

Case Number

4509

Application
Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 24, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil
Company for an amendment of Order
No. R-2016, Lea County, New Mexico.

Case No. 4509

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING



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1 MR. UTZ: Case 4509.

2 MR. HATCH: Application of Continental Oil Company
 3 for an amendment of Order No. R-2016, Lea County, New Mexico.

4 MR. KELLAHIN: If the Examiner please, may the record
 5 show the same appearances and that the witness has been sworn
 6 and qualified.

7 MR. UTZ: Yes, sir.

8 (Whereupon, Exhibits 1 through 3 were marked for
 9 identification.)

10 VICTOR T. LYON,

11 having been previously duly sworn, testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q Are you familiar with the application of Continental Oil
 15 Company in Case 4509?

16 A Yes, sir.

17 Q What does the applicant propose in this case?

18 A Case 4509 is the application of Continental Oil Company
 19 for amendment of Order Number R-2016 to permit commingling
 20 of Maljamar-Paddock production from the Mitchell A and
 21 B leases without the necessity of first metering the
 22 production from each lease.

23 Q Now, referring to what has been marked as the Applicant's
 24 Exhibit Number 1, would you identify that exhibit?

25 A Exhibit Number 1 is a location plat showing the two

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1 leases involved in this application. The Mitchell A
 2 Lease is shown outlined in red and consists of the north
 3 half of Sections 19 and 20 and outlined in blue the
 4 Mitchell B Lease which consists of the west half -- let
 5 me start over.

6 The west half and the west half of the east half of
 7 Section 17 and the east half and east half of the west
 8 half of Section 18 and the south half of Sections 19 and
 9 20 all in Township 17 South, Range 32 East, Lea County,
 10 New Mexico.

11 The one producing well from the Paddock on the A
 12 lease is circled in red. This is Well Number 1, located
 13 in Unit "A" of Section 20. The Paddock producing wells
 14 on the B lease are shown circled in blue and these are
 15 Number 10, which is in Unit "O" of Section 17, Number 11,
 16 which is in Unit "N" as in Nancy of Section 17, and Well
 17 Number 15 which is located in Unit "L" of Section 20.

18 There is a boundary marked by the dotted line. This
 19 is the participating area for the M. C. A. Unit and it
 20 really has no bearing in this case because that unit
 21 unitizes the hydrocarbons in the Grayburg-San Andres
 22 Formations only and does not extend to the Paddock
 23 Formation.

24 Q Now, there have been some additional Paddock Wells on
 25 this Mitchell A Lease, have there not?

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1 A Yes, there have. This plat is not entirely up to date.
 2 Those wells which have the "P" beside them and are not
 3 circled as I have described, have been recompleted to the
 4 Grayburg-San Andres and are producing unitized substances
 5 at this time. They are not producing into the battery
 6 that we are talking about today.

7 Q Now, referring to what has been marked as Exhibit Number
 8 2, would you identify that exhibit?

9 A Exhibit Number 2 is a tabulation of the most recent well
 10 tests taken on these two leases. You will note that these
 11 tests are almost a year old and then to give more recent
 12 information, we have tabulated the individual well pro-
 13 duction for December and the total lease production for
 14 January.

15 When I left the office, they had not broken this
 16 down to the individual well production, but it has come
 17 to our attention since this last test was taken that the
 18 meters which were measuring the production from the two
 19 leases separately, prior to commingling, had deteriorated
 20 to the extent that we could not rely on the test infor-
 21 mation.

22 When this information came to light, we ordered the
 23 production from the Mitchell A lease to be shut in so that
 24 there would not be any further commingling and recognizing
 25 that revenue was being lost, we requested and received

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1 approval from the USGS to commingle these two leases and
 2 allocate production on the basis of well test. The meters
 3 which were in use are of an obsolete manufacturer and we
 4 have concluded, after considerable study into the matter,
 5 that it just is not feasible to repair those meters. They
 6 would have to be replaced and the reserves remaining on
 7 the Mitchell A lease just do not justify this type of
 8 expenditure.

9 Q You say you did contact the USGS? Is all this acreage
 10 federal acreage?

11 A This is all federal acreage.

12 Q You did receive approval from the USGS to commingle on
 13 the basis of well test calculations?

14 A Yes, sir. Exhibit 3 is a copy of the letter we received
 15 from the regional oil and gas supervisor authorizing us
 16 to commingle the two leases and to allocate on the basis
 17 of monthly well test.

18 Q And this is exactly what you are asking approval of this
 19 Commission for?

20 A Yes, sir. The USGS approval was made contingent upon
 21 like approval from this Commission.

22 Q How do you propose to handle these well tests and how
 23 frequently will you make them?

24 A We propose to test the Mitchell A Number 1 monthly into
 25 a test tank and to allocate production to the lease based

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1 on that well test.

2 Q Now, is there a difference in the ownership as between
 3 the A and the B leases?

4 A Yes, there is. The Mitchell A lease carries a five
 5 percent royalty rate and, in addition, there is a seven
 6 and a half percent overriding royalty burdening the lease.
 7 The Mitchell B lease is a straight twelve and a half
 8 percent royalty. The royalty in both cases goes to the
 9 federal government.

10 Q Now, how about the overriding royalty owners?

11 A They were sent copies of our application when we mailed
 12 it to the Commission on January 13th of this year. We
 13 have received no objection from any of them and, in fact,
 14 have received one letter of concurrence. We did not
 15 request their consent in the letter by which this was
 16 sent to them and do not expect to receive other replies.

17 Q Now, do you consider the commingling on the basis of well
 18 test an accurate means of measuring the interest of the
 19 two leases?

20 A No. It is not what I would call an accurate means of
 21 distributing or allocating production, if you look at
 22 accurate as being precise. I think it gives us a good
 23 indication of the amount of production that we would
 24 receive each day, but we believe that the granting of
 25 this application will prevent waste in that the well on

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1 the A lease will be shut in if we cannot commingle on
 2 this basis and consequently the granting of this application
 3 would permit the production of oil which, otherwise, would
 4 not be produced and as to correlative rights, we recognize
 5 that this method of allocation is not precise but we feel
 6 that the interest in the A lease would rather receive an
 7 allocated share of production and the royalty from it than
 8 royalty from no production at all which means no royalty.

9 Q It isn't economically feasible to meter this production
 10 from the A lease, is that correct?

11 A That's correct.

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

14 A Yes, they were.

15 MR. KELLAHIN: I would like to offer in evidence
 16 Exhibits 1, 2 and 3.

17 MR. UTZ: Without objection, Exhibits 1, 2 and 3
 18 will be entered into the record.

19 MR. KELLAHIN: That completes the presentation of
 20 the case.

21 CROSS EXAMINATION

22 BY MR. UTZ:

23 Q Is it my understanding, Mr. Lyon, that there's four
 24 wells in question here?

25 A Yes, sir.

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- 1 Q And only one well on the A lease?
- 2 A Yes, sir.
- 3 Q So, you propose to test the one well on the A lease and use
- 4 the subtraction method?
- 5 A Yes, sir.
- 6 Q How much oil does the A lease make?
- 7 A Well, before it was shut in, it was making seven to eight
- 8 barrels a day. I don't know the exact figures, but it
- 9 was in the range of from, I believe, six to eight barrels
- 10 per day.
- 11 Q What was the total production, roughly, out of four wells?
- 12 A Let's see. The wells on the B lease have a very slight
- 13 decline rate and it looks like they were making about
- 14 sixty barrels a day between the three of them, so this
- 15 would make a total production of sixty-six to sixty-eight
- 16 barrels.
- 17 Q Now, how often did you suggest you run this test?
- 18 A Monthly.
- 19 Q Monthly?
- 20 A Yes, sir. This was the USGS's request.
- 21 MR. UTZ: Other questions of the witness? He may be
- 22 excused.
- 23 (Witness excused.)
- 24 MR. UTZ: The case will be taken under advisement.
- 25 The hearing is adjourned.

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I N D E X

WITNESS

PAGE

VICTOR T. LYON

Direct Examination by Mr. Kellahin

2

Cross Examination by Mr. Utz

7

E X H I B I T S

Nos. 1 through 3

2

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

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

10 Glenda Burks
 11 Court Reporter

22 I do hereby certify that the foregoing is
 23 a true and correct record of the proceedings in
 24 the hearing of Case No. 4509,
 25 to be held on the 24th day of July, 1971.
 _____, Secretary
 New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

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

March 4, 1971

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

Re: Case No. 4509
Order No. R-4115
Applicant:

Continental Oil Company

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

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. 4509
Order No. R-4115

APPLICATION OF CONTINENTAL OIL COMPANY
FOR AN AMENDMENT OF ORDER NO. R-2016,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 24, 1971, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 4th day of March, 1971, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, was authorized by Order No. R-2016, dated July 7, 1961, to commingle the Maljamar-Paddock Pool production from its William Mitchell "A" Lease, comprising the N/2 of Section 19 and the N/2 of Section 20, with the Maljamar-Paddock Pool production from its William Mitchell "B" Lease, comprising the W/2 and the W/2 E/2 of Section 17, the E/2 and the E/2 W/2 of Section 18, the S/2 of Section 19, and the S/2 of Section 20, all in Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, after separately metering the production from each lease with meters equipped with non-reset totalizers and samplers.

(3) That the applicant now seeks the amendment of said Order No. R-2016 to permit the commingling of the Paddock oil

production from said Mitchell "A" and "B" Leases without separately metering the production from each of the leases prior to the commingling.

(4) That the Mitchell "A" Lease has one producing well and the Mitchell "B" Lease has three producing wells.

(5) That each of the above-described wells is capable of only low marginal production.

(6) That the applicant proposes to test monthly the production from the well on its Mitchell "A" Lease and to allocate the production to its Mitchell "B" Lease by the subtraction method.

(7) That approval of the subject application to commingle production prior to measurement will result in economic savings to the operator, prevent waste, and will not violate correlative rights.

(8) That Order No. R-2016 should be superseded.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to commingle prior to measurement the Maljamar-Paddock Pool production from its William Mitchell "A" Well No. 1, located in Unit D of Section 20, with the Maljamar-Paddock Pool production from its William Mitchell "B" Wells Nos. 10 and 11, located in Units O and N, respectively, of Section 17 and Well No. 15, located in Unit L of Section 20, all in Township 17 South, Range 32 East, ~~MMRM~~, Lea County, New Mexico.

(2) That the Maljamar-Paddock Pool production shall be allocated to each of the above-described leases as follows:

(a) Determine the total monthly production from the two leases.

(b) William Mitchell "A" Lease production shall be equal to the monthly production of the Mitchell "A" Well No. 1 located in Unit D of Section 20, Township 17 South, Range 32 East, as determined by monthly production tests on the well.

-3-

CASE No. 4509

Order No. R-4115

- (c) William Mitchell "B" Lease production shall be equal to the total production from the two leases less the William Mitchell "A" Lease production as determined above and shall be allocated among the three wells on said lease on the basis of quarterly well tests.

(3) That the results of the monthly productivity tests required for the Mitchell "A" Well No. 1 as described above shall be filed with the Commission's District Office at Hobbs, New Mexico, on Commission Form C-116 each month until further order of the Commission.

(4) That Order No. R-2016 is hereby superseded.

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

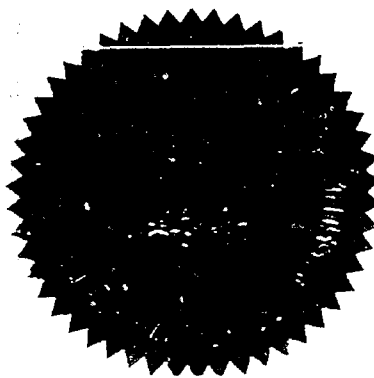
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMISTO, Member

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



esr/

(Case 4502 continued)

TOWNSHIP 14 SOUTH, RANGE 35 EAST
SECTION 34: NW/4

TOWNSHIP 15 SOUTH, RANGE 35 EAST
Section 3: NW/4
Section 4: S/2 and NW/4

CASE 4503: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Penroc Oil Corporation and all other interested persons to appear and show cause why the intentional deviation of Penroc Oil Corporation State Well No. 2, having a surface location 360 feet from the South line and 330 feet from the East line of Section 28, Township 17 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico, to a bottom hole location 123 feet from the South line and 149 feet from the East line of said Section 28 should be approved and why the allowable assigned to said well should not be reduced to offset any advantage gained by said bottom-hole location over other producers.

CASE 4508: Application of Continental Oil Company for the assignment of discovery allowable and promulgation of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of an oil discovery allowable to its SEMU Well No. 10 located in Unit F of Section 29, Township 20 South, Range 38 East, Warren-Devonian Pool, Lea County, New Mexico. Applicant further seeks the promulgation of special rules for said pool, including provisions for 80-acre spacing units.

CASE 4509: Application of Continental Oil Company for an amendment of Order No. R-2016, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-2016 to permit the commingling of Paddock oil production from its Mitchell A and B leases in Sections 17, 18, 19 and 20, Township 17 South, Range 32 East, Maljamar-Paddock Pool, Lea County, New Mexico, without first separately metering the production from said leases.

CASE 4510: Application of Amerada Hess Corporation for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-510, which order established special pool rules for the Bronco Siluro-Devonian Pool, Lea County, New Mexico, to permit the assignment of allowable to wells in said pool on the basis of the statewide oil allowable rules and to no longer require the taking of bottom-hole pressure tests.

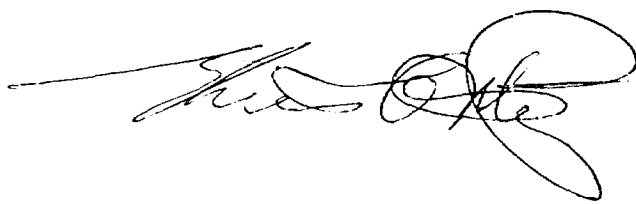
Case 4569

Heard 2-24-71

Rec. 2-25-71

Grant Court. an amendment to order R-2016 wherein they can commingle their William Mitchell "A" Lease with their William Mitchell "B" Lease without metering before commingling.

The only well ~~left~~ now producing in the block on the Mitchell "A" lease is their Mitchell "A" #1 D 20-175-32F which produces approx. 8 BOPD. This well shall be tested monthly to determine its producing capacity. The test capacity shall be multiplied by the number of days produced to determine the production for the lease. This shall be subtracted from the commingled volume to determine the production for the "B" lease.



MOST RECENT WELL TESTS
MITCHELL "A" AND MITCHELL "B" LEASES

<u>WELL</u>	<u>DATE</u>	<u>OIL</u>	<u>WATER</u>	<u>GAS</u>	<u>GOR</u>
Mitchell "A" No. 1	4-26-70	8	12	15	1875
Mitchell "B" No. 10	4-17-70	20	14	22	1100
Mitchell "B" No. 11	4-18-70	35	15	29	829
Mitchell "B" No. 15	4-19-70	24	20	25	1040

December Production

Mitchell "B" No. 10	471
Mitchell "B" No. 11	825
Mitchell "B" No. 15	<u>566</u>

Total Mitchell "B" Lease 1862

January 1971 Production

Mitchell "B" Lease	1761
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BEFORE PRODUCTION
CASE NO. 4509
2

DRAFT

GMH/esr
3-2-71

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. 4509

Order No. R- 4115

APPLICATION OF CONTINENTAL OIL COMPANY
FOR AN AMENDMENT OF ORDER NO. R-2016,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 24, 1971,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

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

FINDS:

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

(2) That the applicant, Continental Oil Company, was
authorized by Order No. R-2016, dated July 7, 1961, to commingle
the Maljamar-Paddock Pool production from its William Mitchell
"A" Lease, comprising the N/2 of Section 19 and the N/2 of Sec-
tion 20, with the Maljamar-Paddock Pool production from its
William Mitchell "B" Lease, comprising the W/2 and the W/2 E/2
of Section 17, the E/2 and the E/2 W/2 of Section 18, the S/2
of Section 19, and the S/2 of Section 20, all in Township 17
South, Range 32 East, NMPM, Lea County, New Mexico, after
separately metering the production from each lease with meters
equipped with non-reset totalizers and samplers.

(3) That the applicant now seeks the amendment of said Order No. R-2016 to permit the commingling of the Paddock oil production from said Mitchell "A" and "B" Leases without separately metering the production from each of the leases prior to the commingling.

(4) That the Mitchell "A" Lease has one producing well and the Mitchell "B" Lease has three producing wells.

(5) That each of the above-described wells is capable of only low marginal production.

(6) That the applicant proposes to test monthly the production from the well on its Mitchell "A" Lease and to allocate the production to its Mitchell "B" Lease by the subtraction method.

(7) That approval of the subject application to commingle production prior to measurement will result in economic savings to the operator, prevent waste, and will not violate correlative rights.

(8) That Order No. R-2016 should be superseded.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to commingle prior to measurement the Maljamar-Paddock Pool production from its William Mitchell "A" ^{Well No. 1, located in Unit D of Section 20,} ~~Lease, comprising the N/2 of Section 19 and the N/2 of Section 20,~~ with the Maljamar-Paddock Pool production from its William Mitchell "B" ^{Wells Nos. 10 and 11, located in Units C and N, respectively, of} ~~Lease, comprising the W/2 and the W/2 E/2 of Section 17, the Section 17 and Well No. 15, located in Unit L of Section 18, E/2 and the E/2 W/2 of Section 18, the S/2 of Section 19, and the S/2 of Section 20,~~ all in Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

(2) That the Maljamar-Paddock Pool production shall be allocated to each of the above-described leases as follows:

- (a) Determine the total monthly production from the two leases.
- (b) William Mitchell "A" Lease production shall be equal to the monthly production of the Mitchell "A" Well No. 1 located in Unit D of Section 20, Township 17 South, Range 32 East, as determined by monthly production tests on the well.
- (c) William Mitchell "B" Lease production shall be equal to the total production from the two leases less the William Mitchell "A" Lease production as determined above.

(3) That the results of the monthly productivity tests required for the Mitchell "A" Well No. 1 as described above shall be filed with the Commission's District Office at Hobbs, New Mexico, on Commission Form C-116 each month until further order of the Commission.

(4) That Order No. R-2016 is hereby superseded.

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

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

*and these be accepted among the
three wells on said lease on the
basis of quarterly well tests.*

= Conti =

- Commercially invaluable 2
Fed Leases -

- Major Mr Paddock

= Mitchell A & B Leases -

Jan 13th, 1971

~~Lease 17420~~

17420