CASE 4519: Application of MAJOR, GIEBEL & FORSTER FOR A NON-STANDARD UNIT, LEA COUNTY, N.M.

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Case Number

Application Trascripts Small Exhibits ETC.



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		1	MR. UTZ: Case 4519.
		2	MR. HATCH: Case 4519. Application of Major,
		3	Giebel and Forster for a Nonstandard Unit, Lea County, New
		4	Mexico.
		5	MR. KELLAHIN: If the Examiner please, Jason
		6	Kellahin, Kellahin and Fox, Santa Fe, appearing for the
ر. المستع		7	Applicant. We have one witness.
neie		8	MR. HINKLE: Mr. Examiner, Clarence Hinkle,
dearnley-meier	•	9	Hinkle, Bondurant, Cox and Eaton, appearing on behalf of
arn		10	Jake Hamon.
qe		11	MR. UTZ: Are there other appearances? Are you
	VENTIONS 87103	12	going to have any testimony, Mr. Hinkle?
	r, CONVE	13	MR. HINKLE: Yes, we will.
	TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	14	MR. UTZ: Do you have a witness that can be sworn
	ЮНУ, DA QUE, 7 EXICO 8	15	at this time?
		16	MR. HINKLE: Yes. We have Mr. John Casey.
	, EXPER 1 ● A L E R Q U E ,	17	(Witnesses sworn.)
	rements, 1 243-6691 Buquer	18	EARL E. GAERTNER
	(GS, STA) РНОМЕ (ST - AL	19	called as a witness, having been first duly sworn, was
	1082 1082	20	examined and testified as follows:
	ANK BLE	21	DIRECT EXAMINATION
	0 1 1 1 1	22	BY MR. KELLAHIN:
	CIALIZING INI SIMMS BLOG ST NATIONA	23	Q Would you state your name, please.
	SPECIAL 209 SIN FIRST	24	A Earl Gaertner.
		25	Q Would you spell that last name?

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	1	A	G-a-e-r-t-n-e-r.
	2	Q	What business are you engaged in, Mr. Gaertner?
	3	A	Consulting geologist in Midland, Texas.
	4	Q	Have you ever testified before the Oil Conservation
Э	5		Commission in one of its examinations?
۰ ۸	6	А	No. I have not.
×.	7	Q	For the benefit of the Examiner, will you briefly outline
	8		your education and experience as a geologist?
5	9	А	Yes. I have had five years of academic training at the
	10		University of Oklahoma, and eighteen years of experience
5	11		as a geologist and geophysics in the west Texas and
NTIONS 103	12		southeast New Mexico.
, CONVENTIONS ICO 87103	13	Q	And in connection with your work as a consulting
DAILY COPY, CON . New Mexico 3 87108	14		geologist, have you had anything to do with the area
	15		that is involved in the case presently before the
TESTIMONY, IQUERQUE EW MEXICO	16		Examiner?
EXPERT T 1. ALBUG 1. VE	17	A	Yes, sir, I havc.
57.47EMENTS, E one 243-6691 • Albuouero	18	Q	Have you examined this area as a geologist?
STA' ONE	19	A	Yes, I have.
DEFOSIT:ONS, ИЕАRINGS, 17.0. вох 1092.ери. L. E.ANK BLDG. EAST	20		MR. KELLAHIN: Are the witness's qualifications
SITIONS, 0. BOX NK BLI	21	accep	otable?
50∢	22		MR. UTZ: Yes, they are.
LIZING I MMS BL NATIO	23	Q	(Mr. Kellahin continuing) Mr. Gaertner, briefly what is
SPECIAL 209 SIN FIRST	24		proposed by the Applicant in Case 4519?
	25	A	Very briefly, we would like to join a forty-acre unit,

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	ĩ		a forty-acre farmout, for Mobile Oil Corporation, with a
	2		forty-acre unit with U.S. Smelting, from U.S. Smelting,
,	3		for an eighty-acre drilling unit in the east Shoe Bar
	4		field.
6 2 6	5	Q	And that would be Southeast of the Southeast of Section
1 1 1 1 1 1	6		30, and the Southwest of the Southwest of 19, Section 29,
К.3. № К.4. м. Фанны	7		in 16 South, 36 East?
neie	8	Α	That's correct.
dearnley-meier	9	Q	And that is in the East Shoe Bar Devonian Pool?
arnl	10	Α	That's correct.
de	11	Q	Now, refer to what has been marked the Applicant's
TESTIMONY, DAILY COPY, CONVENTIONS Ouerque, Néw México 87103 Ew México 87103	12		Exhibit Number 1. Would you identify that exhibit, please?
	13	А	All right. Exhibit Number 1 is a land plat of the area,
	80 14		showing the position of the Mobile acreage, the U.S.
	⁶⁸ ⁰ ¹⁵		Smelting acreage, the offset Jake L. Hamon, the Ralph
	≥ ≊ 16		Lowe acreage.
EXPERT 1 10.44800		Q	And insofar as you know, that correctly reflects the
EMENTS, 243-000			present lease ownership in this area; is that right?
5, 5TAT HONE	• 19	A	Yes.
HEARING	¹	Q	Now, referring to what has been marked as the Applicant's
SITIONS, D. BOX	20 90 90 90 90 90 90 90 90 90 90 90 90 90		Exhibit Number 2, would you identify that exhibit?
M1 DEF.03	. a . a . a . a . a . a . a . a . a . a	A	Exhibit Number 2 is a contoured Devonian map of the
SPECIALIZING IN: 2005 SIMMS BLDC			subject area.
SPECIAL 209 SIN	±5¥1 24	Q	Has it likewise reflected the lease ownership insofar as
	25		you know it?

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5 PAGE Yes, it does. Α 1 Mr. Gaertner, you stated that you were familiar with Q 2 this application. Did you have anything to do with the 3 efforts to form a standard unit, in the present 4 proposal to form a nonstandard unit? 5 Yes, I did. Α 6 Would you describe for the benefit of the Examiner just 7 Q what you were doing in connection with the formation of a 8 standard unit in this area? 9 Late in the fall of 1970, I approached Mobile for a 10 А farmout in this acreage. Mobile indicated their 11 SPECIALIZING IN: DEFOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS willingness to farm out. At the same time, I realized, 12 209 SIMMS BLDG. - M.O. BOX 1092 - PHONE 243-0681 - ALBUQUERQUE. NEW MEXICO 87103 First national fank bldg. East-Albuquerquis, new Mexico 87108 of course, that I would have to have another forty-acre 13 tract, in order to make this a standard drilling tract 14 of eighty acres. Knowing that Jake L. Hamon was the 15 offset operator in here and controlled the offset 16 17 acreage, 1 approached Bob Spear at that time and asked Bob whether Jake L. Hamon would be receptive to a farmout 18 19 request. Who is Bob Spear? 20 Q A Bob Spear is a district geologist at Midland. I believe 21 this is the proper title. 22 23 THE WITNESS: Is this right, John? 24 MR. CASEY: District geologist, right. In Midland? For Jake L. Hamon? Q 25

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In Midland for Jake L. Hamon. Bob indicated to me that A 1 they felt that the field was fully developed, and 2 therefore, would not be interested in seeing any further 3 development drilling in this area. He did say that he 4 would forward a letter if I cared to send in a letter 5 of request to the Dallas office. But he said, "I can 6 offer you no encouragement whatsoever." In the meantime, 7 the acreage was farmed out. Well, about three weeks 8 later, I went back and talked to Bob again, and the same 9 conversation transpired at that time. He still could 19 offer no encouragement and nothing that he -- he did 11 SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS not put the stamp of approval on it. I did not feel that 12 NEW MEXICO 87103 87108 there was any point in sending it on to Dallas. 13 In the meantime, the acreage was farmed out to 14 BUQUERQUE. another party. 15 Now, what acreage are you talking about? 16 Q 1877 e 1 ROLE. The Mobile acreage. The acreage in the Southeast A 17 BUQUEF 243-660 Southeast of Section 30. I dropped the deal at that 18 1092 • PHONE EASTOAL time until the first of the year, and I realized that 19 the acreage had not been drilled, so I checked again to , . . . 20 DG. P.O. BOX 1 see for what reason the acreage had not been drilled, 21 SIMMS BLDC. P. and found out that for various reasons, the person who 22 had acreage under farmout was not able to get a test 23 209 24 drilled in there. 25 I went back to Mobile at this time and asked them

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whether they would be willing to farm out -- would still be willing to farm out the acreage. They indicated that it was committed to some other people, but these other people had a deadline when their farmout obligation, or their commitment, would terminate. And this was in another two weeks, I believe, from the time that I talked to them. This is approximately the middle of January.

At this time, because of the fact that I had not received any encouragement whatsoever from Hamon, I decided that I would talk to Ralph Lowe, who is also a participant in this -- the offset acreage. I talked to Mr. Hugh Franzil, who I believe is at this time, a divisional geologist for Ralph Lowe, and he stated that no, as far as Ralph Lowe was concerned -- I mentioned, of course, my conversation -- my previous conversation with Hamon, and he stated that Ralph Lowe agreed with Hamon that the area was fully developed, that there was no need for any additional development in the area, that the three producing wells, the three producers in Section 30, and the one producing well in Section 31, would adequately drain the area.

Therefore, they would not consider a farmout request either.

At the same time that I had been communicating



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with Mobile, I had also been communicating with U. S. Smelting Refining and Mining in Salt Lake City, and had asked them for support for a well, still hoping, of course, that I would be able to negotiate some sort of trade with the other people, that as I mentioned, having reached really a stalemate and, of course, been given no encouragement whatsoever. Ultimately, the situation then resolved into the one that we're looking at now, where U. S. Smelting and Mining and Refining, or Refining and Mining, said that

Now, do you have an exhibit showing this agreement?

they would assign me a forty-acre tract to combine with

A Yes, I do have. I presented it ---

the Mobile forty-acre tract.

Q Exhibit Number 3?

And it is in the form of a telegram. I have not received the actual assignment yet.

Q But they have agreed to assign the acreage to you for a well to be drilled where?

A The well would be drilled, of course, in the Southeast Southeast of Section 30, on the Mobile acreage.

Now, has the Applicant considered the possibility of

bringing a forced pool action to form a standard unit in this area?

A We considered this possibility, but we felt that it was

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 200 SIMMS BLOG.P.O. BOX 1002-PHONE 243-00914 ALBUQUERQUE. NEW MEXICO 87103 FIRST NATIONAL BANK BLOG. EAST-ALBUQUERQUE, NEW MEXICO 87103

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	1		economically unfeasible to do so. The wells in here are
	2		just fair to average Devonian wells, and we felt like
	3		this type of Devonian production, of course, would not
	4		carry a penalty.
	5	Q	Now, you are then assuming that the Hamon interest would
	6		not join you in drilling a well or paying their portion
dearnley-meier	7		of sharing the cost?
	8	A	That's correct.
	9	Q	And you're talking about a forced pool action wherein
arnl	10		Major, Giebel and Forster would carry the cost of the
це	11		we11?
MTIONS 103	12	A	Yes. Yes, that's right.
AILY COPY, CONVENTI NEW MEXICO 87103 87108	13	Q	Now, you say this is not economically feasible?
LY COPY Ew Mey 108	14	A	We do not feel that it would be.
TESTIMONY, D IQUERQUE. EW MEXICO	15	Q	And is Major, Giebel and Forster willing to assume the
	16		risk of drilling a well under those circumstances?
, EXPERT 01 - A L B U Roue, N	17	A	No.
FEMENYS, 243-669 Buquef	18	Q	They would not drill it?
INGS, STAT • PHONE :	19	A	No.
, HEARINGS, 4 1092 • PHG	20 ^{°°}	Q	Are they willing to join with the Hamon interest and
SITIONS, 0. 80X, 10K 8L,	21	ł	share the cost of drilling a well on this acreage?
Xi defo 06.⊕ P. 2 A L 8:A	22	A	Not at this point, because we have a forty-acre tract
SPECIALIZING INI DEPOSITIONS, HEARINGS, STATEMENTS, 209 Simms BLDC. 0.0. BOX 10020PHONE 243-669 FIRST NATIONAL FIANK BLDC. EAST0ALBUQUER	23		now coming from U. S. Smelting.
SPECIA 209 Stu Fuiks T	24	Q	So you are now asking them for a nonstandard unit?
	25	_ <u>A</u>	That's right.

			page 10
	1	Q	Now, referring back to Exhibit Number 2, again, would
	2		you discuss the information shown by the contours on
t.	3		that exhibit?
	4	A	Yes. Now, as I previously mentioned, the Hamon
5	5		representative, Mr. Spear, and the Ralph Lowe representa-
	6		tive, Mr. Franzil, both indicated that they feel like
elysia North Commence	7		that this particular location would be undesirable,
1616	8		since it would be structurally low. My interpretation,
ey-n	9		as you will note, contradicts this.
dearnley-meier	10		We have a control point over in Section 29, the
de	11		Roger Hanks well, with a minus datum of minus 9,093,
itions 03	12		which we believe pulls the contours out in that direction.
DAILY COPY, CONVENTIONS New Mexico 87103 0 87108	13		And because of this fact, we believe that this is a
ALLY COPY, New Mexi 87108	14		desirable location in the Southeast Southeast of
	15		Section 30, and it should be drilled.
TESTIMONY, Ouersue Ewmexic	16	Q	Now, in your opinion, is all the acreage that would be
EXPERAT DODE TO	17		included in the nonstandard unit productive from the
	18		Devonian Formation?
5, 57.Å. 10 m E T ● A L	19	A	Yes.
HEARING 1092 - Ph	20	Q	And you would not be committing any dry acreage; is that
SITIONS, H	21		correct?
I defosi ' 56.€ F.O.	22	A	No. No. As you will note on Exhibit 2, I have placed
SPECIALIZING IN 209 SIMMS BLEC	23		an oil-water contact, based on I should say this will
SPECIAL 209 SIM	24		be original oil-water contact, based on drill stem
	25		tests, and production information in here, which I think

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	1		is a reasonable correct interpretation, and you see
	2		that the oil-water contact does fall well outside of the
	3		acreage involved.
	4	Q	Is there any other way for the Applicants in this case
	5		to recover their fair share of the oil and gas underlying
	6		this tract?
	7	A	Not that I know of.
	8	Q	And therefore, you ask that the Commission approve a
	g		nonstandard unit consisting of eighty acres as shown?
	10	A	Yes, I do.
	11	Q	Do you have anything else to add, Mr. Gaertner?
£01	12	A	I don't believe that I do at this time. I think this
NEW MEXICO 87103 87108	13		presents our position very well.
EW ME) 7108	14	Q	Were Exhibits 1 and 2 prepared by you or under your
A Sicos Xicos	15		supervision?
JOUERQUE.	16	A	Yes.
1●ALB(3QUE, h	17	Q	And Exhibit 3 is a copy of a telegram received by you;
ОИЕ 243-66910 ALBU • Albuquerque, N	18		is that
• PHONE AST • ALI	19	A	Yes.
1092.0F	20	Q	from U. S
O. BOX	21	A	From U. S. Smelting.
BLDG.+ P.O.	22	Q	Smelting?
209 SIMMS BLEIG. P.O. BOX 1092 PH	23	А	Salt Lake City.
209 SIMMS FIRST NA	24	Q	All right.
	25		MR, KELLAHIN: At this time, I would like to offer

dearnley-meier report

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

in evidence Exhibits 1, 2, and 3. 1 MR. UTZ: Without objection, Exhibits 1, 2 and 3 2 will be entered into the record of this case. 3 (Whereupon, Applicant's Exhibits 4 1, 2 and 3 were duly admitted into evidence.) 5 MR. KELLAHIN: That completes the direct 6 dearnlev-meier 🔝 examination. 7 CROSS EXAMINATION 8 BY MR. UTZ: 9 Mr. Gaertner, this pool has special pool rules, Order 10 Q R3586; is that correct? 11 DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS Α Yes. 12 . BOX 1092.€PHONE 243-0001.€ALBUQUERQUE. NEW MEXICO 87103 K BLDG. EAST.@ALBUQUERQUE, NEW MEXICO 87108 Q And it is eighty-acre spacing? 13 That's correct. 14 A So you are attempting to form an eighty-acre unit, 15 Q 16 rather than to have forty-acre nonstandard unit? That's right. Right. Forty-acre. 17 A 18 The reason for this is assistance in drilling the well, Q 19 as well as allowable, after it is drilled? 20 А Yes. Okay. 209 SIMMS BLUG. - 2.C. BOX FIRST NATIONAL IJANK BL 21 MR. UTZ: Other questions? 22 MR. HINKLE: Yes. I have a few questions here. SPECIALIZING INI 23 CROSS EXAMINATION 24 BY MR. HINKLE: 25 Q Mr. Gaertner, I take it from your testimony that this

			page 1.3
	1		structural plat which you presented as Exhibit Number 2,
	2		is based on a correlation of the wells, which have been
(3		drilled in the area?
	4	A	That's correct.
· · · ·	5	Q	Do you have any seismic information?
• • •	6	А	No.
2 - 10 - 200 	7	Q	Wh at is the line through it on it?
leiel	8	A	Well, this is a fault. It is a geological interpretation
By-II	9		based on the displacement between the two wells, or
dearnley-meier	10		we might say, the three wells, in Section 31.
qe	11	Q	And the one well?
1 71045 03	12	A	And the one located in the Southwest Quarter, where we
CONVENTI ICO 87103	13		see approximately 500 feet of displacement.
TESTIMONY, DAILY COPY, CONVENTIONS IQUERQUE, NEW MEXICO 87103 Ew MEXICO 87108	14	Q	Why do you bend that toward the east after you get past
	15		the section line?
	16	A	No particular reason. I could have put that in as a
	17		straight line.
	18	Q	You could have put it straight up, but you have no
5.1.4.1 Р. П.	19		seismic information?
s, hearings , ix 1002.0PH: LDG. EAST	20	A	No, no.
SITIONS, I 0. BOX .NK BLD		Q	Now, your plat, I believe, shows that the acreage
<u> </u>			immediately to the north of the Mobile forty, in which
. izing Ims BL	23		you propose to drill is owned two-thirds by Hamon, and
SPECIAL 209 SIM	24		one-third by Ralph Lowe?
	25	A	This was my understanding. I have found since then there

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 correct, but this was the information given to me. R Now, that forty would be better located, if your structural information is correct, than the forty the U. S. Smelting Company, would it not? A Approximately the same. It would, of course, as I depict, it would be more favorable. R A And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? A Yes. Q So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. If Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 				
 Now, that forty would be better located, if your structural information is correct, than the forty the U. S. Smelting Company, would it not? A Approximately the same. It would, of course, as I depict, it would be more favorable. Q And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? A Yes. Q So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? A This was determined both from perforations and drill st test information at the time that each well was completed by the statement well was completed		1		is I do have some information that that is not quite
 structural information is correct, than the forty th U. S. Smelting Company, would it not? A Approximately the same. It would, of course, as I depict, it would be more favorable. Q And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? Yes. O So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? A This was determined both from perforations and drill st test information at the time that each well was completed 		2		correct, but this was the information given to me.
 U. S. Smelting Company, would it not? A Approximately the same. It would, of course, as I depict, it would be more favorable. Q And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? N Yes. Q So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? A This was determined both from perforations and drill st test information at the rime that each well was completed the state of the time that each well was completed the state of the time that each well was completed the state of the time that each well was completed to the t		3	Q	Now, that forty would be better located, if your
 A Approximately the same. It would, of course, as I depict, it would be more favorable. And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? A Yes. So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? A This was determined both from perforations and drill st test information at the time that each well was completed by the statement of the time the statement of the time the statement of the tin		4		structural information is correct, than the forty the
 representation of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? representation of the time that each well was complet 	 	5		U. S. Smelting Company, would it not?
 And if you had filed an application for forcedpooling of this forty, Hamon would probably have had to pay penalt would it not? A Yes. So wouldn't you be in better position to do that than g in this route? A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? A This was determined both from perforations and drill st test information at the time that each well was completed by the statement at the time that each well was completed by		6	A	Approximately the same. It would, of course, as I
 11 A Tes. 12 Q So wouldn't you be in better position to do that than g in this route? 13 in this route? 14 A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. 16 economically feasible. 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 A This was determined both from perforations and drill st test information at the time that each well was complet 	2	7		depict, it would be more favorable.
11 A Tes. 12 Q So wouldn't you be in better position to do that than g in this route? 13 in this route? 14 A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. 16 economically feasible. 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 A This was determined both from perforations and drill st test information at the time that each well was complet	618	8	Q	And if you had filed an application for forcedpooling of
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11 A Tes. 12 Q So wouldn't you be in better position to do that than g in this route? 13 in this route? 14 A Well, this goes back to my statement awhile ago. We had considered this, and we just felt like it wasn't economically feasible. 16 economically feasible. 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 A This was determined both from perforations and drill st test information at the time that each well was complet		10		would it not?
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 Contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	nes	11	A	Yes.
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 Contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	CONVENTIONS Co 87103	12	Q	So wouldn't you be in better position to do that than go
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 Contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 		13		in this route?
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 Contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	Y COPY, W MEXI 08	14	A	Well, this goes back to my statement awhile ago. We had
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	YY, DAIL JE. NE ICO 871	15		considered this, and we just felt like it wasn't
 17 Q Looks like it would be more economically feasible based on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	LESTINO) DUERQUER	16		economically feasible.
 18 on the performance of the three wells that are in the field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 	РЕ 81 А Г. В. И. В. С.	17	Q	Looks like it would be more economically feasible based
field. How did you determine the probable oil-water contact that you showed on this Exhibit 2? 20 21 A This was determined both from perforations and drill st test information at the time that each well was complet	(ENTS, E 3-66914 1QUERO	18		
 20 contact that you showed on this Exhibit 2? 21 A This was determined both from perforations and drill st test information at the time that each well was complet 23 Q You're talking about the Hamon producing well? 24 A The Hamon producing wells and also the dry holes in the 	, 3TATEA 10NE 24 • AL BU	19		
21 A This was determined both from perforations and drill st test information at the time that each well was complet 23 Q You're talking about the Hamon producing well? A The Hamon producing wells and also the dry holes in the	EARINGS 092 • PH 5. East	20		
test information at the time that each well was complet 23 Q You're talking about the Hamon producing well? A The Hamon producing wells and also the dry holes in the	Т!ОИS, H . вох 1 .К в L D	21	A	This was determined both from perforations and drill stem
Q You're talking about the Hamon producing well? A The Hamon producing wells and also the dry holes in the	DEPOSI G. + P. O AL EAN	22		
$\frac{3}{4}$ $\frac{3}{4}$ $\frac{24}{4}$ A The Hamon producing wells and also the dry holes in the	ZING IN. AS BLD	23	Q	
	PECIALI 09 SIM5	24		
25 such as the Humble well located in Section 31, where t	on N.L.			such as the Humble well located in Section 31, where they

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page 15

	1	did drill stem test water out of the Devonian.
	2	Q Do you know whether or not the Hamon wells are making
	3	any water?
	4	A Yes, they are.
, ,	5	Q All of them?
	6	A I believe that the well in 31, which is a structurally
	Y	higher well, has just begun to cut a little water.
	8	Q It is the last well that was completed by Mr. Hamon?
	9	A I'm not positive about that. I'm not sure of the order
	10	of the completion here.
	11	MR. HINKLE: I believe that's all I have on cross
87103	12	examination.
NEWMEXICO 87103 0 87108	13	RECROSS EXAMINATION
NEW MEXICO 87108	14	BY MR. UTZ:
EXICO 8	15	Q Mr. Gaertner, had you brought a forced pooling test
NEW ME	16	against Hamon and Lowe for the forty acres to the north
ม่ม์	17	of the forty acres in question here, and had the
243-6691 • A	18	Commission granted this forcedpooling, they would have
1092.PHONE Dg. Easteal	19	probably granted you some kind of a penalty. And is it
X 1092.	20	my understanding that the reason this would not be
.0. B0) ANK BL	21	satisfactory to you would be because probably they would
20) SIMM5 1 . D.C., P.O. BOX 1092 PHONE 243-669 First National Bank Blog. East-albuquer	22	not furnish the money to help you drill the well, but you
209 SIMMS 1 FIRST NATIO	23	would have to carry them with the penalty?
209 S	24	A That's correct.
	25	Q Is my understanding correct?

معاريد المناطقة والمتعصيرين

1	A	That's right.
3	Q	In other words, to put it bluntly, you think that the
3		penalty would probably not be enough to pay the interest
4		on the money?
5	А	We think we would have some problems there.
6		MR. UTZ: Other questions?
7		MR. HINKLE: I have no further questions.
8		MR. UTZ: Witness may be excused.
9		MR. HINKLE: We would like to present one witness
10	here.	
11		MR. UTZ: I do have one more question before we
12	get in	nto this.
13	Q	(Mr. Utz continuing) Under an agreement such as you
14		are making with U.S. Steel
15	A	U. S. Smelting?
16	Q	U. S. Smelting, yes. There is a difference, isn't there?
17	A	Yes.
18	Q	We have two ways to go on that, right? They either
19		furnish part of the money to drill the well, or they
20		pay you a penalty of such amount if you carry it. Now,
21		how much
22	A	With U. S. Smelting?
23	Q	Yes,
24	A	No. They are just assigning their acreage in this
25		particular case. Their acreage is expiring in May, so
	A	
	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	2 Q 3

	1	they have just agreed to assign acreage to support the
	2	well.
	3	Q I see.
	4	A No penalty involved.
	5	MR. HATCH: If I understand the telegram correctly,
	6	it has not been executed yet, the assignment.
8	7	THE WITNESS: When I talked to Mr. Stonestreet
dearnley-meier	8	Monday morning, he was in New York City, and he said it had
ley-I	9	been executed, and was being sent back to Salt Lake City, and
arn	10	that it should be in my office maybe tomorrow, but it had to
qe	11	be sent to New York City for execution.
IVENTIONS 87103	12	Q (Mr. Utz continuing) And they will get a production
	13	payment?
AILY COPY, CON NEW MEXICO 87108	14	A No. They are just assigning to me. Since they weren't
AONY, DA Que. 7 Exico 8	15	going to do anything at all with the acreage, they are
Т ТЕ\$Т! 1. Солея 1. Кемме	16	assigning to me.
, ЕХРЕР 21.е А∟В А Q U E,	17	\tilde{Q} Well, they are going to get something out of the acreage
7EMENTS, E 243-6691 80001	18	somewhere along the line, aren't they?
NGS, STÀ • PHONE AST•AL	19	A No. They are assigning to me, just the forty-acre tract,
, НЕАRIN X 1092 • LDG. E <i>l</i>	20	now.
IPOSITIONS, NEARINGS, 5731 12-0. Box 1022 • Phone Hank Bldg. East • Al	21	Q They are getting no money out of the deal at all?
с IN: De p BLOG 5 IONAL B	22	A No.
ALIZING IMMS B	23	Q Out of the production?
598C1 209 5 20145	24	A No.
	25	MR, KELLAHIN: May I ask a question?

.

	1	MR, UTZ: Yes,
	2	MR. KELLAHIN: If that acreage is committed to
	3	a producing unit, would that hold the balance of the lease?
	4	THE WITNESS: I don't know. Will it? I don't know.
	5	MR. UTZ: I don't either.
	6	MR. KELLAHIN: Well, let's put it this way: If there
<u> </u>	7	is no other production from that lease.
dearnley-meier	8	THE WITNESS: I suppose it would.
ley.	9	MR. UTZ: It's a state lease, then, isn't it?
earn	10	THE WITNESS: Yes.
	11	MR. UTZ: You would get production out of it. I
TESTIMONY, DAILY COPY, CONVENTIONS Querque, Nem Mexico 87103 Em Mexico 87108	12	imagine it would. Well, I hate to delve into your personal
Y, CONV	13	business too much, but we do have to understand these things
DAILY COPY, CON NEW MEXICO 87108	14	in order to make a ruling on them.
IMONY, DI Roue. 1 Iexico 8	15	THE WITNESS: Yes, I agree. Sure. Well, that's
	16	the situation, and I suppose it would hold all the acreage
EXPE 3005	17	for that.
TEMENTS, I 243-6691, BUQUER	18	MR. UTZ: You may proceed.
NGS, STA PHONE AST • AL	19	MR. HINKLE: Mr. Casey, I believe, has been sworn.
5, HEAR III X 1092 € LDG, E.	20	MR. UTZ: Yes, he has.
SPECIALIZING IN. DEPOSITIONS, HEARINGS, STATEMENTS, 209 Simms BLDG., P.O. E.OX 1092. PHONE 243-069 FIRST NATIONAL BANK BLDG. EAST-ALBUQUEI	21	
NG INI DEP NG INI DEP TIONAL	22	
SPECIALIZING H 209 SIMMS BL	23	
SPECIA 209 би РТК5Т	24	
	25	

	1	JOHN E. CASEY
	2	called as a witness, having been first duly sworn, was
	3	examined and testified as follows:
	4	DIRECT EXAMINATION
	5	BY MR. HINKLE:
	6	Q State your name, your residence, and by whom you are
	7	employed.
dearnley-meier	8	A My name is John E. Casey, and my residence is Midland,
ey-I	9	Texas, and I am employed as assistant district geologist
arnl	10	in Midland for Jake L. Hamon.
ជិច	11	Q Are you a graduate geologist?
IVENTIONS 87103	12	A Yes, sir, I am.
, CONVE	13	Q Have you previously testified before this Commission?
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87103	5 14	A No, I have not.
STIMONY, DAI Derque, N Mexico 8		Q State briefly your educational background and experience
	10	as a geologist.
EX7 EX7 EX7 EX7 E	17	A I am a graduate of the University of Arkansas, and I also
TEMENTS , 243-660 0100155	18	hold a master's degree from the University of Arkansas.
THE STAT	19	Prior to going to work for Mr. Hamon, I worked for Gulf
15, MEARIN 2 × 1092 • 1	20	Oil Corporation for about seventeen and a half years.
EPOSITIONS, O. BOX	21	Q Have you made a study of the Shoe Bar East Devonian Pool?
SPECIALIZING INE DEPOSITIONS, MEARINGS, STATEMENTS 209 Simms Blacc 1.0. Box 1092 • Phone 243-660	22	A Yes, sir, I have.
ALIZING INI DEN MMS BLOC.	23	Q Are you familiar with the location of all of the wells
SPECIAL 209 Sth	24	that have been drilled?
	25	A Yes, sir.

	.	Q	The production history
	1		
	2	A	Yes, sir.
	3	Q	of these wells?
	4	Α	Yes.
	5	Q	Were you employed by Mr. Hamon at the time the special
	6		pool rules were adopted in this case?
•	7	A	No, sir, I was not. I went to work for Mr. Hamon this
neie	8		year, the first of this year, January 1st.
ey-I	9	Q	Have you had access to all of his geological information
dearnley-meier	10		upon which he developed this pool?
0	11	А	Yes, sir.
IVENTIONS 87103	12	Q	Have you prepared, or has there been prepared under your
, CONVI	13		direction, certain exhibits for introduction into this
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	14	-	case?
оич, ра лит, ра х.со s:	15	A	Yes, sir.
	16	Q	Now, refer to Exhibit Number 1, and explain what this is
XPE P F E	17		and what it shows.
TEMENTS, E 243-6691	18	A	Exhibit 1 here is just a plat showing the East Shoe Bar
DEPOSITIONS, HEARINGS, STATEMENTS, 5.e. P.O. Box 1092 ePHONE 243-665	19		Field, the Shoe Bar Field to the west, the Lovington
LIZING IN, DEPOSITIONS, HEARINGS, STAT WMS GLDG P.O. BOX 1092 • PHONE NATIONAL NANK BLDG. EAST • AL	20		Field to the south, and we also show on it the eighty-
SITIONS, o box nk bli	21		acre proration unit as proposed.
	22	Q	The purpose of the plat is just simply to show the
	23		relationship of this area with other pools in the area?
SPECIALIZIH 209 SIMMS FIKST NA	24	А	Similar to Mr. Gaertner's.
	25	Q	Okay, Will you refer to Exhibit Number 2 and explain

		1		that?
		2	A	Exhibit Number 2 is a plat on which we are showing the
		3		top of the Devonian pay in the field, and also have
		4		shown on it our estimated oil-water contact. Again,
		5		with the eighty acres as proposed in this proration unit,
		6		we show let's see, we show our three producing wells,
 -		7		the dry hole Humble drilled to the southeast, and the
9191		8		dry hole which we drilled on the southwest flank of the
ey-II		9		field.
OBALNIBY-MEIEI		10	Q	In what order were these wells drilled by Mr. Hamon?
90		11	A	The discovery well is the number one K-33 in Section 30.
1040	103	12		It would be the let's see, that would be the Northeast
SMUTURAVAC VECOV TAG VAGATART TOREVE	NEW MEXICO 87103 87108	13		of the Southwest.
>=CU >	EW ME>	14		Then he drilled number two to the south to K-33.
200	QUE. N	15	Q	Which you show as a producer?
		16	A	Yes.
	575751 1●ALBU 3QUE, N	17	Q	Then what was the third one?
	243-069 BUQUEF	18	А	And then our third one, as I recall, it was the producer
1 1 1 1		19		in Section 31 when we drilled the dry hole.
	1092 F	20	Q	Was the dry hole drilled last?
	0. 80X	21	A	Yes, sir. That is my understanding, yes.
	11 DE 1031	22	Q	Now, do any of these wells make water at the present time?
	LIALIZING INI ULI Simms BLDG. St national I	23	A	Yes, sir. They all three are making water. I do recall
	209 SIN PURST	24		that number one and two were both completed making a
		25		considerable amount of water. A third well, which is in

and and a set of the

page 22

	1		Northeast Quarter of 31, is not making much water,
	2		but as stated, it is making water, I believe, in the
	3		amount of five barrels a day, which would be about 150
	4	0	a month.
	5	Q	What quantities of water are the other two wells making,
	6		approximately?
	7	А	The other two wells are making about 200 to 250 barrels
	8		of water per day. They are both making in excess of 6,000
	9		barrels a month water.
	10	Q	Were those wells making their allowable in all?
	11	Å	No, sir, they are not. I did check, and I know that the
NEW MEXICO 87103 87108	12		three together are considerably under the allowable.
	13		I believe the allowable for the three would be it's
	14		close to 18,000 barrels, and they're making about
ROUE. N	15		12,000.
ພ∠ ວຸ≽ ວຸພ	16	Q	Now, you have indicated in your green dotted line the
• ∧ L B L D U E' N	17		established oil-water contact. How was this determined?
243-6691 BUQUER0	18	A	Well, we used drill stem test information in the wells
U A P F	19		as they were being drilled, and as I recall, the number
X 1092.0	20		one had a number of drill stem test help to delineate
F.O. DOX FANK BLD	21		this point, although it slightly differs from the oil-
ີ່	22		water contact which was presented earlier.
MMS BLC	23		We know it's a zone anyway, and it would be plus or
200 SIMMS	24		minus ten, fifteen feet or something like that.
	25	0	Now, refer to Exhibit 3 and explain this,

dearnley-meier

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	1	A	Exhibit 3 is a seismic map which covers this field.
	2		The contours are on the Mississippian line, which is a
	3		good competent marker in the area, and from it, of
	4		course, we noted on our map, we add about 870 feet to
	5		proximate or Devonian points.
	6		But, you can see that we have a we show this as
	7		a northwest-southeast trending feature bounded on the
neie	8		southwest by down to the west fault. Of course, we
dearnley-meier	9		also show the eighty-acre proration unit as it would fit
arnl	10		this picture.
qe	11	Q	I notice on the legend of this plat that this was shown
VENTIONS 37103	12		by Empire Geophysical in 1959. Now, this seismic
DAILY COPY, CONVENTIONS , New Mexico 37103 2 87108	13		information was available to Mr. Hamon at the time he
AILY COPY NEW ME) 87108	14		drilled initial test wells, was it not?
וסאי, מאו מישיע מישיג	15	A	Yee, sir. That is my understanding.
TESTIN Quer Ew Me	16	Q	And this plat has simply been updated to March, 1969?
EXPERT 1 • A L BU Roue, N	17	A	Yes, sir.
TÉMENTS, I 243-6691 BUQUER	18	Q	Has the drilling of the subsequent wells tended to
S, STA HONE T • AL	19		substantiate the information as shown on this plat?
HEARING 1092 - P DG. EAS	20	A	Yes, sir. We feel that it has. And that, I call to
SITIONS, 0. BOX NK BL	21		your attention our well in 31 there. The datum on the
LIZING IN DEFOSITIONS, HEA MAS BLEGG P.O.O. BOX 106 NATIONAL EANK BLDG.	22		Mississippian line, that's 81.102 closely ties a side
SPECIALIZING IN 200 SIMMS BLEIG	23	ł	point there. We have of course, it has been a
SPECIA Jeb Str KiksT	24		from the discovery well, and the second well, of course,
	25		some adjustments could be made.

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	1	Q	Now, this shows the line of holes there that run up
	2		through 31 and 30 toward the northeast?
	3	А	Yes, sir.
	4	Q	Does that show a dip in that direction?
	5	A	Yes, sir, it does. What I would say is a fairly
• •	6		constant rate of dip, dipping from the high point there
5. 8	7		in 31, dipping to the northeast, likewise, a profile
neie	8		running due east from the high point there in 31. About
dearnley-meier	9		the same rate of dipping.
arn	10	Q	Now, in comparing Exhibit Number 2, which you have
de	11		already testified to, you used the correlation of the
IVENTIONS 87103	12		wells, as well as the seismic information in preparing
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	13		that plat, did you not?
АІLY СОРҮ, СОН NEW MEXICO 87108	14	A	Yes, sir.
(ОНУ, DA Que, P	15	Q	Now, both Exhibits 2 and 3, do they indicate that the
	16		proposed nonstandard unit eighty acres would be
2 C A A A A A A A A A A A A A A A A A A	17		productive?
TEMENTS, E 243-4691 .BUQUER0	18	A	From the information we have, it does not show that it
HEARINGS, STJ.T 1092 • PHONE 30. EAST • AL	19		would, no, sir.
DNS, HEARIN DOX 1092 € BLDC. EA	20	Q	Now, refer to Exhibit Number 4 and explain that.
POSITIONS, P	21	A	Exhibit 4, in conjunction with 3, really, we have
IK, DEP ⊏DC.+ 3 DNAL B	22		contoured the field on the subservice points, Devonian
SPECIALIZING IN, DEPOSITIONS, HEARINGS, STATEMENTS, 200 Simme ULDG. P.O. BOX 1092 • PHONE 243-068 PHIST NATIONAL HANK BLDG. EAST • ALBUQUE!	23		subservice points, as encountered in this well in the
SPECI 200 5 7 INST	24		area, and we have utilized our seismic map or the dips,
	25		at least, indicated to the east and northeast, to get

PAGE	2 5
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	1		away from the known subservice and speculate to the
	2		east and northeast.
	3	Q	And what would this indicate, then, as far as the
	4		proposed unit is concerned?
	5	A	Well, from our information, it indicates that neither
	6		of the forty-acre tracts would be productive. Certainly,
	7		the one closer to the field would perhaps be marginal,
	8		but from my information, we would think the Southwest
	9		of the Southwest of 29 would be below water.
	10		I will call to your attention the well drilled by
	11		Hank.
DAILY COPY, CONVENTICHS , NEW MEXICO 87104 3 87108	12	Q	That is the one in the picture?
	13	A	That's the one in 29. There appears to be some anomaly
LY COPY Ew Mey 7108	14		there. We don't as we show it. It could, of course,
ОНУ, DA! ZUE, Z XICO 8:	15		be to the northwest of the well, or perhaps it is faulted
XPERT TESTIMONY, E Albuquerque, Jue, New Mexico	16		away. I just don't know.
ЕХРЕЯТ 1.● А ГВ(2.0 ГЕ, №	17	Q	At any rate, all of your exhibits, 2, 3 and 4, would
ATEMENTS, E) E 243-6691 L BUQUERQ	18		indicate that anything for certain, that this eighty-
HGS, STAT • PHONE AST • AL	19		acre nonstandard unit would be productive; is that right?
ИЕАКІМС5, 51А 1092 • РНОИЕ DC. EAST • Al	20	A	We just don't believe that it would, no, sir.
л х с х с х с х	21	Q	Do you have any objection to the Applicants in this case
LIZING IN. DEPOSITIC Mms Blog. • 12.0, B National Hank	22		drilling a well on the Southeast quarter of the Southeast
SPECIALIZING IN 000 SIMMS BLOO 1145T NATION	23		of Section 30?
SPECIAL 200 SIA	24	A	No, sir.
	25	Q	But do you object to combining with that forty acres at

dearnley-meier

	r	
	1	this time, without the benefit of further drilling and
	2	further geological information, the Southwest Quarter
	3	of the Southwest Quarter of Section 29?
	4	A I would, yes, sir.
	5	MR. HINKLE: I believe that's all the direct.
	6	MR. UTZ: Questions of the witness?
» •	7	CROSS EXAMINATION
neie	8	BY MR. KELLAHIN:
ey-n	9	Q Mr. Casey, as I understand your position, is that none
dearnley-meier	10	of this eighty-acre tract would be productive from the
0 G	11	Devonian; is that correct?
v Entions 87103	12	A From my information, I don't believe it would.
TESTIMONY, DAILY COPY, CONVENTIONS querque. New Mexico 87103 ew Mexico 87108	13	Q And that is the reason that Jake Hamon, I assume, would
МІЦҮ СОРҮ NEW MEX 87108	14	not join in the drilling of a well on it; is that correct?
<mark>юну, ра</mark> н Que, n (Xico 87	15	A Sir?
	16	Q Or were you
EX7 EX7 € A 30 A T 30 C E 30	17	A I wasn't employed at that time, or when these negotiations
TEMENTS, EXI : 243-0691 • /	18	were going on, and I really didn't know about that.
5, 5TA 	19	Q You didn't participate in that decision? If it were
HEARING: 1092 € P; 00. EAS	20	presented to you today, what would your recommendations
OSITIONS, HEAL	21	be?
1. DEPOS 56.0 P.6	22	A I'm afraid I would have to turn it down.
CIALIZING IN: DE SIMMS BLEC:	23	Q But you do object to the owner of the operating rights
SPECIAL 200 SIM	24	under this Southeast and the Southeast of the Southwest
	25	of the Southwest of 29 drilling a well there? Is that

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	1	your position?
	2	MR. HINKLE: Or do you just object to the
	3	dedication of that one forty-acre tract?
	· 4	THE WITNESS: I don't think that Mr. Hamon would
	5	object to anyone drilling in the Southeast Southeast of 30.
	6	I mean, it's not our acreage so
	7	Q (Mr. Kellahin continuing) So you can't object?
1010	8	A No, sir. That's right. And I understand Mr. Gaertner's
c) - I	9	position, too, so
u 6 a 1 11 6) - 11 6 1 6 1	10	Q Mr. Hamon at the same time is not willing to dedicate
5	11	forty acres to this tract and participate in drilling a
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 57103 Ew Mexico 87108	12	well in Section 30?
	13	A I don't believe he would, no, sir.
ILY COP1 IEW ME1 7108	14	Q Now, you say there is kind of anomaly on the Roger
<mark>stimony, dail</mark> Erque, ne Mexico 87	15	Hanks well, according to your contours?
	16	A Yes. It would not appear to be anomaly on the contours
, EXPERT 1 ● ALBL RQUE, N	17	that were drawn by the witness for Mr. Hamon. No.
TEMENTS, E) 243-6691 ● BUQUERQ	18	Q That would adequately explain that?
IGS, STAT РНОИЕ \ST●AL	19	A Well
5, HEARIN × 1092 € Log, Ea	20	Q It's just a difference in interpretating?
OSITIONS, o. box Ank bl	21	A Yes, sir, it is. Of course, we have had the benefit of
IN: DEFO: Leic. Fr.		the seismic information on which to build our subsurface
SPECIALIZING IN. DEFOSITIONS, HEARINGS, STATEMENTS, 200 Simms Bloolarto. Box 1002.phone 243-660 First national Eank Bloc. East-Albuquei	23	map, and for that reason, we believe that the field is a
SPECI, 200 SI	24	northwest-southeast trending feature, and how we go about
	25	satisfying the subsurface point is encountered in

dogralov-moior

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PAGE	28
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	1	Mr. Hanks' well is this is the way we did it. It's
	2	a simple way to do it.
	3	Q The closest well you have to the Mobile tract would be
	4	the well in Section 31, I take it?
	5	A Yes, sir.
•	6	Q Is that a top allowable well?
	7	A I don't believe it is.
leie	8	Q And you would not anticipate that?
dearnley-meier	9	A It is our best well, but yes, sir, it is.
arnl	10	Q You would not anticipate that the Applicants in this
C C	11	case would get a top allowable well on the Mobile
NTIONS	12	acreage, either?
, CONVE	13	A No, sir, I would not.
DAILY COPY, CONVENTIONS NEW MEXICO 87103 0 87108	14	Q In fact, you wouldn't anticipate he would get a well?
	15	A It would be pretty marginal, I mean.
T TESTIMONY, U QUERQUE NEW MEXIC	16	Q In that event, it would cause no damage to Mr. Hamon,
EXPER 10 A L B 3 Q U E ,	17	would it? If your interpretation is correct, Mr. Hamon
TEMENTS, EX : 243-059161	18	could not be harmed in anyway?
STA O N E	19	A That's right.
HEARIN 1092 - F	20	MR. HATCH: May I ask
DSITIONS. .o. Box Ank Blu	21	CROSS EXAMINATION
Нь DEPO 106.• 2. МАЦ 13.2	22	BY MR. HATCH:
SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, 200 Simms Blidg., P.O. Box 1092, PHONE 243-060 Pirst national, Dank Blog. East albuquer	23	Q What acreage is dedicated to the Jake Hamon number two?
SPECIA 200 st FIRS F	24	A Sir, I am not positive about that at all.
	25	Q What about number one?

.

	1	A I don't know.
	2	Q It is your testimony the acreage just to the north of
	3	the Mobile acreage would not be productive?
	4	A We don't believe so, no, sir.
	5	Q And that means part of the acreage to the west of the
	6	Mobile acreage would not be productive?
	7	A That's right.
lei	8	MR. HATCH: That's all.
ey - 1	9	MR. KELLAHIN: Could I ask another question on that,
dearnley-meier	10	please?
СС	11	MR. UTZ: Yes, sir.
ENTIONS 103	12	RECROSS EXAMINATION
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	13	BY MR. KELLAHIN:
15 X CO 7:08	14	Q In line with the questions just asked by Mr. Hatch, you
ONY, DA Oue: 7	15	say you don't know which way those units run, but with
RT TESTIMONY, D D C O C E R O U E N E M E X I C O	16	eighty-acre spacings in this pool, they would have to
A ⊂ F ■ A ⊂ F ■ A ⊂ F ■	17	run east and west, would they not?
TRAENTS, E 543-0091	18	A Yes, that's correct. Yes, sir.
(65, 51AT PHONC 51 ♦ AL	19	Q And by your own interpretation, you have dedicated dry
	20	acreage to both wells?
SSITIONS, So BOX, Adma BL	21	A That's quite possible. It is as we stated, both those
SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, 2015 SIMMS BLDG 17.0. BOX 1092-PHONE 243-069	22	wells make a lot of water, so it is true that we would
CIALIZING I SIMM5 BL	23	like to have something better.
SPECIA 2004 St 7145 T	24	Q Wouldn't we all.
	25	MR. UTZ: Are there other questions?

1		MR. HINKLE: I have no further questions.
2		CROSS EXAMINATION
3	BY MR	. UTZ:
4	Q	Mr. Casey
5	A	Yes, sir.
6	Q	on one hand, you seem to be very positive that they're
7		not going to get a well here. On the other hand, you're
8		here objecting, which would lead me to surmise that you
9		are not so sure they're not going to get a well. If they
10		don't get a well, you can't be hurt; is that right?
11	А	The thing that I think we're primarily objecting to is
12		dedicating the Southwest of the Southwest to that well,
13		because from our information, certainly, it would be
14		dry acreage, yes, sir.
15	Q	But if they don't get a well, it wouldn't make any
16		difference whether they dedicated it or not?
17	А	Yes, sir, that's right. I guess I'm just enough a
18		gambler I would be willing to gamble, but still, pretty
19		low.
20	Q	You're just enough of a geologist and an oil man that
21		you suspicion that you might be wrong, too, aren't you?
22	А	Yes, sir, that's right.
23	Q	The uncertainties in the oil business are just that way.
24	A	Yes,
25	Q	You're right. Now, Mr. Hamon has had the opportunity on
	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	2 3 BY MR 4 Q 5 A 6 Q 7 A 8 - 9 - 10 A 11 A 12 - 13 - 14 - 15 Q 16 - 17 A 18 - 19 Q 20 Q 21 A 22 A 23 Q 24 A

		PAGE 31
	1	numerous occasions to join in the unit voluntarily?
	2	A Sir, that's what I understand since I've come in here
	3	this morning. Now, I did not know that Mr. Gaertner
	4	had submitted it to us, but as I say, I wasn't working
	5	for Mr. Hamon in '70, but I'm sure that's perfectly
	6	all right.
7	7	MR. UTZ: Are there other questions of the witness?
19191	8	You may be excused. Statements in this case?
By-II	9	MR. HINKLE: I would like to make a statement.
dearnley-meier	10	MR. MARCUM: You go ahead.
E E	11	MR. UTZ: No. I think it's your turn to make them
1 TIONS 03	12	first, and then the people that are involved in this hearing
CONVENTI	13	will make the last statement.
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87106	14	MR. MARCUM: My name is Gordon Marcum, director of
<mark>алу, ра</mark> ц Оче, Ne Sxico 87	15	oil and gas for the State Land Office. State Land Office's
TESTING OUERO Ev Mey		position is, of course, that if the OCC did grant this non-
נאבר. בכר ד	-	standard unit, it would not be in the best interest of the
	18	State of New Mexico, due to the fact that you would be holding
S, STATE Hone 2 T - Alb	19	acreage beyond its primary term.
051TIONS, HEARING: .0. Box 1092.4P1	20	With such a well, our records reflect that the
u tions, i 0, Bo X NK BLC	21	Southwest of the Southwest of Section 29, 16 South, 36 East,
1, DEPOS 06.+ ₽.0 4 AE P.4	22 22	is held by the state's lease K1440, which expires May 16th,
SPECIALIZING IN, DEPOSITIONS, HEARINGS, STATEMENTS, 2005 Simms Blog.+ F.O. Box 1092+Phone 243-669 2013 National Fank Blog. Fast+AlbuoueF	23	1971. We would strongly urge the New Mexico Oil Conservation
SPECIAL SPECIAL	24	Commission to continue its policy of not granting a nonstandard
		unit of cross section lines, especially in this case, since

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32 PAGE it concerns state interest, the State of New Mexico, t withholding acreage beyond its primary term without any 2 drilling in it. That's all I have. 3 MR. UTZ: Other statements? Did you have a 4 statement, Mr. Hinkle? 5 MR. HINKLE: Yes, I would like to make a very brief б statement here. 7 dearnley-meier It is Mr. Hamon's position in this case that he has 8 no objection and cannot object to the drilling of a well by 9 the owner of a farmout of acreage in the Southeast Quarter of 10 the Southeast Quarter of Section 30, but due to the geological 11 SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTION information which Mr. Hamon has, and which he has drilled all 12 NEW MEXICO 87:03 87108 of the wells on, and which has been borne out by the drilling 13 of his wells, the well drilled on the Southeast Southeast 14 JOUERQUE. would probably be a marginal well. 15 And if that should be the case, then I think it is 16 • ALBU too early for the Commission to determine the acreage that 17 243-669 BUQUEF should be dedicated to that well. It is eighty acres at all. 18 1092 • PHONE • A L Now, I call the attention of the Examiner to the 19 EAS special rules that have been adopted for the East Shoe Bar 20 178 80 X Devonian Pool. Rule Two provides that each well presently 21 ġ 200 SIMMS BUDG. drilled to or completed in the East Shoe Bar Devonian Pool 22 or the Devonian Formation of one mile there shall receive a 23 47 24 forty-acre allowable. Just say I call your attention to 25 Section Two of the Rules,

AGE 33

Now, that to me indicates that before the
 Commission dedicates acreage, the well ought to be drilled,
 and then after it is drilled, it should find a form dedicating
 the acreage.

Now, I don't think that in a case like this where
your geologists are up in the air, so-to-speak, and so
uncertain, that the Commission should attempt to dedicate
acreage in advance of drilling.

Now, if they should get a good well there, why,
I'm sure Hamon would not oppose, and they could show that this acreage is high, and it is productive, but it would not oppose
it. But I think it would be a mistake for this Commission
to go ahead and advance in a case of uncertainty of this kind
to dedicate acreage that is likely to be dry. That's all I
have.

MR. UTZ: Mr. Kellahin?

17 MR. KELLAHIN: If the Examiner please, we have got several items here. I wasn't expecting the opposition of the 18 19 State Land Office, but I think I understand their position. 20 However, in that connection, I would point out that the State of New Mexico, through its Land Office, is entered 21 into a contract, in the spacings in this particular pool has 22 no bearing on provisions of that contract. 23 24 Now, whether this is going to hold a lease or not

25 hold a lease is no concern to the Oil Conservation Commission.

dearnley-meiar SPECIALIZING INL DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

202 SIMMS BLDC. + 3.0. BOX 1002-PHONE 242-6601-ALBUQUERQUE. NEW MEXICO 87103 PHOST NATIONAL BANK BLDC. EAST-ALBUQUERQUE, NEW MEXICO 87103

It has nothing to do with those leases. It could have just as 1 well been a federal lease or a fee lease so the position of 2 the State Land Office that this is going to hold a lease is 3 not well taken.

Leases are being held all over the State of New 5 Mexico, or all over southeastern and northwestern New Mexico, б but production from acreage attributed to wells, and whether 7 the well is on a particular lease or on another lease dedicated 8 to the same unit is immaterial. 9

10 So I don't think there is really any basis for the 11 Land Office position.

12 Now, Mr. Hinkle would have us drill the well and then dedicate the acreage, which indicates he is not familiar 13 14 with the rules of this Commission, which require the filing 15 of a plat and the dedication of the acreage prior to the 16 drilling of the well.

17 We are familiar, of course, with the rules of the 18 Shoe Bar Devonian Pool, the East Shoe Bar, which required 19 eighty-acre spacing, and as our witness has shown, he has 20 attempted to form a standard eighty-acre unit, and that has 21 been without success.

22 Now, of course, Mr. Hamon would be happy to see him 23 go ahead and drill a forty-acre tract. He couldn't stop him 24 from drilling on the forty-acre tract, because our rules would 25 not permit anything else.

SPECIALIZING IN: DEI'OSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS NEW MEXICO 87103 87108 • ALBUQUENQUE. QUE, NEW MEXICO QUE. 243-869 BUDUE 1092 • PHONE 4 ö x o a В DG. • P.O. NATI MMS

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35 PAGE

At the same time, from the economic point of view, 1 what operator in an eighty-acre space pool is going to drill a 2 speculative well to the Devonian Formation and yet get a 3 forty-acre allowable? This is the position that the Applicant 4 is in. He can't get the acreage in Section 30. He can get 5 the acreage in Section 29, and in order to recover his just 6 and fair share of the oil and gas underlying this pool, he 7 should be permitted to dedicate the acreage in the two 8 sections. He has made an effort to form a standard unit. He 9 could not. He can't force it, and he can't get any cooperation 10 or anybody to participate in drilling of the well. 11

Now, by the witness's own testimony, he takes the position -- and as I understand Mr. Hinkle's statement, they oppose the dedication of the Southwest of the Southwest of 29 to the well for the reason that it is dry acreage, and yet, by their own interpretation, they have dedicated approximately half of two eighty-acre units, which is dry, to producing wells in this same pool, if their interpretation is correct. Further, if their interpretation is correct, why, 19

the whole production would be academic, because we would get a dry hole anyway.

MR, HINKLE: May I say one more word?

MR, UTZ: Sure.

MR. HINKLE: As I understand it, it has been the

25 policy of the Commission not to cross section lines in creating

dearnley-meiel

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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 209 SIMMS BLDG., P.O. BOX 1022-PHONE 243-6691-ALBUQUERQUE. NEW MEXICO 87103 Filicy national fiank bldg. East-albuquerque, new mexico 87108

36 nonstandard units. I suspect there have been a few 1 exceptions, but --2 MR. UTZ: There are. 3 MR. HINKLE: -- in this case, you won't cross 4 section lines there to create an eighty-acre standard unit, 5 and I don't think that -- I think that the Commission's 6 general policy in that connection is good, that it ought to be 7 dearnley-meiel confined to it, and where there is 160-acre spacing to the 8 section in which the well is located, and that is simply 9 another reason why that Mr. Hamon objects to adding this 10 acreage to the Southeast of the Southeast of that. 11 SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS MR. UTZ: Mr. Marcum, would the Land Office's 12 209 SIMMS BLDG., P.O. DOX 1092.0PHONE 243-6691.0LBUQUERQUE. NEW MEXICO 87103 PHAST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108 position be the same if Major, Giebel and Forster got a top 13 allowable well? 14 15 MR. MARCUM: Got a top allowable well? MR. UTZ: Yes. 16 17 MR. MARCUM: Yes, sir. Under our contract, we realize -- we're looking for explorations and production as 18 19 hard as anyone else, because it means a lot to the state, but on the other hand, we hate to see someone go through the back 20 21 door. Of course, as Mr. Kellahin says, it is irrelevant to the Oil Conservation Commission how it is done, but --22 23 MR, UTZ: This back door has been used quite a bit. 24 though, hasn't it, Mr. Marcum? 25 MR. MARCUM: Probably so. We would like to see it

PAGE

PAGE

drilled on the Southwest Southwest, though. MR. UTZ: Other witnesses? Are there other statements? Case will be taken under advisement. MR. HATCH: We have another telegram. We'll open the record for this. "The New Mexico Oil Conservation Commission, in reference to Case 4519, March 31st, '71, attention to E. L. Porter. Mobile concurs with the request that Major, Giebel and Forster for eighty-acre nonstandard unit in the East Shoe Bar Devonian." I don't think that word belongs in here. SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXMERT TESTIMONY, DAILY COPY, CONVENTIONS "For a well to be drilled in the Southeast of the 200 SIMMS BLDC., P.O. BOX 1092.0PHONE 243.0001.0ALBUQUERQUE. NEW MEXICO 87103 FINST NATIONAL BANK BLDC, EAST-ALBUQUERQUE, NEW MEXICO 87108 Southeast, Section 30, 16 South, 36 East. Ira B. Stitt, Mobile Oil Company."



			PAGE	38
	1	<u>INDEX</u>		
	2	WITNESS		PAGE
	3	EARL E. GAERTNER		
	4	Direct Examination by Mr. Kellahin		2
	5	Cross Examination by Mr. Utz		1 2
	6	Cross Examination by Mr. Hinkle		12
- -	7	Recross Examination by Mr. Utz		15
2 2 2	8	JOHN E. CASEY		
5	y	Direct Examination by Mr. Hinkle		19
	10	Cross Examination by Mr. Kellahin		26
3	11	Cross Examination by Mr. Hatch		28
VENTIONS 87103	12	Recross Examination by Mr. Kellahin		2 9
r, сонче XICO 87	13	Cross Examination by Mr. Utz		30
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	14			
ОНҮ, DA QUE, N XICO 8	15			
	16			
SPOSITIONS, HEARINGS, STATEMENTS, EXPERT 19.0. Box 1092 ● PHONE 243-6691 ● ALBU BANK BLDC. EAST ● ALBUQUERQUE, NI	17	EXHIBIT MARKEI	<u>D</u>	OFFERED AND ADMITTED
51ATEMENTS , one 243-669 • Albu que;	18	Applicant's Exhibits 1, 2 and 3		12
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SPECIA 209 SIN FIRST	24			
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39 PAGE STATE OF NEW MEXICO 1) SS) 2 COUNTY OF BERNALILLO) 3 I, LINDA MALONE, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify 4 5 that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by 6 me and that the same is a true and correct record of the said 7 dearnley-meier 8 proceedings, to the best of my knowledge, skill and ability. 9 1 cui 10 Court Reporter 11 SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 12 I●ALBUQUERQUE, NEW MEXICO 87103 IQUE, NEW MEXICO 87108 13 14 15 16 EAST • ALBUQUERQUE, 17 SIMMS BLDC. P.O. BOX 1092 PHONE 243-4691 St national Gank BldG, East Albuquer 18 19 20 21 i de benefit antige det de frege 22 a designation and the state of the second A REAL PROPERTY OF THE PROPERT 23 201 24 a state A states 25



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO P. O. BOX 2038 - SANTA FE 87501 GOVERNOR BRUCE KING CHAIRMAN

LAND COMMISSIONER ALEX J. ARMIJO MEMBER

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

April 9, 1971

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

Re: Case No. 4519 Order No. R-4131 Applicant:

Major, Giebel & Forster

Dear Sir:

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

Very truly yours, a.L.C Jorler On

A. L. PORTER, Jr. Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

Other_____Mr. Clarence Hinkla

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. 4519 Order No. R-4131

APPLICATION OF MAJOR, GIEBEL 4 FORSTER FOR A NON-STANDARD UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 31, 1971, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this <u>9th</u> day of April, 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, Major, Giebel & Forster, is the operator of leases comprising the SW/4 SW/4 of Section 29 and the SE/4 SE/4 of Section 30, Township 16 South, Pange 36 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks approval of an 80-acre nonstandard oil proration unit in the East Shoe Bar-Devonian Pool comprising the above-described acreage to be dedicated to a well to be drilled at a standard location in the SE/4 SE/4 of said Section 30.

(4) That said SW/4 SW/4 of Section 29 comprises all of the interests in said Section 29 operated by the applicant.

(5) That said SE/4 SE/4 of Section 30 comprises all of the interest in said Section 30 operated by the applicant.

-2-CASE NO. 4519 Order No. R-4131

(6) That attempts to pool said SE/4 SE/4 of Section 30 with other lands in Section 30 on a voluntary basis in order to form a standard 80-acre proration unit in Section 30 have been unsuccessful.

(7) That the entire non-standard oil promation unit requested by the applicant may reasonably be presumed to be productive of oil from the East Shoe Bar-Devonian Pool and can be efficiently and economically drained and developed by the aforesaid well.

(8) That approval of the 80-acre non-standard oil proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the oil in the East Shoe Bar-Devonian Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

<u>ZT IS THEREFORE ORDERED</u>:

(1) That an 80-acre non-standard oil proration unit in the East Shoe Bar-Devonian Pool comprising the SW/4 SW/4 of Section 29 and the SE/4 SE/4 of Section 30, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to a well to be drilled at a standard location in the SE/4 SE/4 of said Section 30.

(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

nuce Ning BRUCE KING, Chairman

fi e a 1.251 ALEX J. ARMIJO, Member 1 h. Lota

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

(cerel 5/9 Heard 3-7-1-71 Rec. 1-1-71 Arant MA + Fisneques for a non fthe prostion emit decoron a sition line. The cont is the SESE seco 30 and ther SW SW sec. 29- Hoth in 165-36 E. Lea Co. Jake L. Hamon opposed this cure. However he had every opportun-Mr. S. F. Why a pooleng aggreemente and had refused to do lao. Allo LoFos only alternative to protect their correlation nights Liste form the's cerit. Althe emitter not formela will will perbably not be dulled. I belief a coll should be dillet in order to evaluate The acreage on protect conclotus rights and prevent waste goil should the cereage be peoduction Thank the

Docket No. 7-71

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 31, 1971

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 4353: (Reopened)

In the matter of Case 4353 being reopened pursuant to the provisions of Order No. R-3963, which order established 160-acre spacing units for the Tres Papalotes-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 less than 160-acre spacing units.

- CASE 4516: Application of Sun Oil Company for a unit agreement, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pot Mesa Unit Area comprising 8,423 acres, more or less, of state and federal lands in Sections 2, 3, 7 through 11, and 15 through 22, Township 20 North, Range 6 West, McKinley County, New Mexico.
- CASE 4517: Application of Midwest Oil Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Federal J Com Well No. 1 at an unorthodox gas well location 660 feet from the South and West lines of Section 21, Township 18 South, Range 24 East, North Antelope Sink-Morrow Gas Pool, Eddy County, New Mexico.

CASE 4519:

19: Application of Major, Giebel & Forster for a non-standard unit, Lea County, New Mexico. Applicants, in the above-styled cause, the approval of an 80-acre non-standard oil proration unit commuting the SW/4 SW/4 of Section 29, and the SE/4 SE/4 of Section 30, all in Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico, to be dedicated to a well to be drilled in said SE/4 SE/4 of Section 30.



Docket No. 7-71

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- CASE 4518: Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the Vaca Draw Unit Area comprising 7680 acres, more or less, of State, Federal, and fee lands in Township 25 South, Range 33 East, Lea County, New Mexico.

CASE 4519:

9: Application of Major, Giebel & Forster for a non-standard unit, Lea County, New Mexico. Applicants, in the above-styled cause, the approval of an 80-acre non-standard oil proration unit comprising the SW/4 SW/4 of Section 29, and the SE/4 5E/4 of Section 30, all in Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico, to be dedicated to a well to be drilled in said SE/4 SE/4 of Section 30.

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RE: STATE OF NW MXICO LEASE K-1440=:NSOFAR AS IT COVERS SW/4SW/4 SECTION 29 TOWNSHIP 16 SOUTH, RANGE 36 EAST LEA COUNTY, NEW MEXICO=

THIS IS TO CONFIRM THAT UNITED STATES SMELTING REFINING AND MINING COMPANY HAS AGREED TO ASSIGN THIS LEASE TO YOU. AS TO THIS PARTICULAR TRACT. ASSIGNMENT PRESENTLY BEING EXECUTED AND WILL BE FURNISHED SHORTLY= WUT H L STONESTREET= U. S. SMELTING REFINING & MINING CO==

BEFORE EXAMINER UTZ CIL CONSERVATION COMMENTS CAPUCAT EXHIBIT NO. ___ ASE NO. 45

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

> > Cur 4519

IN THE MATTER OF THE APPLICATION OF MAJOR, GIEBEL & FORSTER FOR APPROVAL OF A NON-STANDARD UNIT, EAST SHOE BAR-DEVONIAN POOL, LEA COUNTY, NEW MEXICO

APPLICATION

Come now Major, Giebel and Forster and apply to the Oil Conservation Commission of New Mexico for approval of a non-standard unit in the East Shoe Bar-Devonian Pool, Lea County, New Mexico, as an exception to the provisions of Commission Order No. R-3586, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and operate a well in the Devonian formation in the SE 1/4 SE 1/4 of Section 30, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

2. Applicant has been unable to pool its acreage with the offsetting owners in Section 30, Township 16 South, Range 36 East, to form a standard unit, and therefore proposes to form a non-standard unit consisting of the SW 1/4 SW 1/4 of Section 29 and the SE 1/4 SE 1/4 of Section 30, both in Township 16 South, Range 36 East, consisting of 80 acres more or less.

3. Under the pool rules for the East Shoe Bar-Devonian Pool, contained in Order No. R-3586, a standard unit for the pool consists of an 80-acre tract composed of the N/2, S/2, E/2 or W/2 of any governmental quarter section, and an exception to this rule is necessary to permit applicant to drill and develop his acreage.

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4. Approval of this application is in the interests of conservation and the prevention of waste, and correlative rights will not be impaired.

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

Respectfully submitted, MAJOR, GIEBEL & FORSTER

By Ann W, Kellahi Kellahin & Fox P. O. Box 1769 Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFI GMH/dr

BEFORE THE DIL 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. 4519 Order No. R-4131

APPLICATION OF MAJOR, GIEBEL & FORSTER FOR A NON-STANDARD UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on <u>March 31</u>, 1971, at Santa Fe, New Mexico, before Examiner <u>Elvis A. Utz</u>.

NOW, on this ______ day of <u>April</u>, 1971, the Commission, a guorum 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 thereot.

(2) That the applicant, Major, Giebel & Forster, is the owner Uases Uases Uases Uases comprising among other lands, the SE/4 SE/4 of Section 30, Township 16 South, Range 36 East, NMPM, Lea County,

New Mexico.

(3) That the applicant seeks approval of an 80-acre nonfind Devouin for standard oil proration unit in the Shoe Bar-East Pool comprising the above-described acreage to be dedicated to a well to be drilled at a standard location in the SE/4 SE/4 of said Section 30. -2-CASE NO. 4519 Order No. R-

(5) That said SE/4 SE/4 of Section 30 comprising all of the interest in said Section 30 comprising the applicant.

(5) That attempts to pool said <u>S644 S6/4 g belini 3 ð</u> with the <u>other lock in growi</u>d Section 30 on a voluntary basis in order to form a standard 80-acre proration unit comprising the <u>SE/4 SE/4 of said</u> Section 30 have been unsuccessful.

(ϕ) That the entire non-standard oil proration unit requested by the applicant may reasonably be presumed to be productive of oil from the East Shoe Bar-Devonian Pool and can be efficiently and economically drained and developed by the aforesaid well.

That approval of the 80-acre non-standard oil proration unit as requested by the applicant will afford the applicant the opportunity to produce its just and equitable share of the oil in the East Shoe Bar-Devonian *pool*, will prevent the economic lcss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an 80-acre non-standard oil proration unit in the East Shoe Bar-Devonian Pool comprising the SE/4 SE/4 of Section 30, Townsnip 16 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to a well to be drilled at a standard location in the SE/4 SE/4 of said Section 30. -3-CASE NO. 4519 Order No. R-

(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. CASE 4520: Application of SHENANDOAH OIL CORPORATION FOR A WATERFLOOD PROJECT, EDDY COUNTY.

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