

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

Case Number
4519

Application

Transcripts

Small Exhibits

ETC.



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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 31, 1971
EXAMINER HEARING

IN THE MATTER OF:
Application of Major, Cleveland
and Forster for a Nonstandard
Unit, Lea County, New Mexico.

Case No. 4519

TRANSCRIPT OF HEARING

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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
 7 Applicant. We have one witness.

8 MR. HINKLE: Mr. Examiner, Clarence Hinkle,
 9 Hinkle, Bondurant, Cox and Eaton, appearing on behalf of
 10 Jake Hamon.

11 MR. UTZ: Are there other appearances? Are you
 12 going to have any testimony, Mr. Hinkle?

13 MR. HINKLE: Yes, we will.

14 MR. UTZ: Do you have a witness that can be sworn
 15 at this time?

16 MR. HINKLE: Yes. We have Mr. John Casey.

17 (Witnesses sworn.)

18 EARL E. GAERTNER

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

21 DIRECT EXAMINATION

22 BY MR. KELLAHIN:

23 Q Would you state your name, please.

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
- 5 Commission in one of its examinations?
- 6 A No. I have not.
- 7 Q For the benefit of the Examiner, will you briefly outline
- 8 your education and experience as a geologist?
- 9 A Yes. I have had five years of academic training at the
- 10 University of Oklahoma, and eighteen years of experience
- 11 as a geologist and geophysics in the west Texas and
- 12 southeast New Mexico.
- 13 Q And in connection with your work as a consulting
- 14 geologist, have you had anything to do with the area
- 15 that is involved in the case presently before the
- 16 Examiner?
- 17 A Yes, sir, I have.
- 18 Q Have you examined this area as a geologist?
- 19 A Yes, I have.
- 20 MR. KELLAHIN: Are the witness's qualifications
- 21 acceptable?
- 22 MR. UTZ: Yes, they are.
- 23 Q (Mr. Kellahin continuing) Mr. Gaertner, briefly what is
- 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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1 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.

5 Q And that would be Southeast of the Southeast of Section
 6 30, and the Southwest of the Southwest of 19, Section 29,
 7 in 16 South, 36 East?

8 A That's correct.

9 Q And that is in the East Shoe Bar Devonian Pool?

10 A That's correct.

11 Q Now, refer to what has been marked the Applicant's
 12 Exhibit Number 1. Would you identify that exhibit, please?

13 A All right. Exhibit Number 1 is a land plat of the area,
 14 showing the position of the Mobile acreage, the U. S.
 15 Smelting acreage, the offset Jake L. Hamon, the Ralph
 16 Lowe acreage.

17 Q And insofar as you know, that correctly reflects the
 18 present lease ownership in this area; is that right?

19 A Yes.

20 Q Now, referring to what has been marked as the Applicant's
 21 Exhibit Number 2, would you identify that exhibit?

22 A Exhibit Number 2 is a contoured Devonian map of the
 23 subject area.

24 Q Has it likewise reflected the lease ownership insofar as
 25 you know it?

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1 A Yes, it does.

2 Q Mr. Gaertner, you stated that you were familiar with
 3 this application. Did you have anything to do with the
 4 efforts to form a standard unit, in the present
 5 proposal to form a nonstandard unit?

6 A Yes, I did.

7 Q Would you describe for the benefit of the Examiner just
 8 what you were doing in connection with the formation of a
 9 standard unit in this area?

10 A Late in the fall of 1970, I approached Mobile for a
 11 farmout in this acreage. Mobile indicated their
 12 willingness to farm out. At the same time, I realized,
 13 of course, that I would have to have another forty-acre
 14 tract, in order to make this a standard drilling tract
 15 of eighty acres. Knowing that Jake L. Hamon was the
 16 offset operator in here and controlled the offset
 17 acreage, I approached Bob Spear at that time and asked
 18 Bob whether Jake L. Hamon would be receptive to a farmout
 19 request.

20 Q Who is Bob Spear?

21 A Bob Spear is a district geologist at Midland. I believe
 22 this is the proper title.

23 THE WITNESS: Is this right, John?

24 MR. CASEY: District geologist, right.

25 Q In Midland? For Jake L. Hamon?

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1 A In Midland for Jake L. Hamon. Bob indicated to me that
 2 they felt that the field was fully developed, and
 3 therefore, would not be interested in seeing any further
 4 development drilling in this area. He did say that he
 5 would forward a letter if I cared to send in a letter
 6 of request to the Dallas office. But he said, "I can
 7 offer you no encouragement whatsoever." In the meantime,
 8 the acreage was farmed out. Well, about three weeks
 9 later, I went back and talked to Bob again, and the same
 10 conversation transpired at that time. He still could
 11 offer no encouragement and nothing that he -- he did
 12 not put the stamp of approval on it. I did not feel that
 13 there was any point in sending it on to Dallas.

14 In the meantime, the acreage was farmed out to
 15 another party.

16 Q Now, what acreage are you talking about?

17 A The Mobile acreage. The acreage in the Southeast
 18 Southeast of Section 30. I dropped the deal at that
 19 time until the first of the year, and I realized that
 20 the acreage had not been drilled, so I checked again to
 21 see for what reason the acreage had not been drilled,
 22 and found out that for various reasons, the person who
 23 had acreage under farmout was not able to get a test
 24 drilled in there.

25 I went back to Mobile at this time and asked them

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

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

23 Therefore, they would not consider a farmout request
24 either.

25 At the same time that I had been communicating

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1 with Mobile, I had also been communicating with U. S.
 2 Smelting Refining and Mining in Salt Lake City, and had
 3 asked them for support for a well, still hoping, of
 4 course, that I would be able to negotiate some sort of
 5 trade with the other people, that as I mentioned, having
 6 reached really a stalemate and, of course, been given
 7 no encouragement whatsoever.

8 Ultimately, the situation then resolved into the
 9 one that we're looking at now, where U. S. Smelting and
 10 Mining and Refining, or Refining and Mining, said that
 11 they would assign me a forty-acre tract to combine with
 12 the Mobile forty-acre tract.

13 Q Now, do you have an exhibit showing this agreement?

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

15 Q Exhibit Number 3?

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

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

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

22 Q Now, has the Applicant considered the possibility of
 23 bringing a forced pool action to form a standard unit
 24 in this area?

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

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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
 7 of sharing the cost?

8 A That's correct.

9 Q And you're talking about a forced pool action wherein
 10 Major, Giebel and Forster would carry the cost of the
 11 well?

12 A Yes. Yes, that's right.

13 Q Now, you say this is not economically feasible?

14 A We do not feel that it would be.

15 Q And is Major, Giebel and Forster willing to assume the
 16 risk of drilling a well under those circumstances?

17 A No.

18 Q They would not drill it?

19 A No.

20 Q Are they willing to join with the Hamon interest and
 21 share the cost of drilling a well on this acreage?

22 A Not at this point, because we have a forty-acre tract
 23 now coming from U. S. Smelting.

24 Q So you are now asking them for a nonstandard unit?

25 A That's right.

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1 Q Now, referring back to Exhibit Number 2, again, would
 2 you discuss the information shown by the contours on
 3 that exhibit?

4 A Yes. Now, as I previously mentioned, the Hamon
 5 representative, Mr. Spear, and the Ralph Lowe representa-
 6 tive, Mr. Franzil, both indicated that they feel like
 7 that this particular location would be undesirable,
 8 since it would be structurally low. My interpretation,
 9 as you will note, contradicts this.

10 We have a control point over in Section 29, the
 11 Roger Hanks well, with a minus datum of minus 9,093,
 12 which we believe pulls the contours out in that direction.
 13 And because of this fact, we believe that this is a
 14 desirable location in the Southeast Southeast of
 15 Section 30, and it should be drilled.

16 Q Now, in your opinion, is all the acreage that would be
 17 included in the nonstandard unit productive from the
 18 Devonian Formation?

19 A Yes.

20 Q And you would not be committing any dry acreage; is that
 21 correct?

22 A No. No. As you will note on Exhibit 2, I have placed
 23 an oil-water contact, based on -- I should say this will
 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
 9 nonstandard unit consisting of eighty acres as shown?
- 10 A Yes, I do.
- 11 Q Do you have anything else to add, Mr. Gaertner?
- 12 A I don't believe that I do at this time. I think this
 13 presents our position very well.
- 14 Q Were Exhibits 1 and 2 prepared by you or under your
 15 supervision?
- 16 A Yes.
- 17 Q And Exhibit 3 is a copy of a telegram received by you;
 18 is that --
- 19 A Yes.
- 20 Q -- from U. S. --
- 21 A From U. S. Smelting.
- 22 Q -- Smelting?
- 23 A Salt Lake City.
- 24 Q All right.
- 25 MR. KELLAHIN: At this time, I would like to offer

1 in evidence Exhibits 1, 2, and 3.

2 MR. UTZ: Without objection, Exhibits 1, 2 and 3
3 will be entered into the record of this case.

4 (Whereupon, Applicant's Exhibits
5 1, 2 and 3 were duly admitted
into evidence.)

6 MR. KELLAHIN: That completes the direct
7 examination.

8 CROSS EXAMINATION

9 BY MR. UTZ:

10 Q Mr. Gaertner, this pool has special pool rules, Order
11 R3586; is that correct?

12 A Yes.

13 Q And it is eighty-acre spacing?

14 A That's correct.

15 Q So you are attempting to form an eighty-acre unit,
16 rather than to have forty-acre nonstandard unit?

17 A That's right. Right. Forty-acre.

18 Q The reason for this is assistance in drilling the well,
19 as well as allowable, after it is drilled?

20 A Yes. Okay.

21 MR. UTZ: Other questions?

22 MR. HINKLE: Yes. I have a few questions here.

23 CROSS EXAMINATION

24 BY MR. HINKLE:

25 Q Mr. Gaertner, I take it from your testimony that this

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- 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 A No.
- 7 Q What is the line through it on it?
- 8 A Well, this is a fault. It is a geological interpretation
- 9 based on the displacement between the two wells, or
- 10 we might say, the three wells, in Section 31.
- 11 Q And the one well?
- 12 A And the one located in the Southwest Quarter, where we
- 13 see approximately 500 feet of displacement.
- 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
- 19 seismic information?
- 20 A No, no.
- 21 Q Now, your plat, I believe, shows that the acreage
- 22 immediately to the north of the Mobile forty, in which
- 23 you propose to drill is owned two-thirds by Hamon, and
- 24 one-third by Ralph Lowe?
- 25 A This was my understanding. I have found since then there

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- 1 is -- I do have some information that that is not quite
 2 correct, but this was the information given to me.
- 3 Q Now, that forty would be better located, if your
 4 structural information is correct, than the forty -- the
 5 U. S. Smelting Company, would it not?
- 6 A Approximately the same. It would, of course, as I
 7 depict, it would be more favorable.
- 8 Q And if you had filed an application for forced pooling of
 9 this forty, Hamon would probably have had to pay penalty,
 10 would it not?
- 11 A Yes.
- 12 Q So wouldn't you be in better position to do that than go
 13 in this route?
- 14 A Well, this goes back to my statement awhile ago. We had
 15 considered this, and we just felt like it wasn't
 16 economically feasible.
- 17 Q Looks like it would be more economically feasible based
 18 on the performance of the three wells that are in the
 19 field. How did you determine the probable oil-water
 20 contact that you showed on this Exhibit 2?
- 21 A This was determined both from perforations and drill stem
 22 test information at the time that each well was completed.
- 23 Q You're talking about the Hamon producing well?
- 24 A The Hamon producing wells and also the dry holes in there,
 25 such as the Humble well located in Section 31, where they

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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
 7 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
 12 examination.

13 RE CROSS EXAMINATION

14 BY MR. UTZ:

15 Q Mr. Gaertner, had you brought a forced pooling test
 16 against Hamon and Lowe for the forty acres to the north
 17 of the forty acres in question here, and had the
 18 Commission granted this forced pooling, they would have
 19 probably granted you some kind of a penalty. And is it
 20 my understanding that the reason this would not be
 21 satisfactory to you would be because probably they would
 22 not furnish the money to help you drill the well, but you
 23 would have to carry them with the penalty?

24 A That's correct.

25 Q Is my understanding correct?

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- 1 A That's right.
- 2 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 A 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 into 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

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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.

7 THE WITNESS: When I talked to Mr. Stonestreet
 8 Monday morning, he was in New York City, and he said it had
 9 been executed, and was being sent back to Salt Lake City, and
 10 that it should be in my office maybe tomorrow, but it had to
 11 be sent to New York City for execution.

12 Q (Mr. Utz continuing) And they will get a production
 13 payment?

14 A No. They are just assigning to me. Since they weren't
 15 going to do anything at all with the acreage, they are
 16 assigning to me.

17 Q Well, they are going to get something out of the acreage
 18 somewhere along the line, aren't they?

19 A No. They are assigning to me, just the forty-acre tract,
 20 now.

21 Q They are getting no money out of the deal at all?

22 A No.

23 Q Out of the production?

24 A No.

25 MR. KELLAHIN: May I ask a question?

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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
 7 is no other production from that lease.

8 THE WITNESS: I suppose it would.

9 MR. UTZ: It's a state lease, then, isn't it?

10 THE WITNESS: Yes.

11 MR. UTZ: You would get production out of it. I
 12 imagine it would. Well, I hate to delve into your personal
 13 business too much, but we do have to understand these things
 14 in order to make a ruling on them.

15 THE WITNESS: Yes, I agree. Sure. Well, that's
 16 the situation, and I suppose it would hold all the acreage
 17 for that.

18 MR. UTZ: You may proceed.

19 MR. HINKLE: Mr. Casey, I believe, has been sworn.

20 MR. UTZ: Yes, he has.
 21
 22
 23
 24
 25

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JOHN E. CASEY

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence, and by whom you are
 employed.

A My name is John E. Casey, and my residence is Midland,
 Texas, and I am employed as assistant district geologist
 in Midland for Jake L. Hamon.

Q Are you a graduate geologist?

A Yes, sir, I am.

Q Have you previously testified before this Commission?

A No, I have not.

Q State briefly your educational background and experience
 as a geologist.

A I am a graduate of the University of Arkansas, and I also
 hold a master's degree from the University of Arkansas.
 Prior to going to work for Mr. Hamon, I worked for Gulf
 Oil Corporation for about seventeen and a half years.

Q Have you made a study of the Shoe Bar East Devonian Pool?

A Yes, sir, I have.

Q Are you familiar with the location of all of the wells
 that have been drilled?

A Yes, sir.

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- 1 Q The production history --
- 2 A Yes, sir.
- 3 Q -- of these wells?
- 4 A 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
- 8 year, the first of this year, January 1st.
- 9 Q Have you had access to all of his geological information
- 10 upon which he developed this pool?
- 11 A Yes, sir.
- 12 Q Have you prepared, or has there been prepared under your
- 13 direction, certain exhibits for introduction into this
- 14 case?
- 15 A Yes, sir.
- 16 Q Now, refer to Exhibit Number 1, and explain what this is
- 17 and what it shows.
- 18 A Exhibit 1 here is just a plat showing the East Shoe Bar
- 19 Field, the Shoe Bar Field to the west, the Lovington
- 20 Field to the south, and we also show on it the eighty-
- 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?
- 24 A Similar to Mr. Gaertner's.
- 25 Q Okay. Will you refer to Exhibit Number 2 and explain

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- 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
- 8 dry hole which we drilled on the southwest flank of the
- 9 field.
- 10 Q In what order were these wells drilled by Mr. Hamon?
- 11 A The discovery well is the number one K-33 in Section 30.
- 12 It would be the -- let's see, that would be the Northeast
- 13 of the Southwest.
- 14 Then he drilled number two to the south to K-33.
- 15 Q Which you show as a producer?
- 16 A Yes.
- 17 Q Then what was the third one?
- 18 A And then our third one, as I recall, it was the producer
- 19 in Section 31 when we drilled the dry hole.
- 20 Q Was the dry hole drilled last?
- 21 A Yes, sir. That is my understanding, yes.
- 22 Q Now, do any of these wells make water at the present time?
- 23 A Yes, sir. They all three are making water. I do recall
- 24 that number one and two were both completed making a
- 25 considerable amount of water. A third well, which is in

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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 a month.

5 Q What quantities of water are the other two wells making,
 6 approximately?

7 A 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 A No, sir, they are not. I did check, and I know that the
 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
 15 12,000.

16 Q Now, you have indicated in your green dotted line the
 17 established oil-water contact. How was this determined?

18 A Well, we used drill stem test information in the wells
 19 as they were being drilled, and as I recall, the number
 20 one had a number of drill stem test help to delineate
 21 this point, although it slightly differs from the oil-
 22 water contact which was presented earlier.

23 We know it's a zone anyway, and it would be plus or
 24 minus ten, fifteen feet or something like that.

25 Q Now, refer to Exhibit 3 and explain this.

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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
 8 southwest by down to the west fault. Of course, we
 9 also show the eighty-acre proration unit as it would fit
 10 this picture.

11 Q I notice on the legend of this plat that this was shown
 12 by Empire Geophysical in 1959. Now, this seismic
 13 information was available to Mr. Hamon at the time he
 14 drilled initial test wells, was it not?

15 A Yes, sir. That is my understanding.

16 Q And this plat has simply been updated to March, 1969?

17 A Yes, sir.

18 Q Has the drilling of the subsequent wells tended to
 19 substantiate the information as shown on this plat?

20 A Yes, sir. We feel that it has. And that, I call to
 21 your attention our well in 31 there. The datum on the
 22 Mississippian line, that's 81.102 closely ties a side
 23 point there. We have -- of course, it has been a --
 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 A 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
 7 in 31, dipping to the northeast, likewise, a profile
 8 running due east from the high point there in 31. About
 9 the same rate of dipping.
- 10 Q Now, in comparing Exhibit Number 2, which you have
 11 already testified to, you used the correlation of the
 12 wells, as well as the seismic information in preparing
 13 that plat, did you not?
- 14 A Yes, sir.
- 15 Q Now, both Exhibits 2 and 3, do they indicate that the
 16 proposed nonstandard unit eighty acres would be
 17 productive?
- 18 A From the information we have, it does not show that it
 19 would, no, sir.
- 20 Q Now, refer to Exhibit Number 4 and explain that.
- 21 A Exhibit 4, in conjunction with 3, really, we have
 22 contoured the field on the subservice points, Devonian
 23 subservice points, as encountered in this well in the
 24 area, and we have utilized our seismic map or the dips,
 25 at least, indicated to the east and northeast, to get

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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.

12 Q That is the one in the picture?

13 A That's the one in 29. There appears to be some anomaly
 14 there. We don't as we show it. It could, of course,
 15 be to the northwest of the well, or perhaps it is faulted
 16 away. I just don't know.

17 Q At any rate, all of your exhibits, 2, 3 and 4, would
 18 indicate that -- anything for certain, that this eighty-
 19 acre nonstandard unit would be productive; is that right?

20 A We just don't believe that it would, no, sir.

21 Q Do you have any objection to the Applicants in this case
 22 drilling a well on the Southeast quarter of the Southeast
 23 of Section 30?

24 A No, sir.

25 Q But do you object to combining with that forty acres at

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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

8 BY MR. KELLAHIN:

9 Q Mr. Casey, as I understand your position, is that none
 10 of this eighty-acre tract would be productive from the
 11 Devonian; is that correct?

12 A From my information, I don't believe it would.

13 Q And that is the reason that Jake Hamon, I assume, would
 14 not join in the drilling of a well on it; is that correct?

15 A Sir?

16 Q Or were you --

17 A I wasn't employed at that time, or when these negotiations
 18 were going on, and I really didn't know about that.

19 Q You didn't participate in that decision? If it were
 20 presented to you today, what would your recommendations
 21 be?

22 A I'm afraid I would have to turn it down.

23 Q But you do object to the owner of the operating rights
 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?

8 A No, sir. That's right. And I understand Mr. Gaertner's
 9 position, too, so --

10 Q Mr. Hamon at the same time is not willing to dedicate
 11 forty acres to this tract and participate in drilling a
 12 well in Section 30?

13 A I don't believe he would, no, sir.

14 Q Now, you say there is kind of anomaly on the Roger
 15 Hanks well, according to your contours?

16 A Yes. It would not appear to be anomaly on the contours
 17 that were drawn by the witness for Mr. Hamon. No.

18 Q That would adequately explain that?

19 A Well --

20 Q It's just a difference in interpretating?

21 A Yes, sir, it is. Of course, we have had the benefit of
 22 the seismic information on which to build our subsurface
 23 map, and for that reason, we believe that the field is a
 24 northwest-southeast trending feature, and how we go about
 25 satisfying the subsurface point is encountered in

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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.
- 8 Q And you would not anticipate that?
- 9 A It is our best well, but yes, sir, it is.
- 10 Q You would not anticipate that the Applicants in this
 11 case would get a top allowable well on the Mobile
 12 acreage, either?
- 13 A No, sir, I would not.
- 14 Q In fact, you wouldn't anticipate he would get a well?
- 15 A It would be pretty marginal, I mean.
- 16 Q In that event, it would cause no damage to Mr. Hamon,
 17 would it? If your interpretation is correct, Mr. Hamon
 18 could not be harmed in anyway?
- 19 A That's right.
- 20 MR. HATCH: May I ask --
- 21 CROSS EXAMINATION
- 22 BY MR. HATCH:
- 23 Q What acreage is dedicated to the Jake Hamon number two?
- 24 A Sir, I am not positive about that at all.
- 25 Q What about number one?

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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.

8 MR. HATCH: That's all.

9 MR. KELLAHIN: Could I ask another question on that,
 10 please?

11 MR. UTZ: Yes, sir.

12 RECROSS EXAMINATION

13 BY MR. KELLAHIN:

14 Q In line with the questions just asked by Mr. Hatch, you
 15 say you don't know which way those units run, but with
 16 eighty-acre spacings in this pool, they would have to
 17 run east and west, would they not?

18 A Yes, that's correct. Yes, sir.

19 Q And by your own interpretation, you have dedicated dry
 20 acreage to both wells?

21 A That's quite possible. It is -- as we stated, both those
 22 wells make a lot of water, so it is true that we would
 23 like to have something better.

24 Q Wouldn't we all.

25 MR. UTZ: Are there other questions?

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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 A 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 A 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 A 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

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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 MR. UTZ: Are there other questions of the witness?
 8 You may be excused. Statements in this case?

9 MR. HINKLE: I would like to make a statement.

10 MR. MARCUM: You go ahead.

11 MR. UTZ: No. I think it's your turn to make them
 12 first, and then the people that are involved in this hearing
 13 will make the last statement.

14 MR. MARCUM: My name is Gordon Marcum, director of
 15 oil and gas for the State Land Office. State Land Office's
 16 position is, of course, that if the OCC did grant this non-
 17 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
 19 acreage beyond its primary term.

20 With such a well, our records reflect that the
 21 Southwest of the Southwest of Section 29, 16 South, 36 East,
 22 is held by the state's lease K1440, which expires May 16th,
 23 1971. We would strongly urge the New Mexico Oil Conservation
 24 Commission to continue its policy of not granting a nonstandard
 25 unit of cross section lines, especially in this case, since

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1 it concerns state interest, the State of New Mexico,
 2 withholding acreage beyond its primary term without any
 3 drilling in it. That's all I have.

4 MR. UTZ: Other statements? Did you have a
 5 statement, Mr. Hinkle?

6 MR. HINKLE: Yes, I would like to make a very brief
 7 statement here.

8 It is Mr. Hamon's position in this case that he has
 9 no objection and cannot object to the drilling of a well by
 10 the owner of a farmout of acreage in the Southeast Quarter of
 11 the Southeast Quarter of Section 30, but due to the geological
 12 information which Mr. Hamon has, and which he has drilled all
 13 of the wells on, and which has been borne out by the drilling
 14 of his wells, the well drilled on the Southeast Southeast
 15 would probably be a marginal well.

16 And if that should be the case, then I think it is
 17 too early for the Commission to determine the acreage that
 18 should be dedicated to that well. It is eighty acres at all.

19 Now, I call the attention of the Examiner to the
 20 special rules that have been adopted for the East Shoe Bar
 21 Devonian Pool. Rule Two provides that each well presently
 22 drilled to or completed in the East Shoe Bar Devonian Pool
 23 or the Devonian Formation of one mile there shall receive a
 24 forty-acre allowable. Just say I call your attention to
 25 Section Two of the Rules.

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

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

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

16 MR. UTZ: Mr. Kellahin?

17 MR. KELLAHIN: If the Examiner please, we have got
 18 several items here. I wasn't expecting the opposition of the
 19 State Land Office, but I think I understand their position.

20 However, in that connection, I would point out that
 21 the State of New Mexico, through its Land Office, is entered
 22 into a contract, in the spacings in this particular pool has
 23 no bearing on provisions of that contract.

24 Now, whether this is going to hold a lease or not
 25 hold a lease is no concern to the Oil Conservation Commission.

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

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

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
13 then dedicate the acreage, which indicates he is not familiar
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.

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

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

19 Further, if their interpretation is correct, why,
 20 the whole production would be academic, because we would get a
 21 dry hole anyway.

22 MR. HINKLE: May I say one more word?

23 MR. UTZ: Sure.

24 MR. HINKLE: As I understand it, it has been the
 25 policy of the Commission not to cross section lines in creating

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1 nonstandard units. I suspect there have been a few
 2 exceptions, but --

3 MR. UTZ: There are.

4 MR. HINKLE: -- in this case, you won't cross
 5 section lines there to create an eighty-acre standard unit,
 6 and I don't think that -- I think that the Commission's
 7 general policy in that connection is good, that it ought to be
 8 confined to it, and where there is 160-acre spacing to the
 9 section in which the well is located, and that is simply
 10 another reason why that Mr. Hamon objects to adding this
 11 acreage to the Southeast of the Southeast of that.

12 MR. UTZ: Mr. Marcum, would the Land Office's
 13 position be the same if Major, Giebel and Forster got a top
 14 allowable well?

15 MR. MARCUM: Got a top allowable well?

16 MR. UTZ: Yes.

17 MR. MARCUM: Yes, sir. Under our contract, we
 18 realize -- we're looking for explorations and production as
 19 hard as anyone else, because it means a lot to the state, but
 20 on the other hand, we hate to see someone go through the back
 21 door. Of course, as Mr. Kellahin says, it is irrelevant to
 22 the Oil Conservation Commission how it is done, but --

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

1 drilled on the Southwest Southwest, though.

2 MR. UTZ: Other witnesses? Are there other
3 statements? Case will be taken under advisement.

4 MR. HATCH: We have another telegram. We'll open
5 the record for this.

6 "The New Mexico Oil Conservation Commission, in
7 reference to Case 4519, March 31st, '71, attention
8 to E. L. Porter. Mobile concurs with the request
9 that Major, Giebel and Forster for eighty-acre
10 nonstandard unit in the East Shoe Bar Devonian."

11 I don't think that word belongs in here.

12 "For a well to be drilled in the Southeast of the
13 Southeast, Section 30, 16 South, 36 East.

14 Ira B. Stitt, Mobile Oil Company."
15
16
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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF BERNALILLO)

4 I, LINDA MALONE, Court Reporter in and for the
5 County of Bernalillo, State of New Mexico, do hereby certify
6 that the foregoing and attached Transcript of Hearing before
7 the New Mexico Oil Conservation Commission was reported by
8 me 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 
11 Court Reporter

22 I do hereby certify that the foregoing is
23 a true and correct copy of the transcript of
24 the hearing held before the New Mexico Oil
25 Conservation Commission on March 31, 1971.




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
Kellahin & 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. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

Other Mr. Clarence Hinkle

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 &
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 9th 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, Range 36 East,
NMPM, Lea County, New Mexico.

(3) That the applicant seeks approval of an 80-acre non-
standard 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 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.

(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.

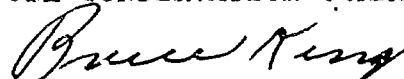
IT IS THEREFORE ORDERED:

(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.

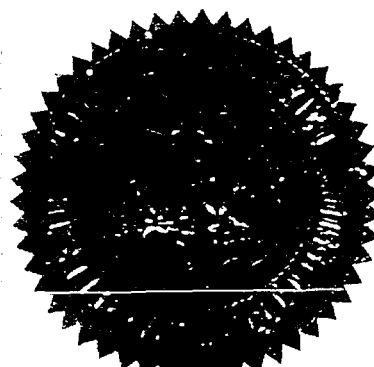
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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



dr/

Case 4519

Filed 3-21-71

Rec. 1-1-71

Grant M. G. & F. request for
a non-sth. portion unit across
~~section~~ line. The unit is
the SE 1/4 sec. 30 and the SW 1/4
sec. 29 - both in 16S-36E. Lea Co.

Jake L. Hamon opposed this case.
However, he had every opportu-
nity to form a sth. unit with
M. G. & F. by a pooling agreement
and had refused to do so.

M. G. & F.'s only alternative to
protect their correlative rights
is to form this unit.

If the unit is not formed a
well will probably not be drilled.

I believe a well should be
drilled in order to evaluate
the acreage ~~and~~ protect correlative
rights and prevent waste of oil
should the acreage be productive.

Thos. D. [Signature]

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 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: Application of Major, Giebel & Forster for a non-standard unit, Lea County, New Mexico. Applicants, in the above-styled cause, seek the approval of an 80-acre non-standard oil proration unit comprising 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.



Telegram

KA136 NSC553

1971 MAR 30 PM 7 36

NS MDA098 DJ ND PD=MIDLAND TEX 30=
NEW MEXICO OIL CONSERVATION COMM=

STATE LAND OFFICE BLDG PO BOX 2088 SANTA FE NMEX=
CASE 4519 MARCH 31 1971 DOCKET ATTN MR A L PORTER.
MOBIL CONCURS WITH THE REQUEST OF MAJOR GIEBEL AND
FOSTER FOR 80 ACRE NONSTANDARD UNIT IN THE EAST SHOE
BAR DEVONIAN ROOT FOR A WELL TO BE DRILLED IN THE SE4
OF THE SE4 OF SECTION 30 TOWNSHIP 16 SOUTH RANGE 36 EAST
LEA COUNTY NEW MEXICO=

IRA B STITT MOBIL OIL•==

4519 31 1971 80 SE 4 SE4 30 16 36•••

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 31, 1971

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

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Daniel S. Nutter, Alternate Examiner:

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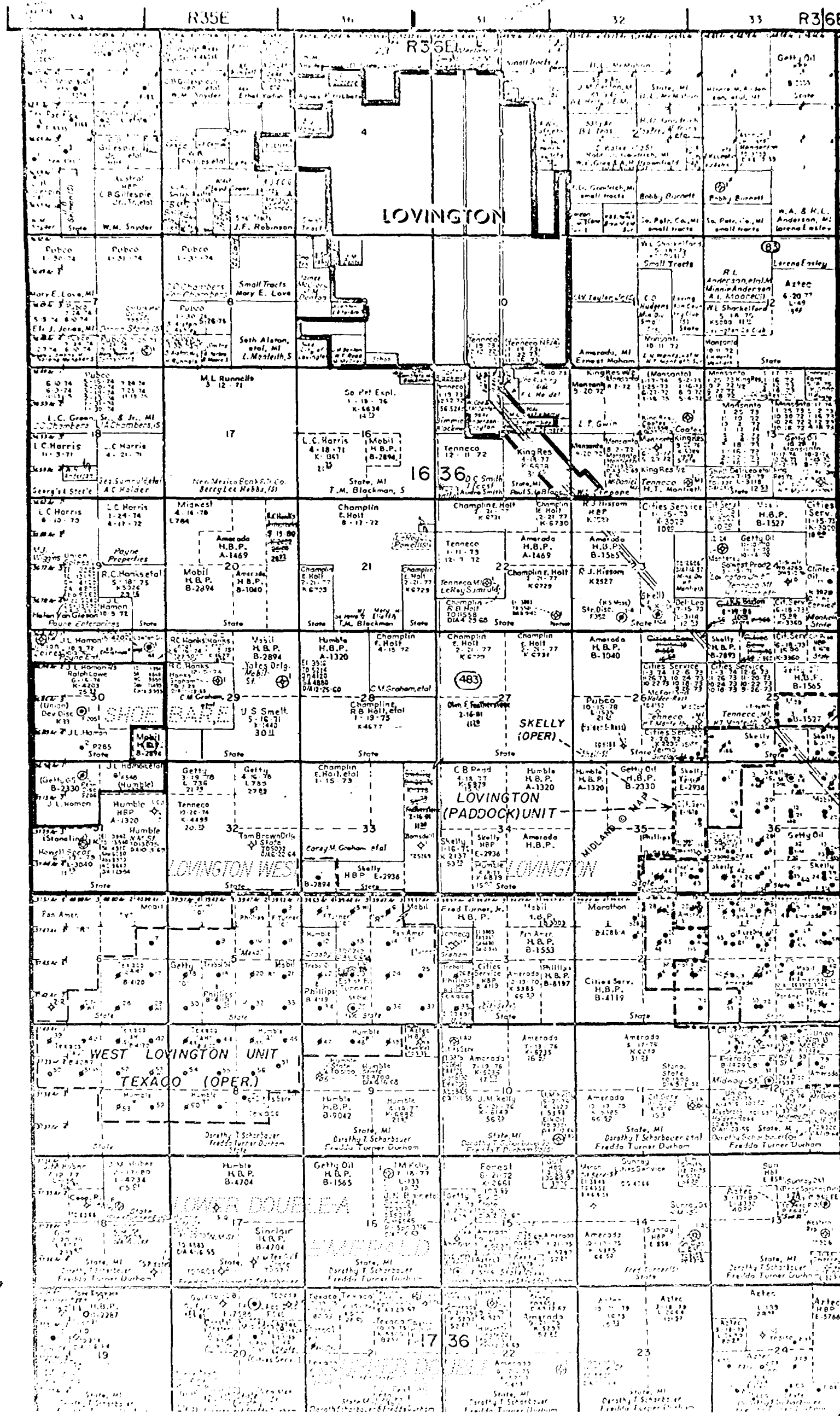
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CASE 4519: Application of Major, Giebel & Forster for a non-standard unit, Lea County, New Mexico. Applicants, in the above-styled cause, the approval of an 80-acre non-standard oil proration unit comprising the SW/4 SW/4 of Section 29, and the SE/4 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.



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JSB025 PRB042 PR

SLA044 HL PDB=FAX SALT LAKE CITY UTAH 29 918A MST=
EARL E GAERTNER=

522 BLDG OF THE SOUTHWEST MIDLAND TEX=
OCT 20 1934

RE: STATE OF NW MEXICO LEASE K-1440= IN SO FAR 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=

WU 1 H L STONESTREET= U. S. SMELTING REFINING & MINING CO==

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

Applicant EXHIBIT NO. 3

CASE NO. 4519

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

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

Case 4519

A P P L I C A T I O N

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.

[Handwritten signature]

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 James W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

GMH/dr

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:

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

CASE No. 4519

Order No. R-4131

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 _____ 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} owner
^{leases} of ~~a lease or leases~~ ^{the SW/4 SW/4 and of Section 29 and} 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 non-
standard oil proration unit in the ^{East} ~~Shoe Bar~~ ^{Deserion Pool} ~~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.

CASE NO. 4519

Order No. R-

(5) That said SE/4 SE/4 of Section 30 ~~comprising~~ ^{comprising} all of the interest in said Section 30 ~~owned~~ ^{operated} by the applicant.

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

(7) 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.

(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~~ ^{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.

IT IS THEREFORE ORDERED:

(1) That an 80-acre non-standard oil proration unit in the East Shoe Bar-Devonian ~~Pool~~ ^{Pool} comprising 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.

(4) That said SE/4 SE/4 of Section 30 comprising all of the interests in said Section 30 operated by the applicant.

-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.

Shenandoah Oil Corp.