CASE 4526: Appli. of PENNZOIL UNITED, INC. FOR CREATION OF NEW POOL AND SPECIAL POOL RULES.

Case Number) /

Application Trascripts Small Exhibits ETC.

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	MCICL FCDOFFING SCFVICE, INC. depositions, hearings, statements, expert testimony, daily copy, conventions to, dox 1093 + mone 243-6611 + albuquerque, new mexico	BEFORE THE
) . A	E X	NEW MEXICO OIL CONSERVATION COMMISSION
	<u>Š</u>	Santa Fe, New Mexico
r 4	COL	April 28, 1971
		EXAMINER HEARING
		EAAMINER IMARING
1 ×1	SETVICE, INC. 15. Expert testimony, dai	
		IN THE MATTER OF: Application of Pennzoil United, Inc., for the creation of a new pool and promulgation
		IN THE MATTER OF:) 15 1
4 % 8) $\mathcal{U}^{\mathcal{U}}$
	S RM	Application of Pennzoil) Case No2526
		United, Inc., for the creation)
53 8		of a new pool and promulgation)
	ss.	of special pool rules,)
	over 10	Roosevelt County, New Mexico.)
l⊧ ¶)
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E B	dearnigy-meigr feporting service, inc specializing in: depositions, hearings, statements, expert testimony, d 200 simms sidd, p.o. dox 1002 + phone 243-001 + albudy-spoue, new mexico	BEFORE: Elvin A. Utz, Examiner
• •		BEFORE: EIVIN A. UCZ, Examiner
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i.	dearnier, 14	
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11		TRANSCRIPT OF PROCEEDINGS
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		1	MR. UTZ: Case 452?.	
Ň		2	MR. HATCH: Case 4526, application of Pennzoil	
	;	3	United, Incorporated, for the creation of a new pool and	
		4	promulgation of special pool rules, Roosevelt County, New	
.	· . :	5	Mexico.	
		6	MR. KELLAHIN: If the Examiner please,	
/ 1	1	7	Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for	
Č.	dearnley-meier	8	the applicant.	
	Ē	Ů	the uppertunity	
22	ley-	9	I have one witness I'd like to have sworn.	
	ar n	10	(Witness sworn.)	
	qe	11	(Whereupon, Applicant's	
	\$		Exhibits 1 through 3 were	
	/ENTION 17103	12	. marked for identification.)	
	PY, CONVENTI Exico 87103	13	B. C. SINCLAIR	
	TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	14	called as a witness, having been first duly sworn, was	
	TMONY, DAI Rque, N	15	examined and testified as follows:	
	HESTIMO Querro Mey Mey	16	DIRECT EXAMINATION	
	тс та та та	17	BY MR. KELLAHIN:	
	IENTS, EXF 3-6691⊕ A QUERQU	18		
	, STATEME Ione 243 • Albuc		Q Would you state your name, please?	
	Т ИС3, S • РНОГ	19	A B.C. Sinclair.	
j.	5, HEARING × 1092 € F LDG. EA!	20	Q By whom are you employed and in what position,	
	DE.ºOSITIONS, HEARINGS, STATEMENTS, 3.0 - 0.0, Box 1002.0 PHONE 243-069 1.1 3ank bldg. East 0.4.buquef	21	Mr. Sinclair?	
		22	A Pennsoil United, Incorporated, as a petroleum	
	SPECIALIZING IN: DE 209 SIMMS BLDG.	23	engineer.	
	SPECIAL 209 SIN	24	Q Have you testified before the Oil Conservation	
		25	Commission or one of its examiners and made your qualifications	
			Common of our of the evaluations and made your quartited of the	

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	1	as an engineer a matter of record?					
	2	A Yes, sir.					
	3	MR. KELLAHIN: Are the witness' qualifications					
	4	acceptable?					
	5	MR. UTZ: Yes sir, they are.					
-	6	Q (By Mr. Kellahin) Mr. Sinclair, are you familiar					
4	7	with the application of Pennzoil United, Incorporated, in					
meie	8	Case Number 4526?					
dearnley-meier	9	A Yes sir, I am.					
arn	10	Q Briefly, what's proposed by the applicant in this					
qe	11	case?					
VENTIONS 87103	12	A We would like to have the Commission create a					
TESTIMONY, DAILY COPY, CONVENTIONS Querque, New México 87103 Ew México 87103	13	new pool for the production of gas from the San Andres					
AILY COP1 NEW ME: 87108	14	formation and to promulgate field rules, special rules for					
ОНҮ, DA ОЧР, DA ХІСО 8		this pool, with provision for 320-acre spacing.					
	16	Q Now, referring to what has been marked as the					
ЕХРЕ 2 1 ● А Г В 2 20 Г В 2	17	Applicant's Exhibit Number One, would you identify that					
STATEMENTS, E ONE 243-6691. • Albuquers	18	exhibit and discuss the information shown on it?					
STA: O R E	19	A Yes, this is a structure map showing the location					
, HEARIN (1042 • . DG. EA	20	of the Pennzoil United Superior State Number One Well in					
DEPOSITIONS, HEARINGS, 5.0 P.O. BOX 10#20HG		Section 8, Township 7 South, Range 35 East.					
U 4	22	Also shown on the map are the locations of other					
SPECIALIZING IN. DE 209 SIMMS BLDG.	23	wells in this general area that penetroted the San Andres					
SPECIAL 209 SIN	24	formation. The wells colored in orange are San Andres					
	25	gas wells, and the wells colored in green are some recently					

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		1	drilled Wolfcamp zone wells.
2 5		2	MR. UTZ: They look interested. I thought they
*		3	might want to look at that.
		4	MR. KELLIHAN: Anybody want to look?
Ď		5	A You need another copy? The contours on the
		6	map are drawn on the top of the San Andres Pi Marker, which
	3	7	is a well-recognized geological marker on the San Andres
	arnley-meier	8	formation, and the contours show the general structure of the
În:	ley-I	9	San Andres reservoir that we are dealing with today.
	arn	10	The San Andres gas wells in the southeast corner
	de	11	of the map are in the Todd upper and San Andres gas pool.
	CONVENTIONS CO 87103	12	This reservoir began production in early 1964, and based on a
		13	pressure bottomhole pressure taken at the Franklin, Aston
	DAILY COPY, NEW MEXI 0 87108	14	and Fair Texaco Federal Number One Well in Section 27, the
þ	DNY, DUE. XICC	15	original bottomhole pressure in this reservior was 1256
5	<u>ы о</u> н	16	pounds.
	EXPER 1 • ALB 2 oue.	17	The San Andres gas well shown up north of this
	57.A.T.EMENYS, E DNE 243-6691. • A.L.B.U.Q.U.E.R.C	18	area in Section 9 is a well drilled by Cactus Drilling
	518. 0 N 0 □ N 0	19	Company in November of 1966. This is the Kewanee State
	, HÉARIN (1092 • (DG, EA	20	Number Two Well, and it was completed from the upper portion
.	DEPOSITIONS, HEARINGS, .• P.O. BOX 1092 • PH4 L BANK BLDG. EAST	21	of the San Andres for a calculated open flow potential of
	1) ×	22	2.1 million cubic feet per day. The perforations in this
	SPECIALIZING IN. DE 209 simms bldc	23	well are 4181 to 4208.
34	SPECI/ 209 SI FIRST	24	The Pennzoil Superior State Number One Well was
5.4 . 8		25	completed on February the 5th, 1971. The perforations in

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this well are 4231 to 4261, and after the well was treated
with 11,000 gallons of acid, it flowed at a rate of
2.472 million cubic feet per day with a flowing pressure
of 900 pounds, and had an open flow potential of five million
cubic feet per day.

6 The bottomhole pressure in the Pennzoil well
7 was 1277 pounds, which is slightly higher than the original
8 pressure reported down in the Todd Upper San Andres
9 pool.

The Todd Upper San Andres pool is virtually
depleted. It's still producing, but the production is
very low, and the wells down -- several of the wells have
been shut in due to depletion, and the few that are producing
are producing at low rates.

And the fact that the Pennzoil well came in at
above original pressure for this pool indicates separation
of the two areas. Also, the structure indicated there is
a structural low indicated between the two areas, again
indicating separation.

The three northernmost wells shown in the
 Todd Upper San Andres pool have all performed as edge
 wells. The Featherstone Federal Number One Well in
 Section 23 made only twenty-nine million cubic feet of
 gas before it depleted.

The McClellan Federal Number One, 22 well -- in

DECIALIZING IN. DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS DESIMAS BLDG. P.O. BOX 1092-PHONE 243-3691-ALBUQUERQUE, NEW MEXICO 87108 FIRST NATIONAL MANK BLDG. EAST-ALBUQUERQUE, NEW MEXICO 87108

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2 MR. UTZ: How much? 3 Seventy-nine. And the Franklin, Aston and A 4 Fair -- well, the McClellan Federal Number One on the 5 northeast quarter of Section 28 made 370 million cubic 6 124 feet of gas before it depleted. 7 dearnley-meier 14 All the other wells, gas wells shown in the 8 Todd Upper San Andres pool there made from eight hundred 9 million to over a billion and a half cubic feet of gas, 10 and most of them are still producing. So this indicates 11 SPECIALIZING IN. DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTION; that those three first wells I mentioned are definitely 12 NEW MEXICO 87103 87108 13 edge wells, and it appears that an edge was reached in the development of this reservoir. 14 BUX 1092.PHONE 243-6691.ALBUQUERQUE. 4 BLDG. EAST.ALBUQUERQUE, NEW MEXICO 15 (By Mr. Kellahin) Now, is it your opinion that Q 16 the well in -- you stated that your Pennzoil well in 17 Section 8 is in a separate common source of supply from the 18 Todd Pool? 1.00 19 A Yes. 20 Q, In your opinion, is it also in a separate common 21 source of supply from the Kewanee or Cactus well in SIMMS BLDC. P.O. E 22 Section 9? 23 -Yes sir, it is. A 209 51N 24 Q What do you base that on? 65 25 The -- on correllative -- on the lack of A

Section 22 made only seventy-nine million cubic feet of

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gas before it depleted.

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	1	correllative correllation between the two zones. The
	2	Kewanee State Number Two is completed in the upper portion
	3	of the San Andres and the Pennzoil Superior State is
	4	completed on the lower section, and there is a well-known
	5	anti-hydrate bed that separates these two zones that has
	6	been used down in the Todd field as a vertical separation
5 	7	between the two pools there. An herdback
meie	8	Q In your opinion, is this anti-hydrate section
dearnley-meier	9	an effective barrier to prevent communication between the two
arn	10	zones?
đe	11	A Yes, sir.
ENTIONS	12	Q So it would actually create physically a separate
COPY, CONVENTI Mexico 87103	13	pool?
LLY COP	80128	A Yes, sir.
ONY, D	<u>0</u> 15	Q Referring to what has been marked as Exhibit
	ω Σ 3 16 ω Ζ	Number Two, would you identify that exhibit, please?
EXPE • A L	17	A Yes, Exhibit Two is a tabulation of the average
EMENTS 243-665	ษี วั ช 18	reservoir properties for the Pennzcil Superior State
165, 57A. Phone	19 · 19	Number One Well. Perhaps the most significant property
, HEARIN 4 1092 •	ت 3. 20	there is the permeability of ten millidorcies average and
NTION 0. BO	ື 21	the analysis of these properties in comparison with other
= 0	⊣ 22	San Andres gas reservoirs in the area.
SPECIALIZING IN: SPECIALIZING IN:	2011 23 V 1 23 V 1 24	An analysis of the production tests conducted
SPECI,	ਿਸ਼ 24	on the Superior State Number One all indicate that this
	25	well is capable of efficiently draining in excess of 320 acres

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	1	per well.
	2	Q Are there other San Andres gas pools based in
	3	this area based on 320-acre spacing?
	4	A Yes sir, the Todd Upper San Andres gas pool is
	5	on 320-acre spacing. There is a Todd Lower San Andres
	6	pool that is an associated oil and gas reservoir, and the
Σ	7	gas portion of this reservoir is on 320-acre spacing, and the
dearnley-meier	8	Bluett San Andres pool is an associated pool, and the gas
ey-n	9	cap of it is on 329-acre spacing.
arnl	10	Q Now, have you made a study of the economics of
0	11	drilling on 160 acres versus 320 acres
HTIONS 103	12	A Yes, sir, I have.
CONVEN	13	Q in this area?
AILY COPY, NEW MEX1 87108	14	A Yes, sir.
ERT TESTIMONY, DAILY COPY, CONVENTIONS Leuquérque. New México 87103 é. New México 87108	15	Q Referring to what has been marked as Exhibit
TESTIMO 10 URRO 10 URRO	16	Number Two Three, would you discuss that exhibit?
	17	A Yes, this exhibit compares the economics for
ЖЕйТ\$, 43-6691 U Q U R R	18	160-acre spacing versus 320 acre spacing. The reserves
DEPOSITIONS, HEARINGS, STATEMERTS, EXC F.O. BOX 1092 • PHONE 243-6691 • A	19	shown are volumetric calculations of the reserves from
DNS, HEARINGS, Jos 1092 • PHGS, Bldc. East	20	the Superior State Number One Well. However, these reserves
ITIONS, H	21	are substantiated by a performance of wells in other
	22	San Andres gas pools in this area.
SPECIALIZING IN DE 203 SIMMS BLOG.	23	The slightly higher reserves have been assigned
SPECIALIZIN 200 SIMMS	24	to two wells on 160-acre spacing as compared to the one
••• •• -	25	well on 320-acre spacing.

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	1	Total revenue of \$134,250.00 has been stated
	2	for two wells on 160-acre spacing, and total revenue of
2	3	\$118,460.00 is stated for one well on 320-acre spacing.
	4	This is after royalty and severance taxes are deducted.
	5	It is estimated that it will cost sixty-two
	6	thousand dollars to drill, complete and equip a well in
s de la constance Su constance Success	7	this reservoir, and operating costs are estimated at three
neie	8	hundred dollars per well per month.
ey-I	9	This gives total expense of \$152,800.00 for
dearnley-meier	10	160-acre spacing and \$80,000.00 for 320-acre spacing.
qe	11	This results in a net loss of 160-acre spacing of \$18,550.00,
VENTIONS 87103	12	and a net profit of \$38,460.00 under 320-acre spacing.
COPY, CONVENTIONS 1 MEXICO 87103 8	13	Q Now
	14	A The
TESTIMONY, DAILY Querque, Nea ew Mexico 8710	15	Q Excuse me, go ahead.
	16	A The profitability, or the profit investment ratio
19 10 10 10 10 10 10 10 10 10 10 10 10 10	17	of .62 and the average rate of return of 12.4 per cent are
57ATEMENTS , on e 243-669. • Albuquer	18	just barely adequate to justify developing the reservoir on
57.≜` 0 n E • A L	19	320-acre spacing, and it would certainly be Pennzoil's
HEARI) 1092 - DG. E.	20	requirement that we see some performance out of this one
051710N	21	well before we can that would show some reserves we
7 07	22	estimate are correct before we could attempt to develop
ALIZINC	23	this reservoir further.
SPECIA 209 SI FIRST	24	Q How did you arrive at your reserves in this
	25	tabulation?

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		1	A These were volumetrically calculated based			
		2	on the net earnings and porousity and water substance			
		3	that have developed in our Superior State Well, and I			
		4	did say that other oil and gas wells that are on 320-acre			
4	• <u>•</u>	5	spacing have produced reserves in this range, which seems			
4		6	to substantiate the figures.			
	5	7	Q Now, would a one year's period of time give you			
a)	neie	8	sufficient date to learn more about the reserves on the			
	ley-I	9	basis of pressure and production?			
	dearnley-meier	10	A Yes sir, we could probably learn this in a few			
	de	11	months after the well was put on production, and we are			
1.3	CONVENTIONS CO 87103	12	in the process of negotiating a sale for this gas			
2	Y, CONVE XICO 87	13	now.			
ļ	TESTIMONY, DAILY COPY, Querque, New Mexi 6 w Mexico 87100	14	Q And what you are asking for here are temporary			
	ои ч, da 0.00, da 7.000, x	15	rules for 320-acre spacing, is that correct?			
		16	A Yes, sir.			
- -	. 25 × 25 × 25 × 25 × 25 × 25 × 25 × 25	17	Q NOW			
	DEJOSITIONS, HÉARINGS, STATEMENTS, 9.0. Box 1002.0PHONE 243-060 9.0.0k 1002.0PHONE 243-060	5 18	A That's right.			
	GS, STAT Рноме Ат∎Ат	19	Q What figure did you use for your gas price			
	, HEARINGS (1092 - PT	20	on this calculation?			
2014	2001T10NS, 2.0.80X	21	A The gas price is 10.3 cents, 10.34 cents per cubic			
, , , ,		22	foot.			
	SPECIALIZING INI DE 2003 SIMMS BLDC.	23	Q That's somewhat lower than the price of gas in			
膨	SPECIA 209 SH 8-RAFT	24	other areas, is it not?			
1477 2		25	A Yes, it's a fairly low price.			

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5. 8 .			PAGE 11
		1	Q Why is that?
÷e		2	A This gas has a about a twenty-one per cent
÷		3	inert content. It contains carbon dioxide and nitrogen, and
•		4	this results in a lower price than you would normally expect
ж.		5	for the gas.
	<u>.</u>	6	Q But that is the price you would get for this
	1 1	7	gas?
	arnley-meie	8	A This is the price that we are negotiating for. A
	ey-	9	price has not been established. We hope it will be this good.
	arn	10	It could be a little more or a little less. The FPC will have
	de	11	a hand in this, as we are negotiating with the purchaser.
	VENTIONS 87103	12	Q Now, do you have any specific recommendations
	Y, CONVE Xico 87	13	as to the pool rules that you would recommend?
	TESTIMONY, DAILY COPY, CONVENTIONS Querque, New Mexico 87103 Ew Mexico 87108	14	A We would recommend that the 320-acre spacing rule
	АОНУ, DAI Que, Z Exico 87	15	be the same as the state-wide 320-acre spacing rule, that is,
	TESTING OUERO Ev Mei	16	the well is located 1980 feet from an end boundary and 660
*	K ZYPERT Soverin Rover, N	17	feet from an inside boundary, and no closer than 330 feet
	5TATEMENY5, Z ONE 243-6691, ●ALBUQUËR¢	18	to any quarter-quarter section line, and that any half section
	57A 0 A E • A L	19	be established as a spacing unit.
	HEARING 1092 - P	20	Q Between north, south, east or west?
:	POSITIONS, P.O. BOX BANK BLC	21	A Yes, sir.
	X, DEPO NAL UD NAL UD NAL UD	22	Q And do you have a proposed name for the pool?
	cializing in de Simms Blog.• St National	23	A We would suggest the Northwest Todd San Andres
-	SPECIAL 200 SIN	24	Gas Pool.
樹		25	Q Were Exhibits One, Two and Three prepared by you or
(*)			

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1 under your supervision? 2 А Yes sir, they were. 3 All right. Q MR. KELLIHAN: At this time, I would like to 4 5 offer in evidence Exhibits One, Two and Three. 6 MR. UTZ: Without objection, the Exhibits One, Two and Three will be entered into the record of this 7 dearnley-meier 8 case. 9 (Whereupon, Applican'ts Exhibits 1 through 3 were 10 admitted in evidence.) 11 Q (By Mr. Kellahin) Do you have anything further, DEPOSITIONS, HEARINGS, STATEMENTS, EMPERT TESTIMONY, DAILY COPY, CONVENTIONS 12 Mr. Sinclair? 1092+PHONE 243-6691+ALBUQUERQUE, NEW MEXICO 87103 DG EAST+ALBUQUERQUE, NEW MEXICO 87108 13 A We might ask about a supporting letter from -14 Superior. Was that received? 15 MR. HATCH: The Commission has received the 16 supporting letter from Superior. 17 MR. KELLAHIN: That completes the presentation. 18 CROSS EXAMINATION 19 BY MR. UTZ: 20 Mr. Sinclair, I'm a little confused about Q 0 0 00× x 8LC 21 Exhibit Number Three. Under revenue, 160 acres, seventeen SIMMS BLDC. P.O. B ST NATIONAL BANK 22 hundred million reserves? SPECIALIZING IN: 23 A A Billon, seven, yes sir. 1.85 60.3 24 Q A billion, seven, reserves at 10.34 cents per 25 thousand is a hundred and seventy-five thousand, seven hundred

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13 PAGE 1 eighty? Yes, sir. 2 A Q On 320 acres, fifteen hundred million, or 1.5 3 billion? 4 A Yes, sir. 5 Q You got a -- less gas from 320 than you do from 6 160? 7 dearnley-meier 8 Yes, sir. This is something I feel like is A 9 very reasonable and practical. We are not saying that -- that you will recover as much gas on 320-acre spacing as you 10 11 would on 160 or if you drilled on 80. I mean, you would SPECIALIZING INI DEFOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 12 recover slightly more gas on 160. If you drilled, you would NEW MEXICO 87103 87108 13 recover slightly more gas, but I am just showing you that 14 the economics will not justify the closer spacing, even N 1092+PHONE 243-0691+ALBUQUERQUE, DGA. EAST+ALBUQUERQUE, NEW MEXICO 15 though you do recover slightly more gas. 16 The investment required to get that two hundred 17 million additional is substantial, sixty-two thousand 18 dollars just for the well, which is a whole lot more than 19 that gas is worth. 20 And this is just an educated guess, Mr. Examiner. 7 80× 21 CIMMS BLDC. . P.O. B T NATIONAL EANK It's not a high-powered calculation at all. 22 MR. KELLAHIN: Your figure is based on two 23 wells on 320 acres in your 160-acre calculation, is it 200 5 FIR5 24 not? 25 A It's based on two wells on the 320-acre

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		1	acre spacing, or 160-acre spacing, and one well on that
ki∰n;		2	same tract for 320-acre spacing.
		3	MR. KELLIHAN: This is what two wells would
		4	produce, not what one would produce on 160
Ìs		5	A What two wells would produce, that's correct.
i ar	с - :	6	Two wells on 160-acre spacing would produce the billion,
	1	7	seven.
	meie	8	Q (By Mr. Utz) And two wells on 320?
ŧ \$	ley-	9	A One well on 320 would produce the billion and a
	dearnley-meier	10	half.
	de	11	Q One well?
ł,	IVENTIONS 87103	12	A Yes.
	TESTIMONY, DAILY COPY, CONVENTIONS querque. New Mexico 87103 ew Mexico 87108	13	Q I see; you had me going there. I couldn't figure
	AILY COPY, CON NEW MEXICO 87108	14	out how you could have that 160 acres and get less gas on
	1047, DA Que, 7 сve, 7	15	the
	> ∠ ⊃ z	16	A Well, I'm sorry I confused you.
	EXPER IoAle Roue.	17	MR. KEILAHIN: It's the same 320 acres?
	TEMENTS, EXPER 1 243-66916 ALE 2 243-66916 ALE	18	A The same 320 acres with one or two wells on it.
-	(65, 5ТАТ РНОИЕ \5Т●АL	19	Q (By Mr. Utz) I see; did you make any recommendation
i.	s, hearings X 1002 • Pt L D G • E A 51	20	for horizontal limits?
	POSITIONS, F.O. BOX BANK BL	21	A For the pool?
•	IN: DEP 106.6 106.6	22	Q. Yes.
	SPECIALIZING IN: DEPOSITIONS, MÉARINGS, STATEMENTS, 109 SIMMS DLDG.0 F.O. BOX 1002 0 PHONE 243-669	23	A Yes no, sir. I would think that we plan to
-	SPECI. 209 S	24	dedicate the west half of Section 8 to this well, and we
:		25	have no desires other than this half section, if our

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application is approved, to be in the pool right now. 1 We feel like that there may be two or three 2 more half sections that certainly have possibility, 3 production potential, but that remains to be determined 4 5 by future development. 6 Q Does this well produce any condensate? 7 Yes, it produced a very small amount of A 8 condensate. On Exhibit Two, I showed it produced two-tenths 9 of a barrel per million, and this was based on a three-day 10 test conducted by a potential purchaser. He flowed the 11 well a a million and a half rate for three days and 12 recovered less than a barrel of condensate in this period, NEW MEXICO 87103 87108 13 and in here, as you can see, the oil gravity is rather 14 low, and the gas reservoir is 36 degrees API. SIMMS BLDC. F.O. BOX 1092. PHCNE 243-0091. ALBUQUERQUE. T NATIONAL GANK BLDG. EAST. ALBUQUERQUE, NEW MEXICO 15 Q Do you have any idea as to whether this deposit 16 would be on an associated pool? 17 A Yes, we would like to recognize that as a 18 possibility. The other San Andres gas pools in the area 19 produced a low gravity oil or condensate, and of course 20 there are some of them that have been determined to be an 21 associated reservoir, and at least one, that Todd Upper 22 San Andres pool, has been determined to be a gas reservoir, 23 and I don't think anyone would say for sure right now 209 F 183 24 that this well might not have -- this reservoir " ht not 25 have an oil rim on it, but certainly the low amount of oil

dearnlev-meiel DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS SPECIALIZING IN

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<u>.</u>			PAGE 16
•		1	production indicates that the gas it's a gas reservoir
\$		2	possibly with a small oil rim.
ź.		3	And we would like to stress that we are asking
		4	for temporary rules, and if it's determined that it's an
сці. I		5	associated reservoir by further development, that we would
ing.	- -	6	certainly have no objection to it being so classified.
	: 	7	Q Would you anticipate the gas area to be to the
ê 7	mei	8	northwest of your well?
i 25	dearnley-meie	9	A Based on our map there, yes sir, we would. This
	earn	10	appears to be
		11	Q If this map is correct, well, it might not be
	CGNVENTIONS CO 87103	12	too much oil there. It might be to the southeast of your
		13	well?
	DAILY COPY, . New Mex	14	A Yes sir, that's my opinion, that it's a very
1 1 1	TESTIMONY, D Querque, Ew Mexico	15	small oil rim, if one exists at all, in a transition
	⊨ ⊃ z	16	to a gas reservoir to make this low gravity oil, and we will
and a second		17	have to see how it develops to know for sure about this
, *	HEARINGS, STATEMENTS, 1002 • PHONE 243-6601 DG. FAST • AL BUQUER	18	possibility of an oil rim.
	INGS, STJ • PHONE	19	Q And your present plans are to test this well
.		20	for sometime and take a good look at it before you spend
	DE°OSITIONS, P.O. BOX	21	any more money drilling it?
· .		22	A Yes sir, that would be correct.
÷.	SPECIALIZING IN: 209 SIMMS BLDO	23	MR. UTZ: Questions?
* j.	SPECIAL 209 Sin	24	You may be excused.
		25	(Witness excused.)



PAGE 18



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PAGE 19 STATE OF NEW MEXICO) 1 88 • COUNTY OF MCKINLEY) 2 I, Jerry Martinez, Court Reporter in and for the 3 County of McKinley, State of New Mexico, do hereby certify 4 that the foregoing and attached Transcript of Hearing before 14 5 the New Mexico Oil Conservation Commission was reported by б 10 me and that the same is a true and correct record of the said 7 dearnley-meier 1.2 proceedings, to the best of my knowledge, skill and ability. 8 -9 **i** 4 ł 10 11 Court Rep SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 12 209 SIMMS BLDG., P.O. BOX 1092-PHONE 243-6601-ALBUQUERQUE. NEW MEXICO 87103 FIRST NATIONAL BANK BLDG. EAST+ALBUQUERQUE, NEW MEXICO 87108 1 13 1 2 14 ł 15 12 1 16 17 18 19 20 21 22 worder exercity that whe foregoing is en late record of the proceedings of Anteriser beering of Cano Mu. 155 (c) (1) 10 10 00 (c) 10 23 ía. 24 25



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO P. O. BOX 2088 - SANTA FE 87501 GOVERNOR BRUCE KING CHAIRMAN

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

May 6, 1971

Mr. Jason Kellahin Kellahin & Fox Attorneys at Law Post Office Box 1769 Santa Fe, New Mexico Re: Case No. 4526 Order No. R-4136 Applicant: Pennzoil United, Inc.

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 Torler Ch.

A. L. PORTER, Jr. Secretary-Director

ALP/ir

Ccpy of order also sent to:

Hobbs OCC x Artesia OCC

Aztec OCC

Other_____

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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

> CASE NO. 4526 Order No. R-4136

NOMENCLATURE

APPLICATION OF PENNZOIL UNITED, INC., FOR THE CREATION OF A NEW POOL AND PROMULGATION OF SPECIAL POOL RULES, ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 28, 1971, at Santa Fe, New Mexico, before Examiner Blvis A. Utz.

NOW, on this <u>6th</u> day of May, 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 waving been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Pennzoil United, Inc., seeks the creation of a new gas pool for San Andres production in Roosevelt County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 320-acre spacing and proration units.

(3) That the Superior State Well No. 1, located in Unit L of Section 8, Township 7 South, Range 35 East, NMPM, Roosevelt County, New Mexico, having its top perforations at 4232 feet, has discovered a separate common source of supply which should be designated the Northwest Todd-San Andres Gas Pool; that the vertical limits of said pool should be the San Andres formation and that the horizontal limits of said pool should be the W/2 of said Section 8. -2-CASE NO. 4526 Order No. R-4136

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 320-acre spacing units should be promulgated for the Northwest Todd-San Andres Gas Pool.

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

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Northwest Todd-San Andres Gas Pool, at which time the operators in the subject pool should appear and show cause why the Northwest Todd-San Andres Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the Northwest Todd-San Andres Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Roosevelt County, New Mexico, classified as a gas pool for San Andres production, is hereby created and designated the Northwest Todd-San Andres Gas Pool, with vertical limits comprising the fan Andres formation and horizontal limits comprising the following-described area:

> ROOSEVELT COUNTY, NEW MEXICO TOWNSHIP 7 SOUTH, RANGE 35 EAST, NMPM Section 8: W/2

-3-CASE NO. 4526 Order No. R-4136

(2) That temporary Special Rules and Regulations for the Northwest Todd-San Andres Gas Pool, Roosevelt County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE NORTHWEST TODD-SAN ANDRES GAS POOL

<u>RULE 1.</u> Each well completed or recompleted in the Northwest Todd-San Andres Gas Pool or in the San Andres formation within one mile thereof, and not nearer to or within the limits of another designated San Andres gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous guarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

<u>RULE 3.</u> The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of guarterquarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage then a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

-4-CASE NO. 4526 Order No. R-4136

> (d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

<u>RULE 4</u>. Each well shall be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1380 feet to the nearest end boundary nor closer than 330 feet to any guarter-quarter section or subdivision inner boundary.

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

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Northwest Todd-San Andres Gas Pool or in the San Andres formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before June 1, 1971.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Northwest Todd-San Andres Gas Pool shall have dedicated thereto 320 acros in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or provation units established by the Commission and dedicated there -5-CASE NO. 4526 Order No. R-4136

Failure to file new Forms C-102 with the Commission dedicating 325 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Northwest Todd-San Andres Gas Pool or in the San Andres formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this cause shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Northwest Todd-San Andres Gas Pool, at which time the operators in the subject pool may appear and show cause why the Northwest Todd-San Andres Gas Pool should not be developed on 160-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the Northwest Todd-San Andres Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

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

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



STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

in Aring

BRUCE KING, Chalrman

1. 18 9 Gand ALEX J. ARMIJO, Member

Def Patrice

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

(ace 4576 Heard 4-28-71 Ker 4-30-71 Shand Rennoil, " new pool delineation consisting of the w/2 g sec 8 - 75-35 . Light 320/ac. Spacing for the IVW. Dold-S.A. Bool. Spaciny take, Dodd-S.A. Pool. That

Examiner Hearing - April 28, 1971 -2-

> Cities-Federal Well No. 1 located 2310 feet from the South line and 300 feet from the West line of said Section 20.

Application of Pennzoil United, Inc., for the creation of a new pool and promulgation of special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the San Andres formation for its Superior State Well No, 1 located in Unit L of Section 8, Township 7 South, Range 35 East, Reosevelt County, New Mexico, and for the promulgation of special rules therefor, including a provision for 320-acre spacing units.

- CASE 4527: Application of Big "6" Drilling Company for salt water disposal, Lea County, New Mexico. Applicant, in the abovestyled cause, seeks authority to dispose of produced salt water into the Bone Springs formation in the interval from 10,062 feet to 10,119 feet in its Ora Jackson "A" Well No. 1 located in Unit M of Section 5, Township 19 South, Range 35 East, Scharb-Bong Springs Fool, Lea County, New Mexico.
- CASE 4528: Application of Frankin, Aston & Fair, Inc., for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exceptionto Order No. R-3221, as amended to dispose of water produced by its Coppedge Well No. 1-C located in Unit H of Section 5, Township 18 South, Range 30 East, Loco Hills-Grayburg-Sa. Andres Pool, Eddy County, New Mexico, in an unlined pit in the vicinity of said well.
- CASE 4529: Application of El Paso Natural Gas Company for 320-acre spacing, Eddy County, New Mexico. Applicant, in the abovestyled cause, seeks 320-acre spacing for the Grayburg-Atoka Gas Pool, Eddy County, New Mexico. Said pool was created prior to June 1, 1964, and therefore is not automatically eligible for 320-acre spacing. In the absence of evidence to the contrary, 320-acre spacing will be established for the pool.
- CASE 4530: Application of Amoco Production Company for down-hole commingling, Leu County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle oil production from the Blinebry and Drinkard Pools in the well-bore of its Southland Royalty "A" Well No. 2, a triple completion, located in Unit B of Section 9, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 4526:

THE SUPERIOR OIL COMPANY

P. O. BOX 1900 MIDLAND, TEXAS 79701

April 24, 1971

Mr. Dan Nutter State Land Office Building P. O. Box 2088 Santa Fe, New Mexico 87501

Re: Case No. 4526 Creation of San Andres Gas Pool and Special Rules for 320 Acre Spacing Pennzoil Superior State No. 1 SW/4 Section 8, T-7-S, R-35-E Roosevelt County, New Mexico

- mil 25th

Dear Sir:

Regarding the above captioned Hearing, The Superior Oil Company is lessee of lands in Section 17 and 18, T-7-S, R-35-E, offsetting the Pennzoil Superior State discovery well. And we support the Pennzoil application for creation of new gas pool and 320 acre spacing units.

<u>.</u>-

Yours very truly,

THE SUPERIOR OIL COMPANY

T. D. Clay Petroleum Engineer

TDC/bv

AVERAGE RESERVOIR PROPERTIES SUPERIOR STATE NO. 1 WELL PENNZOIL UNITED, INC. ROOSEVELT COUNTY, NEW MEXICO

Depth	4230 feet
Net Pay	32 feet
Porosity	6 %
Permeabilty, effective (Average)	10 md.
Connate Water	30 %
Bottom Hole Pressure	1277 psig
Bottom Hole Temperature	108° F
Separator Gas Gravity	0.76
Formation Volume Factor	100.6 SCF/CF
Condensate Content	0.20 B/MMCF
Condensate Gravity	36° API

BEFORE EXAMINER UTZ						
OIL CONSERVATION COMMISSION						
EXHIBIT NO. 2						
SE NO. 4526						

B. C. Sinclair April 26, 1971 ESTIMATED ECONOMICS FOR SUPERIOR STATE NO. 1 WELL PENNZOIL UNITED, INC. ROOSEVELT COUNTY, NEW MEXICO

PENNZOIL UN ROOSEVELT COUNT	ITED Y, N	, INC. EW MEXICO	
C Revenue		160-Acre Spacing	320-Acre Spacing
160 acre - 1,700 NM @ .1034	\$	175,780	•
320-acre - 1,500 MM @ .1034			\$ 155,100
Less Royalty @ 18.75%		32,960	29,080
Less Severance Tax @ 6% Total Revenue	\$	<u>8,570</u> 134,250	\$ <u>7,560</u> 118,460
Expense			
Drilling, Completing, Equipping	\$	124,000	\$ 62,000
Operating Costs 160 acre - 4 years @ \$3,600	\$	28,800	
320 acre - 5 years @ \$3,600 Total Expense	\$	152,800	\$ <u>18,000</u> 80,000
Net Profit	\$	(18,550)	\$ 38,460
Profit:Investment Ratio		-	0.62
Rate of Return, Average		-	12.4 %

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION EXHIBIT NU. 3 -ASE NO. 4526 _____

B. C. Sinclair April 26, 1971 JASON W. KELLAHIN ROBERT E. FOX KELLAHIN AND FOX ATTORNEYS AT LAW 54% EAST SAN FRANCISCO STREET() POST OFFICE BOX 1769 SANTA FE, NEW MEXICO B7501 March 25, 1971

3

TELEPHONE 982-4315 AREA CODE 505

Que 4526

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

Gentlemen:

In connection with the application of Pennzoil United, Inc., for the creation of a new pool and the adoption of pool rules for its Superior State No. 1 well, Rocsevelt County, I am enclosing three copies of a plat showing the well location and offsetting ownership in the area.

Yours very truly,

Josen W. Killohi

Jason W. Kellahin

jwk;ls

DOCKET MARLED



BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF PENNZOIL UNITED, INC., FOR CREATION OF A NEW POOL, AND ADOPTION OF POOL RULES, ROOSEVELT COUNTY, NEW MEXICO.

Care 4526

က ရေး :

APPLICATION

Comes now Pennzoil United, Inc., and applies to the Oil Conservation Commission of New Mexico for the creation of a new pool for San Andres production, Roosevelt County, New Mexico, and for temporary pool rules, and in support thereof would show the Commission:

1. Applicant has completed its Superior State No. 1 well, located 1980 feet from the South line, and 660 feet from the west line of Section 8, Township 7 South, Range 35 East, N.M.P.M., Roosevelt County, New Mexico, for the production of gas from the San Andres formation.

2. The subject well was drilled to a total depth of 8,295, and plugged back and completed in the San Andres formation, with perforations at 4232 to 4261 feet. The well was completed for a calculated open flow of 5,000 mcf per day.

3. The nearest San Andres pool is the Todd San Andres pool, approximately two and one-half miles southeast of applicant's well, and the subject well constitutes a new discovery.

4. Applicant requests the creation of a gas pool for production of gas from the San Andres, and for the adoption of temporary pool rules for a period of one year, which rules shall include a provision for 320 acre spacing and provation units. 5. Present information available to applicant indicates that one well will efficiently and economically drain and develop a proration unit of not less than 320 acres, and drilling at a greater density will cause waste. Adoption of pool rules for a period of one year will enable applicant and other operators in the area to develop further information on the reservoir and its performance, enabling the Commission to adopt permanent rules on the basis of more complete information.

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 create a new pool and adopt pool rules as prayed for.

Respectfully submitted, PENNZOIL UNITED, INC.

By trasen W. Killah Kellahin & Fox P. O. Box 1769 Santa Fe, New Mexico 87501 ATTORNEYS FOR APPLICANT

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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:

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(Records Center)

CASE No. 4526 Order No. R-4136

NOMENCLATURE

APPLICATION OF PENNZOIL UNITED, INC., FOR THE CREATION OF A NEW POOL AND PROMULGATION OF SPECIAL POOL RULES, ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on <u>April 28</u>, 1971, at Santa Fe, New Mexico, before Examiner _____.

NOW, on this _____ day of _____, 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, Pennzoil United, Inc., seeks the creation of a new gas pool for <u>Jen Goden</u> production in Roosevelt County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 320-acre spacing and proration units.and fixed well-location require-

-2-CASE NO. 4526 Order No. R- (1)

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the agumentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 320-acre spacing units should be promulgated for the Mitual Toll - full Gas Pool.

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

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves. -3-CASE NO. 4526 Order No. R-

(7) That this case should be reopened at an examiner heaving one year from the date that a pipeline connection is first obtained for a well in the **Mathematical Content** Gas Pool, at which time the operators in the subject pool should appear and show cause why the **Mathematical Content** Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the Marken Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Roosevelt County, New Mexico, classified as a gas pool for <u>localed</u> production, is hereby created and designated the <u>Northwell Full</u> Gas Pool, with vertical limits comprising the San Andres formation and horizontal limits comprising the following-described area:

> ROOSEVELT COUNTY, NEW MEXICO TOWNSHIP 7 SOUTH, RANGE 35 EAST, NM.2M Section 8: VOIT

(2) That temporary Special Rules and Regulations for the Manual Touch - Gas Pool, Roosevelt County, New Mexico, are

hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS Thousand House GAS POOL

-4-CASE NO. 4526 Order No. R-

RULE 1. Each well completed or recompleted in the Market of San Andres formation within one mile thereof, and not nearer to or within the limits of another designated for Market gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

Pala 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall Comprise any two carliquous quarter sections of a se bein a legal subdicis eletion. 1le harney. For pur) of the House Statts Kubler to Sertin sules, a unit consister, of between 316 al 324 udusta starland with contiguous surface acres aball lui Co (under)

by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarterquarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.

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> (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each mall shall be located no never then 660 feet to the research side baundon, y the deducited trait now clower than 1980 fact to the newsert and bundary nor closes then 330 feet to any generater - generater section or rebolinising inner boundary.

<u>RULE 5</u>. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necesitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state -6-CASE NO. 4526 Order No. R-

that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the <u>belowed wells</u> Gas Pool or in the San Andres formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before <u>Juna 1</u>, 1971. (2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the <u>Modeus Todd</u>. Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until -7-CASE NO. 4526 Order No. R-

said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the **Mathematical Content** Gas Pool or in the San Andres formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this cause shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the *Module Gas* Pool, at which time the operators in the subject pool may appear and show cause why the *Module Gas* Pool should not be developed on *Gas* Pool should not be developed on *320-acre spacing units.*

(4) That the first operator to obtain a pipeline connection for a well in the **Market Total** Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

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

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