

Case Number  
4763

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE ROOM, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

November 21, 1972

DE NOVO HEARING

IN THE MATTER OF:

Application of Black River  
Corporation for compulsory  
pooling and non-standard  
proration unit, Eddy County,  
New Mexico.

Case No. 4763

IN THE MATTER OF:

Application of Black River  
Corporation for compulsory  
pooling and non-standard  
proration unit, Eddy County,  
New Mexico.

Case No. 4764

IN THE MATTER OF:

Application of Michael P. Grace  
and Corinne Grace for compulsory  
pooling and non-standard  
proration unit, Eddy County,  
New Mexico.

Case No. 4765

BEFORE: State Geologist, A. L. Porter, Jr.,  
Secretary-Director

Land Commissioner, Alex Armijo,  
Member

TRANSCRIPT OF HEARING

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1 MR. PORTER: This brings us back to the beginning  
2 of the docket, Cases 4763, 4764, and 4765. These are all  
3 related cases. ~~being applications by Rutter and Wilbanks~~  
4 for De Novo Hearings, and I believe all three cases involve  
5 the same acreage. So at this time, I would like to know  
6 if there is going to be a motion for consolidation of these  
7 cases.

8 MR. HINKLE: There will be.

9 MR. PORTER: So Mr. Hinkle, are you moving their  
10 consolidation at this time?

11 MR. HINKLE: Yes. If the Commission please,  
12 Clarence Hinkle, appearing on behalf of Black River  
13 Corporation, and I would like to move all these cases be  
14 consolidated for the purpose of this hearing.

15 MR. PORTER: Mr. Cooley?

16 MR. COOLEY: William Cooley, of Burr and Cooley,  
17 Farmington, appearing on behalf of Michael P. Grace and  
18 Corinne Grace. We have no objection to the consolidation  
19 of these cases.

20 MR. PORTER: Mr. Kellahin?

21 MR. KELLAHIN: Jason Kellahin, of Kellahin and  
22 Fox, appearing for Rutter and Wilbanks Corporation, Donald  
23 E. Cooper, Helen Jones, and A. G. Andrikopoulos. We have  
24 no objection to the consolidation of the cases.

25 MR. PORTER: Now, we have the appearance on

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1 behalf of Rutter and Wilbanks, on behalf of the Graces, and  
2 by Black River; are there any other appearances in this  
3 case?

4 MR. COLL: Mr. Chairman, my name is Max Coll, and  
5 I am representing the corporation which I own, Max Coll Inc.  
6 I have an offsetting mineral interest and overriding royalty  
7 interest in the area of one of the spacing units in Section  
8 3. I would like to say something during the course of the  
9 hearing.

10 MR. PORTER: All right, perhaps at the close of  
11 the testimony.

12 MR. COLL: That would be fine.

13 MR. PORTER: Mr. Coll, to clear up a technicality,  
14 are you the owner of this corporation?

15 MR. COLL: Yes, sir.

16 MR. PORTER: Thank you.

17 Would anyone else like to make an appearance in  
18 these cases?

19 (No response)

20 MR. PORTER: If not, Mr. Hinkle, would you like  
21 to proceed first in this-- the cases will be consolidated  
22 incidentally.

23 MR. HINKLE: I think it would save considerable  
24 time if we could stipulate with those that have entered  
25 appearances here that the record in these three cases that

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1 have been consolidated and which was taken in connection  
2 with the Examiner Hearing, that that be made a part of the  
3 record in this case. Now, there will be some changes in  
4 conditions due to the fact of additional drilling, one  
5 dry hole, and some other wells have been drilled. We would  
6 like to update that information and our exhibits will be  
7 directed for that purpose, but we will try not to duplicate  
8 any more evidence than we have to, evidence that has already  
9 been introduced before at the Examiner Hearing.

10 MR. PORTER: In other words, even though this  
11 hearing is De Novo, you would like to incorporate the  
12 previous record and supplement that testimony?

13 MR. HINKLE: That's right, with the consent of  
14 those that have entered appearances.

15 MR. PORTER: Are there any objections?

16 MR. KELLAHIN: If the Commission please, we have  
17 no objection to incorporating the record of the previous  
18 hearing into this hearing. It is the position of the  
19 clients that I represent that they have no objection to  
20 compulsory pooling, and they have no objection to the  
21 designation of an operator, the only matter that we would  
22 like to argue here is the question of correlative rights,  
23 and that is what our argument will be directed to. In  
24 other words, the size of these units.

25 MR. PORTER: Mr. Cooley, would you state the

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1 position of your client into the record concerning the  
2 admission of the previous record?

3 MR. COOLEY: We have no objection to the  
4 incorporation of the previous record into this record, and  
5 I would like to relate that our position is the same as it  
6 was in the previous record.

7 MR. PORTER: Thank you. There being no objection,  
8 the previous record will be incorporated into this record.

9 Mr. Coll, did you make an appearance in the  
10 previous case?

11 MR. COLL: No.

12 MR. PORTER: Do you have any objection?

13 MR. COLL: No objection.

14 MR. PORTER: Then the record from the Examiner  
15 Hearing in Cases 4763, 4764, and 4765 will be made part of  
16 this record.

17 Mr. Hinkle, you may proceed with your testimony.

18 MR. HINKLE: We have one witness and six exhibits,  
19 and I would like to have Mr. Aycock sworn.

20 \* \* \* \*

21 WILLIAM P. AYCOCK,  
22 was called as a witness, and after being duly sworn, testified  
23 as follows:

24 MR. PORTER: By the way, Mr. Kellahin, how many  
25 witnesses do you have?

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1 MR. KELLAHIN: We will have two witnesses.

2 MR. PORTER: Mr. Cooley?

3 MR. COOLEY: We may have one witness.

4 MR. PORTER: We can swear them at a later time.

5 \* \* \* \*

6 DIRECT EXAMINATION

7 BY MR. HINKLE:

8 Q State your name and residence, please.

9 A William P. Aycock, Midland, Texas.

10 Q Are you a petroleum engineer?

11 A Yes, sir.

12 Q And a member of an engineering firm?

13 A Yes, sir.

14 Q What firm is that?

15 A Sipes, Williamson and Runyan.

16 Q Is your firm employed by Black River Corporation?

17 A Yes, sir.

18 Q And have they done a lot of work in connection with  
19 these matters?

20 A Yes, sir.

21 Q Were you the witness for Black River Corporation at  
22 the original Examiner Hearing?

23 A Yes, I was.

24 Q Have you made a continued study of the Washington  
25 Ranch-Morrow Gas area since that time?

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1 A Yes, I have.

2 Q Are you familiar with all the recent developments that  
3 have taken place?

4 A Yes, sir.

5 Q And your qualifications as a petroleum engineer are a  
6 matter of record with the Commission?

7 A Yes, sir.

8 MR. PORTER: The Commission considers the witness  
9 qualified to testify.

10 Q (By Mr. Hinkle) Have you prepared, or has there been  
11 prepared under your direction, certain exhibits for  
12 introduction in this case?

13 A Yes, sir.

14 Q And those are the ones that have been marked as Exhibits  
15 One through Six?

16 A That's correct.

17 Q Referring you to Exhibit One, will you explain what  
18 this is, and what it shows?

19 A This is the current land plat of the area that is  
20 involved here. You will notice that there is one  
21 thing that should be added, the west half of Section  
22 35 should be included within the dotted outline, which  
23 represent wells that were carried as active in  
24 August, 1972, on the monthly statistical report.  
25 Other than that, I would invite the specific attention



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1 of the Commission to the following: there is an  
2 abandoned location by Cities Service in Section 22,  
3 and another one in Section 26. These are listed  
4 as Cities Service 1-P and Cities Service 1-Q.

5 There has been a well drilled in the west half  
6 of Section 4, the Blinebry "BR" Federal Number 2,  
7 which is a dryhole. There is now a completed well  
8 in the West half of Section 2, the Black River-J. W.  
9 Miller Number 1. Black River Corporation has also  
10 drilled a dryhole way down to the south in Section 21  
11 since the time of the original hearing. There have  
12 been some changes in well status also, but that will  
13 be brought out in subsequent testimony.

14 Q Those are all the changes that have taken place since  
15 the last Examiner Hearing?

16 A Yes, sir.

17 Q Referring you to Exhibit Number Two, will you explain  
18 what it shows? I think this was introduced as a  
19 structural map at the last hearing.

20 A That's correct.

21 Q Referring you to Exhibit Number Two, will you explain  
22 the changes that have taken place since the original  
23 hearing?

24 A We have incorporated the wells that I have mentioned  
25 that have been drilled and added them and recontoured

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1 our map based on the subsequent control available.  
2 This does not change our original testimony too much.

3 Q Now, the next exhibits, Exhibits Three and Four, are  
4 cross sections.

5 A Exhibit Three traces A-A Prime and Exhibit Four traces  
6 B-B Prime.

7 Q These are different cross sections than the ones  
8 presented previously?

9 A Yes, sir, they have the Black River "4" Federal Number  
10 2 and the Black River Number 1 - J. W. Miller both  
11 added.

12 Q What does Exhibit Number Three refer to? Will you  
13 explain that?

14 A Exhibit Number Three is a cross section A-A Prime which  
15 you will note is a north to south cross section.

16 The productive feature here extends down to the old  
17 Superior Government 134-1, even though it was not the  
18 discovery well in a formal sense, it should really  
19 be considered as such, as it was the first productive  
20 well drilled in the area.

21 We have contoured the bottom of the Lower Morrow  
22 sand and indicated that on the cross section by the  
23 heavy line, and it portrays this, I think, very  
24 graphically. It shows that from the north as we go  
25 up the crest of the structure and then it flattens

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- 1 a bit as we go off to the east, it drops off very  
2 dramatically.
- 3 Q What conclusions, if any, do you reach from this exhibit?
- 4 A Well, the exhibit, I think, shows graphically the  
5 effect that the Upper Morrow does not produce over  
6 the entire structure nor does the Lower Morrow. It  
7 shows a very obvious difference in thickness between  
8 the areas. The area where the Lower Morrow is  
9 productive is greatest on the top of the structure  
10 and much less at the flank.
- 11 Q Do you have any further comment on this exhibit?
- 12 A These are all productive wells you will notice on this  
13 cross section.
- 14 Q Referring you to Exhibit Number Four, will you explain  
15 that?
- 16 A It's the B-B Prime cross section which is an east-west  
17 cross section that comes across from the Black River  
18 dryhole in Section 5 all the way over to the Section  
19 3 area that we are interested in in this hearing.
- 20 I think you will notice once again that we can see  
21 changes in the development of the various producing  
22 zones and how they are situated with regard to the  
23 structure. The new dryhole in the West half of Section  
24 4 serves to re-emphasize the fact that production is  
25 very critical with regard to structural position. If

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1 you drill a structurally low location, you are running  
2 a high risk of running a dryhole. You either have  
3 very good quality wells or dryholes. What I'm trying  
4 to say is that the wells have been either very  
5 successful or they have been dryholes.

6 Q This shows a deep plunging structure?

7 A Yes, and it also shows all the drill stem tests and  
8 perforations and all the data pertinent to each well.

9 Q Now, referring you to Exhibit Number Five, will you  
10 explain what this is and what it shows?

11 A Exhibit Five is a surface plat that shows the location  
12 of both of the wells in Section 3, and shows the size  
13 of each of the lots involved, and it also shows a  
14 subtotal for the two units that the Commission has  
15 approved on initial application. These are 407.2  
16 acres for the West half and 409.22 acres for the East  
17 half, or a total of 816.42 acres total for Section 3.

18 Q I believe your previous testimony before the Examiner  
19 will show that you testified that one of these wells  
20 will effectively and efficiently drain either the  
21 East half or the West half of that area dedicated to it?

22 A I think the evidence that we have now says that that  
23 is probably true, yes.

24 Q There has been no change because of additional drilling?

25 A The wells are producing essentially as we anticipated.

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1 Q Are you familiar with the rules of the Commission with  
2 respect to the dedication of 320 acres where you have  
3 a discovery well or a well in the Pennsylvanian or  
4 below?

6 Q What do those rules provide for?

7 A Well, I'm not looking at the Commission's own rule  
8 book, what I am looking at is the Byron Book that has  
9 the same rules written in it, and it provides that  
10 each well, unless otherwise provided special rules,  
11 each development well of the Pennsylvanian Age or  
12 older, which is created or defined by the Commission,  
13 shall be located on a designated drilling tract  
14 consisting of 320 acres more or less providing that  
15 the existing governmental section be a legal subdivision  
16 of the United States Public Land Survey. Any such  
17 well having more than 160 acres dedicated to it shall  
18 be no closer than 1,980 feet to the end boundary and  
19 330 feet to the quarter section. It goes on and  
20 specifies that the Commission can approve non-standard  
21 units if they are caused by subdivisions of the United  
22 States Public Land Survey, which is the case here.

23 Q **<BY HINKLE>** Let's assume for the moment here that you were only  
24 permitted to dedicate 320 acres in either the East half  
25 or the West half for the respective wells that have

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1 been drilled in Section 3. What would you do with  
 2 the rest of the acreage after you dedicated 320 acres  
 3 to each of those wells?  
 4 A ~~324 Acreage~~ Then you would be forced to either take the balance  
 5 the 316.12 acres, that being a substandard proration  
 6 unit, and try to force the drilling of another well,  
 7 or you would be forced to cross the boundary lines of  
 8 the section and involve other operators to create  
 9 another full standard 320-acre unit.  
 10 Q Isn't it true that there would be quite a problem in  
 11 trying to work out the crossing of these section lines?  
 12 A I think it would put the Commission in the position  
 13 of dictating to the operators how they would handle  
 14 their business.  
 15 Q Has the Commission set any precedent in this area by  
 16 dedicating more than 320 acres in an irregular section?  
 17 A We already have a well in the East half of Section 4,  
 18 and as far as I know, it has never been contested. I  
 19 don't know whether the Commission has formally approved  
 20 it or not, but it falls under the same category as this.  
 21 Q And there are some 402 and a fraction acres dedicated  
 22 to that well?  
 23 A That's correct.  
 24 Q That is also true of the West half of Section 2, is  
 25 it not?

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1 A Yes, sir. I don't believe that has formally been  
2 approved yet either, but the same situation exists and  
3 there are 380 acres, more or less, dedicated there.

4 Q And there has been no objection, as far as you know?

5 A As far as I know. As far as I know, there has  
6 never been any objection.

7 Q Do you have any further comment with respect to Exhibit  
8 Five?

9 A No, sir.

10 Q Referring you to Exhibit Number Six, will you explain  
11 what that shows?

12 A Exhibit Number Six is an update, an expansion of the  
13 tabulations that we presented at the original hearing,  
14 and they have been rearranged to show the wells in  
15 their chronological order of completion. This exhibit  
16 includes every well in the area that has been drilled  
17 or is associated with the Washington Ranch-Morrow  
18 pay zone. As I said, the Superior Oil Company  
19 Government Well 134-1 was completed back in October,  
20 1960, and this goes all the way down to the Black  
21 River Corporation "BR"-4 Federal Number 2, which was  
22 plugged and abandoned on the second of November of  
23 this year. The discovery well, the Black River  
24 Corporation Cities Federal Number 2 was completed in  
25 February, 1971, and from that date is where the

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majority of activity lies.

Q Do you have anything further with respect to any matter you would like to present to the Commission?

A I would like to point out to the Commission, respectfully, that as of the date of the initial gas delivery as shown in the far right-hand column, you will notice that the information I have indicates that the initial gas delivery was as of the 19th of August in the acreage in question in this hearing. That was the next to last well in Section 4, and it was put on initial delivery on the 19th of August. The last one put on, the Black River Corporation - J. W. Miller, has not yet been connected.

MR. PORTER: The 19th of November?

THE WITNESS: No, sir, the 19th of August.

MR. HINKLE: I would like to offer in evidence Exhibits One through Six.

MR. PORTER: Without objection, the exhibits will be admitted.

(Whereupon Black River Exhibits One through Six were admitted in evidence.)

MR. HINKLE: That's all the direct.

MR. PORTER: Any questions of the witness?

MR. KELLAHIN: Yes, sir.

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## CROSS EXAMINATION

BY MR. KELLAHN:

Q Mr. Aycock, in connection with your Exhibit Number One.

could you give me the location of the J. W. Miller

well?

A If you will be patient with me for a while, I can.

Q I will be patient.

A I think I have every form that the Commission has, and maybe a few that they don't have.

Nineteen hundred eighty feet from the south line and 660 feet from the west line in Section 2, Township 26 South, Range 24 East, as shown on the form C-105, which has been stamped as received in the Commission's Artesia office on October 31st, 1972.

Q Thank you, sir. On Exhibit Number Two, you show the depth of the R. Lowe Estate Slaughter Draw Well as being 4,017 feet.

A Yes.

Q That well was not drilled to that.

A That's right. That was an estimate based on the sample log I have available.

Q To what did you compare that sample log?

A We compared the log with the rest of the wells, and noted the progressive thicknesses and used that to estimate the top.

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- 1 Q You used the Huber-Western-U. S. A. Well in Section 14?
- 2 A Yes, we did.
- 3 Q That well was drilled subsequent to the last hearing.
- 4 was it not?
- 5 A The Huber-Western-U. S. A. was.
- 6 Q I don't believe you mentioned that as being a new well.
- 7 A Well, I beg your pardon for the omission, Mr. Kellahin.
- 8 Q I just want to get it into the record, that's all.
- 9 Now, on Exhibit Number Two, your cut-off point
- 10 would appear to be about 3,500 feet. Would that be
- 11 correct-- or 3,400 feet, I mean.
- 12 A As you can see, if you were looking at the base of the
- 13 Lower Morrow, which we considered to be the most
- 14 reliable geological marker for comparative purposes,
- 15 that that is minus 3,482. I would say yes, all the
- 16 data we have show that we are between 3,432 and 3,482,
- 17 which would be the point we cut off the commercial
- 18 sand development.
- 19 Q So the North half of Section 10 is non-productive?
- 20 A Our data would indicate it probably would be.
- 21 Q And part of the South half of Section 3 would be
- 22 non-productive, possibly?
- 23 A It possibly would be if you are talking about the
- 24 extreme corner, the extreme southwest corner.
- 25 Q In your Black River Corporation - J. W. Miller Well,

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1 did that make water in the Lower Morrow where it was  
2 completed?

3 A It's completed in the Upper Morrow, the small intervals  
4 in the Upper Morrow. If you will refer to the A-A Prime  
5 cross section, you can see that. The drill stem  
6 test number five is the one you are referring to, and  
7 I believe it did recover 4,922 feet of slightly gas-  
8 cut salt water from 7,900 to 7,925.

9 Q On your Exhibit Number Six, you give what I take to  
10 be initial potential on your wells?

11 A Yes, that's straight off the form C-122.

12 Q On the Black River Corporation - Cities "3" Federal  
13 2-C and Federal 2-T, you show two tests on that. What  
14 is the significance of that?

15 A One is in the Upper Morrow pay zone, and one is in  
16 the Lower Morrow pay zone.

17 Q You tested them separately?

18 A Yes, and they were completed separately.

19 Q But they are in one pool?

20 A That's correct.

21 Q And the same is true for the Cities "3" Federal 1-C  
22 and 1-T?

23 A Yes, sir, and the same is true for the "BR"-4 Federal  
24 Number 1.

25 Q Is it correct to say that the first test shown is the

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1 Upper Morrow and the second is the Lower Morrow?

2 A Yes.

3 Q Now, you have completed the two wells in Section 3.

4 Have you had any accumulative production on either  
5 one of these wells?

6 A I have it right here, Mr. Kellahin, if you will be  
7 patient once again.

8 Q Sure.

9 A The Cites "3" Federal Number 1--

10 MR. HINKLE: What section is that in?

11 THE WITNESS: That's in Section 3.

12 A (Continuing) The one in the West half of the section  
13 has been on production since May. There were twenty-  
14 eight days of production in May, and according to the  
15 figures I have here, it produced an accumulative  
16 amount of 124,993 MCF as of September 1st-- I beg your  
17 pardon, I'm sorry, that's a misstatement, that was the  
18 wrong well. The first production was in August with  
19 the Upper and Lower reported separately, and the total  
20 was 570,670 MCF as of October 1st.

21 MR. PORTER: Is that both zones?

22 THE WITNESS: Both zones.

23 MR. HINKLE: What was that again?

24 THE WITNESS: Five hundred seventy thousand,  
25 six hundred seventy MCF of gas as of 10/1/72.

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1 MR. HINKLE: Is that the one in the West half  
2 of Section 3?

3 THE WITNESS: Yes.

4 A (Continuing) For the one in the East half, we only  
5 have two months of production on it, and through  
6 10/1 also, the figures were 337,103 MCF.

7 MR. HINKLE: When did it start?

8 THE WITNESS: It started in August.

9 Q (By Mr. Kellahin) Are both those wells producing at  
10 capacity?

11 A No, I don't believe they are, Mr. Kellahin.

12 Q Are they restricted intentionally?

13 A Yes, they are, because Mr. Phipps believes, and I  
14 heartily concur with him, that it is not good operation  
15 or good conservation practice to pull any gas well  
16 unless there are extenuating circumstances involved.

17 Q Are you talking about maximum efficiency ratio?

18 A In a sense, yes, but it is more a question of looking  
19 at each of the wells and seeing what they appear to  
20 be efficiently able to produce.

21 Q Who is Mr. Phipps?

22 A He is manager of Black River Corporation.

23 Q Who is your pipe line purchaser?

24 A El Paso Natural Gas Company.

25 Q Do you know whether they have the capacity to take

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- 1 all the gas these wells will produce?
- 2 A I haven't had any recent discussions with them, but
- 3 last summer they were anxious to get their hands
- 4 on any gas they would be able to take.
- 5 Q Do you know what price they are paying for gas?
- 6 A No, I do not, but I could look it up.
- 7 Q Do you have that information available?
- 8 A Yes, I do, if you will be patient once again, I will
- 9 get out my file and give you the information on that.
- 10 I'm sorry, I do not have that information with
- 11 me, I have it in another file which I didn't bring
- 12 with me.
- 13 Q You had nothing to do with the contracting for the gas?
- 14 A No, sir.
- 15 Q This pool is not prorated, is it?
- 16 A No, it's not.
- 17 Q How many wells does Black River operate in this pool?
- 18 A Well, let's see. I will stop and count them before I
- 19 pop off and tell you something you will challenge me on.
- 20 Q I don't intend to do that.
- 21 A Let's see, we have the Cities-Federal 1, 2, and 3; that
- 22 makes three. We have the Cities "3" Federal 1 and 2;
- 23 that makes five. That's five wells with seven
- 24 completions. We have the "BR" Federal Number 1, which
- 25 would make six, and the "BR" -4, which would make seven,

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1 and the "BR" -Miller, which would make eight. Of  
2 those eight, three of them are duals.

3 Q By duals, you mean they are completed in the upper  
4 and Lower Morrow?

5 A That's correct.

6 MR. PORTER: So you have eleven completions?

7 THE WITNESS: Yes, sir.

8 Q (By Mr. Kellahin) Who is the operator of the Cities  
9 Service Wells?

10 A Cities Service operates their own wells.

11 Q Let's get this straight. Black River operates eight  
12 wells, three of which are duals?

13 A Correct.

14 Q Now, how many wells are there in the pool?

15 A Well, there are three more Cities Service, and of the  
16 three, one is shut in. They have producing wells, the  
17 Government M-2 and the Government M-3. So we have  
18 eleven altogether in the field. None of the Cities  
19 Service are duals, they are all Lower producers.

20 Q Have you made any calculations of the reserves underlying  
21 Section 3?

22 A I have made no calculations with regard to specific  
23 areas, I have made some reserve estimates based on  
24 relative deliverability and assuming drainage areas  
25 to be of various sizes. I do not represent them to

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1 be accurate at this stage because it was done before  
2 the wells in Section 3 were drilled, and at the time  
3 I did work them out, there were no Upper Morrow  
4 completions. So the calculations I have-- I have done  
5 some, but they are obsolete.

6 Q On the basis of what you have done, would you say  
7 reserves of ten billion underlying Section 3 would be  
8 a reasonable or an unreasonable estimate?

9 A I would say for both zones, eight to ten billion would  
10 be accurate, but I'm not prepared to testify to that  
11 because the whole thing might not be productive. I  
12 would preface that by saying that if the whole thing  
13 is productive and if the log information we have  
14 available is representative of that area, then I think  
15 that the number you quoted, plus or minus, would be  
16 okay. But that would be with those qualifications,  
17 and if any of those conditions are not met, I don't  
18 have any idea of what it would be, and the only way  
19 I could find out would be to study the pressures and  
20 the productive history of the wells.

21 Q And that has not been done?

22 A No, sir. In my opinion, it would take one to two years  
23 to make reserve estimates that I would have any  
24 confidence in.

25 Q But to date, the productive capacity of these wells

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1 would indicate that?

2 A Yes, up to date, they are doing just about what we  
3 anticipated they would do.

4 Q That's all I have, Mr. Aycock, thank you, sir.

5 A Yes, sir.

6 MR. PORTER: Does anyone else have any questions  
7 of Mr. Aycock?

8 MR. COOLEY: Yes, sir.

9 \* \* \* \*

10 CROSS EXAMINATION11 BY MR. COOLEY:12 Q Mr. Aycock, you have previously testified that in your  
13 opinion, the two existing wells in Section 3 will  
14 adequately drain the two entire sections, is that  
15 correct?16 A I think, based on the data we have now, yes, Mr. Cooley.  
17 But of course, that is subject to correction, but at  
18 this time, we do not have enough performance to correct  
19 that opinion.20 Q Does it logically follow that a third well drilled  
21 anywhere in the South half of Section 3 would be an  
22 unnecessary well?

23 A Well, I think right now, it would be unnecessary.

24 But we have discussed here the fact that you would be  
25 running an extreme risk of drilling a dryhole down

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1 structure, so it could be a complete commercial  
2 failure.

3 Q Approximately how much would a third well drilled in  
4 this section cost?

5 A I would estimate the cost between two hundred twenty-  
6 five and two hundred fifty thousand dollars by the  
7 time it is drilled and completed and pipe was set.  
8 I think our prior testimony, and I think Mr. Grace's  
9 prior testimony, were both in that range, if I'm not  
10 mistaken.

11 Q Thus, in your opinion, if a third well were required  
12 to be drilled in the south, approximately a quarter  
13 of a mile south, it would be wasted?

14 A I think that is the conclusion you could draw right  
15 now, Mr. Cooley, yes.

16 MR. COOLEY: No further questions.

17 MR. KELLAHIN: May I ask one further question?

18 MR. PORTER: Proceed.

19 \* \* \* \*

20 CROSS EXAMINATION

21 BY MR. KELLAHIN:

22 Q Did you testify on well costs at the previous hearing?

23 A Yes, I did. It is my recollection that we discussed  
24 well costs at length.

25 Q Is it your recollection that there was testimony of

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1 a cost of \$180,000 in this case?

2 A I don't recall that to be the testimony in the type  
3 of well we are discussing here.

4 Q Do you know what the actual well costs on these wells

6 A I have it here somewhere, and if you would give me  
7 time to look through my file, I will see if I can find it.

8 Q I will withdraw the question. I think that the  
9 testimony was, according to our notes, \$180,000 for  
10 a dryhole, so your figures would probably be correct.

11 A That's right.

12 MR. KELLAHIN: That's all I have.

13 \* \* \* \*

14 CROSS EXAMINATION

15 BY MR. PORTER:

16 Q You had one well there that indicated forty-one and a  
17 half million uncalculated openflow. What is the rate  
18 of production on that well at the present time?

19 A You are talking about the Cities Federal Number 1, and  
20 it has produced 2,254,167 MCF as of October 1st of  
21 this year. As far as the monthly production is  
22 concerned, the highest monthly rate I see here was in  
23 the month of June where it was 336,389 MCF.

24 Q So it would be roughly ten million a day?

25 A Yes, a little over ten million a day.

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1 Q Is El Paso Natural Gas connected to all your wells?  
 2 A Yes, sir-- I don't know the status of the connection  
 3 with the Miller Well, but it will be with El Paso.

4 MR. PORTER: Does anyone else have any questions  
 5 of the witness?

6 (No response)

7 MR. PORTER: If not, the witness may be excused.  
 8 (Witness excused.)

9 MR. HINKLE: That's all we have.

10 MR. PORTER: You may proceed, Mr. Kellahin.

11 MR. KELLAHIN: I will call William LeMay.

12 \* \* \* \*

13 WILLIAM J. LeMay,

14 was called as a witness, and after being duly sworn, testified  
 15 as follows:

16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Would you state your name, please?

19 A William J. LeMay.

20 Q What business are you engaged in, Mr. LeMay?

21 A I am a consulting geologist in Santa Fe, New Mexico.

22 Q Have you testified before the Oil Conservation  
 23 Commission and made your qualifications as a geologist  
 24 a matter of record?

25 A Yes, I have.

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1 MR. KELLAHIN: Are the witness's qualifications  
2 acceptable?

3 MR. PORTER: Yes, they are.

4 Q (By Mr. Kellahin) Mr. LeMay, in connection with the  
5 three cases presently before the Commission on Hearing  
6 De Novo, were you employed by Rutter and Wilbanks to  
7 make an investigation of the situation existing in  
8 these cases?

9 A Yes, I was.

10 Q And have you prepared certain exhibits in regard to  
11 this situation?

12 A Yes, I have made a study of the field and prepared  
13 Exhibit Number One and Exhibit Number Two.

14 Q Referring to what has been marked as your Exhibit  
15 Number One, would you discuss the information shown  
16 on that exhibit?

17 A Yes. Exhibit Number One is a structure map of the  
18 productive gas acreage of the Washington Ranch-Morrow  
19 Field. I might point out that the datum, where logs  
20 were available, were picked by me at a point that I  
21 called the top of the Chester, the top of the shale  
22 series at the same point as the Sipes, Williamson  
23 Exhibit. I did that purposely because much of the  
24 log information was not available, and in those cases,  
25 I did take the point of the Sipes, Williamson Exhibit,

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1 and those points are so noted on my map with the  
2 datum being followed with "A.B.", indicating their  
3 datum.

4 Q You are referring to the exhibits marked and entered  
5 in the previous case?

6 A Yes, by Black River Corporation.

7 Q And they are in this case by the consolidation of the  
8 records?

9 A That's correct. I might point out that by studying  
10 the field and the wells that I have no basic  
11 disagreement with Black River Corporation's exhibits,  
12 except for that well in the northwest-northwest of  
13 Section 16, Township 26 South, Range 24 East, the  
14 R. Lowe-Slaughter Draw Unit Well. In that well, by  
15 studying the gamma ray characteristics of the log, I  
16 have projected a much higher datum, between 3,500 and  
17 3,600 feet, than was shown on the previous structure  
18 map presented by Black River Corporation. The  
19 effectiveness of that change would be the North half  
20 of Section 10 and of course, the South half of Section 3  
21 would be much less risky as a potential location.

22 The pull-out is quite evident in the well in Section  
23 12, the initial Superior Well drilled in that area.

24 If you consider the structure to be almost symmetrical  
25 I think that in the same light, you have to honor the

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1 structural pull-out to the south-southwest to honor  
2 the estimated top of the R. Lowe-Slaughter Draw Unit,  
3 even though that well did not penetrate the Upper  
4 Morrow. In studying the field, the major geological  
5 situation is a fault, and this is a major fault expressed  
6 at the surface, and I don't think there is any  
7 disagreement as to the closure is controlled at least  
8 through the 3,300 foot datum to the north of that well.

9 Cities Service abandoned their location in Section  
10 22, and there is no control to the north, but it is  
11 obvious that structure is the controlling factor in  
12 the pool, if it is not controlling some of the downdip  
13 water, it is at least controlling sand development  
14 so you can assign production limits to it.

15 I did not have the West half of Section 4, the  
16 dryhole, and I did not have the well to look at in  
17 Section 2, the recently completed well in the West  
18 half of Section 2. I think utilizing the previous  
19 exhibit that shows that my minus 3,300 line may be  
20 slightly optimistic and that datum was probably below  
21 3,300, and that line would fall north and west of  
22 that well, but in general, if you honor the correlation  
23 of the Slaughter Draw Unit Well, you have to honor  
24 the pull-out to the southwest. The productive acreage  
25 is shown on this map, the commercially productive

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1 acreage, and I did not include the Superior Well  
 2 because it would be classified more as show. <The  
 3 guts of the field is in Section 3, Section 34, and  
 4 Section 27 to the north. These are the high areas  
 5 in the field to date, and with the limited production  
 6 history we have, these are producing the most gas.  
 7 Of course, in the earlier wells, there were more zones  
 8 open in the Morrow and less of the sand had watered  
 9 out on top of the structure. Therefore, I think you  
 10 can make the statement that the higher wells will have  
 11 more pay and ultimately produce more gas and are  
 12 certainly the better wells. As you get off structure,  
 13 naturally, the risk increases.

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

16 A Exhibit Two is a recommendation as to the proration  
 17 unit division in Section 3, which is the subject of  
 18 this hearing. In previous testimony, a suggestion  
 19 was made in which section lines would be crossed. I  
 20 consider this an accurate way to divide up the proration  
 21 units since you have ideally very close to 320 acres  
 22 in each proration unit. However, certain disadvantages  
 23 are immediately apparent. The first is if a well is  
 24 drilled in that proration unit that was suggested  
 25 previously, which I may describe here, it would be

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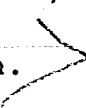


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1 to the bottom row of forties or close to the forties  
2 in Section 3. Plus the bottom two closest to the  
3 forty-acre tracts, or lots, in the South half of the  
4 southwest of Section 12 and the bottom two close to  
5 the forty-acre tracts, or lots, which would be in  
6 the South half of the southeast of Section 4--

7 Q You said Section 12. You meant Section 2, did you not?

8 A I'm sorry, Section 2. I think there is an exhibit  
9 on file to reflect this suggestion, it would give you  
10 very close to 320 acres, but by locating the well  
11 there, you would be crowding Section 16 quite closely,  
12 and there would be no way of having it any further  
13 than 660 feet to the adjacent proration unit.  Also  
14 there is the fact that in this suggestion you would  
15 cross section lines, which appears to be undesirable  
16 to the Commission. 

17 In compromising, an alternative would be to divide  
18 Section 3 into three proration units, the northwest,  
19 the northeast, and the south. These proration units  
20 follow lot lines so you have legal designations for  
21 their boundaries. In listing these acreage units,  
22 I came up with the northwest, 263.11 acres, which would  
23 be 17.78 percent under the normal standard 320-acre  
24 unit. The northeast unit would be comprised of 277.29  
25 acres, and that unit would be 13.5 percent under the

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1 standard 320-acre unit. The south would contain  
2 276.02 acres, and that would be 13.75 percent under  
3 the 320-acre standard unit.

4 Now, if you compare those three units to those  
5 proposed by Black River, the west half of the unit as  
6 proposed by Black River would be 27.25 percent over  
7 the standard 320 acres and the proration proposed in  
8 the east half of the section would be 27.88 percent  
9 over the 320-acre unit.

10 So my recommendation here is to divide the  
11 sections up into three instead of two. By doing that,  
12 you are closer to the standard than you would be by  
13 making two proration units, and you would not be  
14 crossing section lines.

15 I have also outlined the recommended locations  
16 which would be given to the operator so at his  
17 discretion, he could locate the well within that  
18 proration box, and it would be 990 feet from the end  
19 line of the south proration unit, which would place  
20 you 1980 feet from any other well in the field. So  
21 this would protect your standard spacing and you would  
22 have a good drainage pattern in the field.

23 Q Now, on the basis of your Exhibit Number One, would  
24 a well so located be productive from the Morrow formation?

25 A Yes, it would.

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1 Q Have you had an opportunity to examine Black River's  
2 Exhibit Number Two?

3 A Yes, I have.

4 Q And on the basis of that exhibit, would a well  
5 located where you propose be productive from the  
6 Morrow formation?

7 A It would be close-- I believe it would be productive,  
8 yes.

9 Q Now, you heard the testimony that a well so located  
10 would be an unnecessary well. Mr. LeMay, on examining  
11 the data shown on Black River's Exhibit Number Six,  
12 showing the initial potential of the wells, and the  
13 testimony that has been offered here today showing  
14 the accumulative production to date, in your opinion,  
15 would a well located as you propose, a third well,  
16 would it be an economical well?

17 A I think there is no doubt but it would be an economical  
18 well-- it certainly would pay for itself and show good  
19 profits if that's what you mean by an economical well.

20 Q Were Exhibits One and Two prepared by you or under  
21 your supervision?

22 A Yes, they were.

23 MR. KELLAHIN: At this time, I would like to  
24 offer in evidence Exhibits One and Two.

25 MR. PORTER: Are there any objections?

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1 (No response)

2 MR. PORTER: The exhibits will be admitted.

3 (Whereupon Rutter and Wilbanks's Exhibits One and  
4 Two were admitted in evidence.)

5 MR. KELLAMIN: I have nothing further.

6 MR. PORTER: Are there any questions of Mr. LeMay?

7 \* \* \* \*

8 CROSS EXAMINATION9 BY MR. HINKLE:10 Q Mr. LeMay, your clients are royalty owners, is that  
11 right?

12 A That's correct.

13 Q Do you represent any working interest owners?

14 A No.

15 Q I believe the record in this case, because of the  
16 testimony before the Examiner, will show that all of  
17 the working interest owners in Section 3 agreed to  
18 these particular units, the 407.20 acres in the West  
19 half and the 409.22 acres in the East half. Now, the  
20 record will also show that they have entered into an  
21 operating agreement and have provided for the costs  
22 of drilling these wells, and when the original  
23 intention to drill the wells was filed, they indicated  
24 that the acreage would be dedicated to these wells.25 Now--

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1 MR. KELLAHIN: Is this a question?

2 MR. HINKLE: No, I said this is what the previous  
3 record shows.4 MR. KELLAHIN: I was under the impression that  
5 you were explaining the situation.

6 MR. HINKLE: All right.

7 Q (By Mr. Hinkle) Now, Mr. LeMay, do you know of any  
8 working interest owners who are also drilling a well  
9 in what you call the south unit?10 MR. KELLAHIN: If the Commission please, I object  
11 to the question. Counsel knows that working interest  
12 owners have no right to drill.

13 MR. PORTER: Objection sustained.

14 MR. HINKLE: You have to have a right to drill  
15 before you can propose a non-standard unit, and this is  
16 what he proposes here.17 MR. KELLAHIN: If the Commission please, I think  
18 Mr. Hinkle misstates our position. We are not proposing  
19 a non-standard unit. We have objected to the unit proposed,  
20 and our proposal is merely an alternative to the Commission,  
21 and the Commission can do what it chooses. Our position  
22 is that our correlative rights as royalty owners are being  
23 violated here, and this is why we are here. We are making  
24 this suggestion, yes, but it is merely a suggestion and  
25 nothing more.

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1 MR. PORTER: You do not propose to drill a well.  
2 MR. KELLAHIN: No, we do not propose to drill  
3 a well.

4 MR. HINKLE: They are suggesting a non-standard  
5 unit here that would require somebody to drill a well, and  
6 there is no application before the Commission for that  
7 purpose.

8 MR. PORTER: Well, the Commission can take note  
9 of that fact, Mr. Hinkle.

10 MR. HINKLE: I believe that's all I have.

11 \* \* \* \*

12 CROSS EXAMINATION

13 BY MR. PORTER:

14 Q Mr. LeMay, to refresh my memory on this, what is the  
15 interest of Rutter and Wilbanks?

16 A I think Mr. Rutter can testify more accurately to that,  
17 but it is basically a five percent override.

18 MR. KELLAHIN: We are going to put Mr. Rutter on,  
19 and he will testify to that.

20 MR. PORTER: Does anyone have a question of Mr.  
21 LeMay?

22 \* \* \* \*

23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Mr. LeMay, is it your opinion that there will be

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1 a waste of gas in Section 3 if a third well is not  
2 drilled in the South half of the section?

3 A I don't know if I can answer that properly. Mr. Stamets  
4 At the present time, there is no control at the south  
5 end. If there was a well in Section 10, this is  
6 hypothetical, and some of that water was moving, I  
7 think there could be some problem if Section 10 were  
8 not drilled. I feel that the deliverability and the  
9 permeability in the reservoir is certainly sufficient  
10 to drain a large area, so I can't argue that point,  
11 but as to the waste aspect, I don't feel qualified  
12 to make any comment on that except to the effect that  
13 correlative rights could be injured if a well is not  
14 drilled in the South half of Section 3. It is not  
15 going to hurt the recovery to drill a well there.

16 Q In that regard, will correlative rights be injured--  
17 where will the gas be drained off to?

18 MR. KELLAMIN: If the Commission please, I believe  
19 Mr. Rutter will cover this in his testimony. It isn't a  
20 question of drainage.

21 MR. STAMETS: Fine, I will withdraw my question.  
22 That's all I have.

23 MR. PORTER: Any further questions?

24 (No response)

25 MR. PORTER: The witness may be excused.

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22  
23  
24  
25

(Witness excused.)

\* \* \* \*

A. W. RUTTER, JR.,

was called as a witness, and after being duly sworn, testified  
as follows:

DIRECT EXAMINATIONBY MR. KELLAHIN:

Q Will you state your name, please?

A A. W. Rutter, Jr.

Q By whom are you employed and in what position, Mr.  
Rutter?

A I am with Rutter and Wilbanks Corporation, and I am  
Secretary-Treasurer and in effect managing director.

Q Are you also speaking at this hearing for, and with  
the authorization of, Donald Cooper, Helen Jones, and  
A. J. Andrikopoulos?

A I have verbal authorization from those three persons  
to represent them, and I believe you have written  
confirmation.

Q Yes. Mr. Rutter, what interest do you and the persons  
you are speaking for here hold in Section 3?

A Between the three of us, we have a five percent override  
under Lots 2, 3, 4, 5, 6, 7, and 8. These would be  
in the North half of the southwest and the Northwest  
of the southeast. Mr. Andrikopoulos, I can't testify

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1 for sure, but he has an override in Lot 1, and I  
 2 believe it's five percent, but I could be mistaken.  
 3 Q So substantially you and your group have an override  
 4 under all of the lots you have designated, Lots 1  
 5 through 22?  
 6 A Right, 1 through 8.  
 7 Q Have you made any investigation as to the effect of  
 8 the formation of a 407.2-acre unit in the West half  
 9 would have on you?  
 10 A Well, the effect is that the two wells on the maps  
 11 presented by Black River show that the top of the  
 12 structure, as shown by their Number 2 Well, the J. W.  
 13 Miller Number 2, is not productive in the Lower zone.  
 14 So what they are proposing to bring in by way of  
 15 their own testimony would be that the acreage would  
 16 not be productive acreage in the Lower Morrow. Given  
 17 exactly the same weight on a participation basis,  
 18 this would cut our effective override on wells under  
 19 our acreage by about twenty-seven percent. If we  
 20 are under the West proration unit, if my memory doesn't  
 21 fail me, this would be reduced a little over thirty  
 22 percent; under the East half, it is something like  
 23 twenty-six percent-- something like twenty-five  
 24 percent, something like that.  
 25 Q So you are reduced thirty percent in the West half

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1 and twenty-five percent in the East?

2 A Well, let's call it twenty-seven percent on both of  
3 them, they're not exactly the same on both.

4 Q You heard the witness from Black River on cross  
5 examination state that ten billion in reserves under  
6 this section would sound like a reasonable figure.

7 A Well, I have talked to the bank engineer in Midland,  
8 and gave him the porosities, permeabilities, and data  
9 I copied from the first hearing, and he had to, of  
10 course, make some assumptions as to water saturations  
11 that were not testified to, but he figured that an  
12 in the ball park figure would be ten billion.

13 Q That is for 640 acres?

14 A Yes, sir.

15 Q But this is actually 816.42 acres in Section 3?

16 A Yes, sir, so it would be a third more if the additional  
17 acreage were productive.

18 Q From the point of view of those reserves, what  
19 monetary effect do these two non-standard units have  
20 on you and your group?

21 A I have been told that the gas is selling for thirty  
22 cents, I can't testify to that, but I have been told  
23 that is the case by a person who should know. Five  
24 percent would be worth \$150,000. Ten billion is  
25 \$3,000,000 and five percent is \$150,000. If you cut

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1 our effective participation in production by a factor  
 2 of twenty-five percent, the net loss to us is \$37,500.  
 3 That's what we are fighting about.

4 MR. KELLAHIN: That completes my examination of  
 5 this witness.

6 \* \* \* \*

7 CROSS EXAMINATION

8 BY MR. HINKLE:

9 Q You don't dispute the testimony of Mr. Aycock that  
 10 these wells will effectively and efficiently drain  
 11 all the gas in Section 3, do you?

12 A If he would have testified that one well would have  
 13 drained the reservoir, I wouldn't have objected.

14 Q Well, if that's the case, how would you lose any  
 15 royalties?

16 A Mr. Hinkle, you know very well that the two wells  
 17 that are producing there are producing at a certain  
 18 rate, and that rate would not be affected if there  
 19 were any other wells in the field. The well with  
 20 the highest potential is making twelve million. If  
 21 you take and bring in people who have royalty  
 22 interests in the South half and cut them in on royalties  
 23 coming out of the North three-quarters, then my  
 24 percentage of production from those wells is going to  
 25 be cut by one-quarter.

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1 Q You are also producing gas in the South half of the  
2 South half, are you not?

3 A I will take my chances. What I would like to do is  
4 not have anybody brought in with our acreage. I went  
5 to Black River by way of a compromise suggestion to  
6 them, three compromise alternatives. One was that  
7 our net effective reduction on the East half is about  
8 one and one-eighth percent, and on the West half about  
9 one and one-quarter percent. If they were to assign  
10 me a one percent override, which would be less than  
11 we are being cut back, that we would settle it that way.  
12 Or if they would write a letter and guarantee me that  
13 they would take twenty-five percent more from the  
14 wells that have twenty-five percent more acreage that  
15 I would be satisfied, because by doing it that way,  
16 while I would have a smaller percentage, it would have  
17 the same net effective interest. Or if they were  
18 to unitize the entire pool on the basis of sound  
19 engineering, I would sign a field unitization agreement.

20 Q This was purely a compromise offer and was not accepted,  
21 is that right?

22 A That's right.

23 MR. HINKLE: I think that's all I have.

24 MR. PORTER: Are there any other questions of the  
25 witness?

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1 MR. COOLEY: Yes.

2 \* \* \* \*

3 CROSS EXAMINATION

4 BY MR. COOLEY:

5 Q Mr. Rutter, you testified about the geological aspects  
6 of the southern portion of Section 3, based upon  
7 Black River's geology, is that correct?

8 A Black River's geology; the cross section, the one  
9 Bill LeMay prepared, and I think they are probably in  
10 agreement.

11 Q There is a substantial difference between the LeMay  
12 interpretation of the effect on the South half of  
13 Section 3, is there not?

14 A Yes, but--

15 Q And according to your expert, the South half of Section  
16 3 is all productive?

17 A Yes. This is, of course, based on extrapolations, and  
18 the disagreement comes on the extrapolation for the  
19 well in Section 16. I didn't do the work myself, so  
20 I can't express an opinion as to which is right.

21 Q In your testimony, you chose to disagree with your  
22 own expert, did you not?

23 A No, I'm not saying that. I said if Black River is  
24 right, then I'm being pooled with acreage that is not  
25 productive. If Black River is wrong, then that well

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1 can be drilled, and people who have acreage down there  
2 can satisfactorily and efficiently get their gas.

3 Either way, it doesn't make any difference which way.

4 I've got a bad deal.

5 Q Well, your proposal would result in that river or  
6 some other operator spending approximately \$250,000,  
7 I believe the figure for a dryhole was \$180,000, and  
8 for a producer, \$225,000--

9 A The testimony of Mr. Aycock was approximately \$250,000.

10 Q And you feel this would be justified in order to render  
11 you an additional \$37,500 in income?

12 A I made some alternatives that wouldn't cost them  
13 anything.

14 Q If the well were not drilled, then the royalty owners  
15 in that portion of the South half of Section 3 that  
16 would be excluded under your proposal from participation  
17 in the two existing wells would get zero, is that  
18 correct?

19 A That's true, and that's true of any lease issued by  
20 any royalty owners. If the operator does not drill,  
21 the royalty owner does not get anything.

22 Q Well, it is drilled and presently dedicated, and those  
23 wells' royalty owners are participating, and what you  
24 are suggesting is to run them out, is that right?

25 A Absolutely, but the cross section fairly clearly

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1 indicates that because the well in Section 2 does not  
2 produce in the Lower that the Lower is going to be  
3 productive in Section 3.

4 Q Your geologist says it will.  
5 A He doesn't say whether it's Upper or Lower, he just  
6 says this is a commercial area.

7 MR. COOLEY: No further questions.

8 MR. PORTER: Are there any further questions?

9 (No response)

10 MR. PORTER: If not, the witness may be excused.

11 (Witness excused.)

12 MR. KELLAHIN: That's all we have.

13 MR. HINKLE: I would like to call Mr. Aycock for  
14 rebuttal.

15 MR. PORTER: Let's get to Mr. Cooley first.

16 MR. COOLEY: We will be presenting no testimony.

17 MR. PORTER: All right, Mr. Hinkle.

18 \* \* \* \*

19 WILLIAM P. AYCOCK,

20 was called as a rebuttal witness, and having been already  
21 duly sworn, testified as follows:

22 DIRECT EXAMINATION

23 BY MR. HINKLE:

24 Q Mr. Aycock, you heard the testimony of Mr. Rutter?

25 A Yes, sir.

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- 1 Q He referred to the Rutter and Wilbanks Exhibit Number  
2 Two. I believe your previous testimony showed that  
3 two wells in Section 3 will effectively and efficiently  
4 drain the whole area, is that right?
- 5 A That's why those particular locations were picked by  
6 Black River, yes, sir.
- 7 Q The dedication of more than 320 acres to a Morrow  
8 well is not unusual, is that right?
- 9 A That's right, and particularly not where this is  
10 involved. This is not something-- we didn't pull any  
11 acreage out of left field, this is just the way the  
12 United States Public Land Survey set them up.
- 13 Q Isn't it true that there are a number of instances  
14 where special pool rules have been adopted and provided  
15 for 640-acre spacing and proration units in the Morrow?
- 16 A I believe that's right, particularly in an area where  
17 it is tapered, yes.
- 18 Q Now, you heard-- I made the statement that your  
19 previous testimony showed that all of the working  
20 interest owners had agreed to these spacing units, is  
21 that right?
- 22 A Yes, sir, I believe that everybody involved in the  
23 thing, with the exception of Mr. Rutter and the group  
24 he represents, agreed.
- 25 Q Do you have any working interest owners who would be

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1 willing to drill a well in the unit designated as  
 2 the south unit on Rutter and Wilbanks Exhibit Number Two?  
 3 A No, I do not at this time.  
 4 Q You heard Mr. Rutter testify with regard to his loss  
 5 of royalties. Do you agree with that?  
 6 A No, I disagree with it in two regards. First of all,  
 7 the wells being located toward the north would prevent  
 8 drainage toward the areas of higher allowables. In  
 9 the second place, using the average numbers and applying  
 10 them promiscuously-- I think Bill LeMay, if I recall  
 11 his testimony, himself said that the pay quality  
 12 varies with the structural position. My studies  
 13 indicate that the amount of gas in place is a function  
 14 of the structural location, and you can't take the  
 15 average, typical numbers and apply them to all the  
 16 areas of the field in order to determine what the  
 17 equities would be. I think you would have to make a  
 18 specific study of the individual data, and I have not  
 19 done this. So when you take an average number and  
 20 apply it, you come up with a deceptive conclusion.  
 21 Q Do you have anything further to say with respect to  
 22 their Exhibit Number Two?  
 23 A Only that I think Black River, in proposing the wells  
 24 where they have, follow the most prudent course of  
 25 protection for the working interests by avoiding

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1 unnecessary expenditures in developing.

2 Q Do you know whether notice of drilling the wells in  
3 Section 3 was filed, and whether that notice indicated  
4 that the West half and the East half respectively  
5 would be dedicated to those wells?

6 A I think it was.

7 Q Was there any objection made at that time, or within  
8 a reasonable time after that, by Rutter and Wilbanks?

9 A No, there was not.

10 MR. KELLAHIN: We were not made aware of this  
11 matter until the application for non-standard units was  
12 filed, and we did appear and protest, and we are still  
13 appearing and protesting.

14 MR. HINKLE: That's all I have.

15 \* \* \* \*

16 CROSS EXAMINATION

17 BY MR. KELLAHIN:

18 Q You said there were variations in the Public Land  
19 Surveys. Do you know of any units of 407 or 409 acres  
20 in the Morrow or anywhere else?

21 A I know where a whole section is held by one well, and  
22 we know the field is bigger than that.

23 Q What well?

24 A The Santa Rose field in Lee County, where there is one  
25 13,000 foot well.

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- 1 Q What is the spacing in that pool?
- 2 A There are no pool rules established to my knowledge.
- 3 Q You say it is on a 640-acre unit. How did they get
- 4 a 640-acre unit if there is no spacing requirement?
- 5 A I'm not aware of the history of how it was done.
- 6 Q Does that conform with any rule or regulation of the
- 7 Commission?
- 8 A The way I read it, it says at least 320 acres to a
- 9 Pennsylvanian well and over, and 640 acres would meet
- 10 that requirement.
- 11 Q If the rule actually says 320 acres for Pennsylvanian
- 12 Age and over, and does not say at least, would your
- 13 testimony be the same?
- 14 A If you want me to get the rule and read it, I would
- 15 be glad to do it.
- 16 Q I would be happy for you to read anything that says
- 17 at least 320 acres.
- 18 A It provides that the Commission has the right to
- 19 enact whatever it pleases to equalize the positions
- 20 of parties that might be injured, I remember that.
- 21 You're correct, it says 320.
- 22 Q That would take care of any variation in the
- 23 governmental survey. Now, coming back to my basic
- 24 question, do you know of any wells drilled on any
- 25 409-acre units based on variations in governmental

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1 surveys anywhere other than these two?

2 A I'm not particularly aware of them, no.

3 Q ~~Let's get down to the matter of the Commission under~~  
4 the law having authority to set proration units.

5 A Yes?

6 Q The Commission may establish a proration unit for each  
7 pool, such being the area that can be efficiently  
8 and economically drained and developed by one well.  
9 Now, that is only done after notice and hearing. Do  
10 you know of any place it has been done without notice  
11 and hearing?

12 A The rules apparently give the Commission that right  
13 when it's due to a variation in the Public Land Survey,  
14 That's the way I read them.

15 Q But do you know where they have ever done it?

16 A Well, I'm not aware of any specific application of  
17 the rule, if that's what you mean.

18 Q Okay, thank you.

19 MR. HINKLE: I would like the Commission to take  
20 notice of all of those cases that have been before  
21 the Commission in Morrow pools where special rules have  
22 been adopted providing for 640-acre spacing. I can't name  
23 them, but I have been in several cases, and I know they  
24 exist.

25 MR. KELLAHIN: I have no objection, but I think

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1 it is immaterial and irrelevant. There has been no hearing  
2 on 640-acre spacing in this case.

3 MR. PORTER: Are there any further questions?

4 (No response)

5 MR. PORTER: If not, the witness may be excused.

6 (Witness excused.)

7 MR. PORTER: Mr. Coll, I believe you indicated  
8 that you would like to make a statement.

9 MR. COLL: Mr. Chairman, I'm here to speak as  
10 the owner of a corporation which owns a three percent  
11 overriding royalty in the Southwest of the Southwest of  
12 Section 3, which would be in the excluded acreage under  
13 the Rutter and Wilbanks plan, and it would be in the  
14 included acreage of the Black River plan.

15 I would like to speak on two points. One is the  
16 proration units that are before the Commission today, and  
17 the second point is the correlative rights of myself as  
18 a mineral owner in Section 10 and Section 9. I own 160  
19 acres of minerals which I leased to Black River Corporation,  
20 being in the West half of the Southwest of Section 10 and  
21 the East half of the Southeast of Section 9, and I will  
22 speak on that in a moment. Let me address myself to my  
23 first point by saying that I am in favor of Black River's  
24 plan, being an overriding royalty owner that would be  
25 included in the Black River plan, since my three percent

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1 overriding royalty in the Southwest of the Southwest of  
2 Section 3 would be included in their plan, and I would  
3 be paid accordingly. I do this, however, with mixed  
4 emotions, as the allowables for the wells in Section 3  
5 would be increased due to larger acreage factors, if I'm  
6 correct, and that would create a more rapid drainage of  
7 Section 3.

8 I would like to see relief for the mineral  
9 interests in Section 10 and Section 9 by wells being drilled  
10 as soon as possible by Black River, or Black River and Grace,  
11 or by the operating owners down there, as soon as possible  
12 in order to prevent drainage of my mineral interests.  
13 That's all I have, Mr. Chairman. I would be happy to answer  
14 any questions.

15 MR. PORTER: Mr. Coll was sworn in, as you recall,  
16 and he is subject to cross examination if anyone would  
17 like to ask any questions.

18 (No response)

19 MR. PORTER: You may be excused. Does anyone  
20 have any further testimony they would like to offer in  
21 these cases?

22 (No response)

23 MR. PORTER: If not, we will entertain statements  
24 at this time if anyone would like to make a statement.

25 Mr. Hinkle, do you have a statement?

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1 MR. HINKLE: No, I do not.

2 MR. PORTER: Mr. Kellahin?

3 MR. KELLAHIN: If the Commission please, I don't

4 like to make a statement after a long, tedious hearing, but

5 this is a case which is quite unusual. I have never

6 been anything just like it before the Commission before, to

7 my knowledge. I feel our testimony has shown, and this

8 is a case of considerable importance to my client, and I

9 think it is of some importance to Black River too, I will

10 admit that. We have a number of legal questions involved

11 here, and they have been mentioned during the course of

12 the hearing, and I would like to very briefly mention these.

13 Under Commission Rule 104, there is a provision

14 that in Lea, Chaves, Eddy, and Roosevelt Counties, a

15 wildcat well which is projected as a gas well to a formation

16 and in an area which, in the opinion of the engineer or

17 supervisor approving the application to drill, may

18 reasonably be presumed to be productive gas, rather than

19 oil, shall be located on a drilling tract consisting of

20 160 surface contiguous acres, more or less, substantially

21 in the form of a square, which is a quarter section, being

22 a legal subdivision of the United States Public Land

23 Surveys, and shall be located not closer than 660 feet to

24 any outer boundary of such tract nor closer than 330 feet

25 to any quarter-quarter section or subdivision inner boundary.

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1            Provided however, that any such wildcat gas  
2 well which is projected to a formation of Pennsylvanian  
3 Age or older shall be located on a drilling tract consisting  
4 of 320 surface contiguous acres, more or less, comprising  
5 any two contiguous quarter sections of a single governmental  
6 section, being a legal subdivision of the United States  
7 Public Land Surveys.

8            Now, we don't have that situation here, we have  
9 a situation here that is 816.42 acres. The Commission,  
10 after a hearing before an Examiner, divided that into east  
11 and west units consisting of 407.20 acres in the west and  
12 409.22 acres in the east. Now, we come to 320 acres, more  
13 or less. I submit this is certainly more by a considerable  
14 margin, and I think it goes far beyond the intent of the  
15 Commission rule.

16            In effect, when the Commission adopted this rule,  
17 it was making a finding, although it probably wouldn't have  
18 that status as such in a Court case, but it was in effect  
19 making a finding in the Pennsylvanian Age or older, because  
20 primarily, one well would efficiently and economically  
21 drain and develop 320 acres. There could be no other basis  
22 for the Commission to adopt this rule because the only  
23 authority they have in the statutes are provided in Section  
24 65-3-14, Subsection B. The Commission may establish a  
25 proration unit for each pool, such being the area that

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1 can be efficiently and economically drained and developed  
2 by one well, and in so doing, the Commission shall consider  
3 the economic loss caused by the drilling of unnecessary  
4 wells, the protection of correlative rights, including  
5 those of royalty owners, the prevention of waste, the  
6 avoidance of the augmentation of risks arising from the  
7 drilling of an excessive number of wells, and the prevention  
8 of reduced recovery which might result from the drilling  
9 of too few wells.

10 Now, the basic position of Rutter and Wilbanks  
11 and their associates in this case is the protection of  
12 their correlative rights as the statute directs the  
13 Commission to protect and consider correlative rights in  
14 establishing proration units as set forth in 65-3-10: the  
15 Commission is hereby empowered, and it is its duty, to  
16 prevent the waste prohibited by this act and to protect  
17 correlative rights, as in this act provided.

18 Now, the testimony here shows that we don't  
19 quarrel that one well will drain more than 320 acres, but  
20 that's not the purpose of this hearing. We are not having  
21 a hearing for the establishment of proration units. By  
22 the adoption of Rule 104, the Commission has already  
23 determined that 320 acres is the proration unit. We are  
24 quarreling with the creation of a unit in excess of that,  
25 and according to the testimony of the Applicant in this

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1 case, part of that acreage might not even be productive.

2 We don't agree with him on that, as a matter of  
3 fact, our own exhibit prepared by Mr. LeMay shows that  
4 a well located there would be a producer, and certainly  
5 the testimony shows that a well drilled, a third well  
6 drilled in Section 3, would be economical. So from the  
7 point of view of economics, they should have no quarrel  
8 about drilling a well in the South half of Section 3.

9 The testimony that was offered by Mr. Rutter  
10 shows that he has been damaged by the assignment of this  
11 acreage to the extent of some \$37,000 or more.

12 Now of course, the royalty owner cannot drill  
13 the well, but Rutter and Wilbanks has authorized me to say  
14 that they will take a farm-out on the acreage and drill  
15 the well in the South half if Black River wants to give  
16 it to them.

17 But that is an aside from the point. We are  
18 asking the Commission here to follow the mandate of the  
19 statute and to protect the correlative rights of the  
20 individual royalty owners, and this can only be done by  
21 establishing spacing units which will substantially comply  
22 with the 320 acres that the Commission has already created  
23 under its Rule 104.

24 Mr. LeMay has proposed a unit which would vary  
25 from 13.35 percent to 17.78 percent under the 320 acres

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1 compared to the unit of Black River which would be from  
2 27.5 to 27.88 over the 320-acre size.

3 I think it is the Commission's duty to look at  
4 the situation here which has been created by an unusual  
5 land survey, and provide for this in some fashion to make  
6 it as nearly a standard unit as possibly can be done.

7 Now, Mr. Hinkle asked if we were here proposing  
8 a proration unit. We are not here for that. We are asking  
9 for the Commission to create a unit that would be of  
10 proper size and the proposal made by Mr. LeMay as to the  
11 formation of a unit is a suggestion, and it appears to be  
12 a reasonable one, and the Commission can accept or reject it.

13 But we do ask you to change the size of these  
14 units to something more nearly near the standard unit. There  
15 might be some argument that our remedy would be proration,  
16 and the Commission well knows that in this day of high gas  
17 commitment, proration is not the tool in the situation of  
18 this kind because there is pipe line demand for practically  
19 all gas produced.

20 The royalty interest owners in 407 and 409-acre  
21 units would not get their proportional share of gas underlying  
22 their land.

23 MR. HINKLE: I think Mr. Kellahin has correctly  
24 pointed out that the Commission should set up proration and  
25 spacing units as areas that can be effectively and

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1 efficiently and economically drained by one well. The  
2 fact that more than 320 acres have been dedicated to these  
3 particular wells is not new to the Commission as far as  
4 the Morrow zone is concerned, because the Commission well  
5 know that special pool rules have been applied in a  
6 number of cases where 640-acre spacing has been dedicated,  
7 so this is nothing new.

8 Now, it is not only the drainage area that the  
9 Commission must take into consideration, it should also  
10 take into consideration the economics involved.

11 Now, in this case, the testimony shows that this  
12 might cause the drilling of another well which would be  
13 an economic loss, either by being a dryhole or just a  
14 real bad well. That would be unjustified, and it would  
15 cost \$180,000 or \$225,000 according to the testimony just  
16 for drilling this additional well.

17 Now, the real thing involved is whether or not  
18 correlative rights have been violated. Now, the burden  
19 is on them to show that they have, and they haven't carried  
20 that burden because the testimony clearly shows that one  
21 well-- these two wells will effectively and efficiently  
22 drain this whole section. They haven't shown there is any  
23 drainage otherwise, and regardless of the testimony by  
24 Mr. Rutter, there could be no loss as far as royalties  
25 are concerned under the present circumstances because

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1 if these two wells drain all of the gases, they are going  
2 to get their proportionate part.

3 So we submit that the former decision of the  
4 Commission in these cases should stand.

5 MR. FORTER: Mr. Cooley, do you have a statement?

6 MR. COOLEY: Yes, sir. The situation is unusual,  
7 as pointed out by counsel, and the apparent proposal of  
8 Mr. Rutter is that in order to protect his group's interests,  
9 he would completely eliminate those royalty owners in  
10 the south portion or the south unit as they propose it from  
11 participation at all in the existing wells with the grave  
12 possibility, it would seem to me, that the south unit well  
13 might not ever be drilled.

14 In this case, the correlative rights of those  
15 royalty owners would be completely destroyed, as opposed  
16 to being reduced.

17 The question of whose ox gets gored in this thing  
18 is unfortunately pressed upon the Commission, but if any  
19 operator is expected to spend \$250,000 to protect an  
20 arbitrary \$37,000 figure, according to Mr. Rutter's  
21 calculation, it seems disproportionate in protecting  
22 correlative rights.

23 Correlative rights, according to the statute, have  
24 to be protected insofar as is practicable, and I submit  
25 to the Commission that the unit as it presently exists

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1 protects the correlative rights of all royalty owners  
2 in Section 3 to the extent that it is practicable. So to  
3 adopt a plan that would reward one royalty owner and  
4 destroy the rights of other royalty owners is not feasible.

5 MR. HINKLE: There is one other thing I would  
6 like to mention. It is not in the record by reason of  
7 former testimony, and that is there is one forty acres  
8 involved that is in litigation, and that is, I believe, in  
9 the Southeast of the Southwest of Section 3. Now, in the  
10 previous order that was issued, provision was made for  
11 an escrow agreement in connection with that, and those  
12 monies are being put in escrow and held in escrow.

13 Now, those monies are from production from these  
14 wells, and what Mr. Rutter is asking the Commission to do  
15 is to now change the holder and those people, the litigants  
16 involved in that case, already have monies in escrow from  
17 production of these wells.

18 MR. KELLAHIN: I can't let that go without  
19 commenting. If the Commission please, the Commission entered  
20 an order and timely notice of the Hearing De Novo was filed,  
21 so you had no final order, and if the money is being held  
22 in escrow, it doesn't belong to the parties until this  
23 case is over.

24 MR. PORTER: Mr. Jordon, I believe we have a  
25 telegram.

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1 MR. JORDON: Yes, sir. There was a telegram  
2 sent and a correction telegram. The correction telegram  
3 is not clear, so I'm going to read the original.

4 It is addressed to the New Mexico Oil Conservation  
5 Corporation from the Cities Service Oil Company. Cities  
6 Service Oil Company, as a joint interest owner, supports  
7 Black River Corporation's application in Case 4763 for  
8 compulsory pooling and non-standard proration unit in the  
9 Morrow formation under the East half of Section 3 to be  
10 dedicated to their Cities "3" Federal Well Number 2.

11 And in Case Number 4764, for compulsory pooling  
12 and non-standard proration unit in the Morrow formation  
13 underlying the West half of Section 3 to be dedicated to  
14 its Cities "3" Federal Well Number 1, all in Township 26  
15 South, Range 24 East, Eddy County, New Mexico.

16 In our opinion, these two wells will adequately  
17 draw, and the correction should probably be "drain", the  
18 proposed proration units requested to be assigned to these  
19 wells.

20 And the drilling of an additional well in Section  
21 3 is not justified.

22 E. F. Motter, Cities Service Oil Company.

23 MR. PORTER: I guess we don't only have to make  
24 engineering assumptions, we have to also make grammatical  
25 corrections.

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1 I'm not surprised at being called a corporation.  
2 We were trying to arbitrate a disputed potash location,  
3 and I got a telegram from the owner of the potash lease  
4 saying he would hold me and my company responsible for any  
5 damage to the potash.

6 If there is nothing further in these cases, we  
7 will take them under advisement.

8 I believe this takes care of the docket.

9 This hearing is adjourned.  
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1 STATE OF NEW MEXICO )  
 2 COUNTY OF BERNALILLO ) ss

3  
 4 I, RICHARD E. McCORMICK, a Certified Shorthand  
 5 Reporter, in and for the County of Bernalillo, State of  
 6 New Mexico, do hereby certify that the foregoing and attached  
 7 Transcript of Hearing before the New Mexico Oil Conservation  
 8 Commission was reported by me; and that the same is a true  
 9 and correct record of the said proceedings to the best of  
 10 my knowledge, skill and ability.  
 11

12   
 13 CERTIFIED SHORTHAND REPORTER  
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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE ROOM, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
July 12, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Black River  
Corporation for compulsory pooling  
and non-standard proration unit,  
Eddy County, New Mexico.

Case No. 4763

BEFORE: RICHARD L. STAMETS,  
Examiner.

TRANSCRIPT OF HEARING

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1 MR. STAMETS: Case 4763.

2 MR. HATCH: Case 4763: Application of the Black  
3 River Corporation for compulsory pooling and non-standard  
4 proration unit, Eddy County, New Mexico.

5 MR. HINKLE: Clarence Hinkle, or Hinkle, Bondurant,  
6 and Christy, Roswell, appearing on behalf of Black River  
7 Corporation. We have companion cases, this particular case  
8 covers the East half of Section 3, and the next case, 4764,  
9 covers the West half of Section 3.

10 I would like to have Case 4764 called and  
11 consolidated for the purpose of taking testimony.

12 MR. COOLEY: William Cooley, of Burr and Cooley,  
13 Farmington, representing Alice Ballard, Amelia Miller,  
14 Thurman Mayes, and John A. Mayes. I would oppose the motion  
15 for the consolidation of the two cases on the grounds that  
16 there are issues in Case 4764 which do not bear at all on  
17 Case 4763, but would, in our opinion, dictate quite different  
18 results.

19 MR. HINKLE: We have one witness in both cases,  
20 and the exhibits are the same for both cases, and it is true  
21 that there is one issue involved in this West half of Section  
22 3 that is not in the East half of Section 3, but we have  
23 no objection to consolidating the next case, which would be  
24 4765, and have them all heard at the same time.

25 MR. COOLEY: We concur that Cases 4764 and 4765

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1 should be consolidated for the purpose of hearing, but I  
2 still continue my objection to the consolidation of Case  
3 4763 because of the overriding and compelling issue that  
4 is involved in the two latter cases, and it should not affect  
5 in any way Case 4762.

6 MR. HINKLE: All our exhibits pertain to both  
7 sections-- both half sections, and it is the same witness  
8 in both cases, and just to save time, I think the Commission  
9 should go ahead and hear the testimony in both cases 4763  
10 and 4764 at the same time.

11 MR. KELLAHIN: Jason Kellahin, of Kellahin and Fox,  
12 Santa Fe, appearing on behalf of Rutter and Wilbanks  
13 Corporation of Midland, Texas, Donald E. Cooper, Helen Jones,  
14 and also A. J. Andocropolis. We will have one witness and  
15 favor consolidation of all three cases. I think that the  
16 Examiner is perfectly competent to sort them out and to enter  
17 separate orders as to the West half of Section 3 and the East  
18 half of Section 3. Substantially, all of the testimony will  
19 be the same for both of these half sections. There will be  
20 some difference, of course, for the West half, but I don't  
21 think it would be so compelling that it couldn't be heard  
22 at the same time as that of the East half as long as the  
23 witnesses make it clear as to which half section they are  
24 talking about.

25 MR. COOLEY: In order to clarify the position of

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1 the persons I represent, it will be our recommendation that  
2 Cases 4764 and 4765 be continued. For this reason, I feel  
3 they should not be heard at this time or consolidated.

4 MR. STAMETS: This certainly would make a difference,  
5 Mr. Hinkle.

6 MR. HINKLE: We will resist any continuance in  
7 Case 4764.

8 MR. STAMETS: I feel, Mr. Hinkle, that we should  
9 proceed with Case 4763, and we can work out the problems  
10 of the exhibits at a later time.

11 MR. HINKLE: We will just offer them in both cases  
12 along with the testimony. I think you can keep it straight.

13 MR. STAMETS: I think it would probably end up  
14 being quicker to do it this way than it would be trying to  
15 consolidate them.

16 MR. HINKLE: Okay.

17 MR. STAMETS: Will there be any other appearances  
18 in Case 4763?

19 (No response)

20 \* \* \* \*

21 WILLIAM P. AYCOCK,  
22 was called as a witness, and after being duly sworn, testified  
23 as follows:

24 DIRECT EXAMINATION

25 BY MR. HINKLE:

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- 1 Q Would you state your name, residence, and by whom  
2 you are employed?
- 3 A William P. Aycock, consulting engineer, and I am with  
4 the firm of Bailey, Sipes, Williamson and Runyan,  
5 Midland, Texas.
- 6 Q Have you been employed by the Black River Corporation  
7 in connection with this case?
- 8 A Yes, I have.
- 9 Q Have you previously testified before the Oil Conservation  
10 Commission?
- 11 A No, I have not.
- 12 Q State briefly your educational background and experience  
13 as a petroleum engineer.
- 14 A I received my bachelor of science degree from the  
15 University of Texas in engineering and my master of  
16 science degree from the University of Texas in 1957.  
17 I was employed by the Humble Oil and Refining Company  
18 until August, 1967 in various supervisory capacities  
19 as well as technical capacities. Upon leaving Humble,  
20 I went out on my own doing a variety of things including  
21 engineering work, and for the past two and one-quarter  
22 years, I have been in my present association doing  
23 engineering work exclusively.
- 24 Q Have you made a study of the Washington Ranch-Morrow  
25 Gas Pool in Eddy County, New Mexico?



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1 A Yes, I have.

2 MR. HINKLE: Are the witness' qualifications  
3 accepted?

4 MR. STAMETS: They are.

5 Q (By Mr. Hinkle) Have you prepared, or has there been  
6 prepared under your direction, certain exhibits for  
7 introduction in this case?

8 A Yes, there have.

9 Q Are you familiar with the application of Black River  
10 Corporation in Case 4763?

11 A Yes, I am.

12 Q What is Black River Corporation seeking to accomplish?

13 A Black River first seeks an order pooling all mineral  
14 interests in the Morrow formation underlying the East  
15 half of Section 3, Township 26 South, Range 34 East,  
16 adjacent to the Washington Ranch-Morrow Gas Pool as  
17 recognized by the Commission, and also seeks approval  
18 of a non-standard 409.22-acre proration unit that is  
19 currently assigned to the Cities "3" Federal Well  
20 Number 2. This well is located 2,212 feet from the  
21 North line and 1,998 feet from the East line of Section 3.

22 Q Referring you to Exhibit One, will you explain what  
23 this is and what it shows?

24 A Exhibit One is a land map in which is indicated by the  
25 legend in the lower left-hand corner the current pool

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1 boundaries of the Washington Ranch Pool, which are  
2 recognized by the Commission and are shown to include  
3 the East half of Section 33 and all of Section 34 in  
4 Township 25, Range 24, and the acreage currently  
5 dedicated to the Cillas "C" Federal Number 2 Well in  
6 the East half of Section 3. These latter boundaries  
7 are shown in orange.

8 This is an up to date land map, and shows all  
9 of the leaseholders and land ownership.

10 Q Referring you to Exhibit Number Two, would you explain  
11 what this is and what it shows?

12 A Exhibit Two is a structure map which points to the  
13 bottom of the lower Morrow reservoir upon which is  
14 shown the traces of the cross section that will  
15 subsequently be presented. It is a conventional type  
16 of map with a fault indicated at the position we  
17 believe to be proper. This map was especially drafted  
18 to confirm the well location as indicated on the  
19 location plat, and it is not a copy of somebody else's  
20 base map, it is our own constructed base map contoured  
21 to the bottom of the lower Morrow sand.

22 Q Referring you to Exhibit Three, would you explain what  
23 this is?

24 A If you will refer to the prior exhibit, Exhibit Two,  
25 once again you will see that Section A A Prime is

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1 essentially north-south. Of course, it is not  
2 completely north-south, because we disagree, but it  
3 is essentially a north-south cross section on which  
4 we are showing the marker on which we have marked with  
5 a heavy line the cross section that says "Bottom of  
6 the lower Morrow Zone". I think it adequately  
7 demonstrates the regularity of the development of  
8 this sand and the fact that it is present over the  
9 entire area and is currently productive and developed.  
10 It also shows the differences in elevation, and is a  
11 true cross section and shows the difference in true  
12 elevations as well as the log traces themselves. It  
13 also shows the perforations showing the completion  
14 intervals of each well and all the drill stem test  
15 information that has been tabulated.

16 Q Will you look at Exhibit Number Four and explain what  
17 that shows?

18 A If I may ask you once again to refer to Exhibit Two,  
19 you will see the B B Prime, which is the east-west  
20 section one point of which is in Section 5 and the  
21 eastern-most of which is through the Cities "3" Federal  
22 Number Two Well in the East half of Section 3 that we  
23 are currently discussing here. I think you will notice  
24 we have the bottom of the lower Morrow sand as our  
25 mapping point shown here. I think you will notice that

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1 the pay zone has the same general appearance and is  
 2 very easily picked out from the zone on both sides  
 3 of it, and the wells are completed in very analogous  
 4 type intervals as to where they were on the prior  
 5 cross section. This also demonstrates that the depth  
 6 coming off the west side of the structure is much  
 7 steeper than it was shown to be on the prior exhibit.  
 8 Once again, we have tabulated and have shown the  
 9 intervals that are perforated, and all the drill stem  
 10 test information for each well indicated on the cross  
 11 section.

12 Q Now, referring you to Exhibit Five, would you explain  
 13 that?

14 A Exhibit Five is an acreage plot showing the units that  
 15 are located in the entire Section 3.

16 Q This is an irregular section?

17 A Yes, sir, it is irregular and you will notice that  
 18 monumentation is shown on the west side there with the  
 19 monument located at about the middle of the north-south  
 20 boundary, and there is another monument located at  
 21 the far southwest boundary. The information from which  
 22 this plat was constructed was arrived at from two  
 23 surveys and if you will notice, in the East half of  
 24 Section 3, the section we are discussing here, and if  
 25 you will add up those units, you will get 407.20.

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- 1 Q This also shows the location of the well in Lot 7?
- 2 A Yes, sir, that is true. The information is indicated
- 3 on the plat furnished to this Commission.
- 4 Q Who drilled the well?
- 5 A Black River Corporation has been the operator and in
- 6 full control of the well since it was discovered.
- 7 Q Can you give the well history information concerning
- 8 the total depth on completion?
- 9 A Yes. I would like you to refer to an exhibit that we
- 10 have not yet supplied to the Commission, and all the
- 11 wells are listed on here including the Cities Federal
- 12 Well Number 1.
- 13 Q Let's have that marked as Exhibit Five.
- 14 A I have marked it as Exhibit Six. You will notice that
- 15 the Cities "3" Federal Well Number 1 was drilled to
- 16 a total depth of 7,050 feet and plugged back at 7,012
- 17 feet, and then completed in the Morrow sand from 6,913
- 18 to 6,944 feet as was indicated on our cross section.
- 19 The well was completed April 6th, 1972, and the C-122
- 20 test was run on April 11th, 1972. The well had a
- 21 calculated absolute open-flow of 11,158,000 cubic feet
- 22 per day, and is currently shut in waiting on a pipe
- 23 line connection.
- 24 Q This Exhibit Six also shows the shut in well head pressure
- 25 of all of the wells that have been drilled in the

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1 Washington Morrow Pool?

2 A Yes, sir.

3 Q Is there very much pressure differential there?

4 A Well, obviously there is some differential, but in  
5 my opinion, these differences can be explained by  
6 incomplete build-up of lower pressures. I don't think  
7 we have any indication of interference here.

8 Q What conclusion do you draw from that?

9 A I conclude that several of the wells-- if you will  
10 notice the third column from the right, it shows the  
11 shut in bottom hole pressure and the actually measured  
12 pressure, and there hasn't been any sort of interpretation  
13 whatsoever, and you will notice that there is a good  
14 deal less discrepancy between those numbers than in  
15 the well head pressures. I think this should be  
16 expected because the drill stem test is a much better  
17 measurement of the final shut in.

18 This doesn't prove we have continuity or lack of  
19 continuity, but is evidence that there is a relationship  
20 between the depth and the pressure. I think you would  
21 expect to have this high quality commercial pay zone  
22 such as we have here because of this.

23 Q Cross sections three and four have superimposed on  
24 them the logs of all these wells, is that correct?

25 A Yes, sir.

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1 Q Can you tell from these logs or from the other  
2 information available, porosity and permeability,  
3 whether the Morrow formation is found in these wells?

4 A From the logs themselves and comprehensive analyses  
5 of the logs that are available, it would indicate  
6 to me that the average porosity is about 9.2 percent.  
7 Of course, you can't calculate permeability from logs,  
8 but by taking the C-122 test and examining the data,  
9 I think very few technical people would disagree with  
10 the fact that each test shows a great degree of  
11 stability. In other words, the tests are true tests  
12 and really are indicative of deliverability. I estimate  
13 the permeability to run from one and a half to fifteen  
14 millidarcies for an average of about 7.2 millidarcies.

15 Q From your studies of the information available, have  
16 you formed an opinion as to whether the well located  
17 in the East half of Section 3 will drain the entire  
18 East half of Section 3?

19 A I think from the data we have at the current time in  
20 regard to deliverability and in regard to pressure and  
21 in regard to the pay zone pressure that it probably  
22 will, yes.

23 Q In your opinion, will pooling the acreage to form a  
24 non-standard unit be in the interest of good  
25 conservation practices and the prevention of waste and

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1 the protection of correlative rights?

2 A Yes, sir, I believe so.

3 Q Have you made an effort to contact all of the overriding  
4 royalty owners and the owners of the other mineral  
5 interests in Section 3 to see their attitude with  
6 respect to communitizing to improve their interests?

7 A Yes, we have.

8 Q Can you state those with whom you have had contact with  
9 and who have not indicated their willingness to pool  
10 their interests?

11 A Well, Mr. Andropolis has indicated he is not interested.

12 Q What is his interest?

13 A A fifteen percent overriding royalty interest. Now,  
14 all of the working interests here, I believe, are in  
15 agreement as far as the pool is concerned.

16 Q This only involves an overriding royalty?

17 A Yes. This is a little bit complicated because part  
18 of this is federal lease and part fee lease. The  
19 federal leaseholdings comprise the Northeast quarter  
20 of the Northwest quarter of the Southeast quarter of  
21 the section. I believe this federal lease is owned  
22 by Cities Service, who have assigned their operating  
23 rights to Black River Corporation and Arapahoe with  
24 Cities Service retaining a one-half interest and  
25 Arapahoe and Black River one-quarter interest. Black



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1 River is the operator. The rights that were assigned  
 2 by Cities Service to Black River and Arapahoe were  
 3 down to and including the Morrow formation under this  
 4 federal leasehold. The overriding royalty owners who  
 5 have indicated they are not interested in communitization  
 6 are Mr. Andocropolis, who has a five percent overriding  
 7 royalty over Lot 1 and under Lots 2, 7, and 8 in the  
 8 Northeast quarter of the Southeast quarter, and Helen  
 9 Jones did not respond to our request. Rutter and  
 10 Wilbanks will not voluntarily include their 4.7 percent.  
 11 Donald E. Cooper has indicated that he disagrees with  
 12 voluntary communitization, and he has two-tenths of  
 13 one percent overriding royalty interest.

14 The rest of the areas are fee lands, noticeably  
 15 the Northeast quarter of the Southeast quarter and the  
 16 South half of the Southeast quarter. These are all  
 17 fee land leases and Cities Service and Black River  
 18 Corporation once again have working interests and are  
 19 in full agreement with communitization of this property.  
 20 William S. Miller and his wife, Amelia, we have not  
 21 been able to reach because correspondence in response  
 22 to our inquiries stated that their telephone had been  
 23 disconnected.

24 Q You have indicated that part of this acreage is federal  
 25 land, namely the Northeast quarter and the Northwest

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1 quarter of the Southeast.

2 A Yes, sir.

3 Q Has a representative of Black River Corporation  
4 contacted the U.S.G.S. to find out their attitude  
5 with respect to approving the communitization agreement  
6 if this is permitted by the Oil Conservation Commission?

7 A The U.S.G.S. has indicated verbal approvment of  
8 communitization if the O.C.C. approves the forced  
9 pooling-- the non-standard spacing, I beg your pardon.  
10 Of course, it would have to be officially acceptable  
11 to them, but they have indicated that they have no  
12 opposition to it.

13 Q Do you have pipe line connection for the well located  
14 in the Northeast?

15 A No, sir, not at the current time. As shown in  
16 Exhibit Six, the current status of the well is that it  
17 is shut in waiting on pipe line connection. Of course,  
18 there is a gas purchaser in the field, El Paso has  
19 facilities in the field, and presumably this well  
20 could be committed to that contract.

21 Q Do you anticipate this being done if this is approved?

22 A Yes, sir. [I think it is necessary to have the well  
23 put into production as soon as possible because a  
24 lengthy period of shut in could lead to drainage by  
25 the other wells. At the current time, we are producing

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1 23,000,000 MCF a day from four wells on production  
2 and they are performing very nicely. We anticipate  
3 that these wells would be capable of similar very  
4 commercial production, and we feel that all of them  
5 should participate in the market to protect against  
6 the possibility of cross line drainage.

7 Q Do you propose the allocation of production in the  
8 East half be on an acreage basis for the purpose of  
9 paying the overriding interests?

10 A Yes, I do.

11 Q And the royalty interests?

12 A Yes, I do.

13 Q I believe you stated that all of the working interest  
14 owners are in agreement so there is no problem as far  
15 as allocation of operating costs, is that correct?

16 A That is correct. In addition, I think the Commission  
17 is aware that its own rules provide for that at such  
18 time as the special pool rules are put into effect for  
19 the acreage.

20 Q Do you have anything further that you would like to  
21 add with respect to the East half of Section 3?

22 A No, sir.

23 MR. HINKLE: We would like to offer in evidence  
24 Exhibits One through Six.

25 MR. STAMETS: Are there any objections to the

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1 admission of these exhibits in this case?

2 (No response)

3 MR. STAMETS: They will be so admitted.

4 (Whereupon Applicant's Exhibits One through Six  
5 were admitted in evidence.)

6 MR. HINKLE: That's all we have with respect to  
7 the East half of Section 3.

8 MR. STAMETS: Are there any questions of this  
9 witness?

10 MR. KELLAHIN: Yes, sir.

11 \* \* \* \*

12 CROSS EXAMINATION

13 BY MR. KELLAHIN:

14 Q Has the well on the East half been produced at all as yet?

15 A Not as yet-- not other than to take a C-122 test and  
16 submit it.

17 Q You actually have no production experience or have not  
18 run any tests to determine what areas the well would  
19 drain in this particular pool?

20 A There hasn't been enough production withdrawn to affect  
21 pressure to the degree that we could detect that  
22 adequately at the present time.

23 Q So the only thing you have to establish a drainage  
24 pattern are the permeability figures?

25 A Yes.

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- 1 Q In your opinion, will a well located at your Number  
2 Two Well effectively drain the south end of that  
3 section?
- 4 A Yes, I suspect it will.
- 5 Q How much is that?
- 6 A Three-quarters of a mile.
- 7 Q Actually, it's a little bit bigger than a forty-acre  
8 unit?
- 9 A Slightly bigger, but in round numbers, it's three-  
10 quarters of a mile.
- 11 Q Between three-quarters of a mile and a mile? Would  
12 you agree that it is in excess of three-quarters of a  
13 mile?
- 14 A Well, if you want to be absolute about it, it would  
15 be in excess because each of the quarter sections is  
16 in excess of forty acres.
- 17 Q Do you operate the adjoining section?
- 18 A Black River Corporation operates all the wells currently  
19 on production in the field. I don't believe Cities  
20 Service are connected in the north end yet.
- 21 Q Do you have any operating rights in Section 2?
- 22 A I would have to refer to the large map to tell you,  
23 I don't remember.
- 24 Q You have in what would be the South half of the Southwest  
25 quarter?

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1 A Yes, we do.

2 Q Your testimony is that in Section 3, your well will  
3 drain the South half of the section, I assume you are  
4 saying that the well in the East half of Section 4  
5 will drain that section too?

6 A We anticipate it will.

7 Q Are you familiar with prorationing in the State of  
8 New Mexico, prorationing of gas?

9 A I don't know what you mean.

10 Q Are you aware of capacity allowables today in New Mexico?

11 A Yes.

12 Q Then how are you going to adjust that to give--

13 MR. HINKLE: I object, this is irrelevant because  
14 this isn't prorated anyway.

15 MR. KELLAHIN: He testified to it, and I have a  
16 right to cross examine on it.

17 A If the pipe line is in there, the Commission at such  
18 time would require ratable take. Now, all of these wells  
19 are shown capable of producing gas at a commercial rate,  
20 and it would not be difficult thing to achieve the  
21 protection of all correlative rights.

22 Q Other than through proration units, have you ever known  
23 this Commission to require ratable take?

24 A No.

25 Q If you are on capacity, you don't have ratable take.

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1 A Well, as a matter of fact, you aren't on that at the  
2 present time because Black River is not pulling the  
3 well at capacity.

4 Q Well, that's Black River and not the Commission.

5 A That might be so, but the affect is the same. As far  
6 as protection of correlative rights, Black River doesn't  
7 desire to pull a brand new well at a capacity rate.  
8 I don't think Black River wants to encroach on anybody's  
9 rights.

10 Q We have a difference of opinion there, sir.

11 A That's quite apparent.

12 MR. KELLAHIN: That's all I have.

13 \* \* \* \*

14 REDIRECT EXAMINATION

15 BY MR. HINKLE:

16 Q In your cross examination, you referred to the well in  
17 the East half of Section 4, what is the status of that  
18 well?

19 A If you will refer to Figure Six, you will see that it  
20 is waiting on pipe line also.

21 Q Do you anticipate that there will be a connection there  
22 right away also?

23 A Yes, sir.

24 MR. HINKLE: That's all I have.

25 \* \* \* \*

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CROSS EXAMINATION

BY MR. STAMETS:

Q Is the entire East half of Section 3 productive of gas in your opinion?

A I think all the data that we have indicates that it is, yes. I think if you will refer to our first cross section, you will notice that the Superior Well is completed in the Morrow Zone, even though it's way down structure. It is not as good a quality well, obviously, as Black River has enjoyed, but it does show that the Morrow formation is productive of gas.

Q What is the nature of the reservoir in the pool?

A Very regular sandstone, whether you call it fine grain or medium grain, depending on the criteria you use, it is very good sandstone.

Q Are the variations in porosity and permeability due to cementation factors in the margins of the field?

A We don't have the same degree of regularity of the sand grain size, and therefore, we don't have as high deliverability as in the lower structure locations.

Q This well in Section 3, would you consider it to be located in a good portion of the field?

A I would say so, yes.

Q So you would expect very good drainage in the area?

A I certainly would expect it, yes.

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1 Q Tell me if I'm wrong here. What is being force pooled  
2 in this case is in Section 3, and you are talking about  
3 Lot 1, which is a 60.03 acre tract, is that correct?

4 A That is correct.

5 Q And in the Southeast quarter, it would be everything  
6 with the exception of the Northwest of the Southeast?

7 A Yes, sir.

8 Q Is that the extent of those three tracts?

9 A Well, no, because we are not able to contact Mr. Miller  
10 and his wife, who own half of the royalties on the  
11 fee land. We have to assume they are not for our  
12 purpose, and we assume they are not in favor of  
13 communitization.

14 Q Is their acreage included in the acreage I just  
15 mentioned?

16 A It's included in the fee lands.

17 Q You do have agreements with all the working interest  
18 owners?

19 A Yes, sir.

20 Q And it's only the overriding royalty interest owners  
21 with whom you have no agreement?

22 A Only overriding royalty owners. The overriding royalty  
23 owners with the exception of Mr. Miller who we could  
24 not contact. Other than that, all the opposition is  
25 from overriding royalty owners.

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1 Q Was Black River aware of this before it started the  
2 well?

3 A I don't think Black River was aware that there would  
4 be the degree of opposition that there is. No, Mr.  
5 Examiner, I don't think they were aware of the degree  
6 of opposition, and I don't think they were aware of  
7 the difficulty in arriving at a communitization  
8 agreement.

9 MR. STAMETS: Are there additional questions of  
10 this witness?

11 MR. HINKLE: Yes.

12 \* \* \* \*

13 REDIRECT EXAMINATION

14 BY MR. HINKLE:

15 Q In connection with J. W. Miller, was there a pooling  
16 clause in that lease?

17 A Yes.

18 Q What is the status of that pooling clause?

19 A I believe that's one-tenth of one percent.

20 MR. HINKLE: I have nothing further.

21 MR. STAMETS: Are there additional questions of  
22 this witness?

23 (No response)

24 MR. STAMETS: If not, the witness may be excused.

25 (Witness excused.)

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25A. W. RUTTER,

was called as a witness, and after being duly sworn, testified  
as follows:

DIRECT EXAMINATIONBY MR. KELLAHIN:

Q Would you state your name?

A A. W. Rutter, Jr., Midland, Texas.

Q Are you connected with the firm of Rutter and Wilbanks  
Corporation?

A Yes, I'm secretary-treasurer.

Q Does Rutter and Wilbanks Corporation own an interest  
in the East half of Section 3 that is the subject  
matter of this hearing?A Yes, 4.7 percent overriding royalty interest under  
Lots 2, 7, and 8.Q You are also authorized to speak for the other royalty  
owners for whom I entered an appearance in this case?

A Yes, I am.

Q Would you give their interests?

A Donald Cooper has two-tenths of one percent interest,  
and Helen Jones has one-tenth of one percent interest,  
and A. J. Andocropolis has a five percent overriding  
royalty interest under Lot 1.Q So your testimony has to be considered as being given  
on behalf of all the overriding royalty owners under

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1 this particular acreage?

2 A Well, no, sir. Robert Hanaford, according to the  
3 exhibit attached, shows a one percent overriding  
4 royalty interest subject to removal if the wells get  
5 under, I believe, 150,000 cubic feet a day.

6 Q Then you are not speaking for him?

7 A No, sir.

8 Q Were you contacted in connection with the proposed  
9 unit, Mr. Rutter?

10 A Yes.

11 Q Did you decline to join in the unit?

12 A Yes, sir.

13 Q For what reason?

14 A The East half of the section contains 407 acres and  
15 portions of Lots 1, 2, 7, and 8, and in the North half  
16 of the Southwest quarter contain 322.15 acres. This  
17 exceeds the standard proration unit and to add additional  
18 acreage is in effect diluting our royalty interests  
19 without any offsetting increase in reserves or current  
20 production. So, therefore, it would be damaging to  
21 our correlative rights..

22 Q Now, all your interests are under federal leases, is  
23 that correct?

24 A That is correct.

25 Q What do you propose as an alternative?

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- 1 A Well, while this hearing has been held on this one  
2 case, it seems that the decision in this case is going  
3 to affect decisions in following cases. With the  
4 wells being drilled where they are, the division line  
5 is to run north and south but I think the question  
6 gets to a point of are you going to take in more than  
7 320 acres by pooling the fee acreage with the federal  
8 acreage. They are proposing to bring in ninety-six  
9 fee acres and force them in where we already have  
10 310.43 acres. The same thing applies to the East half,  
11 except we add 142.38 acres, and that gives us an  
12 excess of a full 320-acre tract. We don't object to  
13 having a full 320-acre proration unit.
- 14 Q Based on the figures that have been offered by Black  
15 River Corporation, the proposed acreage would be  
16 322.15 acres, is that correct?
- 17 A That is correct.
- 18 Q What would you do with the South half of the Southeast  
19 quarter?
- 20 A Sections 2, 3, and 4 are all over-sized sections as  
21 shown by Exhibit 1A, the land map entered by Black  
22 River. To the extent that the land map shows any  
23 degree of accuracy, it would appear that the east 120  
24 acres of the South half of the South half have common  
25 ownership. The excess acreage on all three sections

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1 is in the South end of the section, and it would be  
 2 our proposal that the acreage in the South of this  
 3 Section 3 be combined with the acreage in the South  
 4 of Sections 2 and 4 to form a 320-acre tract.  
 5 Otherwise, you are going to have Sections 2, 3, and 4  
 6 all having jumbo proration units or allocations assigned  
 7 to the wells, and all of the wells are going to be  
 8 penalized. They will have all of the acreage but they  
 9 do not have any more deliverability than the wells  
 10 to the north in Sections 33, 34, and 35.

11 Q Is that producing acreage on the acreage to the north?  
 12 A Yes, the discovery well is in the West half of Section 34.  
 13 Q This is an application for forced pooling, and I  
 14 assume the Applicant has asked to be designated operator.  
 15 Do you have any objection to Black River Corporation  
 16 acting as operator?  
 17 A None whatsoever. They would be the logical operator,  
 18 I would think.

19 Q Do you have anything else to add?  
 20 A Nothing other than it seems to us that the tracts on  
 21 the West half are one hundred percent federal and the  
 22 ones in the East are only three percent away from being  
 23 standard proration units, and here they are suggesting  
 24 bringing in another ninety-eight acres, and as far as we  
 25 are concerned, this does not contribute anything to

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1 our position, and it violates our correlative rights.

2 MR. KELLAHIN: We have no further direct testimony.

3 MR. STAMETS: Are there any questions of this  
4 witness?

5 MR. HINKLE: Yes.

6 \* \* \* \*

7 CROSS EXAMINATION

8 BY MR. HINKLE:

9 Q As I understand your testimony, you are proposing the  
10 alternative of taking the South half of the Southwest  
11 quarter of Section 2 and all the South half of the  
12 South half of Section 3 and the Southeast of the  
13 Southeast of Section 4 and the Southeast of the Southwest  
14 of Section 4 and making one proration unit?

15 A I think these are also over-sized forties (indicating),  
16 so they are the same size. Over to here (indicating)  
17 is 132 acres, and this here (indicating) is about 180  
18 acres, so there are 312 acres, and then they have 80  
19 acres here (indicating) essentially.

20 Q That would permit the well to be located there anyway.

21 A Mid-distance between the two extremes. The wells  
22 are obviously good wells. What you get down to is a  
23 practical matter, these reservoirs will be drained by  
24 the number of straws in them, and I think that the  
25 South half of Section 3 will probably produce and the

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1 people who have royalty interests in those tracts  
2 that are proposed will get their share of royalties  
3 from that well.

4 Q Let's assume that was a proration unit, and you located  
5 a well in the center of it which would be approximately  
6 in the Southeast of the Southwest of Section 3.

7 A Yes, sir.

8 Q And you would have drainage for a mile in each direction,  
9 would you not?

10 A Yes, sir. My proposal is proposing exactly the same  
11 thing.

12 Q No, the other is not quite as far.

13 A It's not as far to the south, but it is to the north.  
14 The well is located toward the north, but drainage  
15 doesn't stop at boundary lines, and we all recognize  
16 that this is a gas reservoir with pretty good  
17 permeability.

18 Q Is it true that if the Commission went along with your  
19 suggestion here as an alternative, it would mean  
20 drilling another occasional well?

21 A Yes, and it would have to be at an unorthodox location,  
22 but it seems to me the Commission, because of the  
23 nature of the three sections, will see the need for  
24 an extra well between the three sections.

25 Q And that is assuming the West half of Section 2 is



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1 productive, is that right?

2 A Yes, sir. They have not drilled a well on the West  
3 half of Section 2, but if the structure map is accurate,  
4 there is a well on the West half of Section 35, and  
5 that well is indicated as being productive. So I  
6 assume that the West half of Section 2 would have to  
7 be considered productive.

8 Q Do you know of any precedents for the Oil Conservation  
9 Commission that have been set for this kind of  
10 procedure?

11 A No, but I assume they will use the rule of reason.  
12 If you have three jumbo sections of 800 acres each,  
13 I assume they would allow a non-conforming type pattern,  
14 because these are non-conforming type sections.

15 MR. HINKLE: I have nothing further.

16 MR. COOLEY: In light of the unexpected testimony  
17 of Mr. Rutter, I would like to intervene and cross examine  
18 him on behalf of Alice Ballard, Amelia Miller, Thurman Mayes,  
19 and John A. Mayes, whose correlative rights could be affected  
20 by his proposal.

21 MR. KELLAHIN: We have no objection to Mr. Cooley  
22 cross examining the witness, however, this case is confined  
23 to the East half of the section.

24 MR. HINKLE: You are just consuming time, as I  
25 understand it, you are not interested in the East half of

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1 Section 3.

2 MR. STAMETS: Mr. Cooley, let me see if I can  
3 clarify this. I'm not sure why you want to cross examine.

4 MR. COOLEY: Let me state my position, and maybe  
5 it will become clear to the Examiner and the parties who  
6 seem not to wish to allow me to cross examine their people.  
7 There are people here whom I represent who own acreage,  
8 270 acres, in the North half of Section 10. As a matter of  
9 fact, there is an application to force pool the North half  
10 of Section 10 on this same docket. The location of an  
11 additional well in the pool, the drilling of an additional  
12 well at the location suggested by Mr. Rutter, would adversely  
13 affect the correlative rights of my clients who own acreage  
14 in the North half of Section 10. It is for that reason that  
15 I would like to cross examine Mr. Rutter.

16 (Whereupon an off the record discussion was held.)

17 MR. STAMETS: We will take a fifteen minute recess  
18 for coffee, and decide the question when we come back.

19 (Whereupon a recess was taken.)

20 (Hearing continues.)

21 MR. STAMETS: The hearing will come to order, please.

22 MR. COOLEY: Mr. Examiner, I made an effort to  
23 explain my position prior to the recess with respect to  
24 cross examination in this case. I have already announced  
25 to the Examiner that it is my intention to move for a

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1 continuance of the next two cases until such time as an  
2 outside matter can be decided, and if the Examiner moves  
3 favorably on my motion, and those cases are continued, then  
4 we will be left in a position where the Commission must  
5 make a decision in Case 4763 based on this record, and the  
6 observations and questions I wish to ask this witness would  
7 not be in this record.

8 MR. HINKLE: In that connection, we will resist  
9 any effort for a continuance in Case 4764 because of the  
10 well being completed.

11 MR. COOLEY: Not at all unsuspected.

12 MR. STAMETS: Mr. Cooley, your concern would be  
13 as to drainage from Section 10?

14 MR. COOLEY: A proposal has been made by Mr. Rutter  
15 that would adversely affect the property interests and  
16 correlative rights of my clients, and I would like to cross  
17 examine with respect to only that aspect, and those  
18 correlative rights are most directly situated in the North  
19 half of Section 10. Irrespective of whether the case was  
20 or was not pending with respect to the North half of Section  
21 10, those rights would be adversely affected by the proposal  
22 made by Mr. Rutter.

23 MR. HATCH: You don't think the Commission has  
24 authority to grant, as a result of this hearing, a well in  
25 the Southeast quarter of Section 3, do you?

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1 MR. COOLEY: No, but you have authority to force  
2 pool the leases in the East half of Section 3, or cut off  
3 the two bottom forties. I think you have that jurisdiction.  
4 and if you were to do so, it would affect us. If you leave  
5 some acreage out, it becomes a matter of necessity that  
6 something be done with it.

7 MR. HATCH: But you would not be prevented from  
8 appearing at the time in a different case in opposition.

9 MR. COOLEY: The statute says that if you have a  
10 tract of land that isn't dedicated, you have a right to drill  
11 on it, and I don't think anyone can prevent someone from  
12 drilling on that land.

13 MR. STAMETS: I feel that the witness' testimony  
14 has been primarily toward correlative rights, his correlative  
15 rights, and he has made some suggestions, but they have not  
16 been put in the form of an application for a hearing. I  
17 am inclined to let you go ahead and question the witness and  
18 we would appreciate it very much if you could keep your  
19 questions to the subject of correlative rights that he has  
20 testified to and keep them as short as possible considering  
21 that we may have to hear the same thing again in another  
22 case. I will rule in your favor at this time.

23 \* \* \* \*

24 CROSS EXAMINATION

25 BY MR. COOLEY:

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1 Q Mr. Rutter, in your testimony, you referred to this  
2 being a simple matter of the number of straws in the  
3 well bore-- in the reservoir. You are aware, are you  
4 not, that the proposed well will be drilled in the  
5 Northeast quarter of the Northwest quarter of Section 10?  
6 A No, I am not aware of that.  
7 Q On this docket, the same docket, there is a Case 4768,  
8 and that's the reason I asked you if you were aware  
9 of it.  
10 A I had a copy of the docket, but I didn't notice it.  
11 Q This is proposed to be drilled 1980 feet from the West  
12 line and 1660 feet from the North line, which would  
13 place it directly offsetting the proposed location you  
14 suggested with respect to the South forties, is that  
15 correct?  
16 A If that's where they plan to drill the well, that is  
17 correct.  
18 Q That would be approximately 1,320 feet distant?  
19 A Slightly more than that, because of the size of that.  
20 Look at the Southeast of the Southwest.  
21 Q In your opinion, would a well in the Southeast of the  
22 Southwest of Section 3 tend to drain gas from under the  
23 North half of Section 10 and decrease the amount of  
24 gas that would be produced from the proposed well in  
25 the Northeast of the Northwest of Section 10?

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1 A You've asked two questions. Yes, I think some of the  
2 gas would come from the north part of Section 10, but  
3 I do not think it would decrease the total amount of  
4 gas ultimately produced from the North half of Section 10.

5 Q If the well you propose is not drilled, the well in  
6 the Northeast of the Northwest of Section 10 that is  
7 proposed now would effectively drain the same area,  
8 would it not?

9 A Yes, sir. We are faced with the situation where if we  
10 have a bottle of soda and we put eight straws in it,  
11 you can divide the contents of the bottle of soda by  
12 eight. From the permeability testified to here, the  
13 reservoir is one reservoir, and you are going to divide  
14 it by the number of straws in there. Where the wells  
15 are located is not going to make a whole lot of  
16 difference.

17 Q The well you propose to drill will reduce the amount  
18 of gas ultimately recovered from the proposed well in  
19 the North half of Section 10, will it not?

20 A Well, my position is that the more wells drilled in  
21 the reservoir will reduce the recovery. If the well  
22 in the North half of Section 10 is one of six wells,  
23 it is going to get one-sixth, and if it is one of ten  
24 wells, it is going to get one-tenth.

25 Q It is not you or me to judge whether it is good or bad,

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1 but the drilling of the additional well you propose  
2 will reduce the recovery from the well proposed in  
3 the North half of Section 10, will it not?

4 A If it's not drilled, the reverse is true, the North  
5 half of Section 10 shares proportionately in the excess  
6 acreage to be dedicated to the two wells in Section 3.

7 Q This is not to say whether it is justified or unjustified,  
8 I am just asking for an engineering fact, it will  
9 reduce the amount of gas recovered by the owners in  
10 the North half of Section 10, will it not?

11 MR. KELLAHIN: I think that has been asked and  
12 answered.

13 MR. STAMETS: The Examiner feels the question has  
14 been answered, and it is my understanding that it would  
15 reduce the gas from Section 10.

16 MR. COOLEY: No further questions.

17 \* \* \* \*

18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q Mr. Rutter, do you think waste is a question here at all,  
21 whether or not this well that you have suggested is  
22 drilled or not?

23 A No, sir.

24 Q So it is strictly a matter of correlative rights?

25 A Absolutely--well, let me say this. In addition to

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1 a degree, a bachelor of science degree in geology,  
2 I have a bachelor of arts degree in economics. An  
3 economist would consider it waste to drill needless  
4 wells.

5 MR. PORTER: he is talking about the waste of  
6 natural resources, and you are talking about the waste of  
7 money?

8 THE WITNESS: Right. No, it would not waste  
9 natural resources.

10 Q (By Mr. Stamets) Have you discussed this proposal with  
11 the owners of any of the other tracts you have suggested  
12 here?

13 A I have discussed it with Mr. Phipps, who, as I understand  
14 it, is executive director of Black River. I don't  
15 feel I should put words in his mouth, if he cares to  
16 testify, I think he should do so himself. Anything  
17 I might say might be considered to be self-serving along  
18 those lines.

19 Q Have you received any encouragement? Have you personally  
20 been encouraged by your discussions?

21 A I am being put on the spot.

22 MR. PHIPPS: I do not want to testify.

23 A (Continuing) I have been encouraged, yes, but I don't  
24 think-- I am reluctant to give the Commission the  
25 impression-- any false impression. I can't really put



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1 myself in Black River's position.

2 Q Is it your understanding that Black River has a working  
3 interest in all of the acreage that you have proposed?

4 A I have hearsay evidence, I suppose, that they do have  
5 working interests in all of this, and part of it is  
6 the 270 acres in the North part of 10 and the Southeast  
7 of the Southwest of 3. This is in litigation, and I  
8 do not know for a fact, but I have been told on good  
9 authority that this is the case.

10 Q But Rutter and Wilbanks do not propose to drill such  
11 a well?

12 A No, we have no leasehold rights or overriding royalty  
13 rights in the acreage I am talking about.

14 Q If an order were entered, force pooling the entire East  
15 half of Section 3, would that preclude a later order  
16 to reduce the size of that tract?

17 A You're asking me a question as if I were a member of  
18 the Commission. I don't know if it would preclude it  
19 or not, sir.

20 MR. STAMETS: I believe that's all the questions  
21 I have. Are there any other questions of this witness?

22 (No response)

23 MR. STAMETS: If not, the witness may be excused.

24 (Witness excused.)

25 MR. STAMETS: Is there additional testimony in

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1 this case?

2 MR. HINKLE: That's all I have, I believe I  
3 offered the exhibits.

4 MR. MOTTER: I have a statement I would like to  
5 make. I am Gene Motter, with Cities Service. It has been  
6 testified by Black River that we have a substantial working  
7 interest in this well and we do support Black River in the  
8 case that is being heard.

9 MR. STAMETS: Are there any other statements in  
10 this case?

11 (No response)

12 MR. STAMETS: Is there any correspondence?

13 (No response)

14 MR. STAMETS: If not, Case 4763 will be taken under  
15 advisement.

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1  
2 STATE OF NEW MEXICO )  
3 ) SS  
4 COUNTY OF BERNALILLO )

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

12 *Richard E. McCormick*  
13 CERTIFIED SHORTHAND REPORTER  
14  
15  
16  
17  
18  
19  
20  
21

22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
24 the hearing before of Case No. 4763  
25 heard by me on July 17, 1974  
*Richard E. McCormick* Secretary  
New Mexico Oil Conservation Commission

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DOCKET: REGULAR HEARING - TUESDAY - NOVEMBER 21, 1972

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

CASE 4763: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Black River Corporation for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 409.22-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 2 located 2212 feet from the North line and 1998 feet from the East line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4764: (De Novo) (Continued from the October 18, 1972, Regular Hearing)

Application of Black River Corporation for compulsory pooling, and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 1 located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4765: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Michael P. Grace and Corinne Grace for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all

STATE OF NEW MEXICO

COUNTY OF EDDY

IN THE DISTRICT COURT

RUTTER & WILBANKS CORPORATION  
a Texas Corporation,

Petitioner,

No. 28478

vs.

OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO,

Respondents.

ENTRY OF APPEARANCE

William F. Carr, Special Assistant Attorney General, hereby enters his appearance on behalf of the respondent, Oil Conservation Commission of New Mexico, in the above entitled and numbered cause.

---

WILLIAM F. CARR  
Special Assistant Attorney General  
representing the Oil Conservation  
Commission of New Mexico, P. O.  
Box 2088, Santa Fe, New Mexico

I hereby certify that on the  
14th day of February, 1973, a  
copy of the foregoing pleading  
was mailed to opposing counsel  
of record.

---

Sec 3

<sup>4</sup> 51.90	<sup>5</sup> 54.62	<sup>2</sup> 57.34	<sup>1</sup> 60.3
<sup>5</sup> 52.01	<sup>6</sup> 54.73	<sup>7</sup> 57.42	<sup>8</sup> 60.12
49.85	47.32	44.86	42.38
49.65	47.12	44.77	42.30

$$W/2 = 407.20$$

$$E/2 = 409.22$$

STATE OF NEW MEXICO

COUNTY OF EDDY

IN THE DISTRICT COURT

~~WILLIAM F. CARR~~  
a Texas Corporation,

Petitioner,

No. 28477

vs.

OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO,

Respondents.

ENTRY OF APPEARANCE

William F. Carr, Special Assistant Attorney General, hereby enters his appearance on behalf of the respondent, Oil Conservation Commission of New Mexico, in the above entitled and numbered cause.

*/s/ William F. Carr*

WILLIAM F. CARR  
Special Assistant Attorney General  
representing the Oil Conservation  
Commission of New Mexico, P. O.  
Box 2088, Santa Fe, New Mexico

I hereby certify that on the  
14th day of February, 1973, a  
copy of the foregoing pleading  
was mailed to opposing counsel  
of record.

*William F. Carr*





# OIL CONSERVATION COMMISSION

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

August 8, 1972

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

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

Mr. Clarence Hinkle  
Hinkle, Bondurant, Cox & Eaton  
Attorneys at Law  
Post Office Box 10  
Roswell, New Mexico 88201

Re: Case No. 4763  
Order No. R-4353  
Applicant:  
Black River Corporation

DOCKET MAILED

Dear Sir:

Date 10-5-72

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC x  
Aztec OCC           

DOCKET MAILED

Date 10-5-72

Other Mr. Jack Cooley and Mr. Jason Kellahin



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2068 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMijo  
MEMBER

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

November 29, 1972

Mr. Clarence Hinkle  
Hinkle, Bondurant, Cox & Eaton  
Attorneys at Law  
Post Office Box 10  
Roswell, New Mexico 88201

Re: Case No. 4763, 4764, 4765

Order No. R-4353-A, & R-4354-A

Applicant:

Black River & Michael P. & Corinne  
Grace

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC           

Other Jason Kellahin, Max Coll, Jack Cooley & E. F. Motter

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. 4763  
Order No. R-4353

APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPULSORY  
POOLING AND NON-STANDARD  
PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 12, 1972,  
at Santa Fe, New Mexico, before Examiner, Richard L. Stamets.

NOW, on this 7th day of August, 1972, 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, Black River Corporation, seeks an  
order pooling all mineral interests in the Washington Ranch-  
Morrow Gas Pool underlying the E/2 of Section 3, Township 26  
South, Range 24 East, NMPM, Eddy County, New Mexico, to form a  
409.22-acre non-standard gas proration unit to be dedicated to  
its Cities "3" Federal Well No. 2, located 2212 feet from the  
North line and 1998 feet from the East line of said Section 3.
- (3) That the applicant has the right to drill and has  
completed its Cities "3" Federal Well No. 2, as described above  
in the Washington Ranch-Morrow Gas Pool.
- (4) That there are interest owners in the proposed non-  
standard proration unit who have not agreed to pool their  
interests.
- (5) That the evidence indicates that the entire E/2 of  
the above-described Section 3 can reasonably be presumed pro-  
ductive of gas in the Washington Ranch-Morrow Gas Pool.

-2-

Case No. 4763

Order No. R-4333

(6) That the entire E/2 of the above-described Section 3 can be efficiently and economically drained and developed by the Cities "3" Federal Well No. 2.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said non-standard unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interest, whatever they may be, within said unit.

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

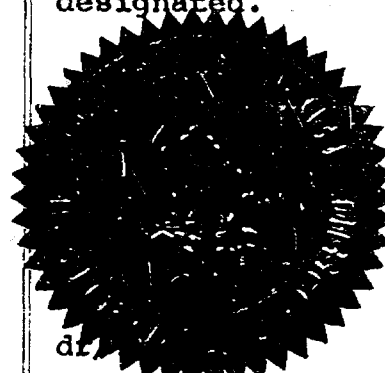
(1) That all mineral interests, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the E/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 409.22-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities "3" Federal Well No. 2, located 2212 feet from the North line and 1998 feet from the East line of said Section 3.

(2) That Black River Corporation is hereby designated the operator of the subject well and unit.

(3) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(4) 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*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIO, Member

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

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. 4763  
Order No. R-4353-A

APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPULSORY  
POOLING AND NON-STANDARD  
PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 a.m. on November 21, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of November, 1972, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 after an examiner hearing, Commission Order No. R-4353, dated August 7, 1972, was entered in Case No. 4763 pooling all mineral interests, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the E/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, to form a 409.22-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities "3" Federal Well No. 2, located 2212 feet from the North line and 1998 feet from the East line of said Section 3, and designating Black River Corporation as operator of the unit.

(3) That Rutter and Wilbanks Corporation requested and was granted a hearing de novo of Case 4763 before the Commission.

(4) That the evidence presented at the hearing de novo indicates that the entire E/2 of the above-described Section 3 can reasonably be presumed to be productive of gas from the Washington Ranch-Morrow Gas Pool.

Case No. 1700  
Order No. R-4353-A

(5) That the evidence presented at the hearing de novo establishes to the satisfaction of the Commission that the entire E/2 of the above-described Section 3 can be efficiently and economically drained by the above-described Cities "3" Federal Well No. 2.

(6) That to reduce the size of the proration unit dedicated to said Cities "3" Federal Well No. 2, as proposed by Rutter and Wilbanks Corporation, would deprive the owners of mineral interests in that portion of the unit which would be deleted of the opportunity to recover their just and equitable share of the hydrocarbons in the Washington Ranch-Morrow Gas Pool, unless a third well were to be drilled in said Section 3, with a complete realignment of the acreage dedicated to the subject well and to the well located in the W/2 of Section 3.

(7) That to drill a third well in Section 3, Township 26 South, Range 24 East, Washington Ranch-Morrow Gas Pool, would result in supererogatory risk and economic waste caused by the drilling of an unnecessary well.

(8) That Commission Order No. R-4353 provides protection for the correlative rights of all mineral interest owners in the E/2 of Section 3, when considered as a whole, and will result in the prevention of waste.

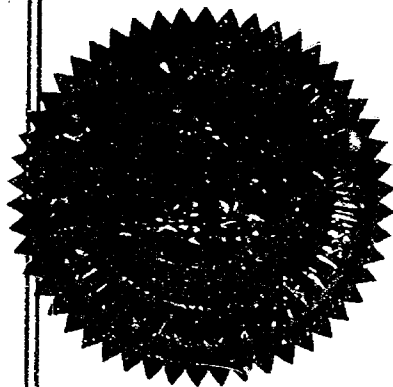
(9) That Commission Order No. R-4353 should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. R-4353, dated August 7, 1972, be and the same is hereby reaffirmed in its entirety.

(2) That jurisdiction of this cause be 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.



S E A L  
dr/

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIJO, Member

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



# 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

TO: ALL INTERESTED PARTIES

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

Due to prior commitments by members of the Commission, we will be unable to have a quorum present for the hearing which has been scheduled for November 15, 1972. Cases 4763, 4764, and 4765, all pertaining to Section 3, Township 26 South, Range 24 East, Eddy County, New Mexico, and scheduled for Hearing De Novo at the request of Rutter and Wilbanks, and Case 4796, pertaining to capacity allowable for the Grace City of Carlsbad No. 1, will therefore be continued to 9:00 o'clock a.m., November 21, 1972, in the Land Office Conference Room.

Cases 4766, 4771, and 4772, all pertaining to the W/2 of Section 4, Township 26 South, Range 24 East, will also be advertised for Hearing De Novo on that same date at the request of Michael P. and Corinne Grace.

October 24, 1972

**GEOPHYSICAL REPORT**  
NEW MEXICO DISTRICT

EEK ENDING: JUNE 17, 1972

PAGE #1

*authr*

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BOV.	COMPANY	COUNTY	LOCATION	CONTR. CO.	TYPE CREW	WORKING UNDER	STATION
	Humble	Curry	T-5-N, R-31-E	Ray #302	"DINOSIS"	Knappek	Andrews
	Skelly	Eddy	Terminated	GSI #210	"DINOSIS"	Huxman	Pecos
	Superior	Eddy	T-23-S, R-31-E	Ray #204	Weight	Stowe	Carlsbad
	Phillips	Roosevelt	T-5-S, R-33 & 34-E	United	Refl.	Triplet	Portales



The Black River Corp

Force Pooling Eddy.

E/2 Sec 3 T 26 S R 24 E

Narrow formation

adj. to Washington Ranch  
Narrow Gas Pool

437.4 acres

Cities Federal Well No. 2

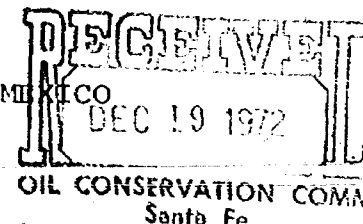
located 2212 feet from the North line and 1998 feet

from the East line of said Sec. 3

882  
883  
884

Martin Allday  
Attorney in Missouri

BEFORE THE  
OIL CONSERVATION COMMISSION 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. 4763  
ORDER NO. R-4353

APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPULSORY  
POOLING AND NON-STANDARD  
PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO.

APPLICATION FOR REHEARING

COMES NOW Rutter & Wilbanks Brothers, and pursuant to the provisions of Section 65-3-22, New Mexico Statutes, Annotated, 1953 Compilation, as amended, apply to the Oil Conservation Commission of New Mexico for rehearing of the above captioned Case No. 4763 and Order No. R-4353 issued pursuant thereto, and in support thereof would show the Commission:

1. Applicants are the owners of royalty interests underlying the E/2 of Section 3, Township 26 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, which are the subject matter of the hearing before the Commission and Order No. R-4353.

2. The Commission, by its Order No. R-4353, approved a non-standard unit for gas production from the Washington Ranch-Morrow Gas Pool consisting of said E/2 of Section 3, Township 26 South, Range 24 East, said non-standard unit consisting of 409.22 acres.

3. By virtue of Rule 104, II (a) of the Rules and Regulations of the Oil Conservation Commission of New Mexico, revised December 1, 1971, the normal spacing for the Washington Ranch-Morrow Gas Pool is 320 acres.

4. The Commission has never complied with the provisions of Section 65-3-14 (b), New Mexico Statutes, Annotated, 1953 Compilation, as amended, in establishing a proration unit for said Washington Ranch-Morrow Gas Pool.

5. Findings Nos. (5), (6), and (7) of Commission Order No. R-4353 are not supported by substantial evidence.

6. The evidence shows that the S/2 S/2 of Section 3, Township 26 South, Range 24 East is non-productive from the Lower Morrow formation, and is probably non-productive from the Upper Morrow formation, the Commission order therefore attributing non-productive acreage to the well to which the non-standard unit has been dedicated.

7. The Commission has included in the unit, and thereby pooled royalty interests owned by applicant with royalty under acreage which the testimony and evidence shows will not be productive from the Lower Morrow formation, and is of questionable productivity in the upper Morrow, resulting in economic loss to applicant.

8. The Commission has disregarded its own rules in dedicating a total of 409.22 acres to a well in the Washington Ranch-Morrow Gas Pool.

9. Order No. R-4353 will result in irreparable injury to the correlative rights of applicant and deprives applicant of its property without due process of law in that it will permit owners of royalty underlying acreage which is shown to be non-productive by the testimony and evidence to share in production from productive acreage underlying the non-standard unit, including that acreage under which applicant owns royalty interests.

10. The non-standard unit approved by the commission has no reasonable relation to a 320-acre unit required by Rule 104, II (a), and in that respect is arbitrary and capricious.

11. Order No. R-4353 is not supported by substantial evidence, is arbitrary and capricious, and is therefore unlawful,

invalid and void.

WHEREFORE applicant prays that the Commission grant a re-hearing in the above captioned cause, and that after rehearing as provided by law, the Commission vacate and set aside its Order No. R-4353, and enter its order approving a unit consisting of 322.15 acres comprising Lots 1, 2, 7 and 8, and the NE/4 SE/4 of Section 3, Township 26 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, or such other unit as more nearly conforms to the requirements of Rule 104, II (a) of the Commission's Rule.

Respectfully submitted,

RUTTER & WILBANKS BROTHERS

BY Jason W. Kellahin  
KELLAHIN & FOX  
P. O. Box 1769  
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT FOR  
REHEARING

DRAFT

GMH/dr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4763

Order No. R- 4353

*Dec*  
*A.S.P.*  
APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPULSORY  
POOLING AND NON-STANDARD  
PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 12, 1972,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this        day of July, 1972 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, Black River Corporation, seeks an  
order pooling all mineral interests in the Washington Ranch-Morrow  
Gas Pool underlying the E/2 of Section 3, Township 26 South,  
Range 24 East, NMPM, Eddy County, New Mexico, to form/ <sup>a 409.22-acre</sup> non-  
standard gas proration unit to be dedicated to its Cities "3"  
Federal Well No. 2, located 2212 feet from the North line and 1998  
feet from the East line of said Section 3.

(3) That the applicant has the right to drill and has  
completed its Cities "3" Federal Well No. 2, located <sup>as described above</sup> ~~2212 feet~~  
~~from the North line and 1998 feet from the East line of said~~  
~~Section 3~~ in the Washington Ranch-Morrow Gas Pool.

*Call  
Incorporation  
1989  
1990*

(4) That there are interest owners in the proposed non-standard proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said non-standard unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interest, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of actual well costs attributable to the recompletion of the subject well in the \_\_\_\_\_ zone, but excluding any costs attributable to the attempted recompletion in the \_\_\_\_\_ formation and costs of lease acquisition, to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of said actual well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the recompletion of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That \$75.00 per month should be fixed as a reasonable charge for supervision for the subject well; that the operator should be authorized to withhold from production the proportionate

(5) That the evidence submitted that the entire 1/2 of the above-described Section 3 can reasonably be presumed productive of gas in the Washington Ranch - Warren Area Pool.  
(6) That the entire 1/2 of the above-described Section 3 can be reasonably presumed to be owned and developed by the Citizens' 3rd-7th-8th-9th-10th-11th-12th-13th-14th-15th-16th-17th-18th-19th-20th-21st-22nd-23rd-24th-25th-26th-27th-28th-29th-30th-31st-32nd-33rd-34th-35th-36th-37th-38th-39th-40th-41st-42nd-43rd-44th-45th-46th-47th-48th-49th-50th-51st-52nd-53rd-54th-55th-56th-57th-58th-59th-60th-61st-62nd-63rd-64th-65th-66th-67th-68th-69th-70th-71st-72nd-73rd-74th-75th-76th-77th-78th-79th-80th-81st-82nd-83rd-84th-85th-86th-87th-88th-89th-90th-91st-92nd-93rd-94th-95th-96th-97th-98th-99th-100th-101st-102nd-103rd-104th-105th-106th-107th-108th-109th-110th-111th-112th-113th-114th-115th-116th-117th-118th-119th-120th-121st-122nd-123rd-124th-125th-126th-127th-128th-129th-130th-131st-132nd-133rd-134th-135th-136th-137th-138th-139th-140th-141st-142nd-143rd-144th-145th-146th-147th-148th-149th-150th-151st-152nd-153rd-154th-155th-156th-157th-158th-159th-160th-161st-162nd-163rd-164th-165th-166th-167th-168th-169th-170th-171st-172nd-173rd-174th-175th-176th-177th-178th-179th-180th-181st-182nd-183rd-184th-185th-186th-187th-188th-189th-190th-191st-192nd-193rd-194th-195th-196th-197th-198th-199th-200th-201st-202nd-203rd-204th-205th-206th-207th-208th-209th-210th-211st-212nd-213th-214th-215th-216th-217th-218th-219th-220th-221st-222nd-223rd-224th-225th-226th-227th-228th-229th-230th-231st-232nd-233rd-234th-235th-236th-237th-238th-239th-240th-241st-242nd-243rd-244th-245th-246th-247th-248th-249th-250th-251st-252nd-253rd-254th-255th-256th-257th-258th-259th-260th-261st-262nd-263rd-264th-265th-266th-267th-268th-269th-270th-271st-272nd-273rd-274th-275th-276th-277th-278th-279th-280th-281st-282nd-283rd-284th-285th-286th-287th-288th-289th-290th-291st-292nd-293rd-294th-295th-296th-297th-298th-299th-300th-301st-302nd-303rd-304th-305th-306th-307th-308th-309th-310th-311st-312nd-313th-314th-315th-316th-317th-318th-319th-320th-321st-322nd-323rd-324th-325th-326th-327th-328th-329th-330th-331st-332nd-333rd-334th-335th-336th-337th-338th-339th-340th-341st-342nd-343rd-344th-345th-346th-347th-348th-349th-350th-351st-352nd-353rd-354th-355th-356th-357th-358th-359th-360th-361st-362nd-363rd-364th-365th-366th-367th-368th-369th-370th-371st-372nd-373rd-374th-375th-376th-377th-378th-379th-380th-381st-382nd-383rd-384th-385th-386th-387th-388th-389th-390th-391st-392nd-393rd-394th-395th-396th-397th-398th-399th-400th-401st-402nd-403rd-404th-405th-406th-407th-408th-409th-410th-411st-412nd-413th-414th-415th-416th-417th-418th-419th-420th-421st-422nd-423rd-424th-425th-426th-427th-428th-429th-430th-431st-432nd-433rd-434th-435th-436th-437th-438th-439th-440th-441st-442nd-443rd-444th-445th-446th-447th-448th-449th-450th-451st-452nd-453rd-454th-455th-456th-457th-458th-459th-460th-461st-462nd-463rd-464th-465th-466th-467th-468th-469th-470th-471st-472nd-473rd-474th-475th-476th-477th-478th-479th-480th-481st-482nd-483rd-484th-485th-486th-487th-488th-489th-490th-491st-492nd-493rd-494th-495th-496th-497th-498th-499th-500th-501st-502nd-503rd-504th-505th-506th-507th-508th-509th-510th-511st-512nd-513th-514th-515th-516th-517th-518th-519th-520th-521st-522nd-523rd-524th-525th-526th-527th-528th-529th-530th-531st-532nd-533rd-534th-535th-536th-537th-538th-539th-540th-541st-542nd-543rd-544th-545th-546th-547th-548th-549th-550th-551st-552nd-553rd-554th-555th-556th-557th-558th-559th-560th-561st-562nd-563rd-564th-565th-566th-567th-568th-569th-570th-571st-572nd-573rd-574th-575th-576th-577th-578th-579th-580th-581st-582nd-583rd-584th-585th-586th-587th-588th-589th-590th-591st-592nd-593rd-594th-595th-596th-597th-598th-599th-600th-601st-602nd-603rd-604th-605th-606th-607th-608th-609th-610th-611st-612nd-613th-614th-615th-616th-617th-618th-619th-620th-621st-622nd-623rd-624th-625th-626th-627th-628th-629th-630th-631st-632nd-633rd-634th-635th-636th-637th-638th-639th-640th-641st-642nd-643rd-644th-645th-646th-647th-648th-649th-650th-651st-652nd-653rd-654th-655th-656th-657th-658th-659th-660th-661st-662nd-663rd-664th-665th-666th-667th-668th-669th-670th-671st-672nd-673rd-674th-675th-676th-677th-678th-679th-680th-681st-682nd-683rd-684th-685th-686th-687th-688th-689th-690th-691st-692nd-693rd-694th-695th-696th-697th-698th-699th-700th-701st-702nd-703rd-704th-705th-706th-707th-708th-709th-710th-711st-712nd-713th-714th-715th-716th-717th-718th-719th-720th-721st-722nd-723rd-724th-725th-726th-727th-728th-729th-730th-731st-732nd-733rd-734th-735th-736th-737th-738th-739th-740th-741st-742nd-743rd-744th-745th-746th-747th-748th-749th-750th-751st-752nd-753rd-754th-755th-756th-757th-758th-759th-760th-761st-762nd-763rd-764th-765th-766th-767th-768th-769th-770th-771st-772nd-773rd-774th-775th-776th-777th-778th-779th-780th-781st-782nd-783rd-784th-785th-786th-787th-788th-789th-790th-791st-792nd-793rd-794th-795th-796th-797th-798th-799th-800th-801st-802nd-803rd-804th-805th-806th-807th-808th-809th-810th-811st-812nd-813th-814th-815th-816th-817th-818th-819th-820th-821st-822nd-823rd-824th-825th-826th-827th-828th-829th-830th-831st-832nd-833rd-834th-835th-836th-837th-838th-839th-840th-841st-842nd-843rd-844th-845th-846th-847th-848th-849th-850th-851st-852nd-853rd-854th-855t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share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(9) ~~2(11)~~ That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Washington Ranch-Morrow Gas Pool underlying the E/2 of Section 3, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a <sup>409.22</sup> ~~200~~-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities "3" Federal Well No. 2, located 2212 feet from the North line and 1998 feet from the East line of said Section 3.

(2) That Black River Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs attributable to the recompletion of the subject well in the \_\_\_\_\_ zone, but excluding costs attributable to the attempted recompletion in the formation and costs of lease acquisition, within 30 days following the date of this order; that if no objection to the actual well costs is received by the Commission and the Commission had not objected within 60 days following receipt of said schedule,

the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(4) That within 60 days from the date the schedule of said actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of said actual well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of said actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of said actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

(B) As a charge for the risk involved in the recompletion of the well, 25% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 60 days from the date the schedule of actual well costs is furnished to him.

(6) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.



(7) That \$75.00 per month is hereby fixed as a reasonable charge for supervision for the subject well; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(8) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(9) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

<sup>3</sup>  
(10) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

<sup>4</sup>  
(11) 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.

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

APPLICATION OF BLACK RIVER  
CORPORATION FOR COMPLETION  
POOLING AND NON-STANDARD  
PRORATION UNIT, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 4763

Order No. R-4353-A

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing <sup>de novo</sup> at 9 a.m. on November 21, 1972, at Santa Fe, New Mexico, before ~~Examiner~~ the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission." NOW, on this        day of       , 19      , the Commission, a quorum being present, having considered the testimony <sup>presented and</sup> ~~the exhibits received at said hearing~~ 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 after an examiner hearing, Commission Order No. R-4353, dated August 7, 1972, was entered in Case No. 4763 pooling all mineral interests, whatever they may be, in the Washington Ranch - Morrow Gas Pool underlying the E/2 of Section 3, Township 26 South, Range 24 East, NM PM, Eddy County, New Mexico, to form a 409.22-acre non-standard gas proration unit to be dedicated to Black River Corporation's Cities' 3" Federal Well No. 2, located 2212 feet from the north line and 1998 feet from the East line of said Section 3, and designating Black River Corporation as operator of the unit.

Case# No. ~~4764~~ and ~~4765~~  
Order No. ~~R-4354-A~~ <sup>4763</sup> R-4353-A

(3) That Rutter and Wilbanks Corporation requested and was granted a hearing de novo of Cases ~~4764~~ and ~~4765~~ before the Commission.

(4) That the evidence presented at the hearing de novo indicates that the entire ~~W/2~~ <sup>E/2</sup> of the above-described Section 3 can reasonably be presumed to be productive of gas from the Washington Ranch-Morrow Gas Pool.

(5) That the evidence presented at the hearing de novo establishes to the satisfaction of the Commission that the entire ~~W/2~~ <sup>E/2</sup> of the above-described Section 3 can be efficiently and economically drained by the above-described Cities "3" Federal Well No. 2.

(6) That to reduce the size of the proration unit dedicated to said Cities "3" Federal Well No. 2, as proposed by Rutter and Wilbanks Corporation, would deprive the owners of mineral interests in that portion of the unit which would be deleted, of the opportunity to recover their just and equitable share of the hydrocarbons in the Washington Ranch-Morrow Gas Pool, unless a third well were to be drilled in said Section 3, with a complete realignment of the acreage dedicated to the subject well and to the well located in the ~~W/2~~ of Section 3.

(7) That to drill a third well in Section 3, Township 26 South, Range 24 East, Washington Ranch-Morrow Gas Pool, would result in supererogatory risk and economic waste caused by the drilling of an unnecessary well.

Case Nos. <sup>4763</sup>~~4764~~ and ~~4765~~  
Order No. ~~R-4354-A~~ <sup>R-4353-A</sup>

(8) That Commission Order No. <sup>R-4353</sup>~~R-4354~~ provides protection for the correlative rights of all mineral interest owners in the ~~6/2~~ of Section 3, when considered as a whole, and will result in the prevention of waste.

(9) That Commission Order No. <sup>R-4353</sup>~~R-4354~~ should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. <sup>R-4353</sup>~~R-4354~~, dated August 7, 1972, be and the same is hereby reaffirmed in its entirety.

(2) That jurisdiction of this cause be 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.