

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

Case Number
4526

Application

Transcripts

Small Exhibits

ETC.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 28, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of Pennzoil
United, Inc., for the creation
of a new pool and promulgation
of special pool rules,
Roosevelt County, New Mexico.

4526
Case No. 2526

BEFORE: Elvin A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

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1 MR. UTZ: Case 452f.

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,
 7 Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for
 8 the applicant.

9 I have one witness I'd like to have sworn.

10 (Witness sworn.)

11 (Whereupon, Applicant's
 12 Exhibits 1 through 3 were
 13 marked for identification.)

14 B. C. SINCLAIR

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

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q Would you state your name, please?

20 A B. C. Sinclair.

21 Q By whom are you employed and in what position,
 22 Mr. Sinclair?

23 A Pennsoil United, Incorporated, as a petroleum
 24 engineer.

25 Q Have you testified before the Oil Conservation
 Commission or one of its examiners and made your qualifications

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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
 7 with the application of Pennzoil United, Incorporated, in
 8 Case Number 4526?

9 A Yes sir, I am.

10 Q Briefly, what's proposed by the applicant in this
 11 case?

12 A We would like to have the Commission create a
 13 new pool for the production of gas from the San Andres
 14 formation and to promulgate field rules, special rules for
 15 this pool, with provision for 320-acre spacing.

16 Q Now, referring to what has been marked as the
 17 Applicant's Exhibit Number One, would you identify that
 18 exhibit and discuss the information shown on it?

19 A Yes, this is a structure map showing the location
 20 of the Pennzoil United Superior State Number One Well in
 21 Section 8, Township 7 South, Range 35 East.

22 Also shown on the map are the locations of other
 23 wells in this general area that penetrated the San Andres
 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 MR. UTZ: They look interested. I thought they
3 might want to look at that.

4 MR. KELLIHAN: Anybody want to look?

5 A You need another copy? The contours on the
6 map are drawn on the top of the San Andres Pl Marker, which
7 is a well-recognized geological marker on the San Andres
8 formation, and the contours show the general structure of the
9 San Andres reservoir that we are dealing with today.

10 The San Andres gas wells in the southeast corner
11 of the map are in the Todd upper and San Andres gas pool.
12 This reservoir began production in early 1964, and based on a
13 pressure -- bottomhole pressure taken at the Franklin, Aston
14 and Fair Texaco Federal Number One Well in Section 27, the
15 original bottomhole pressure in this reservoir was 1256
16 pounds.

17 The San Andres gas well shown up north of this
18 area in Section 9 is a well drilled by Cactus Drilling
19 Company in November of 1966. This is the Kewanee State
20 Number Two Well, and it was completed from the upper portion
21 of the San Andres for a calculated open flow potential of
22 2.1 million cubic feet per day. The perforations in this
23 well are 4181 to 4208.

24 The Pennzoil Superior State Number One Well was
25 completed on February the 5th, 1971. The perforations in

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1 this well are 4231 to 4261, and after the well was treated
 2 with 11,000 gallons of acid, it flowed at a rate of
 3 2.472 million cubic feet per day with a flowing pressure
 4 of 900 pounds, and had an open flow potential of five million
 5 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.

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

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

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

25 The McClellan Federal Number One, 22 well -- in

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1 Section 22 made only seventy-nine million cubic feet of
 2 gas before it depleted.

3 MR. UTZ: How much?

4 A Seventy-nine. And the Franklin, Aston and
 5 Fair -- well, the McClellan Federal Number One on the
 6 northeast quarter of Section 28 made 370 million cubic
 7 feet of gas before it depleted.

8 All the other wells, gas wells shown in the
 9 Todd Upper San Andres pool there made from eight hundred
 10 million to over a billion and a half cubic feet of gas,
 11 and most of them are still producing. So this indicates
 12 that those three first wells I mentioned are definitely
 13 edge wells, and it appears that an edge was reached in the
 14 development of this reservoir.

15 Q (By Mr. Kellahin) Now, is it your opinion that
 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?

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
 22 Section 9?

23 A Yes sir, it is.

24 Q What do you base that on?

25 A The -- on correlative -- on the lack of

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1 correlative correlation 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* ~~anti-hydrate~~ bed that separates these two zones that has
 6 been used down in the Todd field as a vertical separation
 7 between the two pools there.

8 Q In your opinion, is this *anti-hydrate* ~~anti-hydrate~~ section
 9 an effective barrier to prevent communication between the two
 10 zones?

11 A Yes, sir.

12 Q So it would actually create physically a separate
 13 pool?

14 A Yes, sir.

15 Q Referring to what has been marked as Exhibit
 16 Number Two, would you identify that exhibit, please?

17 A Yes, Exhibit Two is a tabulation of the average
 18 reservoir properties for the Pennzoil Superior State
 19 Number One Well. Perhaps the most significant property
 20 there is the permeability of ten millidarcies average and
 21 the analysis of these properties in comparison with other
 22 San Andres gas reservoirs in the area.

23 An analysis of the production tests conducted
 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
 7 gas portion of this reservoir is on 320-acre spacing, and the
 8 Bluett San Andres pool is an associated pool, and the gas
 9 cap of it is on 320-acre spacing.

10 Q Now, have you made a study of the economics of
 11 drilling on 160 acres versus 320 acres --

12 A Yes, sir, I have.

13 Q -- in this area?

14 A Yes, sir.

15 Q Referring to what has been marked as Exhibit
 16 Number Two -- Three, would you discuss that exhibit?

17 A Yes, this exhibit compares the economics for
 18 160-acre spacing versus 320 acre spacing. The reserves
 19 shown are volumetric calculations of the reserves from
 20 the Superior State Number One Well. However, these reserves
 21 are substantiated by a performance of wells in other
 22 San Andres gas pools in this area.

23 The slightly higher reserves have been assigned
 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
 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
 7 this reservoir, and operating costs are estimated at three
 8 hundred dollars per well per month.

9 This gives total expense of \$152,800.00 for
 10 160-acre spacing and \$80,000.00 for 320-acre spacing.
 11 This results in a net loss of 160-acre spacing of \$18,550.00,
 12 and a net profit of \$38,460.00 under 320-acre spacing.

13 Q Now --

14 A The --

15 Q Excuse me, go ahead.

16 A The profitability, or the profit investment ratio
 17 of .62 and the average rate of return of 12.4 per cent are
 18 just barely adequate to justify developing the reservoir on
 19 320-acre spacing, and it would certainly be Pennzoil's
 20 requirement that we see some performance out of this one
 21 well before we can -- that would show some reserves we
 22 estimate are correct before we could attempt to develop
 23 this reservoir further.

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 porosity 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
5 spacing have produced reserves in this range, which seems
6 to substantiate the figures.

7 Q Now, would a one year's period of time give you
8 sufficient data to learn more about the reserves on the
9 basis of pressure and production?

10 A Yes sir, we could probably learn this in a few
11 months after the well was put on production, and we are
12 in the process of negotiating a sale for this gas
13 now.

14 Q And what you are asking for here are temporary
15 rules for 320-acre spacing, is that correct?

16 A Yes, sir.

17 Q Now --

18 A That's right.

19 Q What figure did you use for your gas price
20 on this calculation?

21 A The gas price is 10.3 cents, 10.34 cents per cubic
22 foot.

23 Q That's somewhat lower than the price of gas in
24 other areas, is it not?

25 A Yes, it's a fairly low price.

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1 Q Why is that?

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
5 for the gas.

6 Q But that is the price you would get for this
7 gas?

8 A This is the price that we are negotiating for. A
9 price has not been established. We hope it will be this good.
10 It could be a little more or a little less. The FPC will have
11 a hand in this, as we are negotiating with the purchaser.

12 Q Now, do you have any specific recommendations
13 as to the pool rules that you would recommend?

14 A We would recommend that the 320-acre spacing rule
15 be the same as the state-wide 320-acre spacing rule, that is,
16 the well is located 1980 feet from an end boundary and 660
17 feet from an inside boundary, and no closer than 330 feet
18 to any quarter-quarter section line, and that any half section
19 be established as a spacing unit.

20 Q Between north, south, east or west?

21 A Yes, sir.

22 Q And do you have a proposed name for the pool?

23 A We would suggest the Northwest Todd San Andres
24 Gas Pool.

25 Q Were Exhibits One, Two and Three prepared by you or

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1 under your supervision?

2 A Yes sir, they were.

3 Q All right.

4 MR. KELLIHAN: At this time, I would like to
 5 offer in evidence Exhibits One, Two and Three.

6 MR. UTZ: Without objection, the Exhibits One,
 7 Two and Three will be entered into the record of this
 8 case.

9 (Whereupon, Applicant's
 10 Exhibits 1 through 3 were
 admitted in evidence.)

11 Q (By Mr. Kellahin) Do you have anything further,
 12 Mr. Sinclair?

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 Q Mr. Sinclair, I'm a little confused about
 21 Exhibit Number Three. Under revenue, 160 acres, seventeen
 22 hundred million reserves?

23 A A Billion, seven, yes sir.

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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1 eighty?

2 A Yes, sir.

3 Q On 320 acres, fifteen hundred million, or 1.5
 4 billion?

5 A Yes, sir.

6 Q You got a -- less gas from 320 than you do from
 7 160?

8 A Yes, sir. This is something I feel like is
 9 very reasonable and practical. We are not saying that -- that
 10 you will recover as much gas on 320-acre spacing as you
 11 would on 160 or if you drilled on 80. I mean, you would
 12 recover slightly more gas on 160. If you drilled, you would
 13 recover slightly more gas, but I am just showing you that
 14 the economics will not justify the closer spacing, even
 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.
 21 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
 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
 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 --

5 A What two wells would produce, that's correct.
 6 Two wells on 160-acre spacing would produce the billion,
 7 seven.

8 Q (By Mr. Utz) And two wells on 320?

9 A One well on 320 would produce the billion and a
 10 half.

11 Q One well?

12 A Yes.

13 Q I see; you had me going there. I couldn't figure
 14 out how you could have that 160 acres and get less gas on
 15 the --

16 A Well, I'm sorry I confused you.

17 MR. KELLAHIN: It's the same 320 acres?

18 A The same 320 acres with one or two wells on it.

19 Q (By Mr. Utz) I see; did you make any recommendation
 20 for horizontal limits?

21 A For the pool?

22 Q Yes.

23 A Yes -- no, sir. I would think that we plan to
 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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1 application is approved, to be in the pool right now.

2 We feel like that there may be two or three
 3 more half sections that certainly have possibility,
 4 production potential, but that remains to be determined
 5 by future development.

6 Q Does this well produce any condensate?

7 A Yes, it produced a very small amount of
 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,
 13 and in here, as you can see, the oil gravity is rather
 14 low, and the gas reservoir is 36 degrees API.

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
 24 that this well might not have -- this reservoir might not
 25 have an oil rim on it, but certainly the low amount of oil

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1 production indicates that the gas -- it's a gas reservoir
 2 possibly with a small oil rim.

3 And we would like to stress that we are asking
 4 for temporary rules, and if it's determined that it's an
 5 associated reservoir by further development, that we would
 6 certainly have no objection to it being so classified.

7 Q Would you anticipate the gas area to be to the
 8 northwest of your well?

9 A Based on our map there, yes sir, we would. This
 10 appears to be --

11 Q If this map is correct, well, it might not be
 12 too much oil there. It might be to the southeast of your
 13 well?

14 A Yes sir, that's my opinion, that it's a very
 15 small oil rim, if one exists at all, in a transition
 16 to a gas reservoir to make this low gravity oil, and we will
 17 have to see how it develops to know for sure about this
 18 possibility of an oil rim.

19 Q And your present plans are to test this well
 20 for sometime and take a good look at it before you spend
 21 any more money drilling it?

22 A Yes sir, that would be correct.

23 MR. UTZ: Questions?

24 You may be excused.

25 (Witness excused.)

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MR. UTZ: Statements?

The case will be taken under advisement.

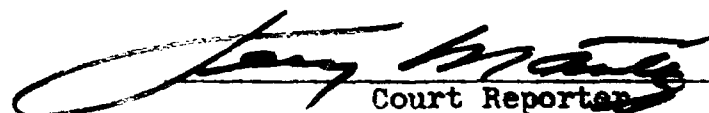
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1 STATE OF NEW MEXICO)
 2 : ss
 3 COUNTY OF MCKINLEY)

4 I, Jerry Martinez, Court Reporter in and for the
 5 County of McKinley, 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

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22 I do hereby certify that the foregoing is
 23 a true and correct record of the proceedings in
 24 the said hearing of Case No. 45,246
 25 filed by me on January 19, 1971
 before the New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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

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

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. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Ccny 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 Elvis A. Utz.

NOW, on this 6th 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 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 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 San 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

RULE 1. 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 quarter 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.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit 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 quarter-quarter 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.
- (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 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 quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed 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 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 there.

-5-

CASE NO. 4526

Order No. R-4136

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 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.

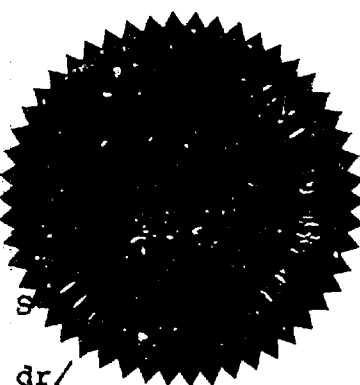
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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



dr/

Case 4576
Heard 4-28-71
Recd 4-30-71

Grant Pennzoil, a new pool,
delineation consisting of the
W/2 of sec 8-75-35E. Grant
820 ac. spacing for the
NW. Todd-S.A. Pool.
Spacing to be, Todd-S.A. Pool.

Thos O. Williams

Cities-Federal Well No. 1 located 2310 feet from the South line and 330 feet from the West line of said Section 20.

- CASE 4526: 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, Roosevelt 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 above-styled 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-Bone Springs Pool, Lea County, New Mexico.
- CASE 4528: Application of Franklin, 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 exception to 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-San 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 above-styled 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, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle oil production from the Blinbry 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.

44-2876

THE SUPERIOR OIL COMPANY

P. O. BOX 1900
MIDLAND, TEXAS 79701

April 24, 1971

[Handwritten signature]

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

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.

Yours very truly,

THE SUPERIOR OIL COMPANY

T. D. Clay

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 %
Permeability, 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
CASE NO. 4526

B. C. Sinclair
April 26, 1971

ESTIMATED ECONOMICS FOR
SUPERIOR STATE NO. 1 WELL
PENNZOIL UNITED, INC.
ROOSEVELT COUNTY, NEW MEXICO

<u>Revenue</u>	<u>160-Acre Spacing</u>	<u>320-Acre Spacing</u>
160 acre - 1,700 MM @ .1034	\$ 175,780	
320-acre - 1,500 MM @ .1034		\$ 155,100
Less Royalty @ 18.75%	32,960	29,080
Less Severance Tax @ 6%	8,570	7,560
Total Revenue	\$ 134,250	\$ 118,460
<u>Expense</u>		
Drilling, Completing, Equipping	\$ 124,000	\$ 62,000
Operating Costs		
160 acre - 4 years @ \$3,600	\$ 28,800	
320 acre - 5 years @ \$3,600		18,000
Total Expense	\$ 152,800	\$ 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 NO. 3
CASE NO. 4526

B. C. Sinclair
April 26, 1971

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

March 25, 1971

Case 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, Roosevelt County, I am enclosing three copies of a plat showing the well location and offsetting ownership in the area.

Yours very truly,

Jason W. Kellahin

Jason W. Kellahin

jwk;ls

DOCKET MAILED

Date 4-16-71

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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.

Case 4526

A P P L I C A T I O N

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 proration 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 Jason W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501
ATTORNEYS FOR APPLICANT

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DRAFT

CMH/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:

yes
(Records Center)

CASE No. 4526

Order No. R- 4136

NOMENCLATURE

CMH
APR 28 1971
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 _____.

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 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, ~~and fixed well location require-~~
~~ments.~~

-2-

CASE NO. 4526

Order No. R- 4126

(3) That the Superior State Well No. 1, located in unit ~~feet from~~
~~the line and feet from the line~~ 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 ~~all of~~ the 1/2
said Section 8.

(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 pro-
viding 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 estab-
lished 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 hearing one year from the date that a pipeline connection is first obtained for a well in the Northeast Todd - San Andres Gas Pool, at which time the operators in the subject pool should appear and show cause why the Northeast 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 Northeast 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 Northeast Todd - San Andres 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, NM2M
Section 8: W/2

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

SPECIAL RULES AND REGULATIONS
FOR THE
Northeast Todd - San Andres GAS POOL

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CASE NO. 4526

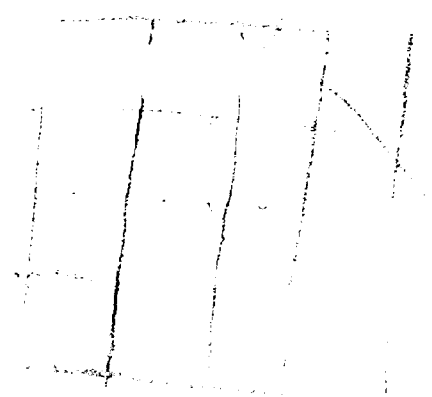
Order No. R-

RULE 1. Each well completed or recompleted in the ~~Hallsville~~
~~Old 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 quarter sections of a single
governmental section, being a legal subdivision (half
section) of the United States Public Land Survey. For purposes
of these rules, a unit consisting of between 316 and 324
contiguous surface acres shall be considered a standard unit
(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 quarter-
quarter 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.



- (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 well shall be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision line boundary.*

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed 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 Northward 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 Northward Todd - San Andres 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

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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 Northwell 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 Northwell Todd - San Andres Gas Pool, at which time the operators in the subject pool may appear and show cause why the Northwell Todd - San Andres 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 Northwell 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.