

CASE No.

4967

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Application,  
Transcripts,  
Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of John M. Etcheverry  
for dissolution of a standard proration  
unit and the creation of two non-  
standard proration units, Lea County,  
New Mexico.

Case No. 4967

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

1 MR. STAMETS: The hearing will come to order, please.  
2 I will call next Case 4967. Excuse me. I have one  
3 correction to make on the continuances. Case 4749 will  
4 be continued until July the 11th rather than June 27.

5 Case 4967, continued and readvertised from the May 9,  
6 1973 Examiner Hearing, application of John M. Etcheverry  
7 for dissolution of a standard proration unit and the  
8 creation of two non-standard proration units, Lea County,  
9 New Mexico.

10 MR. HOUSTON: I have one witness to be sworn, please.  
11 (Whereupon, the witness was sworn.)

12 MR. HOUSTON: I'm Glen Houston, attorney from Hobbs,  
13 representing John M. Etcheverry; and for the record I  
14 would like to state that Mr. Etcheverry had planned on  
15 being here in person today; but he had a death in his  
16 family, a sudden death, and was not able to be present.

17 Therefore, I'd like to apologize for his not being  
18 present but state the cause of it.

19 MR. STAMETS: Are there any other appearances in  
20 this case?

21 MR. KELLAHIN: Tom Kellahin, Santa Fe, New Mexico,  
22 appearing on behalf of Mark Production Company.

23 MR. STAMETS: You may proceed, Mr. Houston.

24 \* \* \* \* \*

25

DIRECT EXAMINATION

BY MR. HOUSTON:

Q Your name is William J. Henry?

A That's correct.

Q And you are a Consulting Geologist from Midland, Texas?

A Yes, sir.

Q You have testified before the New Mexico Oil and Gas Commission before?

A Yes, I have.

MR. HOUSTON: Are Mr. Henry's credentials acceptable?

MR. STAMETS: They are acceptable.

Q Mr. Henry, would you identify the property that is under discussion and what is requested here today?

A Okay. Have you presented -- Exhibit 1 is a land map of the area of the West Tres Papalotes Pool, and Mr. Etcheverry's application is a dissolution of the standard 160-acre unit which would be the Southwest quarter of Section 29, Township 14 South, Range 34 East.

He would dissolve that into two 80-acre proration units and drill a well at the "M" location which would be the Southwest, Southwest of 29 to protect his correlative rights.

Q All right. Would you go ahead and go through the exhibits one by one and explain them as you go through them, please?

A Exhibit marked Number 2 is a structure map contoured on

1 top of the Penn pay. As I clarified, this left out the  
2 perm on Penn, just for clarity called it Penn as the field  
3 rules set out for this field.

4 This is a structure map contoured on top of the pay;  
5 and as you can see, there is a small closure on the  
6 South end and on the North end of this pool. Exhibit  
7 Number 2.--

8 Q Exhibit Number 3.

9 A Number 3, excuse me, is an isopach of the porosity of the  
10 pay section as perforated in the West Tres Papalotes  
11 Pool. Exhibit Number 4 is a cross section which I have  
12 lettered A and B, and this will correspond to the line of  
13 Section on Exhibit 2 which is my structure map that I  
14 have marked in blue, the A,B line for clarity.

15 The Mark Production Number 1 Etcheverry Well is Well  
16 Number A, and the Mark Production Number 1 Shell State B  
17 is the B well on that cross section.

18 There is a correlation showing that there is a  
19 continuation of the reservoir between these two wells.  
20 Exhibit 5 is Cross Section A-C that is in green on the  
21 structure map which is keying off again Well A which is  
22 the Mark Production Number 1 John Etcheverry to the  
23 KK Amini Well in Section 31, Northeast, Northeast of  
24 31, showing also the correlation and the net pay and the  
25 perforations.

1 Q Does this show the same, in your opinion, as Exhibit 4?

2 A Yes, the same relationship that there is a continuation  
3 of the reservoir across the field. Exhibit A-D is  
4 another cross section that is --

5 Q This is Exhibit 6.

6 A Six. With Cross Section A-D, and it's marked in brown  
7 from the structure map going from the Mark Production  
8 Number 1 John Etcheverry to the Mark Production Number 1  
9 Southland State which is down in Section 32. And it also  
10 shows the same thing as the other previous cross section  
11 did, perforations and the pay section, showing the  
12 continuation of the reservoir.

13 Exhibit Number 7 which has a little red A up there  
14 which is correlating to the Mark Production Number 1  
15 John Etcheverry is a decline curve through, it would be  
16 up to April 1, '73, which is cumulative of 109,664 barrels  
17 of oil.

18 Exhibit Number 8 is Well B which is the Shell,  
19 Mark Number 1 Shell State. This is a decline curve  
20 through April 1, '73, which is 64,166 barrels of oil.

21 Exhibit Number 9 is the C Well which is the  
22 Amini Number 1 New Mexico State production decline curve  
23 up through April 1, 1973, of 125,210 barrels of oil.

24 Exhibit Number 10 is a production decline curve of  
25 the Mark Number 1 Southland State Section 32. That is

1 also the D Well on your structure map in brown. Its  
2 cumulative to 4-1-73 is at 50,367 barrels of oil.

3 Q Referring to --

4 MR. STAMETS: Let me ask one question here to  
5 orient myself on these last exhibits. The points on the  
6 line represent the production for the month?

7 THE WITNESS: Month, yes, monthly production.

8 MR. STAMETS: Thank you.

9 Q (By Mr. Houston) All right. Referring to Exhibits  
10 7 through 10, if they are laid out, can you analyze the  
11 declines of wells A, B, C, and D?

12 A Yes. Wells --

13 Q Do these alphabetical letters tie into Exhibit 2?

14 A Right, the cross section area of interest. Exhibits  
15 8 and 9 and 10 are the three wells that offset Mr.  
16 Etcheverry's request of the South 80 acres to drill his  
17 proposed test, and it can readily be seen on there that  
18 these three wells are in communication, and there is a  
19 decline that has affected all three wells about the same  
20 time.

21 Q All right. Are the three wells B, C, and D assigned  
22 160-acre proration unit production allowables?

23 A Yes, they are.

24 Q All right. What conclusion do you draw from the location  
25 of the wells and in relation to draining 160 acres

1 compared with 40-acre proration units?

2 A Well, these wells, although they are dedicated to  
3 160 acres, essentially the way they are spaced is on  
4 40-acre locations on which they are draining a larger  
5 area than --. In other words, to adequately drain the  
6 160, they would have to be in the center, and they  
7 are in a 40-acre location, so they are draining outside  
8 of their proration units.

9 Q Are all three of these wells in your opinion actually  
10 draining the proposed location?

11 A Yes, sir. I believe so. Yes, sir.

12 Q Now, referring to the Amini Well which is identified  
13 as the C well, what kind of production has it had?

14 A Well, it has real good production up to the last of '72.  
15 And then it declines right at the present time.

16 Q Have you drawn any conclusions about drainage and  
17 protection of correlative rights of John Etcheverry?

18 A Yes. By the production decline A which is a Mark  
19 Production Number 1 Etcheverry, which would be located  
20 on the North 80-acre proration unit that would be  
21 centered from this South 80-acre proration unit, it doesn't  
22 appear that it is draining, is not effecting, has not  
23 been affected by any drainage.

24 In other words, it's draining more to the North than  
25 to the South. And to protect Mr. Etcheverry's 80-acre



1 proration unit there that I believe it has been  
2 established from the Hearing at May the 23rd, 1973 on the  
3 rules that there is good communication between the wells.  
4 It's my feeling that this 80 acres of fee acreage is being  
5 drained or is suffering drainage..

6 Q Now, have you reviewed the testimony of David A. Metts,  
7 the geologist who testified in OCC Hearing 4683 on  
8 May 23, 1973?

9 A Yes, I have.

10 Q Is your professional opinion in agreement with his  
11 concerning the communication between these wells and  
12 the drainage of this pool?

13 A Yes.

14 Q Is this pool similar to the Saunders Pool and other  
15 pools in this vicinity?

16 A Yes, it is. The East Saunders Pool is located on your  
17 land map up to the North centering around Section 17  
18 and 20 and the Tres Papalotes Field over to the East  
19 centered around Section 23.

20 Q If the Commission grants the application here, what  
21 kind of allowable would the 80-acre proration unit have?

22 A We just would expect the standard which would be the  
23 allowable as set by the Commission plus the depth factor  
24 I believe is 5.16 for the 80 acres.

25 Q Therefore, this would be no adverse effect to the

1 allowable and there would be no necessity of requesting  
2 any?

3 A No, because there is no well in the field making full  
4 allowable.

5 Q Would you discuss the State acreage, the State of New  
6 Mexico acreage in relation to the privately-owned acreage?

7 A Yes. Section 32 which is the East half --

8 Q You are referring to Exhibit 2, aren't you?

9 A Yes. Let me revert to the land map. It would be easier  
10 to see.

11 Q That's Exhibit Number 1?

12 A Yes, Exhibit Number 1. Section 32 is a State lease with  
13 the regular 1/8 royalty. Section 31 is a State lease  
14 with the 1/8 royalty, and the acreage in the field in  
15 Section 32 is State acreage with 1/8 royalty. And  
16 Mr. Etcheverry has 3/16 royalty with Mark Production  
17 in Section 29.

18 Q Now, so that the State acreage is in Section 31 and 32?

19 A Yes, sir.

20 Q On all three sides of the proposed location?

21 A Yes, sir.

22 Q And do you have an opinion then as to whether or not the  
23 present proration unit and the present location of the  
24 wells are adversely affecting the correlative rights of  
25 the private minerals owned by the Etcheverrys?

1 A Yes, sir. I believe they are, sir.

2 Q What do you think? Is it adversely affecting their  
3 rights?

4 A Yes. Their correlative rights are being adversely  
5 affected, and they are being drained to some extent.

6 Q And I assume then it would also be your testimony then  
7 that the State of New Mexico is profiting by the present  
8 location of the wells to the adverse effect --

9 A To some extent, yes.

10 Q --of the Etcheverrys?

11 A Yes.

12 Q Would the proposed location cause any adverse effect on  
13 the reservoir?

14 A I don't know, sir. I don't believe it would.

15 Q Could you explain why you don't think it would?

16 A Well, there would just be another straw in the pine.

17 Q Because all of them are --

18 A Are connected in communication.

19 Q Now then, a well has been drilled by Mark Production  
20 Company in the Southwest quarter of the Northwest quarter  
21 of Section 29; has it not?

22 A Yes, the Number 2-A.

23 Q That's a recent well?

24 A Right, and there is no production history on it.

25 Q Did you consult with Mr. Etcheverry and advise him that

1 in your opinion this was a drillable location prior to  
2 that location being drilled?

3 A Yes, sir.

4 Q Do you know of your own personal knowledge that he then  
5 made the request that the location be drilled?

6 A Yes, sir.

7 Q And it has born out your --

8 A Geological interpretation.

9 Q Geological interpretation; has it not?

10 A Yes.

11 Q Now, were Exhibits 1 through 10 prepared by you or under  
12 your supervision?

13 A Yes.

14 MR. HOUSTON: I would move to introduce Exhibits  
15 1 through 10.

16 MR. STAMETS: Is there any objection to the admission  
17 of these exhibits?

18 MR. KELLAHIN: No objection.

19 MR. STAMETS: They will be so admitted.

20 Q (By Mr. Houston) Do you have an opinion as to whether  
21 or not Mr. Etcheverry is suffering irreparable damage  
22 as a result of the drainage which you have testified  
23 to in this case?

24 A He is suffering damage.

25 Q Is that damage rapid?

1 A Yes, it would be. In other words, this field is  
2 declining rather rapidly. It's only about a year-and-a-  
3 half old. I believe it's a late '71 discovery; and if  
4 he's going to drill a well there and be profitable to  
5 him, he's going to have to do it rather quick or if  
6 he waits too long, I think that the reservoir will be  
7 depleted so much it would be uneconomical for him to  
8 drill a well.

9 Q Referring to Exhibit 1, the location M is the circle  
10 in red, and the proposed 80-acre proration unit, that is  
11 outlined in red; is it not?

12 A That's correct.

13 Q And the present 160-acre proration unit, is that outlined  
14 in yellow?

15 A Correct.

16 MR. HOUSTON: Your witness.

17 MR. STAMETS: Are there questions of the witness?

18 MR. KELLAHIN: If the Examiner please.

19 CROSS-EXAMINATION

20 BY MR. KELLAHIN:

21 Q Mr. Henry, what interest does Mr. Etcheverry have in this  
22 acreage?

23 A I understand it's a 3/16 override.

24 Q He has no riding royalty unit?

25 A He is a fee owner.

1 MR. HOUSTON: Not an overriding. It would be a  
2 royalty ownership.

3 THE WITNESS: Yes.

4 Q He has in fact assigned the working interest to Hubert  
5 Corporation who in turn had picked up an assignment to  
6 Mark Production Company; is that correct?

7 A I don't know that much about the land details. I did the  
8 geological consulting for him. He was to be here today,  
9 but he wasn't. So I can't answer those questions.

10 Q To your knowledge Mr. Etcheverry has no working interest  
11 in this acreage?

12 A He has no working interest to my knowledge, no.

13 Q How does he propose to drill a well on this acreage if  
14 he has no working interest?

15 A I believe he was going to answer that question, but I'll  
16 try to.

17 Q Yes, sir.

18 A I believe that he is under the, I don't know this, but  
19 in talking with him and what have you that he was under  
20 a lease agreement, that he is supposedly to be, his  
21 correlative rights are to be protected, and he feels  
22 they are not here and that Mark Production has let him  
23 down because Mark is offsetting this. And Mark's geologist  
24 or previous geologist testified there is good communication  
25 between the wells. So, therefore, there is drainage in

1 these wells, so he is being affected.

2 Q Mark Production has, in fact, drilled a well in Unit L  
3 of Section 29?

4 MR. STAMETS: Excuse me a minute now. I'm sorry  
5 Mr. Kellahin. Are you saying that Mr. Etcheverry himself  
6 does not have the right to drill a well in the South half  
7 of this quarter-section?

8 MR. HOUSTON: If I may answer that question, Mr.  
9 Etcheverry is requesting that the Commission create an  
10 80-acre unit. Mr. Etcheverry intends to drill on his  
11 own minerals.

12 As to any question as to any rights which Mark  
13 Production or Southland royalty may have in this, they  
14 would have to ascertain those rights. It would not be  
15 involved in the establishment of a proration unit.

16 For the Commission's information, the former leasees  
17 have been afforded an opportunity to drill and develop  
18 and protect the correlative rights of John M. Etcheverry.  
19 They have elected not to do so.

20 Therefore, it is the position of John M. Etcheverry  
21 that these minerals are his, and we are here today  
22 requesting that the State recognize the damage to his  
23 correlative rights so that to permit him to develop those  
24 correlative rights.

25 It's my understanding that Mark Production Company

1 has stated they can't drill on this for reasons. I assume  
2 they have either chosen not to request an 80-acre unit  
3 or perhaps they don't feel like it's economical.

4 At any rate, it's the position, though; and that's  
5 what we are here for today, to request the recognition  
6 of correlative rights of Mr. Etcheverry compared with the  
7 State of New Mexico on the the adjoining acreage; and  
8 we propose to go ahead and drill that.

9 MR. STAMETS: Well, if Mr. Etcheverry is not the  
10 working-interest owner --

11 MR. HOUSTON: I just got through saying Mr.  
12 Etcheverry is the working-interest owner inasmuch as  
13 he owns the minerals, and it's our position there is no  
14 valid oil and gas lease on this portion of the property.

15 In other words, if you own 100 percent, you are  
16 the working-interest owner. It's just that normally  
17 you don't have a land owner coming in asking you for  
18 permission to drill a well.

19 MR. STAMETS: Well, there is some confusion in my  
20 mind here. In response to the question by Mr. Kellahin,  
21 Mr. Henry replied that Mr. Etcheverry's interest was  
22 3/16 royalty interest.

23 MR. HOUSTON: In the base lease.

24 THE WITNESS: Mark Production's.

25 MR. STAMETS: Well, now, has a court taken this lease



1 away from the former working-interest owner and returned  
2 it 100 percent to Mr. Etcheverry?

3 MR. HOUSTON: There has been no court action awarding  
4 it to anyone, nor taking it away from anyone. There is  
5 a private agreement, was a private agreement between  
6 Mr. Etcheverry and Southland royalty and Mark Production  
7 Company and probably Melton Royalty..

8 Mark Production Company operates under two names,  
9 Melton Royalty Company and Mark Production Company.

10 MR. STAMETS: Mr. Houston, at this stage there is  
11 a great deal of doubt in my mind that Mr. Etcheverry  
12 holds a right to drill on this 80 acres under the  
13 Commission rules and regulations, and I certainly think  
14 this would be a factor in any order that we could issue  
15 in this case.

16 MR. HOUSTON: I would respectfully submit that the  
17 Commission's responsibility involves the protection of  
18 correlative rights and the orderly development of oil and  
19 gas resources. I recognize that the Commission does not  
20 want to inject itself into any dispute between Mark  
21 Production Company and Mr. Etcheverry, but we are not  
22 asking that the Commission make any such intrusion.

23 All we are asking is that the Commission recognize  
24 the fact that this particular location M is being drained  
25 by offsetting wells which, as it happens, are on State of

1 New Mexico minerals. So that the State of New Mexico  
2 is, in the opinion of our experts, receiving an unjust  
3 amount of oil, because of the Commission's prior approval  
4 of these locations and because of the Commission's  
5 establishment of 160-acre proration units.

6 I do not anticipate frankly that Mark Production  
7 Company will elect to drill this location or will be in  
8 a position to claim the existence of this lease.

9 A lease can expire by several methods, and it's  
10 our position that these minerals, this particular unit  
11 that we propose, does not constitute leased minerals and  
12 that the Commission should grant this application to  
13 Mr. Etcheverry as the mineral owner. Then if there  
14 turns out to be a dispute, Mr. Kellahin and I would  
15 have to discuss that before a different tribunal.

16 MR. STAMETS: Mr. Houston, this particular point may  
17 be a point on which the decision would hinge in this case,  
18 and it's possible that you may wish to add something  
19 when you have a chance to talk to Mr. Etcheverry. If  
20 you would furnish that to the Commission and to Mr.  
21 Kellahin within a couple of weeks after the Hearing,  
22 I think that would be sufficient.

23 MR. HOUSTON: All right. I would like to emphasize,  
24 though, the fact that the Commission is, I make this  
25 without suggesting any impropriety on the part of the

1 Commission, but the Commission is in the anomalous  
2 situation of sitting here representing the State of  
3 New Mexico, who is the adverse mineral owner in this  
4 particular case. So --

5 MR. STAMETS: Well, I think possibly, Mr. Houston,  
6 you may misinterpret that. If we had a Commissioner  
7 of Public Lands here, I think that you could apply that  
8 to him; but I don't believe you can apply that to the  
9 Commission.

10 MR. HOUSTON: Well, I said I'm not trying to impute  
11 any bad faith, because this is the first time it's ever  
12 been brought to your attention in connection with this  
13 Hearing.

14 MR. STAMETS: The things which we must consider are  
15 waste, protection of correlative rights, and protection  
16 of fresh water.

17 MR. HOUSTON: May I ask Mr. Henry three questions?

18 MR. KELLAHIN: I'd like to complete my Cross-  
19 Examination if we could get back to the point.

20 MR. STAMETS: Yes. Perhaps you would like to  
21 clarify that at the end, Mr. Houston; and I'll allow  
22 Mr. Kellahin to finish..

23 Q (By Mr. Kellahin) With regard to the standing of Mr.  
24 Etcheverry to be here, Mr. Henry, to your knowledge,  
25 all that Mr. Henry has in his possession is a royalty

1 interest; is that correct?

2 A Are you talking about Mr. Etcheverry? You called me  
3 Mr. Etcheverry.

4 Q Mr. Henry, does Mr. Etcheverry have anything but a royalty  
5 interest in this acreage?

6 A He proposes to drill a well, like I say. I'm not a land  
7 man nor the owner, and he was to testify. So you are  
8 asking me some questions that I cannot clearly answer.

9 Q On Direct Examination you testified that to your  
10 knowledge all he had was a 3/16 royalty interest.

11 A That's right.

12 Q And that is still your knowledge at this point?

13 A That's right.

14 Q Now, in this West Tres Papalotes Penn Pool, the applicant  
15 proposes to drill his straw into the pine; is that correct?  
16 Is that what you said?

17 A That's right.

18 Q Is not this pool under Oil Conservation Commission rules  
19 whereby the acreage of the unit allowable is 160-acre  
20 spacing?

21 A That is the present field rules.

22 Q Under those particular field rules, is not Mr.  
23 Etcheverry's acreage fully developed by Mark Production's  
24 well on Unit L of Section 29?

25 A Would you restate your question?

1 Q Yes, sir. Has not Mark Production Company, by drilling  
2 a producing well in Unit L of Section 29, fulfilled the  
3 spacing requirements of the Oil Commission?

4 A For the Oil Commission, yes.

5 Q Therefore, Mr. Henry, has not Mark Production Company  
6 fully developed the acreage under the present Commission  
7 rules?

8 A He has not protected the correlative rights, but he has  
9 developed the acreage to the Commission's rules.

10 Q And this acreage, this 160-acre acreage is now presently  
11 held by that production from the well on Unit M?

12 A That's my understanding, yes.

13 Q Is not, Mr. Henry, this application an indirect attack  
14 upon the Commission's Hearing in Case 4683 in which it  
15 established spacing rules?

16 A It's not an attack. It's just asking for his rights, the  
17 protection of correlative rights.

18 Q You have agreed with Mr. Metts testimony that the pool  
19 on its present 160-acre spacing has adequately and  
20 effectively developed the pool; is that not correct?

21 A Yes. The pool could be drained by the wells, existing  
22 wells.

23 Q In its present status, the pool is effectively and  
24 efficiently developing on this spacing as it exists now?

25 A As to the Commission's rules, yes.

1 Q In your opinion, will the drilling of this additional  
2 well which Mr. Etcheverry proposes, if approved, result  
3 in a greater ultimate recovery from the pool?

4 A No. It would just protect correlative rights.

5 MR. KELLAHIN: No further questions. We would ask  
6 that the Examiner take administrative notice of the  
7 Oil Commission records in Case 4683 heard April 30, 1972  
8 and May 23rd of 1973.

9 MR. HOUSTON: I'd like to ask Mr. Henry a couple  
10 more questions.

11 MR. STAMETS: I have some. Would you prefer to  
12 wait until I finish?

13 MR. HOUSTON: Yes.

14 CROSS-EXAMINATION

15 BY MR. STAMETS:

16 Q Mr. Henry, I believe that your cross-section exhibits  
17 show that the Mark Production Etcheverry Number 1 Well  
18 has just as good of pay or possibly better pay than the  
19 other wells that are on here.

20 A Yes, just as good as the Shell State, yes, sir.

21 Q And your last exhibits, 7 through 10, show the current  
22 productive capacity of the Etcheverry well to be something  
23 in excess of 4,000 barrels per month?

24 A That's right.

25 Q Looking at these other exhibits, that's about average for

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2 well which Mr. Etcheverry proposes, if approved, result  
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22 productive capacity of the Etcheverry well to be something  
23 in excess of 4,000 barrels per month?

24 A That's right.

25 Q Looking at these other exhibits, that's about average for

1 the pool. We have some making 2,000. Here is another  
2 one in excess of 5,000.

3 A Yes, sir.

4 Q So this well is not a low producer?

5 A No.

6 Q And so it is possibly draining as much acreage as the  
7 other wells?

8 A Right.

9 Q On Exhibit Number 2, there are two wells located North  
10 of the Mark Production Etcheverry Well, I believe,  
11 identified as Number 1-A and Number 2-A in Section 29 of  
12 14, 34?

13 A Yes, sir.

14 Q Are those completed in the West Tres?

15 A Yes. They are, but Number 2-A is a very recent  
16 completion. There is no production history at all on  
17 it, and the 1-A has about six months on it.

18 Q This series of three wells here is not very similar  
19 to what we have here in the South end where the Shell  
20 State, the wells you have identified as B, C, and D on  
21 your exhibit?

22 A Would you repeat that? I was looking at --

23 Q Okay. We have a three-well set to the north end of  
24 the pool which includes the Mark Production Etcheverry  
25 Well. We have a three-well set on the South end of the



1 pool or possibly the middle of the pool that you have  
2 identified as Wells B, C, and D on your exhibits?

3 A Yes.

4 Q And aren't these two situations similar?

5 A I believe the wells on the South end will recover more  
6 oil than the ones on the North end with the data we have.

7 Q They will recover more oil?

8 A Yes.

9 Q That's because of what?

10 A Number 2-A, of course I have nothing to make the statement,  
11 but Number 2-A was completed for 172 barrels, I believe,  
12 pumping; and I don't have what the Number 1-A Shell State  
13 was; but it's making less than 2,000 barrels a month  
14 right now.

15 And the cumulative production on the South end  
16 from the Amini is 125,000; 50,000 from the Southland  
17 State and 64,000 from the Shell State. So that's in  
18 excess of 200,000 and Mr. Etcheverry, whose well is only  
19 109,000.

20 So there has been 200,000 barrels taken from the  
21 corner down where the three wells are questioned, B, C,  
22 and D as compared to Mr. Etcheverry.

23 Q That you got just by adding up the cumulative production  
24 of all of the wells?

25 A That's right, of those three wells that are in question.

1 Now, I didn't include the other wells. There is another  
2 well to the South which is an Amini well or the two wells  
3 up to the North, the 1-A and 2-A. 1-A is a Shell and  
4 2-A is an Etcheverry.

5 Q Are any of these wells at top allowable at the present  
6 time?

7 A No, sir.

8 Q So they are all marginal?

9 A The Amini Number 1 State at the present time is performing  
10 better than any well in the field. Now, I understand  
11 that there has been pumps put on these wells, but I  
12 have no record; and the Oil and Gas Commission's books  
13 show that most of them are flowing except the Number 2;  
14 but I understand from the testimony that I was able to  
15 get from the May 23rd Hearing that the wells are on  
16 pumps. What kind, I do not know.

17 Q Do you know if Mr. Etcheverry has made any attempt to  
18 work with Mark Production Company to pay for the drilling  
19 of a well in the Southwest quarter of Section 29?

20 A I can't answer that. I can tell you what I do know.  
21 Mr. Etcheverry told me that he had been in contact with  
22 a fellow that is with Mark Production, and this is  
23 related to me by telephone; and if I understood him right,  
24 he said that Mark Production told him that the State would  
25 not let him drill another well and so he was not going

1 to drill another well.

2 Q I think the --

3 A That's all that I have.

4 Q The pool rules would reflect whether or not Mark  
5 Production Company could drill another well in this  
6 area, so we will just abide by those, whatever those say.

7 A Well, like I say --

8 Q That would be the appropriate answer there. Did Mr.  
9 Etcheverry put in that appearance at the recent case  
10 where the Commission considered whether or not to extend  
11 the special pool rules?

12 MR. HOUSTON: If I may answer that, the record will  
13 reflect that I entered an appearance on behalf of  
14 Mr. Etcheverry. Mr. Etcheverry was personally present  
15 also. I advised the Examiner that we were not questioning  
16 whether or not the general pool rules were proper but  
17 that this Hearing was scheduled for the 6th of June,  
18 had been readvertised for the 6th of June and would  
19 request that the Examiner hold open the decision as to  
20 the pool rules until this Hearing is held to permit the  
21 establishment of an 80-acre unit because of this  
22 particular problem concerning correlative rights.

23 No testimony was offered because the issue being  
24 presented there, as I understood it, concerned the  
25 drainage of the pool efficiently.

1 Q (By Mr. Stamets) Mr. Henry, if I've understood some  
2 of the answers to the questions that have been posed to  
3 you, you don't think that any significant amount of  
4 additional oil will be produced if this other well is  
5 drilled in the field and no more ultimate recovery to  
6 the pool?

7 A Well, there is a possibility that they could; but like  
8 I say, the chances are due to the communication and the  
9 extent of the reservoir that has been shown by the wells  
10 in these other two fields that I have previously mentioned  
11 that the recovery factors of some of those wells are  
12 tremendously high.

13 Now, whether this well would probably not increase  
14 or whether it possibly could increase the recovery by  
15 some amount, that was real hard to determine, as you well  
16 know, from the Bow-C type reservoir which your recovery  
17 factors are low in some wells and extremely high in  
18 some wells.

19 It is effected mostly by your permeability and  
20 porosity. Did I answer your question?

21 Q Yes.

22 MR. STAMETS: Are there any other questions of the  
23 witness?

24 MR. HOUSTON: I have some questions, if I may.

25 \* \* \* \* \*

REDIRECT EXAMINATION

BY MR. HOUSTON:

Q Mr. Henry, you are familiar with the Oil Conservation Commission's purpose in preventing waste, protecting correlative rights, and protecting water rights; are you not?

A Yes.

Q Does the present 160-acre unit which is sought to be severed into two 80-acre units, does that present unit protect all three of these vowed purposes of the Commission?

A I believe it will, yes, sir.

Q Now, the present unit, does it protect correlative rights?

A No. Excuse me, I misunderstood you.

Q All right. Do you think the division of the unit into two 80-acre units would more nearly or would carry out the Commission's purposes?

A Yes, if it were divided, right.

Q And presently it does not?

A Does not.

MR. HOUSTON: I have no more questions of this witness. I'd like to call another witness if I may.

MR. STAMETS: Okay.

MR. HOUSTON: Mr. Kellahin, would you stand and be sworn, please?

1 MR. STAMETS: Mr. Kellahin doesn't need to be sworn.

2 TOM KELLAHIN,

3 was called as a witness and according to law, testified as  
4 follows:

5 DIRECT EXAMINATION

6 BY MR. HOUSTON:

7 Q Please state your name.

8 A My name is Tom Kellahin.

9 Q You are an attorney in Santa Fe, New Mexico?

10 A That's correct.

11 Q Did you act as attorney in the Hearing before this  
12 Commission on May 23, 1973 in Case Number 4683?

13 A That's correct.

14 Q Who were you representing on that occasion?

15 A Mark Production Company.

16 Q Who was your principal witness on that occasion?

17 A David Metts.

18 Q What is Mr. Metts occupation and by whom is he employed?

19 A I'll have to refer to my notes. Mr. Metts is Vice-president  
20 of Amini Oil Corporation, Midland, Texas, and was  
21 associated with Mark Production as a consultant.

22 Q He is a geologist, is he not?

23 A That's correct.

24 Q Did anyone other than the Vice-president of Amini Oil  
25 Company, Mr. Metts, who was formerly the geologist for

1 Mark Production Company and you, as attorney for Mark  
2 Production Company, appear in Case Number 4683 requesting  
3 that the Commission recognize the 160-acre proration unit  
4 in this pool?

5 A Our appearance was the only appearance made in behalf of  
6 continuing the pool rules.

7 Q And you were appearing for Mark Production Company, and  
8 your witness was the Vice-president of Amini Oil Company?

9 A That's correct.

10 Q Now, those are the two parties who own wells identified  
11 as BC, well, own all of the wells identified in this  
12 action; isn't that true?

13 A That's right.

14 MR. HOUSTON: I have no further questions.

15 MR. STAMETS: Is there any additional testimony  
16 in this case? I call for statements in the case.

17 MR. HOUSTON: Well, I would suggest that he be  
18 allowed to make any comment that he would like to make.

19 MR. KELLAHIN: You are the applicant of this  
20 motion, Mr. Houston. It is your prerogative to go first.

21 MR. HOUSTON: I have already stated what our position  
22 is, and I think the expert testimony we have presented  
23 clearly shows that there is a derogation of correlative  
24 rights. We would ask that the Commission grant this  
25 order as soon as possible because these private minerals

1 are being drained at a rapid rate; and in order to protect  
2 them at all, it would be necessary to move quickly.  
3 Thank you.

4 MR. KELLAHIN: I just have a few brief points that  
5 I'm sure are obvious to the Examiner. One is the  
6 question of standing of Mr. Etcheverry. He has, as a  
7 proponent of this application, the burden of establishing  
8 that he has either the rights or the interest in which  
9 to drill the well at the proposed location in which he  
10 choses.

11 There has been no evidence that Mr. Etcheverry  
12 has anything other than a royalty interest. In addition,  
13 although Mr. Henry's conclusion was that Mr. Etcheverry's  
14 correlative rights were somehow damaged, on Direct  
15 Examination and Cross-Examination he indicated that there  
16 would be no additional ultimate recovery for the pool.

17 He also indicated that Mr. Etcheverry's well in  
18 Unit L competes very adequately with the other offsetting  
19 wells, that the acreage is fully developed under the  
20 160-acre spacing.

21 In addition, it's Mark Production Company's position  
22 that Mr. Etcheverry, if in fact he had the ability to  
23 drill this well and if granted the 80-acre proration unit,  
24 would be doing nothing other than obtaining an unfair  
25 advantage over others in the pool.



1 We, therefore, recommend that the applicant's, Mr.  
2 Etcheverry's, application be denied on the basis that  
3 we would thereby be preventing economic loss caused by  
4 the drilling of unnecessary wells.

5 MR. STAMETS: Any further statements in this case?

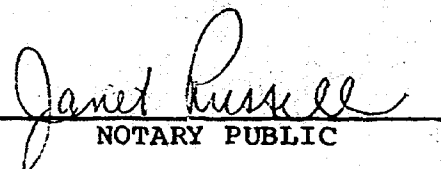
6 MR. HOUSTON: I believe, if the Examiner please,  
7 I believe the counsel's statement that Mr. Henry stated  
8 that the well to the North adequately competes for this  
9 well, is not born out by his testimony.

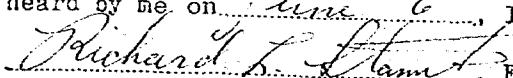
10 MR. STAMETS: Any other statements in this case?  
11 We will take the case under advisement.

12  
13 \* \* \* \* \*  
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1 STATE OF NEW MEXICO )  
2 ) ss  
3 COUNTY OF BERNALILLO )

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

11   
12 NOTARY PUBLIC

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22  
23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
25 the Examiner hearing of Case No. 4967,  
heard by me on June 6, 1973.  
  
Richard L. Ham, Examiner  
New Mexico Oil Conservation Commission

## I N D E X

WITNESSPAGE

WILLIAM J. HENRY

Direct Examination by Mr. Houston

4

Cross-Examination by Mr. Kellahin

14

Cross-Examination by Mr. Stamets

24

Redirect Examination by Mr. Houston

29

TOM KELLAHIN

Direct Examination by Mr. Houston

30

## E X H I B I T S

OfferedAdmitted

Exhibit #1

13

13

Exhibit #2

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Exhibit #3

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Exhibit #4

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Exhibit #5

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Exhibit #6

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Exhibit #7

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Exhibit #8

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Exhibit #9

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Exhibit #10

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dearnley, meier & mc cormick

200 SIMMS BLDG., P.O. BOX 1092, PHONE 243-8691, ALBUQUERQUE, NEW MEXICO 87103  
1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
May 9, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of John M. Etcheverry  
for dissolution of a standard pro-  
ration unit and the creation of two  
non-standard proration units, Lea  
County, New Mexico.

Case No. 4967

BEFORE: Daniel S. Nutter  
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: We will call next Case No. 4967.

2 MR. CARR: Case 4967, Application of John M. Etcheverry  
3 for dissolution of a standard proration unit and the creation of  
4 two non-standard proration units, Lea County, New Mexico.

5 MR. NUTTER: We have received notification from the  
6 Applicant that there is an error in the legal notice of this  
7 case. It will be continued to the June 6 Examiner's Hearing  
8 and revised to properly reflect the application.

9 \* \* \* \*

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )

4 I, JOHN DE LA ROSA, a Certified Shorthand Reporter, do hereby  
5 certify that the foregoing and attached Transcript of Hearing  
6 before the New Mexico Oil Conservation Commission was reported  
7 by me; and that the same is a true and correct record of the  
8 said proceedings, to the best of my knowledge, skill and ability.

9  
10 John De La Rosa  
11 CERTIFIED SHORTHAND REPORTER  
12  
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22

23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
the Examiner hearing of Case No. 4967,  
heard by me on 5/9, 1973.

25 Osuna, Examiner  
New Mexico Oil Conservation Commission



## OIL CONSERVATION COMMISSION

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

June 18, 1973

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER

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

Mr. Glen L. Houston  
Williams, Johnson, Houston,  
Reagan and Porter  
Attorneys at Law  
Post Office Box 1948  
Hobbs, New Mexico 88240

Re: Case No. 4967  
Order No. R-4550  
Applicant:  
JOHN M. ETCHEVERRY

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC             
Aztec OCC           

Other            Mr. Tom Kellahin

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. 4967  
Order No. R-4550

APPLICATION OF JOHN M. ETCHEVERRY  
FOR DISSOLUTION OF A STANDARD  
PRORATION UNIT AND THE CREATION OF  
TWO NON-STANDARD PRORATION UNITS,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 6, 1973,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 18th day of June, 1973, 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, John M. Etcheverry, seeks the  
dissolution of the standard 160-acre proration unit comprising  
the SW/4 of Section 29, Township 14 South, Range 34 East, West  
Tres Papalotes-Pennsylvanian Pool, dedicated to the Mark  
Production Company Etcheverry Well No. 1 located in Unit L of  
said Section 29, Lea County, New Mexico.

(3) That the applicant further seeks approval of the  
creation of two non-standard 80-acre proration units, one  
comprising the N/2 SW/4 of said Section 29 and dedicated to  
the aforesaid Etcheverry Well No. 1 and the other the S/2 SW/4  
of said Section 29 and dedicated to a well proposed to be drilled  
in Unit M of said Section 29.



-2-

Case No. 4967  
Order No. R-4550

(4) That the operator of said existing 160-acre proration unit, Mark Production Company, objects to the dissolution of the proration unit and the creation of said two 80-acre non-standard proration units.

(5) That the evidence presented does not show that waste will occur or that the applicant's correlative rights will be violated if the application is denied.

(6) That the evidence presented shows that economic waste resulting from the drilling of an excessive number of wells will occur if the application is approved.

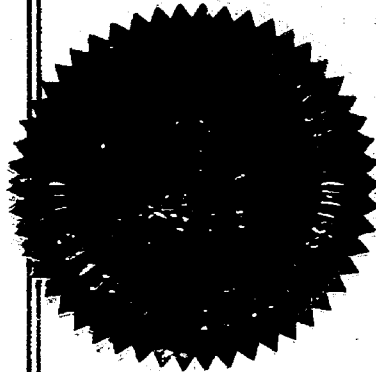
(7) That to prevent said economic waste, the application should be denied.

**IT IS THEREFORE ORDERED:**

(1) That the application of John M. Etcheverry for the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, Lea County, New Mexico, and the creation of two non-standard 80-acre proration units, one comprising the N/2 SW/4 of said Section 29 and dedicated to the aforesaid Etcheverry Well No. 1 and the other the S/2 SW/4 of said Section 29 and dedicated to a well proposed to be drilled in Unit M of said Section 29 is hereby denied.

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

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L  
ac/

A. D. WILLIAMS 1897-1967  
THEODORE R. JOHNSON  
GLEN L. HOUSTON  
GARY D. REAGAN  
JOHN T. PORTER

LAW OFFICES OF  
WILLIAMS, JOHNSON, HOUSTON, REAGAN & PORTER  
112 NORTH SHIPP STREET, P.O. BOX 1948  
HOBBS, NEW MEXICO 88240  
[505] 393-3169

LOVINGTON, N.M., OFFICE  
10 WEST CENTRAL AVENUE  
[505] 396-2408

June 15, 1973

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

Attention: Mr. Richard L. Stamets

Re: Case No. 4967  
Application of John M. Etcheverry

Dear Mr. Stamets:

Enclosed you will please find the Affidavit of John M. Etcheverry.  
Please consider it in the referenced cause in support of his  
request.

If you need any other information, please do not hesitate to con-  
tact us.

Yours truly,

  
Glen L. Houston

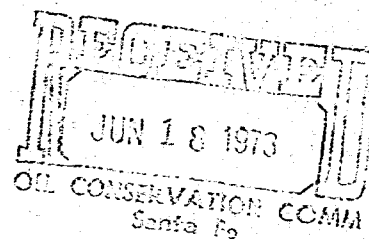
kg

Enclosures

cc: Mr. Tom Kellahin  
Kellahin & Fox  
Attorneys at Law  
P. O. Box 1769  
Santa Fe, NM 87501

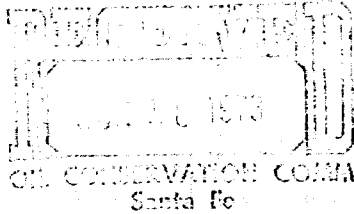
John M. Etcheverry  
P. O. Box 1656  
Lovington, NM 88260

W. J. Henry  
1201 Vaughn Building  
Midland, Texas 79701



BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

APPLICATION OF JOHN  
M. ETCHEVERRY FOR  
DISSOLUTION OF STANDARD  
PRORATION UNIT AND  
CREATION OF TWO NON-  
STANDARD PRORATION  
UNITS, LEA COUNTY,  
NEW MEXICO.



Cause No. 4967

A F F I D A V I T

JOHN M. ETCHEVERRY being first duly sworn upon oath states:

1. That he is applicant in the above styled and numbered cause.
2. That he seeks the dissolution of the standard 160 acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 of the SW/4 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit M of Section 29.
3. That John M. Etcheverry is a partner with his mother, Maria Etcheverry, in Etcheverry properties and as such the owner of the minerals in and under the SW/4 of said Section 29.
4. That John M. Etcheverry had leased the SW/4 of said Section 29 to Mark Production Company which drilled the well in the NW/4 of the SW/4 referred to above.
5. That the lease on the S/2 of the SW/4 was breached by the failure of Mark Production Company to develop the property and to protect it against drainage by the wells located in the SE/4 of the SE/4 of Section 30, in the NE/4 of the NE/4 of Section 31, and in the NW/4 of the NW/4 of Section 32 in Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Said wells are located on "40 acre spacing" locations but dedicated to 160 acre units, and are draining oil and gas from affiant's proposed location in Unit M. (All

evidence and testimony is to the effect that these offsetting wells are draining the Unit M location.) Affiant Etcheverry has made demand that Mark Production Company further develop to prevent drainage and to protect his correlative rights. Upon Mark Production Company's failure and refusal to do so, the lease terminated and affiant Etcheverry makes application to this commission to drill this well to protect his correlative rights.

6. All evidence and testimony supports the position that applicant's proposed location in Unit M will not commit waste, will not damage water supplies, and will protect the correlative rights of the applicant and adjacent operators and the adjacent mineral owner, the State of New Mexico.

7. That your affiant has the full right to develop the minerals and drill the well requested on Unit M and requests the Oil Conservation Commission to grant his application specifically for the reason that it is necessary to protect his correlative rights.

FURTHER AFFIANT SAYETH NOT.

Dated this 14th day of June, 1973.

John M. Etcheverry  
JOHN M. ETCHEVERRY

STATE OF NEW MEXICO )  
                                  ) SS.  
COUNTY OF LEA )

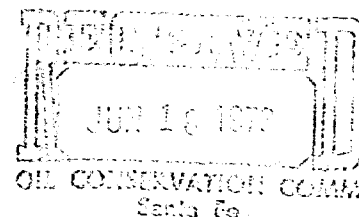
15th The foregoing instrument was acknowledged before me this day of June, 1973, by John M. Etcheverry.

Janice S. Busby  
NOTARY PUBLIC

My Commission expires:

Feb. 20, 1977

We Hereby Certify That We Have Mailed  
A Copy of the Foregoing Pleading to Oppos-  
ing Counsel of Record This 15th Day of  
June, 1973.  
WILLIAMS, JOHNSON, HOUSTON,  
REAGAN & PORTER  
By John L. Johnson



DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

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

---

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for July, 1973.

CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

(Case 4967 continued from page 1)

the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit M of said Section 29.

CASE 4985: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pipeline Deep Unit Area comprising 3,862 acres, more or less, of federal lands in Township 19 South, Range 34 East, Lea County, New Mexico.

CASE 4986: Application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, Chaves County, New Mexico, to be dedicated to a well to be drilled in Unit G of said Section 17. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, the establishment of charges for supervision of said well, and the designation of applicant as operator.

CASE 4987: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry, Tubb, and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 20 located in Unit E of Section 20, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4988: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Tubb and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 28 located in Unit A of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4989: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is

Examiner Hearing - Wednesday - June 6, 1973

Docket No. 15-73

-3-

(Case 4989 continued from page 2)

overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available). It shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

CASE 4966: (Continued from the May 23, 1973 Examiner Hearing)

Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 9, 1973

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1973.

CASE 4943: (Continued from the April 11, 1973 Examiner Hearing)

Application of M. W. Staples for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce oil from his Vanderventer Well No. 2 located 1310 feet from the North line and 1330 feet from the East line of Section 20, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico. Said well was drilled as an injection well at said location pursuant to authority granted by Order No. R-3341.

CASE 4928: (Continued from the April 11, 1973, Examiner Hearing)

Application of Union Oil Company of California for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 11, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to the Atlantic Richfield Oil Company Pure-Federal Well No. 11 located in Unit K of said Section 11. Applicant further seeks a provision for the payment of proper costs to be borne by applicant for such well and the related well equipment; a provision for allocation of actual operating costs, and the establishment of charges for supervision of such well and the designation of an operator thereof; and for such other relief as proper. Also to be considered will be the risk involved in drilling the subject well.

CASE 4932: (Continued from the April 11, 1973, Examiner Hearing)

Application of Atlantic Richfield Company for a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 340.94-acre non-standard gas proration unit comprising the W/2 of Section 11, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Pure Federal Well No. 1 located in Unit K of said Section 11.



- CASE 4959: Application of Tamarack Petroleum Company, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Bronco Wolfcamp Unit Area, comprising 762 acres, more or less, of fee lands in Section 35, Township 12 South, and Section 2, Township 13 South, both Range 38 East, Lea County, New Mexico.
- CASE 4960: Application of Tamarack Petroleum Company, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Wolfcamp formation through three wells in its Bronco Wolfcamp Unit Area, Bronco-Wolfcamp Pool, Lea County, New Mexico.
- CASE 4961: Application of Amoco Production Company for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry and Drinkard Oil Pools and the Tubb Gas Pool in the well-bore in its Southland Royalty "A" Well No. 4 located in Unit X of Section 4, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 4962: Application of Amoco Production Company for special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Peterson-Pennsylvanian Pool, Roosevelt County, New Mexico, including a provision for classification of oil wells and gas wells, 160-acre spacing for oil wells, 320-acre spacing for gas wells, and a limiting gas-oil ratio of 4,000 to one.
- CASE 4963: Application of Texaco Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Benson Queen Unit Area comprising 1800 acres, more or less, of Federal and State lands in Township 18 South, Range 30 East, Eddy County, New Mexico.
- CASE 4964: Application of Texaco Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its North Benson Queen Area, North Benson-Queen Pool, Eddy County, New Mexico, by the injection of water into the Queen formation through 20 wells in said unit area.
- CASE 4965: Application of Read & Stevens, Inc. for a dual completion, contraction of vertical limits, creation of a new pool and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Buffalo Valley-Pennsylvanian Pool, Chaves County, New Mexico, to exclude the producing interval from 8548 feet to 8578 feet as found in its Langley Com Well No. 1 located in Unit C of Section 13, Township 15 South, Range 27 East, and to redesignate said pool as the Buffalo Valley Lower-Pennsylvanian Gas Pool, and for the creation of a new pool for the

(Case 4965 continued from page 2)

above-described producing interval to be designated Buffalo Valley Upper-Pennsylvanian Gas Pool. Applicant also seeks the adoption of special rules for said proposed new pool similar to the pool rules for the presently existing pool; applicant further seeks approval for the dual completion of the above-described well to produce from both of the aforesaid two pools.

CASE 4966: Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

CASE 4967: Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit P of said Section 29.

CASE 4968: Application of Benjamin K. Horton for the amendment of Order No. R-1814, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1814 to provide for the dissolution of the 344.28-acre non-standard unit approved by paragraph 4 of said order which unit comprises all of partial Section 11 plus Lot 4 and the SW/4 SW/4 of partial Section 12, Township 28 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico. Applicant proposes the creation of a 275.36-acre non-standard unit comprising all of the aforesaid partial Section 11 only to be dedicated to his Federal Well No. 2 located 1190 feet from the South line and 2210 feet from the East line of said Section 11.

CASE 4946: (Continued and Readvertised)

Application of Union Texas Petroleum for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

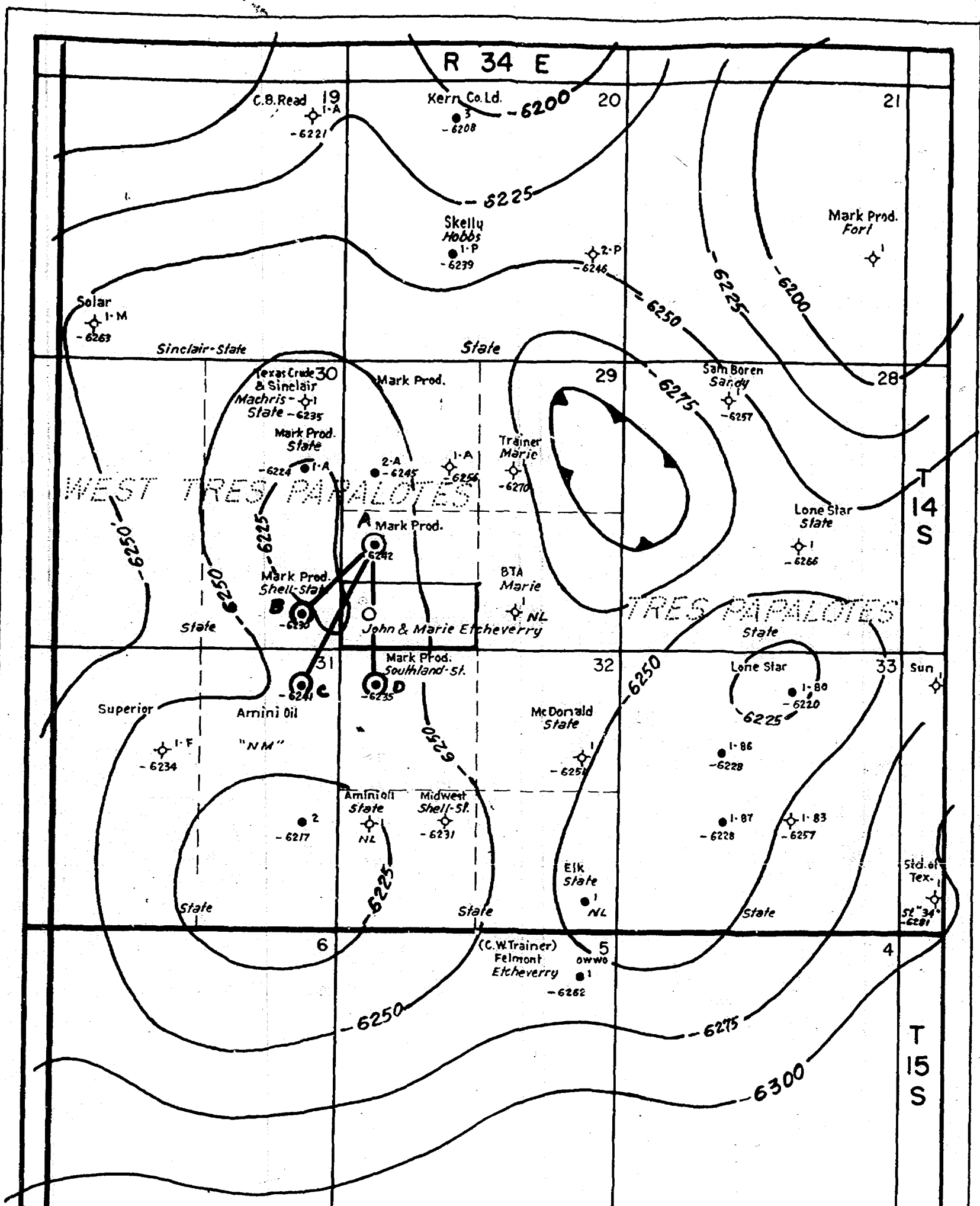
(Case 4946 continued from page 3)

the promulgation of special pool rules for the Crosby-Fusselman Pool, Lea County, New Mexico, including a provision for classification of oil wells and gas wells, 320-acre spacing for all wells, and a limiting gas-oil ratio of 5000 to one. (This case will be continued to the May 23rd Examiner Hearing.)

CASE 4885: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit John Lemley and Juanita Franks and Aetna Casualty and Surety Company and all other interested parties to appear and show cause why the Lemley and Franks Greathouse Well No. 1, located in Unit F of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

[illegible]



R 34 E

**WEST TRES PAPALOTES PENN FIELD**

LEA COUNTY, NEW MEXICO

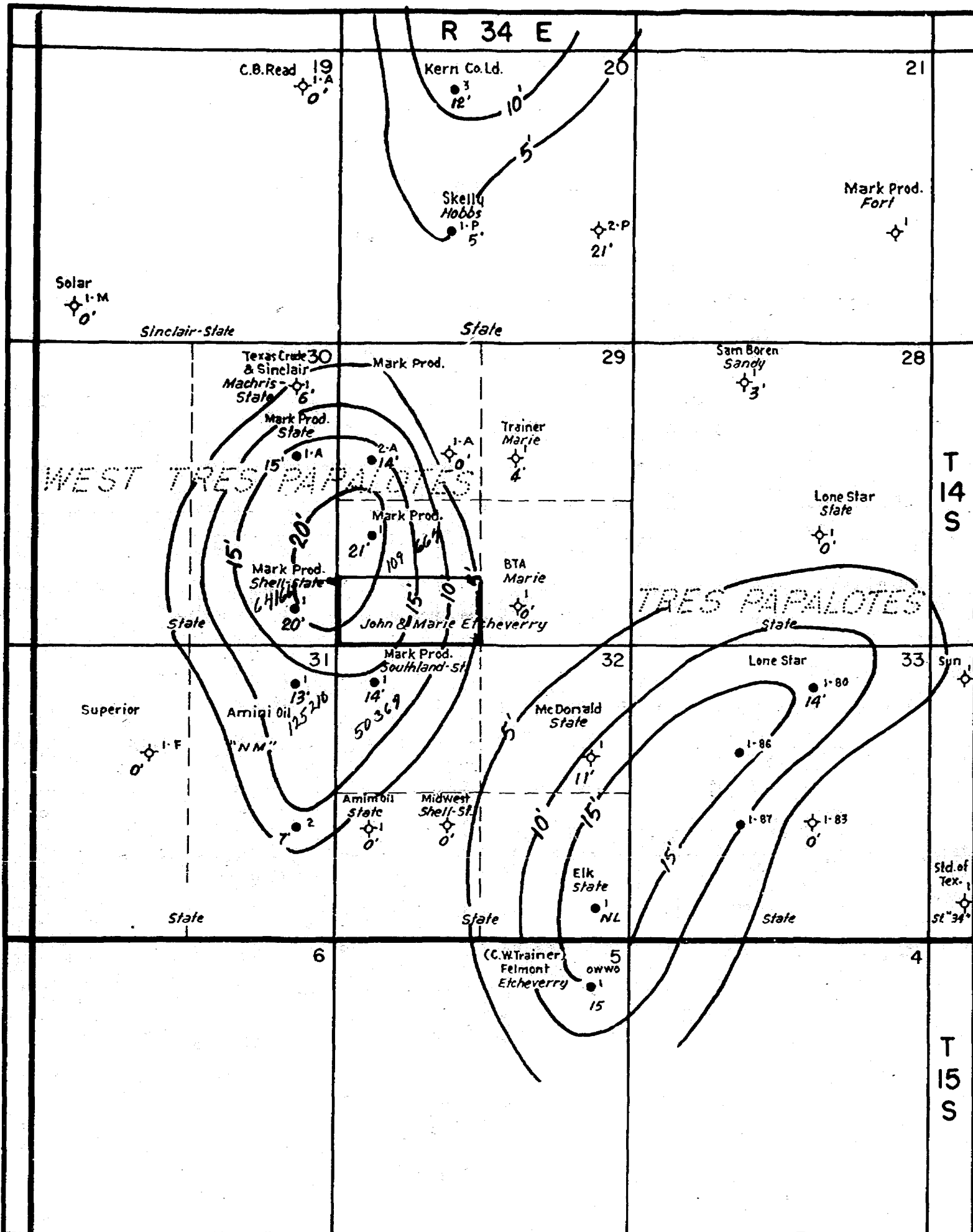
STRUCTURE MAP

TOP PENN PAY

#2

C.I.: 25'

SCALE: 1" = 2000'



R 34 E  
**WEST TRES PAPALOTES PENN FIELD**  
 LEA COUNTY, NEW MEXICO  
 PENN PAY ISOPACH

C.I. 5'

SCALE: 1" = 2000'

#3



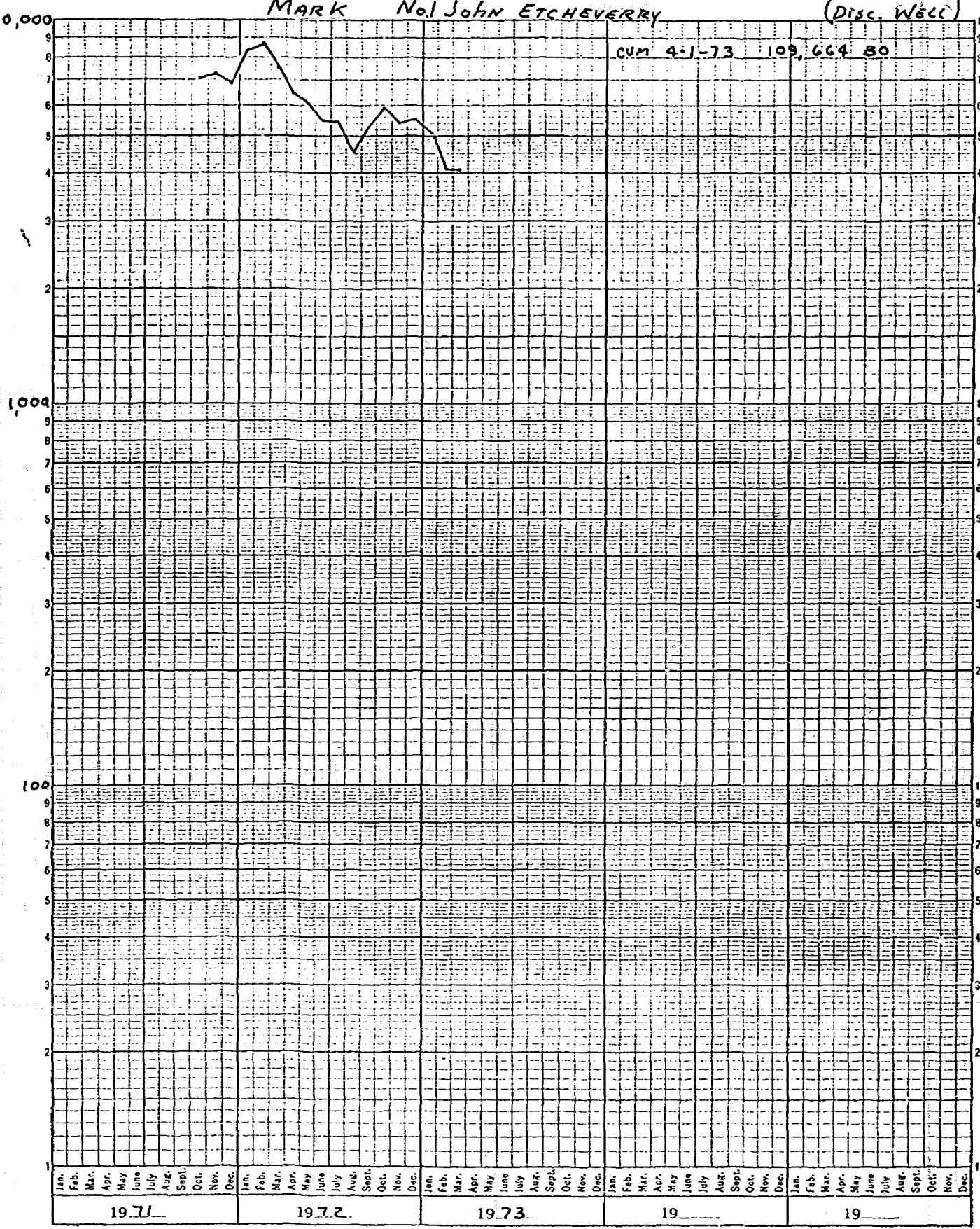
(A)

MARK No. 1 JOHN ETCHEVERRY

(Disc. Well)

CUM 4-1-73 109,664.80

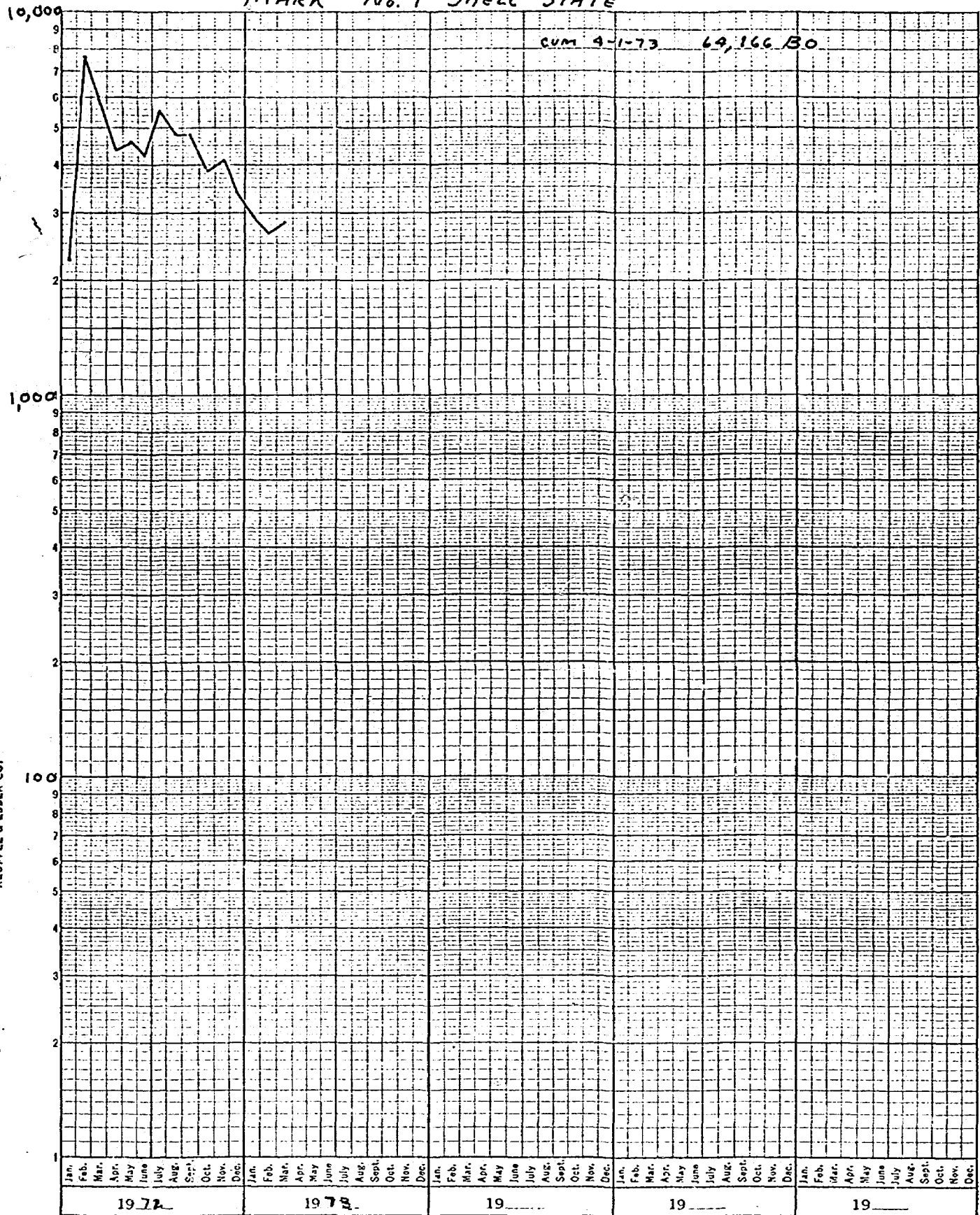
KE 5 YEARS BY MONTHS 46 6693  
MADE IN U.S.A.  
KEUFFEL & ESSER CO.



#7

(B)

MARK No. 1 SHELL STATE



K&E 5 YEARS BY MONTHS 48 6893  
MADE IN U.S.A.  
KEUFFEL & ESSER CO.





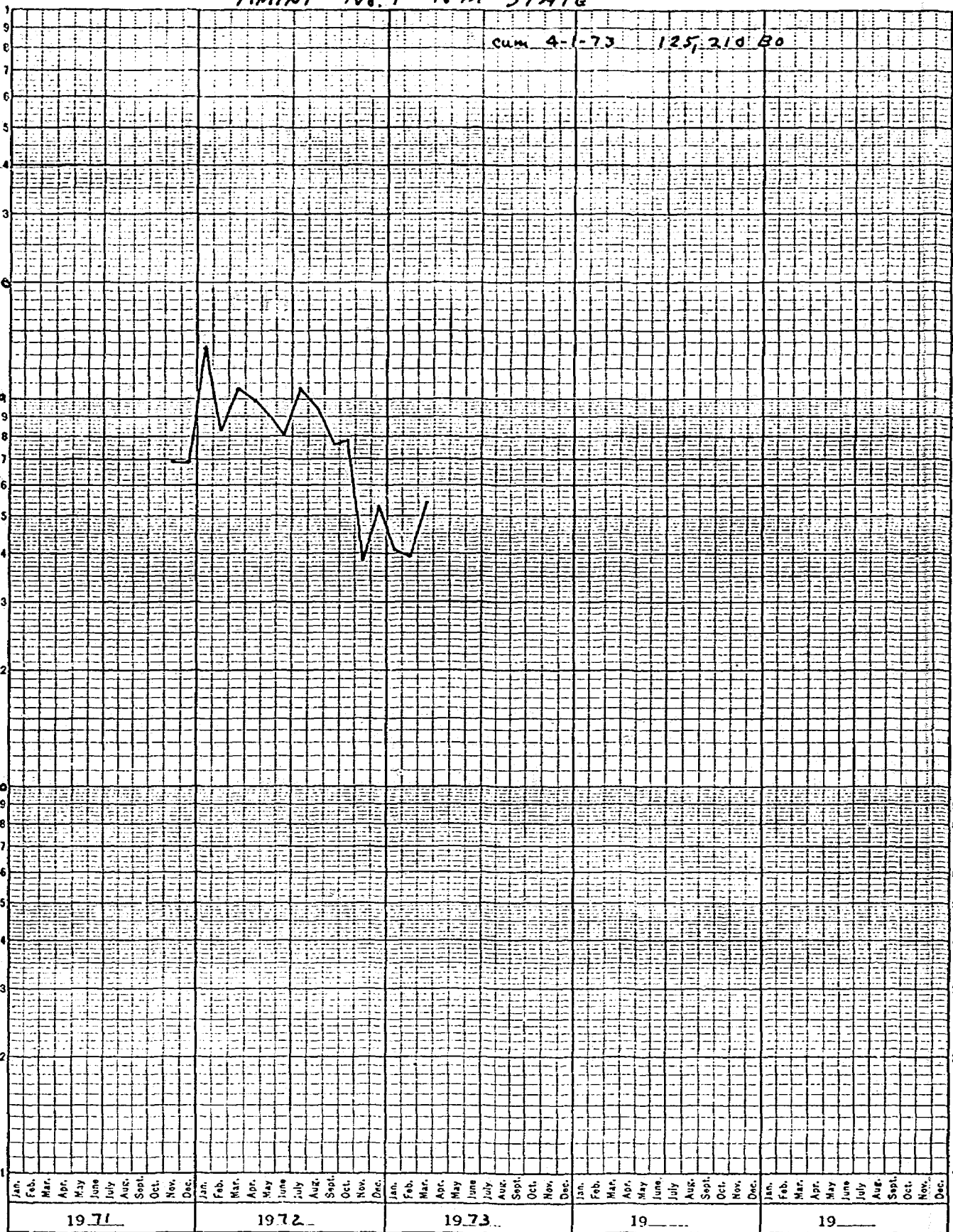
**KEUFFEL & ESSER CO.**

20,000

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Amiri No. 1 NM STATE

cum 4-1-73 125,210 Bo



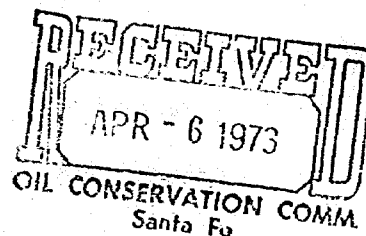


A. D. WILLIAMS 1897-1967  
THEODORE R. JOHNSON  
GLEN L. HOUSTON  
GARY D. REAGAN  
JOHN T. PORTER

LAW OFFICES OF  
WILLIAMS, JOHNSON, HOUSTON, REAGAN & PORTER  
112 NORTH SHIPP STREET, P.O. BOX 1948  
HOBBS, NEW MEXICO 88240  
[505] 393-3169

LOVINGTON, N.M., OFFICE  
10 WEST CENTRAL AVENUE  
[505] 396-2408

April 2, 1973



*Corr 4967*

Mr. A. L. Porter  
Executive Secretary  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

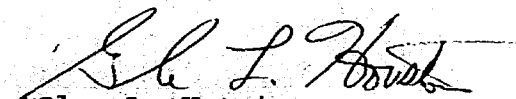
Re: Application of John M. Etcheverry

Dear Pete:

Enclosed you will please find the referenced application for a non-standard location and non-standard pro-ration unit in Lea County, New Mexico.

If anything else is required please advise me.

Yours very truly,

  
Glen L. Houston

/aw  
Encl.

DOCKET MAILED

Date 5-25-73

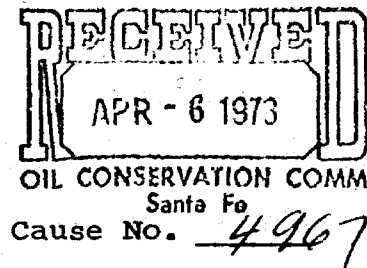
DOCKET MAILED

Date 4/26/73

BEFORE THE OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF JOHN M. ETCHEVERRY

FOR APPROVAL OF A NON-STANDARD  
LOCATION AND NON-STANDARD PRODUCTION  
UNIT, LEA COUNTY, NEW MEXICO



APPLICATION

COMES NOW John M. Etcheverry and applies to the Oil Conservation Commission of New Mexico for the approval of a non-standard location and non-standard pro-ration unit in Section 29, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof will show the Commission:

(1) Applicant proposes to form an eighty (80) acre non-standard pro-ration unit consisting of the S/2 of the SW/4 of Section 29, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico, to be dedicated to applicant's proposed well, located 660 feet from the West line and 660 feet from the South line of said Section 29.

(2) Applicant proposes a non-standard location to be drilled 660 feet from the West line and 660 feet from the South line of said Section 29.

(3) In further support of this *Recovery/Deviation* well, applicant states, that this location is presently being drained by wells situated in the SE/4 of the SE/4 of Section 30, in the NE/4 of the NE/4 of Section 31, and in the NW/4 of the NW/4 of Section 31, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

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

Respectfully submitted,  
JOHN M. ETCHEVERRY

By

*G. L. Houston*  
of Williams, Johnson, Houston  
Reagan & Porter

P. O. Box 1948, Hobbs, NM 88240  
Attorneys for Applicant

DRAFT

12 Hold for transcript

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

3  
IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 4967

Order No. R-4550

nk  
Application of JOHN M. ETCHEVERRY  
FOR DISSOLUTION OF A STANDARD  
PREPARATION UNIT AND THE CREATION  
OF TWO NON-STANDARD PRORATION  
UNITS, LEA COUNTY, NEW MEXICO.

3  
ORDER OF THE COMMISSION

BY THE COMMISSION: 2

This cause came on for hearing at 9 a.m. on June 6, 1973,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of June, 1973, 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, John M. Etcheverry, seeks the  
dissolution of the standard 160-acre proration unit comprising  
the SW/4 of Section 29, Township 14 South, Range 34 East, West  
Tres Papalotes-Pennsylvania Pool, dedicated to the Mark  
Production Company Etcheverry Well No. 1 located in Unit L of  
said Section 29, Lea County, New Mexico.

(3) That the applicant further seeks approval of the  
creation of two non-standard 80-acre proration units, one

Case No. 4967  
Order No. R-

*N/2 SW/4*  
comprising the ~~SW/4~~ of said Section 29 and dedicated to the  
aforesaid Etcheverry Well No. 1 and the other the S/2 SW/4 of  
said Section 29 and dedicated to a well proposed to be drilled  
in Unit M of said Section 29.

*operator of said existing*  
(4) That the ~~current operator of said~~ 160-acre proration  
unit, Mark Production Company, objects to the dissolution of the  
proration unit and the creation of said two 80-acre non-standard  
proration units.

(5) That the evidence presented does not show that waste  
will occur or that the applicant's correlative rights will be  
violated if the application is denied.

(6) That the evidence presented shows that economic waste  
resulting from the drilling of an excessive number of wells will  
occur if the application is approved.

(7) That to prevent said economic waste, the application  
should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of John M. Etcheverry for the  
dissolution of the standard 160-acre proration unit comprising  
the SW/4 of Section 29, Township 14 South, Range 34 East, West  
Tres Papalotes-Pennsylvanian Pool dedicated to the Mark Pro-  
duction Company Etcheverry Well No. 1 located in Unit L of said  
Section 29, Lea County, New Mexico, and the creation of two  
non-standard 80-acre proration units, one comprising the N/2  
SW/4 of said Section 29 and dedicated to the aforesaid Etcheverry  
Well No. 1 and the other the S/2 SW/4 of said Section 29 and  
dedicated to a well proposed to be drilled in Unit (M) of said  
Section 29 is hereby Denied.

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

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.