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 November, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for November, 1973.

CASE 5044: (Continued from the August 9, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Sycor Newton, Peru Milling Company, R. E. Deming and Aetna Life and Casualty Company and all other interested parties to appear and show cause why the State L 6350 Well No. 1 located in Unit M of Section 10, Township 23 South, Range 11 West, Luna County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5069: Application of Sun Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Annie Christmas Well No. 1 located in Unit N of Section 1, Township 22 South, Range 37 East, Lea County, New Mexico, to produce gas from an undesignated Abo gas pool and oil from the Wantz-Granite Wash Pool through parallel strings of tubing.

CASE 5070: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Bubbling Spring Unit Area comprising 3078 acres, more or less, of Federal and Fee lands in Township 20 South, Range 26 East, Eddy County, New Mexico.

CASE 5071: Application of Texas West Oil & Gas Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State "2" Well No. 2 located in Unit K of Section 2, Township 24 South, Range 34 East, Antelope Ridge Field Area, Lea County, New Mexico, to produce gas from the Atoka and Morrow formations through parallel strings of tubing.

CASE 5072: Application of Northern Minerals, Inc. for a waterflood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks

(Case 5072 continued from Page 1)

authority to institute a pilot waterflood project by the injection of water into the Hospah sand of the Gallup formation in the open-hole interval from 734 feet to 744 feet in its Santa Fe Pacific Well No. 6-Y located 2013 feet from the North line and 2003 feet from the East line of Section 29, Township 16 North, Range 6 West, undesignated Gallup Pool, McKinley County, New Mexico.

CASE 5055: (Continued and Readvertised)

Application of Merrion & Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup, Greenhorn, and Dakota oil and gas production within the wellbore of the Canada Mesa Well No. 3 located in Unit A of Section 14, Township 24 North, Range 6 West, Devils Fork Field, Rio Arriba County, New Mexico.

CASE 5073: Application of Belco Petroleum Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 SW/4 and SE/4 of Section 30 and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33 East, South Salt Lake Field, Lea County, New Mexico, to be dedicated to a well to be drilled either in the center of Unit O of said Section 30, or at an unorthodox location in the center of Unit P of said Section 30.



OIL CONSERVATION COMMISSION

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

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

January 15, 1974

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5073
ORDER NO. R-4699

Applicant:

Belco Petroleum Corp.

Dear Sir:

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC _____ x
Artesia OCC _____
Aztec OCC _____

Other _____ Mr. Ken Bateman

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5073
Order No. R-4699

APPLICATION OF BELCO PETROLEUM
CORPORATION FOR A NON-STANDARD GAS
PRORATION UNIT AND UNORTHODOX
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 3, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th day of January, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Belco Petroleum Corporation, seeks
approval for a 320-acre non-standard gas proration unit com-
prising the E/2 SW/4 and SE/4 of Section 30 and the N/2 NE/4
of Section 31, all in Township 20 South, Range 33 East, NMPM,
South Salt Lake Field, Lea County, New Mexico, to be dedicated
to a well to be drilled at an unorthodox location 660 feet
from the South line and 1300 feet from the East line of said
Section 30.
- (3) That the applicant requests approval of the non-
standard unit because it believes that the W/2 SW/4 of Section 30
is already committed to a participating area for Morrow production
and may not participate in production from a standard unit con-
sisting of the S/2 of Section 30.
- (4) That the applicant seeks approval of the proposed
unorthodox location for the purpose of avoiding an existing
potash lease underlying Section 30.

(5) That the working interest owner of the W/2 SW/4 of Section 31 is willing and able to participate in a standard unit consisting of the S/2 of Section 31.

(6) That creation of the proposed non-standard gas proration unit would result in the formation of other non-standard units.

(7) That the owner of the W/2 SW/4 of Section 30 has objected to the proposed non-standard unit.

(8) That the application for a non-standard gas proration unit should be denied.

(9) That approval of the application for the proposed unorthodox location will allow the operator to avoid an existing potash lease underlying the W/2 SE/4 of said Section 30, enable the applicant to recover his just and equitable share of the gas in the South Salt Lake Field, and prevent waste and protect correlative rights.

(10) That no offset operator has objected to the proposed unorthodox location.

(11) That the application for an unorthodox gas well location should be approved.

IT IS THEREFORE ORDERED:

(1) That the application for a non-standard gas proration unit is hereby denied.

(2) That the applicant is hereby authorized to drill a gas well at an unorthodox location 660 feet from the South line and 1300 feet from the East line of Section 30, Township 20 South, Range 33 East, NMPM, South Salt Lake Field, Lea County, New Mexico.

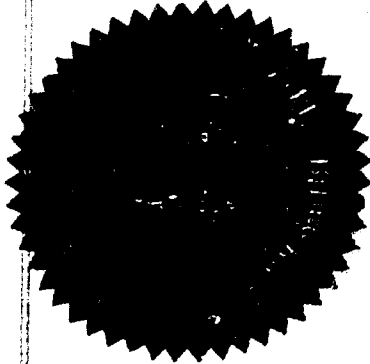
(3) That the S/2 of Section 30, Township 20 South, Range 33 East, NMPM, South Salt Lake Field, Lea County, New Mexico, shall be dedicated to said well.

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

-3-

Case No. 5073
Order No. R-4699

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

October 4, 1973

Case 5073

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed in triplicate is the application of Belco Petroleum Corporation for approval of a non-standard proration unit and unorthodox well location in the South Salt Lake Field, Lea County, New Mexico.

This case was heard before the Commission's examiner on October 3, 1973, on the oral application of Belco, and this application is being forwarded at this time in order to complete the file.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

JWK:ks
Enclosures

cc: Mr. Omar L. Brown
Mr. Lee Nering
w/ enclosures

10-19-73

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF BELCO PETROLEUM CORPORATION FOR
APPROVAL OF A NON-STANDARD GAS PRO-
RATION UNIT AND UNORTHODOX WELL
LOCATION, SOUTH SALT LAKE FIELD,
LEA COUNTY, NEW MEXICO

Case 5-073

A P P L I C A T I O N

COMES NOW BELCO PETROLEUM CORPORATION and applies to the Oil Conservation Commission for approval of a non-standard gas proration unit and approval of an unorthodox well location in the South Salt Lake Field, Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to drill a well to the Morrow formation in the South Salt Lake Field, the well to be located 660 feet from the South line, and 1300 feet from the East line of Section 30, Township 20 South, Range 33 East, N.M.P.M., to be dedicated to a unit composed of the E/2 SW/4 and SE/4 of Section 30, and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33 East.

2. Applicant proposed the non-standard unit for the reason the W/2 SW/4 of Section 30, is within the Little Eddy Unit and within a participating area for Morrow production; all of Section 31 with the exception of the N/2 NE/4 is also within the Little Eddy Unit, and this 80-acre tract will be isolated and without an opportunity to participate in production unless the proposed non-standard unit is approved.

DOCKET MARKED

Date *10-19-13*

3. Applicant proposes the unorthodox well location in order to avoid drilling on an existing potash lease which, in addition to other lands, covers the W/2 SE/4 of Section 30, and the N/2 NE/4 of Section 31.

WHEREFORE applicant requests that this application be set for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the non-standard unit and unorthodox well location as prayed for.

Respectfully submitted:

BELCO PETROLEUM CORPORATION

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

jr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5073

Order No. R-4699

APPLICATION OF BELCO PETROLEUM CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT AND
UNORTHODOX LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 3, 1973,
at Santa Fe, New Mexico, before Examiner Richard L. Slawets.

NOW, on this day of January, 1974, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the Applicant, Belco Petroleum Corporation seeks approval for a
320-acre non-standard gas proration unit comprising the E/2 SW/4 and SE/4 of
Section 30 and the N/2 NE/4 of Section 31, all in Township 20 South, Range 33
East, NMPM, South Salt Lake Field, Lea County, New Mexico to be dedicated to a
well to be drilled at an unorthodox location 660 feet from the South line and
1300 feet from the East line of said Section 30.

-2-

CASE NO. 5073

Order No. R-

(3) That the applicant requests approval of the non-standard unit because it believes that the W/2 SW/4 of Section 30 is already committed to a participating area for Morrow production and may not participate in production from a standard unit consisting of the S/2 of Section 30.

(4) That the applicant seeks approval of the proposed unorthodox location for the purpose of avoiding an existing potash lease underlying Section 30.

(5) That the working interest owner of the W/2 SW/4 of Section 31 is willing and able to participate in a standard unit consisting of the S/2 of Section 31.

(6) That creation of the proposed non-standard gas proration unit would result in the formation of other non-standard units.

(7) That the owner of the W/2 SW/4 of Section 30 has objected to the proposed non-standard unit.

(8) That the application for a non-standard gas proration ^{unit} should be denied.

(9) That approval of the application for ~~approval of~~ the proposed unorthodox location will allow the operator to avoid ^{an} ~~the~~ existing potash lease underlying ^{the W/2 SE/4 of said} Section 30, ^{enable} ~~thereby enabling~~ the applicant to recover his just and equitable share of the gas in the South Salt Lake Field, ^{and} prevent waste and ^{protect} correlative rights.

(10) That no offset operator has objected to the proposed unorthodox location.

(11) That the application for an unorthodox gas well location should be approved.

IT IS THEREFORE ORDERED:

(1) That the application for a non-standard gas proration unit is hereby DENIED.

(2) That the applicant is hereby authorized to drill a gas well at an

(3) That the S/2 of Section 30, Township

20 South, Range 33 East, NMPM, South
Salt Lake Field, Lea County, New Mexico shall
be delivered to the well

-3-

CASE NO. 5073

Order No. R-

unorthodox location 660 feet from the South line and 1300 feet from the East
line of Section 30, Township 20 South, Range 33 East, NMPM, South Salt Lake
Field, Lea County, New Mexico.

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

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

Said

In the matter of

Case No. 5073

Application of Belco Petroleum Corporation for a Non-Standard gas production unit and unorthodox location, Lea County, New Mexico.

October 3, 1973 - Richard L. Hamel.

FINDS

- (1) Jurisdiction
- (2) That the Applicant, Belco Petroleum Corporation seeks approval for a 320-acre non-standard gas production unit comprising the E1/2 SW1/4 and SE1/4 of Section 30 and the N1/2 NE1/4 of Section 31, all in Township 20 South, Range 33 East, ^{North} Salt Lake Field, Lea County, New Mexico to be dedicated to a well to be drilled at an unorthodox location 500 feet from the South line and 1300 feet from the East line of said Section 30.
- (3) That the Applicant requests approval of the non-standard unit because it believes that the W1/2 SW1/4 of Section 30 is already committed to a participating area for morrow production and may not participate in production from a standard unit consisting of the S1/2 of Section 30.
- (4) That the Applicant seeks approval of the proposed unorthodox location for the purpose of avoiding

an existing potash lease underlying Section 30.

- (5) That the working interest owner of the W/2 SW/4 of Section 31 is willing ^{and able} to participate in a standard unit consisting of the S/2 of Section 31.
- (6) That creation of the proposed non-standard gas proration unit would result in the formation of other non-standard units.
- (7) ~~That a standard unit consisting of the south half of Section 30 could reasonably be presumed productive of gas from the South Salt Lake Field.~~
- (7) That the owner of the W/2 SW/4 of Section 30 has objected to the proposed non-standard unit.
- (8) That the Application for a non-standard gas proration unit should be denied.
- (9) That approval of the application for approval of the proposed unorthodox location will allow the operator to avoid the existing potash lease underlying Section 30, thereby enabling the Applicant to recover his just and equitable share of the gas in the South Salt Lake Field, prevent waste and correlative rights.
- (10) That no offset operator has objected to the proposed unorthodox location.
- (11) That the Application for an unorthodox gas well

(2)

location should be approved.

ORDERED

(1) That the application for a non-standard gas-provocation unit is hereby DENIED.

(2) That the applicant is hereby authorized to drill a gas well at an unorthodox location 660 feet from the South Line and 1300 feet from the East line of Section 30, Township 20 South, Range 33 East, N.M.P.M., South Salt Lake Field, Lee County, New Mexico.

(3) Jurisdiction

DOXIE

Memo

From
D. S. NUTTER
CHIEF ENGINEER

To
Application of Belco Petr. Corp
for a non-standard gas pro-
duction unit, Lea Co, N. M.

seeks approval for a 320-
acre non standard gas pro-
duction unit comprising the
E/2 SW/4 and SE/4 of
Section 30 and the N/2 NE/4
of Section 31, all in Township
20 South, Range 33 East, South
Salt Lake Field, Lea County,
New Mexico, to be dedicated

To
to a well to be drilled
in the center of Unit O of
said Section 30. In the
alternative of said location
applicant seeks approval
for the drilling of said well
at an unauthorized location
in the center of Unit P of said
Section 30.