

CASE 3107: Application of TEXAS
PACIFIC OIL CO. for pool rules
for NORTH BAGLEY MIDDLE PENN.

CASE NO.

3107

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

TEXAS PACIFIC OIL COMPANY

August 27, 1964
P. O. Box 1069
Hobbs, New Mexico

RECEIVED 11 7 15

Call 3107

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

Attention: Mr. A. L. Porter, Jr.
Secretary-Director

Re: Application of Texas Pacific
Oil Company for Establishment
of Temporary Special Rules
and Regulations for the North
Bagley Middle Penn Pool,
Lea County, New Mexico

Gentlemen:


T-115-338

Texas Pacific Oil Company respectfully requests promulgation of
Temporary Special Rules and Regulations for the North Bagley
Middle Penn Pool. Applicant specifically requests:

- (A) That the Middle Penn be developed on
80 acre spacing.
- (B) That a standard unit consists of the
N/2, S/2, E/2 or W/2 of a single
governmental quarter section.
- (C) That each well be located within 150
feet of the center of either quarter-
quarter section in the 80 acre unit.
- (D) That each 80 acre unit be assigned an
80 acre allowable.

The Upper Penn and Lower Penn are presently being developed on
80 acre spacing.

Yours very truly,


John H. Hendrix
District Engineer

JM/bh

cc: Offset Operators
Oil Conservation Commission
Hobbs, New Mexico

DOCKET MAILED

Don 9-18-64

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 30, 1964

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

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

- CASE 3099: (Continued from the September 9, 1964, examiner hearing). Application of Leonard Nichols for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the West Maljamar Unit Area comprising 440 acres more or less, of Federal and fee lands in Sections 4 and 9, Township 17 South, Range 32 East, Lea County, New Mexico.
- CASE 3100: (Continued from the September 9, 1964, examiner hearing). Application of Leonard Nichols for a waterflood extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the extension of the waterflood project which he operates in Sections 2, 3, 10, and 11, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico, by the addition of 6 water injection wells in Sections 4 and 9, same township. The original flood was authorized as the Boller-Nichols Waterflood Project, Roberts Pool, by Order No. R-1538.
- CASE 3107: Application of Texas Pacific Oil Company for temporary special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of temporary special pool rules including a provision for 80-acre spacing for the North Bagley-Middle Pennsylvanian Pool in Township 11 South, Range 33 East, Lea County, New Mexico.
- CASE 3108: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Dagger Draw Well No. 1, located in Unit O of Section 6, Township 20 South, Range 25 East, Eddy County, New Mexico, to produce gas from the Strawn and Morrow formations through the casing-tubing annulus and through tubing, respectively.
- CASE 3109: Application of Phillips Petroleum Company for a non-standard gas proration unit and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard gas proration unit comprising the E/2 SW/4 of Section 35, Township 17 South, Range 34 East, Lea County, New Mexico, to be dedicated to its Hale Well No. 11 to be completed in an undesignated Yates gas pool at an unorthodox location 1980 feet from the South line and 2310 feet from the West line of said Section 35.
- CASE 3110: Application of George L. Buckles Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Langlie-Mattix Pool by the injection of water into the Queen formation through two wells at unorthodox locations on its Jamison Lease in Sections 21 and 22, Township 24 South, Range 37 East, Lea County, New Mexico.

- CASE 3111: Application of Cities Service Oil Company for the expansion of a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the Drickey Queen Waterflood Project, Caprock Queen Pool, by the conversion to water injection of two wells in Units F and H of Section 22, Township 14 South, Range 31 East, Chaves County, New Mexico.
- CASE 3112: Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to install dual-flow downhole commingling equipment in its dually completed Jicarilla 28 Well No. 1, located in Unit J of Section 28, Township 25 North, Range 4 West, Rio Arriba County, New Mexico. Said well is a Gallup-Dakota oil-oil dual completion.
- CASE 3113: Application of BCO, Inc. for a unit agreement, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the Escrito Gallup Pool Unit Area comprising 3123.88 acres, more or less, of state and federal lands in Township 24 North, Ranges 7 and 8 West, San Juan and Rio Arriba Counties, New Mexico.
- CASE 3114: Application of BCO, Inc. for a waterflood project, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Escrito Gallup Oil Pool in its Escrito Unit Area by the injection of water into the Gallup formation through three wells located in Sections 17 and 18, Township 24 North, Range 7 West, and Section 12, Township 24 North, Range 8 West, San Juan and Rio Arriba Counties, New Mexico.

3107

Heard 9-30-64

Rec. 10-1-64

1. Grant Int Pac. oil Co., 1-year temporary rules for the ~~Middle~~ North Bayley-Middle Penn oil Pool.
2. Case R-2346 - N. Bayley - Upper Penn Rules. for this order.
3. Line 1-year order, call hearing *one* matter in Sept. 1965

Thrust. Int.

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. 3093
Order No. R-2757
NOMENCLATURE

APPLICATION OF THE BRITISH-AMERICAN
OIL PRODUCING COMPANY FOR THE CRE-
ATION OF A NEW OIL POOL AND SPECIAL
POOL RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 22, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this _____ day of August, 1964, 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, The British-American Oil Producing Company, seeks the creation of a new oil pool for Lower Bone Spring production and the promulgation of temporary special rules and regulations governing said pool, including a provision for 80-acre spacing.

(3) That the North Wilson Deep Unit Well No. 1, located in Unit O of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Oaudio-Lower Bone Spring Pool; that the vertical limits of said pool should be the zone encountered in said well between 10,000 and 10,200 feet; and that

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CASE No. 3093

Order No. R-2757

the horizontal limits of said pool should be the SE/4 of Section 31, Township 20 South, Range 36 East and Lots 2, 3, 6, and 7 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the Ocuco-Lower Bone Spring Pool.

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

(6) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing in August, 1965, at which time the operators in the subject pool should be prepared to appear and show cause why the Ocuco-Lower Bone Spring Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Lower Bone Spring production is hereby created and designated the Ocuco-Lower Bone Spring Pool, with vertical limits comprising the zone encountered between 10,000 and 10,200 feet in the North Wilson Deep Unit Well No. 1, located in Unit O of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, and horizontal limits comprising the SE/4 of Section 31, Township 20 South, Range 36 East and Lots 2, 3, 6, and 7 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) That temporary Special Rules and Regulations for the Ocuco-Lower Bone Spring Pool are hereby promulgated as follows:

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CASE No. 3093

Order No. R-2757

SPECIAL RULES AND REGULATIONS
FOR THE
OSUDO-LOWER BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Osudo-Lower Bone Spring Pool or in the Lower Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Lower Bone Spring pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard 80-acre unit comprising the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. The first well drilled on every standard or non-standard unit shall be located in the NE/4 or SE/4 of a governmental quarter section. All wells shall be located within 200 feet of the center of a governmental quarter-quarter section.

RULE 5. The Secretary-Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon, provided the well will be located no nearer than 330 feet to the outer boundary of the unit. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the

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CASE No. 3093
Order No. R-2757

application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 5.67 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Lower Bone Spring formation within the Osaudo-Lower Bone Spring Pool or within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before August 15, 1964.

(2) That any operator desiring to dedicate 80 acres to a well presently drilling to or completed in the Osaudo-Lower Bone Spring Pool shall file a new Form C-128 with the Commission on or before August 15, 1964.

(3) That this case shall be reopened at an examiner hearing in August, 1965, at which time the operators in the subject pool may appear and show cause why the Osaudo-Lower Bone Spring Pool should not be developed on 40-acre spacing units.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

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

S E A L

ccr/

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. 2658
Order No. R-2346

APPLICATION OF CABOT CORPORATION
FOR THE ESTABLISHMENT OF TEMPORARY
SPECIAL RULES AND REGULATIONS FOR
THE NORTH BAGLEY-UPPER PENNSYLVANIAN
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 10, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 31st day of October, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Cabot Corporation, seeks the promulgation of temporary special rules and regulations for the North Bagley-Upper Pennsylvanian Pool, Lea County, New Mexico, including provisions for 80-acre proration units.
- (3) That the evidence presented concerning the reservoir characteristics of the subject pool justifies the establishment of 80-acre proration units for said pool for a temporary one-year period.
- (4) That the evidence indicates that the subject pool can presently be efficiently and economically drained and developed on 80-acre proration units, and that such development will prevent waste and protect correlative rights.
- (5) That during the one-year period in which this order will be in effect, the applicant should gather all available

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CASE No. 2658
Order No. R-2346

information relative to drainage and recoverable reserves in the subject pool.

(6) That this case should be reopened at an examiner hearing in October, 1963, at which time the applicant should be prepared to prove by a preponderance of the evidence why the subject pool should not be developed on 40-acre proration units.

IT IS THEREFORE ORDERED:

That temporary special rules and regulations for the North Bagley-Upper Pennsylvanian Pool are hereby promulgated as follows, effective November 1, 1962.

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BAGLEY-UPPER PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the North Bagley-Upper Pennsylvanian Pool or in the Pennsylvanian formation within one mile of the North Bagley-Upper Pennsylvanian Pool, and not nearer to or within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the North Bagley-Upper Pennsylvanian Pool shall be located on a standard unit which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section. For purposes of these rules, 79 through 81 contiguous surface acres shall be considered a standard unit. Provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. Each well projected to or completed in the North Bagley-Upper Pennsylvanian Pool shall be located within 150 feet of the center of either quarter-quarter section in the 80-acre unit. Any well which was drilling to or completed in the North Bagley-Upper Pennsylvanian Pool prior to November 1, 1962, is granted an exception to the well location requirements of this rule.

RULE 4. For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed in due form, and the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey or when the application is for a non-standard unit comprising a single quarter-quarter section or lot and all operators offsetting the proposed non-standard unit have been notified of the application by registered or certified mail, and have given written consent in the form of waivers, or if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

-3-
CASE No. 2658
Order No. R-2346

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the North Bagley-Upper Pennsylvanian Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 5. A standard proration unit in the North Bagley-Upper Pennsylvanian Pool shall be assigned an 80-acre proportional factor of 4.77 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from said wells in any proportion.

IT IS FURTHER ORDERED:

That all operators who propose to dedicate 80 acres to a well in the North Bagley-Upper Pennsylvanian Pool must file an amended Commission Form C-128 with the Hobbs District Office of the Commission by November 1, 1962.

IT IS FURTHER ORDERED:

That this case shall be reopened at an examiner hearing in October, 1963, at which time the applicant and all interested parties shall appear and show cause why the North Bagley-Upper Pennsylvanian Pool should not be developed on 40-acre proration units.

IT IS FURTHER ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

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

S E A L

esr/

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. B. JOHNNY WALKER
MEMBER

P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

October 14, 1964

Mr. John Russell
Attorney at Law
Post Office Drawer 640
Roswell, New Mexico

Re: CASE NO. 3107
ORDER NO. R-2779
APPLICANT Texas Pacific

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

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

OTHER

DOCKET MAILED

9-24-65
12

CABOT

CABOT CORPORATION

P. O. BOX 1101, PAMPA, TEXAS

CABLE ADDRESS "CABLAK" PAMPA
TELEPHONE MOHAWK 4-2581

MAILED

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September 30, 1965

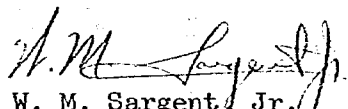
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Gentlemen:

Case No. 3107 - Reopened

Cabot Corporation, as a lease owner in the area covered by Case No. 3107-Reopened, hereby supports and requests that temporary rules now in effect be made permanent and kept in force and effect. Sufficient evidence has been presented during the past few years supporting and indicating that individual lime members within the Pennsylvanian formation are capable of draining, and in fact do drain, at least 80 acres and more.

Yours very truly,


W. M. Sargent, Jr.
Petroleum Engineer

WMSJr:mn

OCTOBER 6, 1965 EXAMINER HEARING

CASE 3316: In the matter of the hearing called by the Oil Conservation Commission on its own motion for the creation of a new oil pool for Yates and Seven Rivers production in Sections 12, 13, and 24, Township 26 South, Range 36 East, and Sections 7, 18, 19, 30, 31, 32, and 33, Township 26 South, Range 37 East, Lea County, New Mexico, said pool to be designated the Scarborough Yates-Seven Rivers Pool. Further, to consider the establishment of a procedure whereby a special allowable would be assigned to said pool which would permit equalized per-acre withdrawal rates from wells on 40-acre spacing in New Mexico to the per-acre withdrawal rates from 20-acre wells located immediately south in the Scarborough Pool, Winkler County, Texas.

CASE 3317: Application of Jake L. Hamon for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Owl Draw Unit Area comprising 8,916 acres, more or less, of Federal, State and Fee lands in Township 25 South, Range 27 East, Township 26 South, Range 26 East, Township 26 South, Range 27 East, Eddy County, New Mexico.

CASE 3318: Application of Pan American Petroleum Corporation for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation in its Navajo Tribal "U" Well No. 6 located in Unit O of Section 22, Township 26 North, Range 18 West, San Juan County, New Mexico.

CASE 3107 (Reopened):

In the matter of Case No. 3107 being reopened pursuant to the provisions of Order No. R-2779, which order established 80-acre spacing units for the North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 6, 1965

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

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

- CASE 3307: (Continued from September 22, 1965 Examiner Hearing)
Application of Arwood Stowe & Company for the creation of a pool, special pool rules, and a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Mesaverde production in Section 33, Township 18 North, Range 3 West, Sandoval County, New Mexico, and the establishment of special pool rules governing well spacing of less than 40 acres and special well locations; or in the alternative, for the extension of the San Luis-Mesaverde Pool to include portions of said Section 33. Applicant further seeks authority to institute a waterflood project in said Section 33 by the injection of water into the Mesaverde formation through four wells.
- CASE 3310: (Continued from September 22, 1965 Examiner Hearing)
Application of Cima Capitan, Inc., Ryder-Scott Management Company, and Stallworth Oil and Gas Company for a waterflood project, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to conduct a cooperative waterflood project by the injection of water into the Grayburg-San Andres formations through 16 injection wells to be drilled at unorthodox locations in Sections 25 and 36, Township 16 South, Range 30 East, and Sections 30, 31 and 32, Township 16 South, Range 31 East, Square Lake Pool, Eddy County, New Mexico.
- CASE 3313: Application of Tenneco Oil Company for a non-standard location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce its Omler "A" Well No. 2 at a non-standard undesignated Gallup oil well location 1525 feet from the North line and 1650 feet from the East line of Section 35, Township 28 North, Range 10 West, San Juan County, New Mexico.
- CASE 3314: Application of Sinclair Oil & Gas Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2040, which created a non-standard gas proration unit comprising the SW/4 of Section 14 and the SE/4 of Section 15, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, said unit to be dedicated to its Matkins Well No. 1 located in Unit P of said Section 15. Applicant proposes to dedicate said unit to its Matkins Well No. 4 located in Unit K of Section 14 in addition to said Well No. 1.
- CASE 3315: Application of Sun Oil Company for a unit agreement, Catron and Socorro Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the San Augustin Plains Unit Area comprising 404,293 acres, more or less, of Federal, State and Fee lands in Townships 1, 2, 3, 4, and 5 South, Ranges 7, 8, 9, 10, 11, and 12 West, Socorro and Catron Counties, New Mexico.

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

201 (4-60)

SYMBOLS

DL=Day Letter
NL=Night Letter
LT=International Letter Telegram

LA045 DA151

D MDA033 PD=MIDLAND TEX 5 925A CST
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BLDG SANTA FE NMEX

IN RE: CAUSE NO. 3107, ORDER NO. R-2779, NORTH BAGLEY
PENNSYLVANIAN. ON BEHALF OF OUR CLIENT, DAVID FASKEN,
AN OPERATOR IN SAID FIELD, WE SUPPORT THE APPLICATION
OF TEXAS PACIFIC OIL COMPANY FOR PERMANENT 80-ACRE
SPACING RULE FOR MIDDLE PENNSYLVANIAN
WHITAKER & BROOKS

3107 R-2779 80

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International
Letter Telegram

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D MDA129 PD=MIDLAND TEX 4 349P CST

OIL CONSERVATION COMMISSION

STATE LAND OFFICE SANTA FE NMEX

REGARDING CASE NUMBER 3107 OCT 6, 1965 HEARING ON FIELD
RULES FOR NORTH BAGLEY MIDDLE PENN TOWNSHIP 11 SOUTH
RANGE 33 EAST LEA COUNTY NEW MEXICO. IT IS OUR
POSITION AS A OPERATOR IN THE NORTH BABLEY FIELD TO
SUPPORT 30 ACRE SPACING FOR THIS RESERVOIR
DEAN H STOLTZ FOR STOLTZ AND COMPANY

3107 6 1965 11 33 BABLEY 80

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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. 3107
Order No. R-2779

APPLICATION OF TEXAS PACIFIC OIL
COMPANY FOR TEMPORARY SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 30, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 14th day of October, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Texas Pacific Oil Company, seeks the promulgation of temporary special rules and regulations for the North Bagley-Middle Pennsylvanian Pool in Township 11 South, Range 33 East, NMPM, Lea County, New Mexico, including a provision for 80-acre spacing units.

(3) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the North Bagley-Middle Pennsylvanian Pool.

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CASE No. 3107
Order No. R-2779

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

(5) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(6) That this case should be reopened at an examiner hearing in October, 1965, at which time the operators in the subject pool should be prepared to appear and show cause why the North Bagley-Middle Pennsylvanian Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

That temporary Special Rules and Regulations for the North Bagley-Middle Pennsylvanian Pool are hereby promulgated as follows effective November 1, 1964:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BAGLEY-MIDDLE PENNSYLVANIAN POOL

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

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be

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CASE No. 3107
Order No. R-2779

notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

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

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 4.77 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the North Bagley-Middle Pennsylvanian Pool or in the Middle Pennsylvanian formation within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before November 1, 1964.

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CASE No. 3107

Order No. R-2779

(2) That each well presently drilling to or completed in the North Bagley-Middle Pennsylvanian Pool or in the Middle Pennsylvanian formation within one mile thereof shall receive a 40-acre allowable until a Form C-128 dedicating 80 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing in October, 1965, at which time the operators in the subject pool may appear and show cause why the North Bagley-Middle Pennsylvanian Pool should not be developed on 40-acre spacing units.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

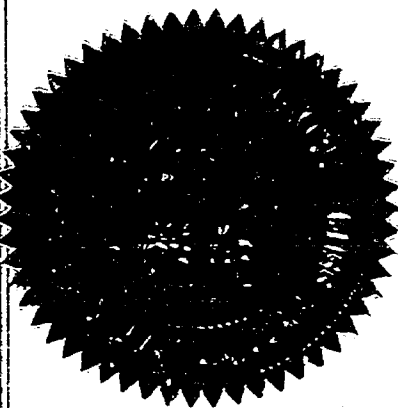
JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



esr/

3107

Heard 10-6-65

Rec. 10-6-65

1. Hunt a permanent order to. Texas
Pacific for H. Bayley - Penn. oil Pool.
Order R. 2779.

Thurs. 10/6/65

State of New Mexico
Oil Conservation Commission



P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Re: Case No. 3107
Order No. R-2779-A
Applicant: _____

TEXAS PACIFIC

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

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC_____

Aztec OCC _____

OTHER

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3107
Order No. R-2779-A

APPLICATION OF TEXAS PACIFIC OIL
COMPANY FOR TEMPORARY SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 6, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of October, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That by Order No. R-2779, dated October 14, 1964, temporary Special Rules and Regulations were promulgated for the North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico.

(3) That pursuant to the provisions of Order No. R-2779, this case was reopened to allow the operators in the subject pool to appear and show cause why the North Bagley-Middle Pennsylvanian Pool should not be developed on 40-acre spacing units.

(4) That the evidence establishes that one well in the North Bagley-Middle Pennsylvanian Pool can efficiently and economically drain and develop 80 acres.

(5) That the Special Rules and Regulations promulgated by Order No. R-2779 have afforded and will afford to the owner of

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CASE No. 3107

Order No. R-2779-A

each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

(6) That to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-2779 should be continued in full force and effect until further order of the Commission.

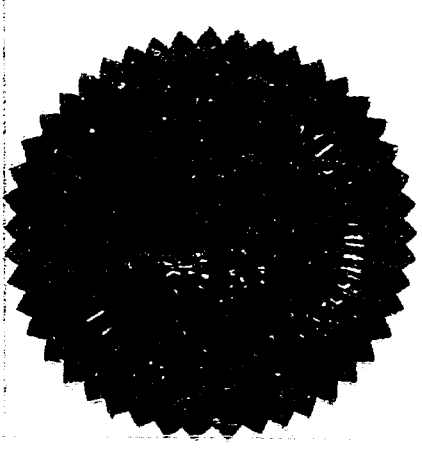
IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the North Bagley-Middle Pennsylvanian pool promulgated by Order No. R-2779 are hereby continued in full force and effect until further order of the Commission.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


Jack M. Campbell
JACK M. CAMPBELL, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

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

esr/

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 30, 1964

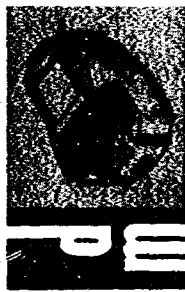
EXAMINER HEARING

IN THE MATTER OF: Application of Texas Pacific
Oil Company for temporary special pool rules,
Lea County, New Mexico. Applicant, in the
above-styled cause, seeks the establishment
of temporary special pool rules including a
provision for 80-acre spacing for the North
Bagley Middle Pennsylvanian Pool in Township
11 South, Range 33 East, Lea County, New
Mexico.

Case No. 3107

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING



MR. UTZ: Case 3107.

MR. DURRETT: Application of Texas Pacific Oil Company for temporary special pool rules, Lea County, New Mexico.

MR. RUSSELL: John F. Russell, Roswell, New Mexico appearing on behalf of the applicant, and I have one witness.

(Witness sworn.)

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

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

DIRECT EXAMINATION

BY MR. RUSSELL:

Q Will you please state your name, address, by whom you are employed and in what capacity?

A I am John Hendrix, employed by Texas Pacific Oil Company as District Engineer, in Hobbs, New Mexico.

Q Have you previously qualified to testify before this Commission?

A Yes, sir, I have.

Q Are you familiar with the application of Texas Pacific Oil Company in Case 3107?

A Yes, sir.

Q In your capacity as District Engineer for Texas Pacific Oil Company, have you made an engineering study, or has such a



study been made under your direction of all the available data from the North Bagley Middle Pennsylvanian Pool?

A Yes, sir, it has.

Q For what purpose was this study made?

A The study was made to determine proper well spacing to be temporarily applied to the North Bagley Middle Pennsylvanian Pool.

Q What conclusion have you reached in this regard?

A We conclude that if the drive mechanism is present that has been exhibited there should be no difference in oil recoveries from either 40 or 80 acres.

Q Mr. Hendrix, in the interest of prevention of waste and protection of correlative rights, how would you recommend that this field be developed?

A It's our opinion that the field should be developed on an 80-acre spacing pattern. We would recommend: One, the establishment of 80-acre proration units, consisting of either the north half, south half, or east half or west half of a quarter section; two, that all wells to be completed in the Pennsylvanian be located within 150 feet from any quarter-quarter section in the 80-acre unit. This tolerance would assure compatibility with spacing requirements already in effect in the North Bagley Upper Pennsylvanian, North Bagley Lower Pennsylvanian and North Bagley Wolfcamp Pools. We would further recommend that an 80-acre well be assigned an allowable

commensurate with allowable factor of 4.77 for this depth range.

Q Mr. Hendrix, why do you feel that the development in this manner would be more expedient than development on diagonal or alternate 40-acre pattern, which would provide more uniformity?

A From the data compiled, it seems that the producing mechanism is a very active natural water drive. If this is true the individual operators in the field might be unduly handicapped by being forced to drill wells at a location which might possibly be less conducive to oil production than one situated more favorably in the structure; although the more uniform development would be effectuated by the latter two patterns, that the operator would not be afforded an ample opportunity to recover oil underlying his lease by denying him the right to drill to his best structural position. Moreover, it is my opinion that the uniform development would not result in any additional recovery.

Q Mr. Hendrix, I refer you to what has been marked as Applicant's Exhibit Number 1, and ask you what that shows?

A Exhibit Number 1 is a lease ownership plat of the North Bagley area. The present limits of the North Bagley Middle Pennsylvanian Pool as designated by the Commission Order R-2726 include the west half of Section 10, Township 11 South, Range 33 East, which is outlined in red on the exhibit. Texas Pacific acreage is shaded in yellow.

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COURT REPORTING

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Q And is the owner of the other acreage which is shown in white?

A The 80-acre tract there is a jointly owned property of Southern Petroleum and Philmont Oil Corporation.

Q Mr. Hendrix, will you give a brief history of this pool?

A The North Bagley-Middle Pennsylvanian Pool was discovered in May of this year by Texas Pacific's Collier Number 1 located 1980 from the north and 1980 from the west of Section 10.

MR. UTZ: What was the name of the well?

A J. P. Collier Number 1.

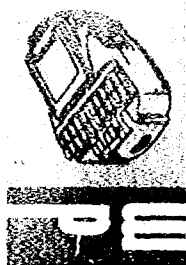
MR. UTZ: All right.

A This well was completed in the interval 9862 to 9872 for an initial flowing potential of 310 barrels per day, water free. No additional wells have been completed in this Middle Pennsylvanian to date.

Q Mr. Hendrix, will you briefly describe the reservoir characteristics of this Middle Pennsylvanian Pool?

A Reservoir characteristics were calculated from log data and a time ratio plot compiled from our J. P. Collier Number 1 well. The net effective pay of ten feet, and average porosity of 12.5 percent was calculated. Exhibit Number 2, which is a plot of bottom hole pressure versus time is attached here, and from this curve, from the data off of this curve, we





calculated from the oil gravity. The oil gravity at saturation has been calculated to be 50.0. The oil gravity at 60 degrees is 50.7. The original rock hole pressure at minus 5594 was 3463 psi. The formation is a very porous and permeable limestone.


Q Now, Mr. Hendrix, I'll refer you to what has been marked as Exhibit Number 3, and ask you to explain what that reflects.

A Exhibit Number 3 is a subsurface structure map contoured on a shale marker, directly overlying the pay interval. This Middle Pennsylvanian structure is indicated to be a rather narrow north-south trending anticline. All the datum points are from log picks. We have not attempted to define a productive limit on here, in that we weren't able to fully ascertain the water-oil contacts.

Q Now, referring you to what has been marked Applicant's Exhibit Number 4, will you explain what that reflects?

A Exhibit Number 4 is a cross section of the Pennsylvanian extending through Philmont's State "F" Well located in Unit K of Section 10, through the Texas Pacific J. P. Collier Number 1, and Number 2 wells. This exhibit is submitted to show the continuity of the reservoir.

Q Mr. Hendrix, I believe you have stated that in your opinion the producing mechanism for this well is water drive.



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it would be highly inadvisable from the standpoint of economic waste to develop the pool on 40 acres at this time.

Q Do you feel that the rights of the royalty owners will be protected by the spacing which you have proposed?

A Yes, sir, by development on the 80-acre tract the time required to prove the areal extent of the entire reservoir would be considerably decreased in this way; all royalty owners under any possible productive acreage would realize benefits of this quicker.

Q Based upon the data which you have presented, would you recommend permanent rules be established at this time?

A No, sir, I wouldn't.

Q Why?

A Although all information definitely indicates this to be a water drive reservoir, we feel that additional time should be required to fully evaluate and establish this. For this reason we'd recommend the application of temporary rules rather than permanent rules. If temporary rules are not adopted at this time, and it's later ascertained that the water drive is present, complications could arise because of wells drilled on 40-acre tracts.

Q Based upon the information and data which you have presented, will you briefly summarize them and state your conclusions?



A In summation, it's my opinion that one well should adequately, economically and efficiently drain an 80-acre unit in the North Bagley Middle Pennsylvanian Pool. This is based on the performance and pressure history which has been offered to date. It's also believed that the pool development on 80 acres will not cause appreciable differences in recovery as compared to 40-acre tracts. By utilization of the temporary rules as proposed, early in the life of the field, the protection of correlative rights and prevention of economic waste will certainly be preserved.

Q The Middle Pennsylvanian, or rather the Upper Pennsylvanian and the Lower Pennsylvanian, what spacing are they under at the present time?

A They do have permanent 80-acre spacing.

Q 80 acre?

A Yes.

Q Are you familiar with the pool rules promulgated by the Commission for the Upper Pennsylvanian and Lower Pennsylvanian formations?

A Yes, sir. In the sense they are identical to what we're proposing here as far as well location and pattern, and also as far as allowables are concerned.

Q In your opinion would the adoption of the existing rule for the Upper Pennsylvanian and Lower Pennsylvanian on a

temporary basis be a proper and safe set of rules for the development of the Middle Pennsylvanian?

A I believe that would sure be true.

MR. RUSSELL: I have no further questions of this witness. I would like to introduce Applicant's Exhibits 1 through 4.

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

(Whereupon, Applicant's Exhibits 1 through 4 were entered in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Has your Collier Well been given an allowable on the depth factor established at the present time?

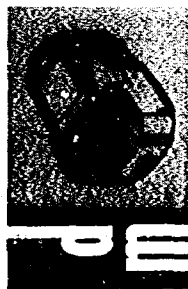
A Right. We have presently a 40-acre allowable on the Middle Pennsylvanian. I think this was given on July 5th of this year.

Q Was the depth factor established on the basis of perforations, 4.77?

A No, I believe it's probably 3.77.

Q I mean 3.77. What are the colored outlines on your Exhibit Number 3? Is that pool delineations?

A No, sir, this is just a company map. The area outlined in red there in Section 10 is farmed-in acreage from Bell



Petroleum. We are presently drilling at about 7,500 feet there. The other, outlined in yellow, is Texas Pacific acreage.

Q I believe the Upper, Lower Pennsylvanian is in this same area, is that right?

A Yes, sir.

Q They overlay each other?

A Right.

Q As well as the Wolfcamp?

A Well, the Wolfcamp isn't developed in Section 10; however, down in 23 and probably in 22, Cabot Corporation. they do have Wolfcamp production. Probably it's productive under Section 10 to the north.

Q In drilling through to the Lower Pennsylvanian, have you encountered much water between the Middle Pennsylvanian and the Lower Pennsylvanian?

A Pardon?

Q In drilling through to the Lower Pennsylvanian, have you encountered much water between the Lower Pennsylvanian and the Middle Pennsylvanian?

A On the Number 2 Collier Well, which we're presently attempting to complete, we tested the Lower Pennsylvanian and we tested about 50 percent oil and water. On the Middle Pennsylvanian interval, which is comparable to what's open in Number 1 Well, we had water flowing free on drillstem tests,

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approximately 35 barrels an hour. We have not been able to complete this zone successfully yet.

Q You definitely feel that there's a water table between the two zones, causing a water drive?

A Well, I think each zone has a water table; each is acting as a separate reservoir.

Q Do you think the Upper and Lower Pennsylvanian are also water drive pools?

A Yes, very definitely. I know for sure the Lower is. I think this is probably shown in the Number 1 Well, where it watered out after approximately four years of production.

Q That is your main reason?

A Yes, sir.

MR. UTZ: Any other questions of the witness?

The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case? The case will be taken under advisement.



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STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 8th day of October, 1964.

Ada Dearnley
Notary Public - Court Reporter

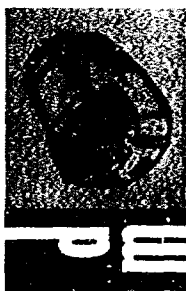
My Commission Expires:
June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examination of the Commission No. 3107, held by me on Sept. 30, 1964.
Must Li-Wu
Examiner
New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 6, 1965

EXAMINER HEARING

IN THE MATTER OF: (Reopened)

Case No. 3107 being reopened pursuant to the provisions of Order No. R-2779, which order established 80-acre spacing units for the North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

Case No. 3107

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3107.

MR. DURRETT: In the matter of Case No. 3107 being reopened pursuant to the provisions of Order No. R-2779, which order established 80-acre spacing units for the North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico, for a period of one year.

MR. RUSSELL: John F. Russell, Roswell, New Mexico, representing Texas Pacific Oil Company. I have one witness.

(Witness sworn.)

(Whereupon, Applicant's Exhibit No. 1 marked for identification.)

HOLLIS W. DEATS

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

DIRECT EXAMINATION

BY MR. RUSSELL:

Q Will you please state your name?

A Hollis W. Deats.

Q Where do you live, Mr. Deats?

A At the present time I am with the Texas Pacific Oil Company at Hobbs.

Q In what capacity?

A As Area Engineer.

Q Have you previously qualified to testify before this Commission?

A No, sir.

Q Would you give a brief resume of your educational and practical background in the field?

A I received a B. S. Degree in Petroleum Engineering from Texas Tech in 1941. After four years of Army, I worked for the Railroad Commission.

Q That's in Texas?

A Texas Railroad Commission, yes, sir; and Producers Engineering Service and a drilling contractor in South Texas for about three years, and the past fifteen and a half years I have been employed by Texas Pacific Coal and Oil Company in Odessa and Abilene and there in the Hobbs area.

Q Are you familiar with the North Bagley Pool in Lea County?

A Yes, sir.

MR. RUSSELL: Are the witness' qualifications acceptable?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Russell) I will refer to what has been marked as Texas Pacific's Exhibit No. 1, and ask you if that's a contour map on the top of the Middle Pennsylvanian in the North Bagley area?

A Yes, sir.

Q Now does this contour map and the information on it



bring up to date the activity in the Middle Pennsylvanian and other zones of the North Bagley Pool?

A Yes, sir, I believe it does.

Q Now I notice that you have some of these wells in different colors. Going first to the well which is located in the Southeast Quarter of the Northwest Quarter of Section 10, Township 11 South, Range 33 East, will you explain what that well is?

A Which color was that?

Q In red.

A This is our J. P. Collier No. 1 which is a dually completed well in the Upper Penn and the Middle Penn.

Q Is that the discovery well for the Middle Penn?

A Yes, sir.

Q What has been the history of that well since it was completed in the Middle Penn?

A We have produced around 71,000 barrels of oil until September the 1st from this well, and the well started cutting water in May of this year. Water production increased upwards to 50 percent and is continuing to increase, the water cut.

Q That's from production in the Middle Penn, is that correct?

A Yes.

Q This contour map or this exhibit shows wells which



have been completed in zones other than the Middle Penn, is that correct?

A Yes.

Q Let's move to the west, the well which you have marked in blue. What well is that?

A The one in the blue is the Dean Stoltz well. It's completed in the Upper Penn.

Q Was there any effort to complete it in the Middle Penn?

A No, sir, no effort was made.

Q When was that well drilled, do you know?

A No, sir, I just don't remember when it was completed.

Q Move on up to the purple one, which is in the Southeast Quarter of the Northeast Quarter of Section 9. What well is that?

A That is the David Fasken - Belmont Collier No. 1, a very recent completion in the Lower Penn.

Q In the Lower Penn?

A Yes.

Q Was there any showing or attempt to complete in the Middle Penn?

A Well, a drill stem test of the Middle Penn recovered gas to the surface in seven minutes, which is too small to measure, and had 7600 foot of slightly gas-cut salt water.

Q So there was no production in the Middle Penn?

A Right.

Q Move up now to the one which has been marked green, which is in the Northeast Quarter of the Northeast Quarter of Section 9. What well is that?

A This is BTA Oil Producers Bagley No. 1.

Q Where was it completed?

A It's a Lower Penn completion, also. It had a drill stem test in the Middle Penn which recovered gas to the surface in thirty minutes, and also recovered 7600 foot of salt water in the Middle Penn.

Q No attempt to complete as a producer in the Middle Penn?

A No, sir.

Q All right, now, moving up to the one in orange, which should be in the Southeast Quarter of the Southwest Quarter of Section 3, what well is that?

A This was originally drilled as Texas Pacific Bell State, and Mr. Gillespie, Midland, took it over and completed the well in the Upper Penn. There was no indication of commercial oil in the Middle Penn. He completed in the Upper Penn.

Q Move down to the one which is marked in brown, which would be in the Northeast Quarter of the Southwest Quarter of

Section 10. Tell us about that well.

A This is Felmont State "F" Well No. 1, which is an Upper Penn completion. There was no attempt to complete the well in the Middle Penn.

Q It was not drilled below the Lower Penn, is that right?

A Yes, sir, it was originally a Lower Penn completion and was recompleted in the Upper Penn.

Q Was there any evidence of possible production in the Middle Penn?

A There could be possible production in the Middle Penn.

Q Move down to the one marked black, which is in the Southeast Quarter of the Northwest Quarter of Section 15. Tell us about that well.

A This well is a Felmont well and it was originally -- it's Felmont Nisson State No. 1, and it was originally a Lower Penn completion and produced oil for a while from there and then was recompleted in the Upper Penn, and has recently been recompleted in the Middle Penn, and is the only other producing well in the Middle Penn zone in this field.

Q Have you received any information as to the economic return from this well as a producer in the Middle Penn?

A Yes, from Felmont, I believe their drilling cost was approximately \$170,000.00, and they recovered altogether,

from all three zones, 20,379 barrels of oil, approximately \$56,000.00, and 39,000 MCF of gas with a revenue of \$3840.00, which gives them a total income of approximately \$60,000.00. Their operating expenses over this period of time since the well has been completed, was originally completed in June of '63, has been \$61,000.00, so they haven't quite recovered their operating expenses from this well.

MR. UTZ: Is it still producing?

A It's just recently been completed, recompleted in the Middle Penn, and is -- well, I think about three months ago, three months production.

Q (By Mr. Russell) Is it producing water, also?

A Yes, sir.

Q Do you know the percent of water as compared to oil?

A Well, I understand it's producing about 100 barrels of oil a day, but I don't know the exact percent of water.

Q Now the area which you marked in red merely outlines Texas Pacific's lease acreage, is that correct?

A Right.

Q Now from your testimony as to the wells which are ringing the Texas Pacific's original discovery well, it would appear that you have a very limited reservoir, is that correct?

A Yes, sir.

Q I believe at the original hearing Mr. Hendricks

testified that he believed this was a water drive reservoir. Is there anything that has happened since that time to substantiate that position or that statement?

A Yes, sir. Yes, sir, the water cut that we've received since April, May this year, and the increase in the water cut, and also our pressure information indicates that we have a very active water drive, and then the drill stem tests of these offset wells indicate the water drive that's present.

Q Now, Mr. Deats, the Upper Penn is on the 80-acre spacing unit, is it not?

A Yes, sir.

Q Now, in order to recover the maximum oil that can be recovered from the Middle Penn, do you think a reasonably prudent operator would drill a Middle Penn well, based upon a 40-acre spacing unit?

A No, sir, I don't believe he would.

Q Do you feel he would drill one on an 80-acre spacing unit, just as a Middle Penn producing well?

A No, sir, I don't think so.

Q If the Middle Penn is on 40's and the Upper and Lower are on 80's, the only way, as I understand your testimony, that you are going to recover the recoverable oil from the Middle Penn is by either a dual or a triple completion well, is that

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correctly

A That would be true.

Q Now, if you had a dual completed well in the Lower Penn and in the Middle Penn, if the Middle Penn was on 40, it would then leave an undrilled 40-acre unit in the Middle Penn, would it not?

A Yes, sir, that would be true.

Q Which would leave oil unrecovered?

A Well, true.

Q But that oil could be recovered on 80-acre spacing in the Middle Penn to coincide with the same spacing units in the Upper and the Lower Penn?

A Right.

Q And in your opinion, one well in the Middle Penn will drain 80 acres?

A Yes, sir.

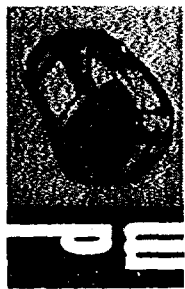
Q And to require the drilling on 80-acre spacing units in the Middle Penn would require the drilling of unnecessary wells and create economic waste?

A Did you say 80 acres?

Q On 40.

A Yes, sir.

Q Now this hearing, as you know, is an offer to show cause why the Middle Penn should not be drilled or developed



on 40-acre spacing units. In your opinion, based upon the information available to you and the testimony you have given, is it your opinion that the Middle Penn should be a permanent order to develop the Middle Penn on 80-acre spacing units, which units should conform with the Upper Penn and the Lower Penn?

A Yes, sir.

Q And in that way there would be a more orderly development of the three zones and a greater recovery of oil in place?

A Yes, sir.

MR. RUSSELL: I have no further questions of this witness.

CROSS EXAMINATION

BY MR. UTZ:

Q Are either of these Middle Penn completions top allowable wells?

A Our J. P. Collier No. 1 has been a top allowable well.

Q On 80 acres?

A On 80 acres, right. This water cut has been increasing and it hasn't been making its allowable for the last two months.

Q How about the Felmont well, is it top allowable?

A No, sir. Well, now, it could have a top 177 barrel

allowable, but it's not producing that much. I don't remember if that's the allowable that's been assigned to it or not.

Q Is it capable of producing top allowable, do you know?

A Well, from my information, they feel that if they can get their hydraulic system working correctly, that it could be possible to produce top allowable.

Q Do you know of the intention of any other operators in this area to drill any more Middle Penn wells?

A I believe if they drill any more wells, they will be looking for all three Penn zones, and it's how and what they find on their logs as to how they'll complete them.

Q Your information here that you are presenting today is not so much that the well will drain 80 acres, but an economic picture?

A Yes.

Q What do you think about the possibility of a well draining 80 acres?

A Well, I certainly believe it will drain 80 acres because -- I mean it has been indicated from the active water drive and the amount of water cut that we've had on this well, it probably would drain 80 acres or more.

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

(Witness excused.)

MR. UTZ: Any statements in this case?

MR. RUSSELL: I would like to offer in evidence Texas Pacific's Exhibit No. 1.

MR. UTZ: Without objection, it will be entered into the record.

(Whereupon, Applicant's Exhibit No. 1 offered and admitted in evidence.)

MR. DURRETT: Mr. Examiner, I would like to state for the record that the Commission has received a telegram from Dean H. Stoltz for Stoltz and Company supporting the application in this case; and also we have received a telegram from Whittaker and Brooks, who I assume are attorneys, and they say it's on behalf of their client David Fasken, stating that he supports the application in this case.

MR. REYNOLDS: Roland C. Reynolds. Felmont Oil Corporation also supports the application in this case.

MR. UTZ: Any other statements in this case? The case will be taken under advisement.

The hearing is adjourned.

* * * * *



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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

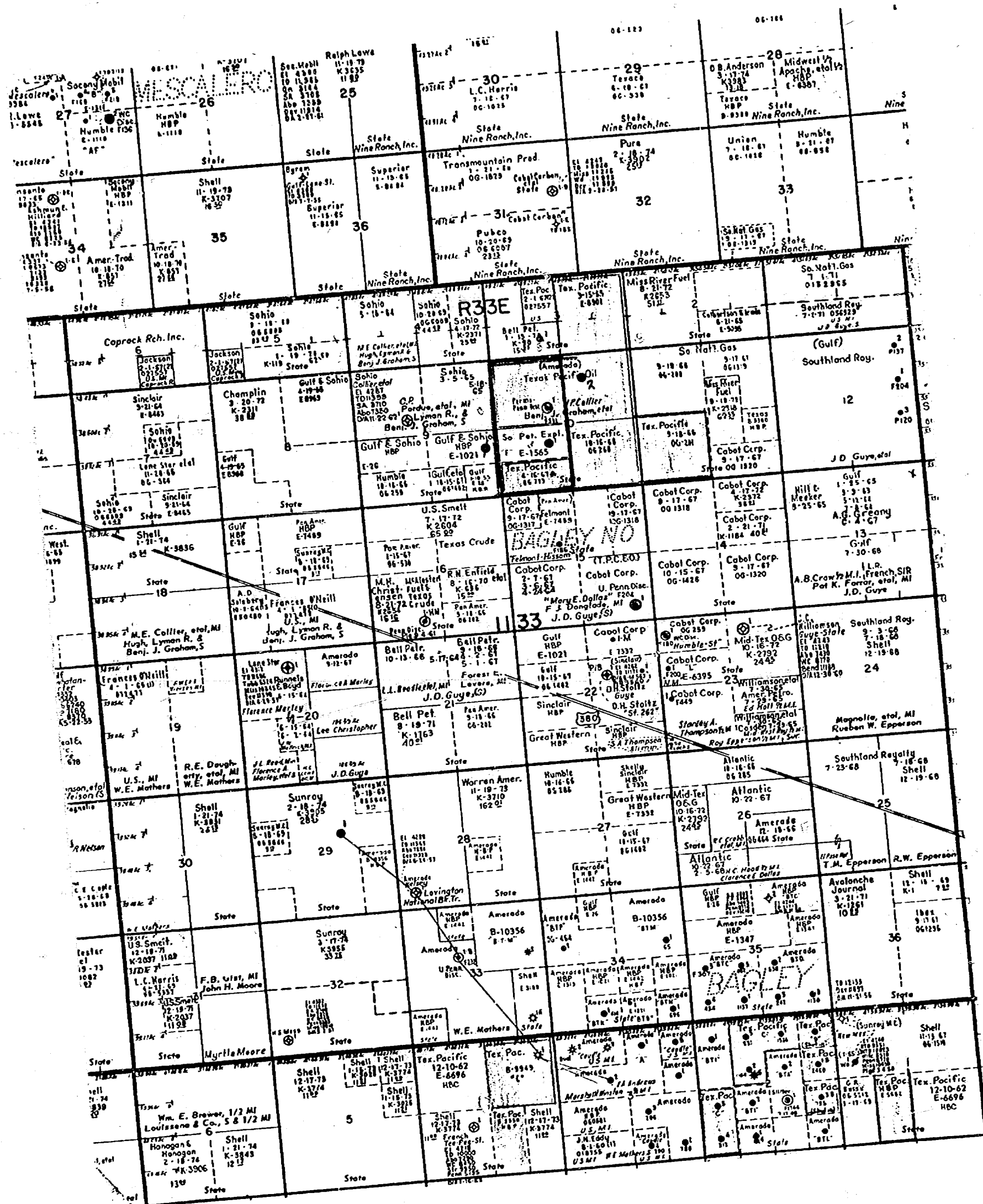
I, ADA DEARNLEY, Court Reporter - Notary Public, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 8th day of November, 1965.

Ada Dearnley
Court Reporter - Notary Public

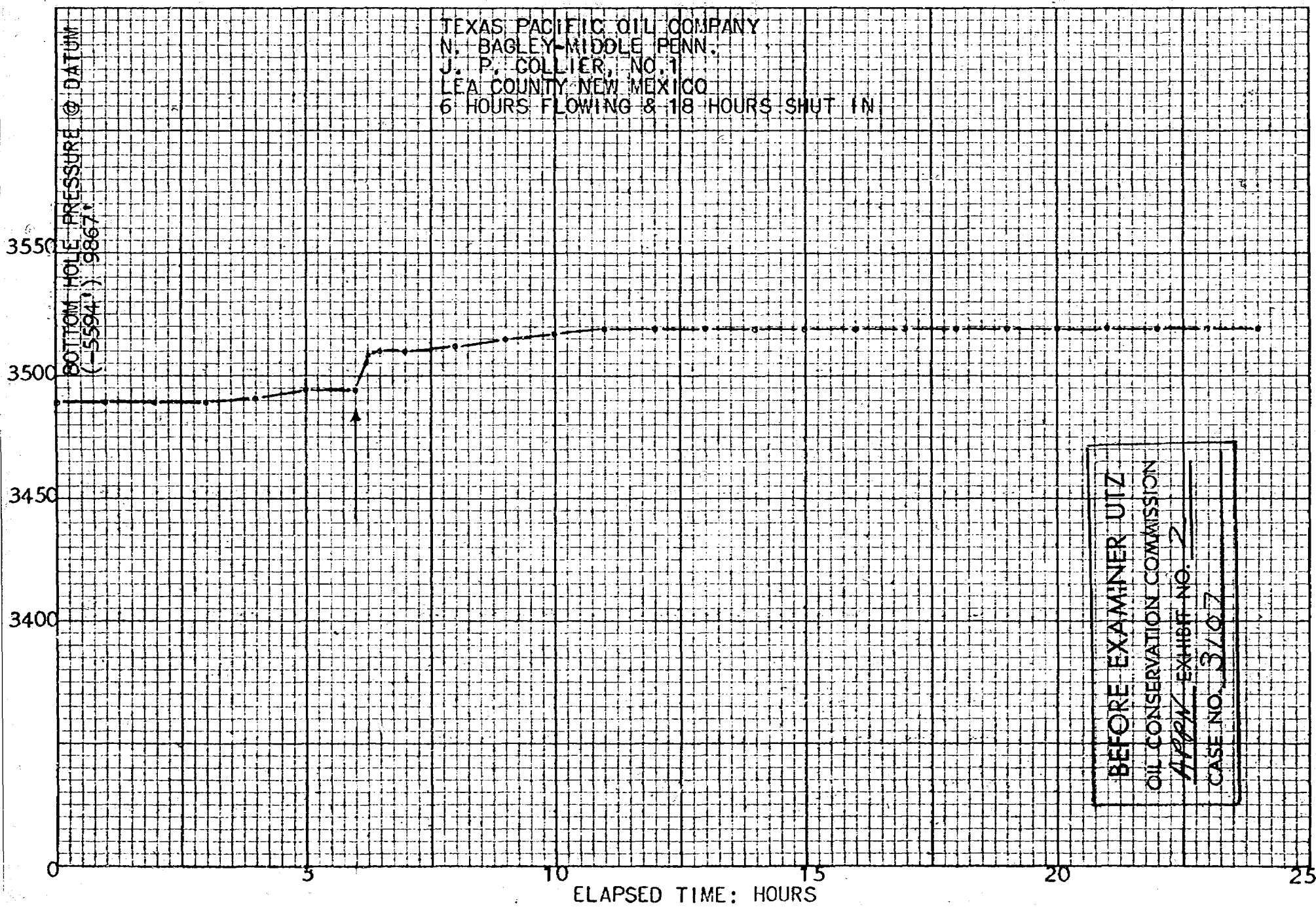
My Commission Expires:
June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner's office of Case No. 3107, heard by me on 11-6-65, 1965.
Thurston J. [Signature], Examiner
New Mexico Oil Conservation Commission

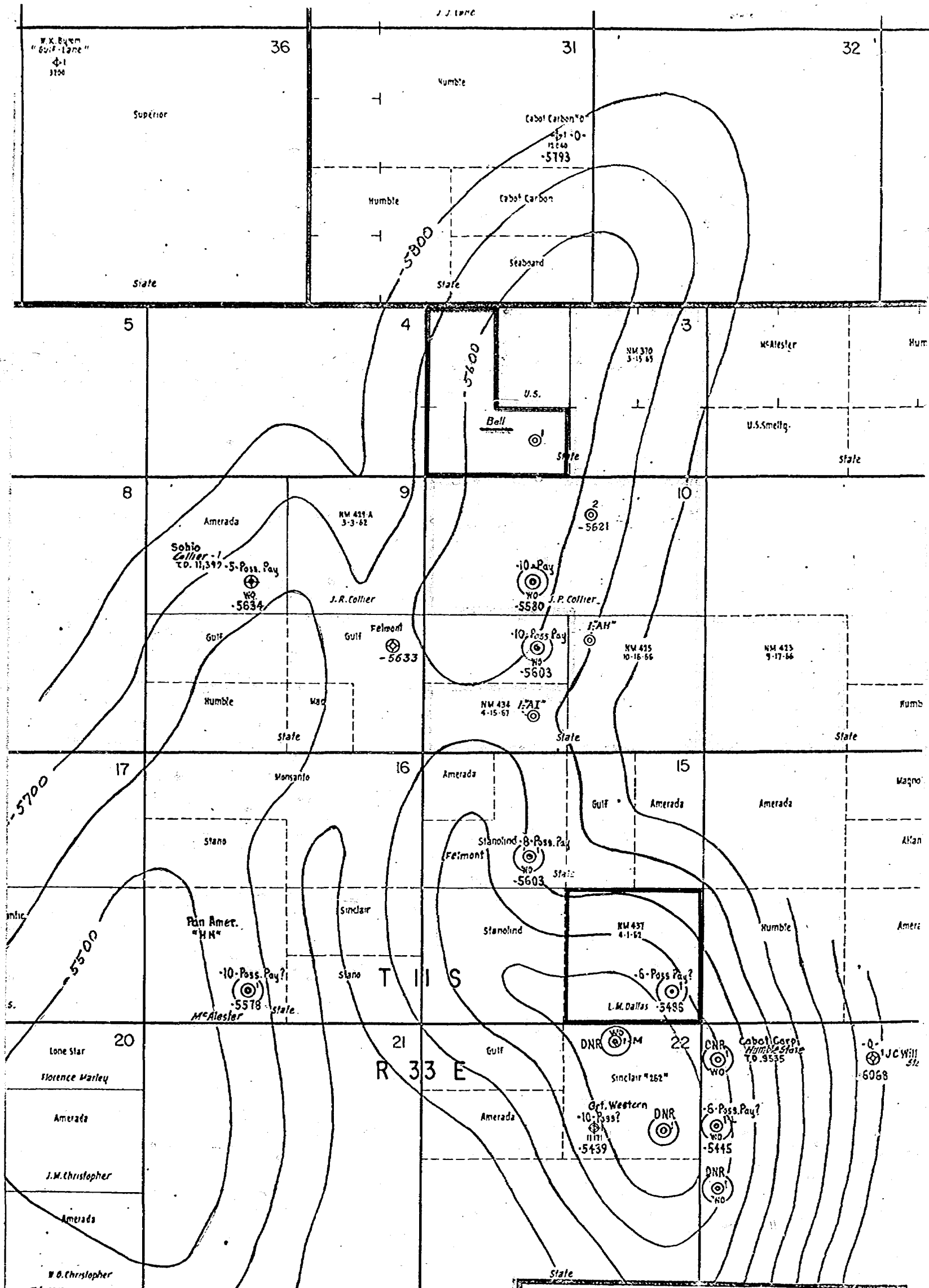


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KEUFFEL & ESSEN CO. MADE IN U.S.A.

TEXAS PACIFIC OIL COMPANY
N. BAGLEY-MIDDLE PENN.
J. P. COLLIER, NO. 1
LEA COUNTY NEW MEXICO
6 HOURS FLOWING & 18 HOURS SHUT IN



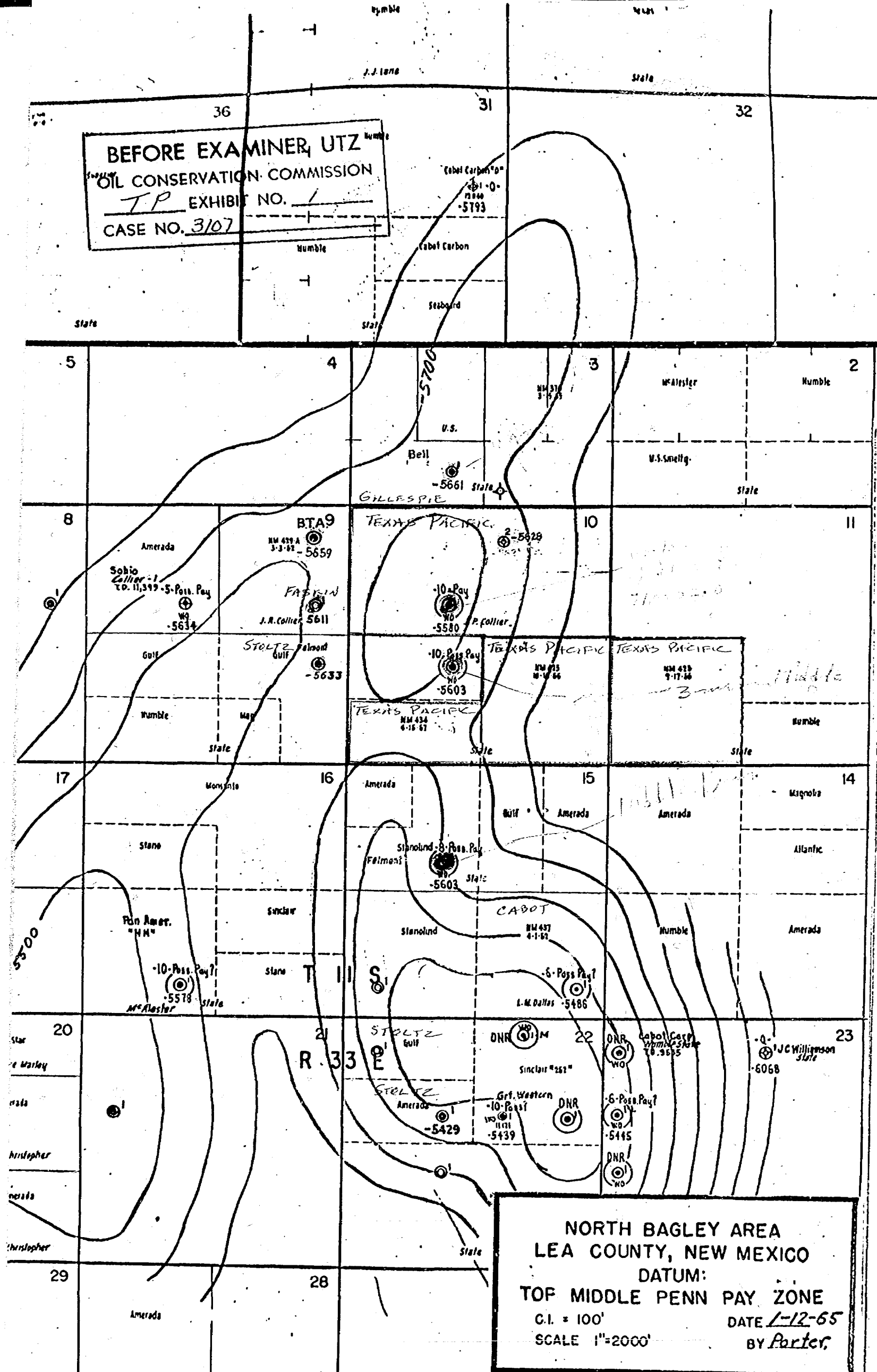
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
APPX EXHIBIT NO. 2
CASE NO. 3707



BEFORE EXAMINER UTZ²⁸
OIL CONSERVATION COMMISSION
APPN EXHIBIT NO. 3
CASE NO. 3107

NORTH BAGLEY AREA
LEA COUNTY, NEW MEXICO
DATUM:
TOP MIDDLE PENN PAY ZONE
C.I. = 100'
SCALE 1"=2000'
DATE 9-18-64
BY B. Porter

BEFORE EXAMINER, UTZ
 OIL CONSERVATION COMMISSION
 TP EXHIBIT NO. 1
 CASE NO. 3107



NORTH BAGLEY AREA
 LEA COUNTY, NEW MEXICO
 DATUM:
 TOP MIDDLE PENN PAY ZONE
 C.I. = 100'
 SCALE 1"=2000'
 DATE 1-12-65
 BY Porter

DRAFT
JMD/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CF Subj. _____

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

CASE No. 3107

Order No. R- 2779

APPLICATION OF TEXAS PACIFIC OIL
COMPANY FOR TEMPORARY SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.


ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
September 30, 1964, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of October, 1964, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Texas Pacific Oil Company, seeks the
promulgation of temporary special rules and regulations for the
North Bagley-Middle Pennsylvanian Pool in Township 11 South, Range
33 East, NMPM, Lea County, New Mexico, including a provision for
80-acre spacing units.

(3) That in order to prevent the economic loss caused by
the drilling of unnecessary wells, to avoid the augmentation of
risk arising from the drilling of an excessive number of wells,
to prevent reduced recovery which might result from the drilling

of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the North Bagley-Middle Pennsylvanian Pool.

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

(5) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(6) That this case should be reopened at an examiner hearing in ^{October}~~September~~, 1965, at which time the operators in the subject pool should be prepared to appear and show cause why the North Bagley-Middle Pennsylvanian Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

That temporary Special Rules and Regulations for the North Bagley-Middle Pennsylvanian Pool are hereby promulgated as follows,
effective November 1, 1964!

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BAGLEY-MIDDLE PENNSYLVANIAN POOL

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

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2,

✓
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or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a ~~quarter~~ ^{governmental} quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section ^{or lot.}

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

RULE 6. A standard proration unit (79 through 81 acres)

shall be assigned an 80-acre proportional factor of 4.77 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the *North Bagley* ^{*Pool*} ~~Middle Pennsylvanian formation within the North Bagley-Middle Pennsylvanian Pool~~ ^{*in the Middle Pennsylvanian formation*} or within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before November 1, 1964.

(2) *That each* ~~any~~ well presently drilling to or completed in the *North Bagley-Middle Pennsylvanian Pool* or in the Middle Pennsylvanian formation within one mile thereof shall receive a 40 acre allowable ~~unit~~ until a ~~unit~~ Form C-128 ~~has been filed with the Commission~~ ^{*dedicating 80 acres to the well has been filed with the Commission.*}

(3) That this case shall be reopened at an examiner hearing in *October* ~~September~~, 1965, at which time the operators in the subject pool may appear and show cause why the North Bagley-Middle Pennsylvanian Pool should not be developed on 40-acre spacing units.

(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.

DRAFT

JMD/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CF Subj. _____

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

CASE No. 3107

Order No. R- 2779-A

APPLICATION OF TEXAS PACIFIC OIL
COMPANY FOR TEMPORARY SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
October 6, 1965, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of October, 1965, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That by Order No. R-2779, dated October 14, 1964, tem-
porary Special Rules and Regulations were promulgated for the
North Bagley-Middle Pennsylvanian Pool, Lea County, New Mexico.

(3) That pursuant to the provisions of Order No. R-2779,
this case was reopened to allow the operators in the subject pool
to appear and show cause why the North Bagley-Middle Pennsylvanian
Pool should not be developed on 40-acre spacing units.

(4) That the evidence establishes that one well in the
North Bagley-Middle Pennsylvanian Pool can efficiently and econom-
ically drain and develop 80 acres.

-2-

CASE No. 3107

Order No. R-2779-A

(5) That the Special Rules and Regulations promulgated by Order No. R-2779 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

(6) That to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-2779 should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the North Bagley-Middle Pennsylvanian Pool promulgated by Order No. R-2779 are hereby continued in full force and effect until further order of the Commission.

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

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