

Casa No.

224

Application, Transcript,
Small Exhibits, Etc.

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. 226
ORDER NO. R-238

THE APPLICATION OF THE NEW
MEXICO OIL CONSERVATION COM-
MISSION, UPON ITS OWN MOTION,
FOR THE GENERAL REVIEW, RE-
STATEMENT AND/OR AMENDMENT OF
ANY AND ALL PARAGRAPHS OF RULE
104 PROMULGATED BY ORDER 850,
EFFECTIVE JANUARY 1, 1950, AND
SET OUT WITHIN RULES AND REGUL-
ATIONS EFFECTIVE JANUARY 1, 1950.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on July 6, 1950 at 10:00 o'clock
a. m. at Santa Fe, New Mexico, before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission".

NOW, on the 29th day of December, 1952, the Commission, a
quorum being present, having considered the testimony adduced at the 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 there is need for a revision of Paragraphs (a), (b), (c),
(d) and (e) of Rule 104 of the Commission's Rules and Regulations.

IT IS THEREFORE ORDERED:

That Paragraphs (a), (b), (c), (d) and (e) of Rule 104 of the Com-
mission's Rules and Regulations be and the same hereby are amended and
revised as follows:

**RULE 104. WELL SPACING; ACREAGE REQUIREMENTS
FOR DRILLING TRACTS**

- (a) Any well drilled a distance of one mile or more from
the outer boundary of any defined oil or gas pool shall
be classified as a wildcat well. Any well drilled less
than one mile from the outer boundary of a defined oil
or gas pool shall be spaced, drilled, operated and pro-
rated in accordance with the regulations in effect in
said oil or gas pool.

- (b) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot being a legal subdivision of the U. S. Public Land Survey and shall be within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba and McKinley Counties where a wildcat well shall be located on not less than 160 surface contiguous acres substantially in the form of a square which is a quarter section or lot being a legal subdivision of the U. S. Public Land Survey and shall not be located closer than 660 feet to the outer boundaries nor closer than 330 feet to the inner boundaries of the governmental quarter quarter section upon which it is drilled.
- (c) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.
- (d) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.
- (e) Notice of Intention to Drill (Form C-101) for any well shall designate the exact legal subdivisions allotted to the well and no C-101 shall be approved by the Commission or any of its agents without proper designation of acreage.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem, Chairman

Guy Shepard
Guy Shepard, Member

R. R. Spurrier
R. R. Spurrier, Secretary

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

March 9, 1961

C
O
P
Y

Shell Oil Company
P. O. Box 845
Roswell, New Mexico

Attention: Mr. R. L. Rankin

Gentlemen:

As per your request, the dual completion authorization granted by Order No. R-226 is hereby cancelled.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/OKP/ir

cc: Oil Conservation Commission
Hobbs, New Mexico

Rule 104. well Spacing; acreage Requirements
for Drilling Tracts
Proposed Revised Rule 104

- a.) Any well drilled a distance of one mile or more from the outer boundary of any defined oil or gas pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of a defined oil or gas pool shall be spaced ^{drilled, operated} and prorated in accordance with the regulations in effect in said oil or gas pool.
- b.) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a $\frac{1}{4}$ section or lot being a legal subdivision of the U. S. Public Land Survey and shall be within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba and McKinley Counties where a wildcat well (~~drilled inside the outcrop area of the Mesaverde formation~~) shall be located on not less than 160 surface contiguous acres substantially in the form of a square which is a $\frac{1}{4}$ section or lot being a legal subdivision of the U. S. Public Land Survey and shall not be located closer than 660 ft. to the outer boundaries nor closer than 330 ft. to the inner boundaries of the governmental ($\frac{1}{4}$) section upon which it is drilled.
- c.) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

d.) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any ^{or} subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

e.) Notice of Intention to Drill for any well shall ^{designate} ~~contain~~ the exact legal subdivisions allotted to the well and no C-101 will be approved by the Comm. or any of its agents without proper designation of acreage.

ROWAN OIL COMPANY

COMMERCIAL STANDARD BUILDING

FORT WORTH 2, TEXAS

TELEPHONE 2-2395
L. O. 193

June 26, 1950

JUN 27 1950
COMMERCIAL STANDARD BUILDING
FORT WORTH 2, TEXAS

Mr. R. R. Spurrer
Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Dear Dick:

I have received notice of hearing of the Oil Conservation Commission, to be held July 6th, 1950, in re Case #226. It is my opinion that Rule 10 of the Oil Conservation Commission is satisfactory as now promulgated, and I trust that the commission will keep this rule in effect as now written without material change.

I am writing this letter because it will be impossible for this company to have a representative at the hearing.

Yours very truly,


A. H. ROWAN

AHR:BB

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(a) Any well drilled a distance of one mile or more from the outer boundary of any defined oil or gas pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of a defined oil or gas pool shall be spaced drilled, operated, and prorated in accordance with the regulations in effect in said oil or gas pool.

(b) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot, being a legal subdivision of the U.S. Public Land Survey and shall be within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba, and McKinley Counties where a wildcat well shall be located on not less than 160 surface contiguous acres substantially in the form of a square which is a quarter section or lot being a legal subdivision of the U.S. Public Land Survey and shall not be located closer than 660 feet to the outer boundaries nor closer than 330 feet to the inner boundaries of the governmental quarter quarter section upon which it is drilled.

(c) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(d) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U.S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(e) Notice of Intention to Drill for any well shall designate the exact legal subdivision allotted to the well and no C-101 will be approved by the Commission or any of its agents without proper designation of acreage.

RESOLUTION

WHEREAS, the Engineer's Sub-Committee of the San Juan Basin Operator's Committee has made detailed study of Rule 104 of the Oil Conservation Commission of the State of New Mexico, as to spacing patterns, which said Engineer's Sub-Committee believes should govern on the matter of acreage spacing for wells in different areas in the San Juan Basin; and

WHEREAS, said Engineer's Sub-Committee has made recommendations to the San Juan Basin Operator's Committee, which recommendations are hereinafter more particularly set out; and the San Juan Basin Operator's Committee is convinced that the recommendations made by the Engineer's Sub-Committee are logical and should be in some form embodied in the rules of said Oil Conservation Commission;

THEREFORE, BE IT RESOLVED, by the Executive Committee of San Juan Basin Operator's Committee that said Operator's Committee hereby does recommend to the Oil Conservation Commission of the State of New Mexico that the following provisions be embodied in Rule 104, or other suitable rule of said Oil Conservation Commission, relative to spacing patterns in the San Juan Basin, to-wit:

- (1) Gas wells drilled to the Pictured Cliffs formation should be patterned on a legal subdivision consisting of 160 acres square, and this ruling should be made Basin-wide.
- (2) Gas wells drilled to the Mesa Verde formation should be patterned on 320 acre spacing, and this ruling also should be made Basin-wide. (Mesa Verde beds encountered above 2500 feet not to be included in this ruling.)
- (3) The quarters in which the Mesa Verde wells are to be drilled should be designated as follows, according to fields:

Blanco Field - NE/4 and SW/4 of Section.
La Plata Field - NW/4 and SE/4 of Section.

This ruling should be subject to exceptions as set out in Paragraph E of Rule 104.

- (4) The dividing line between the Blanco and La Plata Fields should be the Range line between Ranges 10 West and 11 West, N.M.P.M., and any wells drilled in the Mesa Verde formation West of this Range line should be drilled in the NW/4 and SE/4 of the Section, and any wells drilled in the Mesa Verde formation East of the Range line should be drilled in the NE/4 and SW/4 of the Section, in accordance with Commission regulations covering the Blanco gas field.

BE IT FURTHER RESOLVED, that a copy of these Resolutions be forwarded to the Hon. Edwin L. Mechem, Governor of the State of New Mexico and Ex Officio Chairman of the Oil Conservation Commission of the State of New Mexico; that one copy of these Resolutions be forwarded to the Hon. Guy Sheppard, State Land Commissioner of the State of New Mexico and Ex Officio member of the Oil Conservation Commission of the State of New Mexico; and one copy to the Hon. R. R. Spurrier, State Geologist of the State of New Mexico and Secretary of the Oil Conservation Commission.

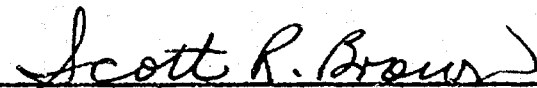
PASSED, ADOPTED AND APPROVED, by the Executive Committee of the San Juan Basin Operator's Committee this 16th day of January, A.D. 1951.



Dudley Cornell, Chairman
San Juan Basin Operator's Committee



Tom Bolack, Vice Chairman
San Juan Basin Operator's Committee
Member of Engineering Sub-Committee



Scott Brown, Secretary
San Juan Basin Operator's Committee
Member of Executive Committee



Truitt Hollis, Chairman
Engineering Sub-Committee

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on July 6, 1950, at 10:30 A. M.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder, of the following public hearing to be held July 6, 1950, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the Capitol (Hall of Representatives).

STATE OF NEW MEXICO TO:

All named parties in the following cases and notice to the public:

Case 225

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion for special pool rules establishing methods of drilling and production and for the purpose of regulating production, preventing waste and protecting correlative rights in the following named pools, as heretofore defined in Rule 5 of Commission Order 850, effective January 1, 1950:

Arrowhead, Bagley - Siluro - Devonian, Bagley - Pennsylvanian, Baish, Blinebry, Bough, Bowers, Brunson, Cary, Cass, Cooper-Jal; all in Lea County, New Mexico and Captock, in Chaves and Lea Counties, New Mexico.

Case 226

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion, for the general review, restatement, revision and/or amendment of any and all paragraphs of Rule 104, promulgated by Order 850, effective January 1, 1950, and set out within Rules and Regulations effective January 1, 1950.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on June 9, 1950.

W.N.M.C.F. MICROGRAPHICS



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

(SEAL)

Distributed by
Glenn Staley

BEFORE:

Guy Shepard, Chairman
R. R. Spurrier, Secretary

REGISTER:

Lonnie Kemper
Roswell, New Mexico
For The Vickers Petroleum Co., Inc.

R. S. Blymn
Hobbs, New Mexico
For the State

J. D. Duninn
Lubbock, Texas
For Delfera Oil Company

C. D. Borland
Hobbs, New Mexico
For Gulf Oil Company

C. M. Heard
Hobbs, New Mexico
For Skelly Oil Company

J. N. Dunlevey
Hobbs, New Mexico
For Skelly Oil Company

George W. Selinger
Tulsa, Oklahoma
For Skelly Oil Company

R. L. Adams
Ft. Worth, Texas
For Continental Oil Company

E. L. Shafer
Hobbs, New Mexico
For Continental Oil Company

H. L. Johnston
Ft. Worth, Texas
For Continental Oil Company

Paul N. Colliston
Houston, Texas
For Continental Oil Company



Raymond A. Lynch
Midland, Texas
For Phillips Petroleum Company

Shofner Smith
Bartlesville, Oklahoma
For Phillips Petroleum Company

Raymond E. Howard
Midland, Texas
For The Atlantic Refining Company

W. N. Little
Midland, Texas
For Tide Water Association Oil Company

G. H. Gray
Midland, Texas
For Sinclair Oil & Gas Company

Elvis A. Utz
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

J. W. House
Midland, Texas
For Humble Oil Company

R. S. Dewry
Midland, Texas
For Humble Oil Company

W. B. Macey
Artesia, New Mexico
For American Republics Corporation

E. E. Kinney
Artesia, New Mexico
For New Mexico Bureau of Mines

Tom Steele
Hobbs, New Mexico
For The Ohio Oil Company

H. O. Storm
Hobbs, New Mexico
For Shell Oil Company

A. R. Ballou
Dallas, Texas
For Sun Oil Company

Glenn Staley
Hobbs, New Mexico
For Lea County Operators Committee

Wm. E. McKellar, Jr.
Dallas, Texas
For Magnolia Petroleum Corporation

Joseph C. Gordon
Dallas, Texas
For Plains Products Company

J. H. Crocker
Tulsa, Oklahoma
For Mid-Continent Petroleum Company

R. S. Christie
Ft. Worth, Texas
For Amerada Petroleum Company

R. G. Schuehle
Midland, Texas
For Texas Pacific Coal and Oil Company

P. Handie
Midland, Texas
For Texas Pacific Coal & Oil Company

J. H. Crocker
Tulsa, Oklahoma
For Mid-Continent Petroleum Corporation

E. J. Pierce
Midland, Texas
For Mid-Continent Petroleum Corporation

F. C. Barnes
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

E. C. Arnold
Aztec, New Mexico
For the New Mexico Oil Conservation Commission

Don McCormick
Carlsbad, New Mexico
For the New Mexico Oil Conservation Commission

CHAIRMAN SHEPARD: The meeting will come to order.

(Notice of Publication in Case No. 225 read by Mr. Spurrier)

CHAIRMAN SHEPARD: The Commission doesn't have any witnesses, but at this time we would be glad to hear from anyone who has anything to offer on this case.

MR. BORLAND: I am C. D. Borland, District Engineer for Gulf, at Hobbs. Being the largest operator in the Arrowhead Pool, Gulf assumed the chairmanship of the operators' Arrowhead Pool committee. A meeting was held on June 27 to consider the need of adopting special pool rules. At this meeting it was the unanimous opinion of all operators no special pool rules were



necessary in the Arrowhead Pool.

CHAIRMAN SHEPARD: Does anyone else have anything? Mr. Morrell?

MR. MORRELL: I am Foster Morrell with the Geological Survey.

If the Commission please, I thought I would call your attention to the fact that in the Arrowhead Pool there are two gas wells. Some cognizance should be taken of that I think. Either delete them from the Arrowhead Pool--the reference I have--the reference as to those wells at the present time are Gulf-Mattern, a well in Section 24, I forget the well number. In 24-21S-36E, and a Continental Oil Company well in Section 1-22S-36E. They are producing from a gas zone approximately two or three hundred feet above the oil pay.

CHAIRMAN SHEPARD: Anyone else? Mr. Staley, do you have anything? If no one has anything further, then we will take up the next pool. The next pool is Bagley-Siluro-Devonian.

MR. CHRISTIE: My name is R. H. Christie with the Amerada Petroleum Corporation. At the present time there are only two operators in the Bagley-Siluro-Devonian Pool, and neither operator sees any need for any special pool rules in this particular field at this time. We feel that the statewide rules will apply. The same thing is true of the Bagley Pennsylvanian Field.

CHAIRMAN SHEPARD: Anyone else? Then we will take up the Bagley-Pennsylvanian? Anyone want to say anything further on that? All right, the Baish Pool?

(Off the record.)

MR. SPURRIER: The only operator in this pool is the Buffalo Oil Company from which we have a letter, signed by H. G. Ellis, dated July 3. I will read a portion of the letter. It is available for anyone to see. The summarizing paragraph at the

end says: "It is believed that the applicable statewide rules and the federal regulations amply cover the operations in this pool at the present. We have no suggestions to offer at this time as to special field rules for the Baish Pool."

CHAIRMAN SHEPARD: The Blinebry Pool. Does anyone have anything on that. Bough? There is a telegram from J. R. Sharp, Inc., addressed to the Governor. "Attention Thomas J. Mabry, Chairman. Confirming our telephone conversation with your Mr. Spurrier this morning please consider this as our request for postponement of hearing scheduled for July 6th in Case Number 225 with reference to Bough Pool pending further study of the field. We have been advised by Magnolia Petroleum Company that they will also request postponement. Please wire us collect that postponement has been granted." Without objection this will be postponed to a later date as to the Bough Pool.

MR. MANZINGO: My name is Manzingo. I represent Magnolia. At this time we don't have any recommendation for field rules. We do suggest that they be postponed until we have finished our study, engineering study, of the Bough Pool. At that time we possibly may have some recommendation for field rules.

CHAIRMAN SHEPARD: The Bowers Pool?

MR. STORM: L. O. Storm, Shell Oil Company, Hobbs, New Mexico. Shell Oil Company, acting as the chairman for the Bowers Pool Operators, addressed a letter to each of the operators in that pool. Those replies received were unanimous that the current statewide rules are suitable for the development and production of the field.

CHAIRMAN SHEPARD: Anyone else have anything on the Bowers? The Brunson Pool?

MR. BORLAND: Since the Brunson Pool is currently operating under six months' test, a period of reduced allowable, it was the

opinion of the operators that special pool rules should not be considered at this time and be deferred until after the hearing on August 24 relative to the six months' test.

CHAIRMAN SHEPARD: Anybody have anything further on Brunson?

All right, the Cary Pool. No comment on the Cary Pool?

All right, the Cass Pool.

MR. COLLISTON: Paul N. Colliston, Continental Oil Company is the only operator in the Cass Pool and has no special field rules to offer at this time. We believe we can satisfactorily operate under statewide rules at this time.

CHAIRMAN SHEPARD: Cooper-Jal.

MR. COLLISTON: Continental, as the largest operator in the Cooper-Jal Field, called a meeting of the other operators, and that group decided that no special field rules were necessary at this time. However, in making this recommendation, I am speaking only for the Continental Oil Company and believe the other operators should make their own recommendations.

MR. SPURRIER: Do you have any comment on rules with regard to the difference between oil and gas wells in that pool?

MR. COLLISTON: Continental Oil believes before any field rules should be written for that area the Commission should define the oil and gas reservoirs involved in order that the special field rules may be made to fit that particular reservoir.

MR. SELINGER: George W. Selinger, Skelly Oil Company. May I ask Mr. Colliston a question? Mr. Colliston, in making your recommendation today, did you have in mind the Case No. 217 in which you asked for a special exception on particular wells of yours?

MR. COLLISTON: No, I do not. I am making that as a general recommendation.

CHAIRMAN SHEPARD: Caprock? Does anybody have anything to say on Caprock? Does anyone have anything further to offer on any of these pools? If not, we will take up the next case.

(Mr. Spurrier reads the Notice of Publication in Case No. 226.)

CHAIRMAN SHEPARD: Anyone have anything to offer on Case 226?

MR. MANZINGO: We have one suggestion for Rule No. 104, the "a" part of that rule. We suggest that the rule be revised to read as follows: "Each well drilled within the limits of a defined oil or defined gas pool shall be located on a tract consisting of approximately forty surface, contiguous acres substantially in the form of a square and shall be drilled not closer than 600 feet of any boundary line of said tract." There are two changes there. We added "approximately" to forty acres, and also we changed the footage from 660 to 600 feet. And we suggest this change be made to take care of tracts having slightly less than 40 acres. Also in any area where irregular topography conditions occur, it may not be possible to exactly center the well in 40 acres. We offer that as a suggestion.

CHAIRMAN SHEPARD: Anyone else? Mr. Morrell, do you have anything to say on this?

MR. SETH: I would like to make a statement on behalf of the Stanolind Oil and Gas Company. That company recommends that paragraph a be amended. That when a well is drilled for gas production, it covers both oil and gas as it now stands, that the tract size should be 640 acres with a spacing of 1320 feet from the lease line. The latter is more important perhaps. Paragraph c should be changed in the same manner. Paragraph i should provide for 640 acre units with small differences in the size of tracts. This whole reservation is limited to gas. But the paragraph stands for oil and gas now.

MR. MCCORMICK: Paragraph a, subparagraph a, contemplates the drilling of a wildcat well where they don't know whether they will get gas or oil or anything. I might say that when this was drafted, there was a particular problem in mind, and I think that probably the purpose of the drafting committee and of the Commission wasn't made as clear as it should be. Various forms of this rule had been proposed, some of which were drafted so that if a well were drilled for oil--a wildcat well drilled for oil--or a wildcat well drilled for gas, it would have certain spacing requirements. But the truth is when a wildcat well is drilled, no one can determine in advance what will be encountered. So this was drafted so that when they refer to tract, it doesn't mean a 40 acre tract or an approximate 40 acre tract. It means really the lease upon which the operator is drilling. For instance, if the operator is drilling a wildcat well, has 160-acre lease, and it would be a rare instance where a wildcat well isn't drilled with at least 160 acres to support it, then he would not be allowed to get closer than 660 feet to the outer boundary of the tract. If he had a 320-acre lease, no closer than 660 to the outer boundary of his lease. So that if it were a gas well, he would then be meeting the minimum requirements for a gas well location. In other words, he would be in the middle of a forty, which is allowed under gas pool spacing rules. In other words, if he had 160, he could drill anywhere in the 160 so long as he didn't encroach closer than 660 feet to the outer boundary of the 160. If it would turn out to be an oil well, he would be on what we could call a conventional location for an oil well. As he would be in the middle of a forty. If it turned out to be a gas pool, he would be on one forty of a 160 and he would conceivably not be required or wouldn't

care to drill any more wells on that 160. Now, I admit that rule as it is drafted perhaps doesn't convey the meaning that was actually intended and perhaps it should be clarified. But I am also wondering if the intent behind that rule should not be carried forward, and if it would not be actually desired by most of the operators.

CHAIRMAN SHEPARD: Anyone else?

MR. SPURRIER: On further comment to add to Mr. McCormick's discussion. I think the rule should state for the purposes of clarification that a well should not be located in the exact center of 160 acres. Now, Mr. Morrell has 160 acre tracts under his control in which that would be all right. But, on the other hand, state and fee land may go to make up--in 40-acre tracts--may go to make up 160-acre tract. And in that case the well must be definitely on one of the 40-acre tracts. At least that is my interpretation of what I know about the land office rules and our own rules and regulations. Does anyone have any further comment on that? I notice Stanolind recommended a well be located 1320 feet from the boundary which would place it in the center of 160-acre tract.

MR. LYNCH: R. A. Lynch, representing Phillips Petroleum Company. We do not see any necessity for changing this rule at all. Mr. McCormick's explanation seems to be clear and workable as it stands now. We would recommend no change.

MR. SPURRIER: We have one more comment here. A letter from the Rowan Oil Company, dated June 26, 1950, and signed A. H. Rowan. "I have received notice of hearing of the Oil Conservation Commission, to be held July 6th, 1950, in re Case 226. It is my opinion that Rule 104 of the Oil Conservation Commission is satisfactory as now promulgated, and I trust that the commission will

keep this rule in effect as now written without material change. I am writing this letter because it will be impossible for this company to have a representative at the hearing."

MR. CAMPBELL: May I ask the Commission's attorney a question? Does the Commission now require a special permit under this rule for the drilling of a wildcat well on a 40-acre tract, where it is the intention to drill closer than 660 feet to the boundary of the tract? I have asked the further question, does the Commission require a special permit for a wildcat well to be drilled on a lot of less than 40 acres.

MR. MCCORMICK: Well, I think we have got back to the point I was trying to make a little while ago. If the operator has say 150 acres composed of four lots of $37\frac{1}{2}$ acres each, that 150 acres is considered a tract, and he can drill anywhere within that 150 acres so long as he isn't closer than 660 feet to the outer boundary of it. It gives him quite a tolerance there in the middle square of the 150 acre tract. When we speak of tract in Rule 104, subdivision a, we are not referring to the smallest 40 acres in the subdivision, or lot, in which the well may be located. We are referring to the entire lease which the operator has.

MR. CAMPBELL: The rule, of course, as I recall it refers to wells being drilled on contiguous tracts of 40 acres, is that correct?

MR. MCCORMICK: No, it says each well drilled not within the limits . . . shall be located on a tract consisting of not less than 40 surface, contiguous acres. It may be 640. It could be 2560. It could be 80 or 160. Shall be drilled not closer than 660 feet from any boundary line of said tract. Perhaps it needs clarification so that the person reading that will know we are talking about the entire lease on which the

drilled.

MR. CAMPBELL: Just one more statement. It doesn't seem to me an individual desiring to drill a wildcat well on a tract of less than 40 acres, a lot, should be required to get a special permit if he wants to drill his well anywhere from 330 feet from the line of the lot.

MR. McCORMICK: Do you think anyone would drill a wildcat well on a 40-acre lot? I have never heard of one.

MR. CAMPBELL: I haven't either. I don't know. But it seems to me it puts a burden on the Commission if an application has to be made in each case of this sort.

MR. McCORMICK: The object was to preserve the general outlines of a gas pool if it should turn out to be a gas well. Whether it is a worthy purpose or not is for you to comment on.

CHAIRMAN SHEPARD: Anyone else?

MR. MONZINGO: In view of the clarification given by Mr. McCormick of the rule, Magnolia would like to withdraw their suggestion as to any changes.

MR. MORRELL: If the Commission please, the clarification of Mr. McCormick as to the interpretation of the word "tract" was interesting to me in view of the fact that previous regulations of the Commission refer to tract in connection with 40 acres. The statewide oil allowable being based on that basis. That was the previous interpretation. I think there is some merit to what Mr. McCormick has said with respect to considering a tract as a lease. However, I think there should be a further qualification. He says that not closer 660 to the boundary of any lease instead of a tract for the purposes of discussion. Inside of that you can drill any place. For the benefit of Commission, the Geological Survey will not approve a location closer than 330 to any legal subdivision line, 40 acres, inside

of that tract. If you don't have any restriction, you would then have a wildcat well which would be in contravention of Rule 104 b. So you could have your 660 from the outer boundary of the lease, but still not closer than 330 to any 40-acre subdivision line.

MR. MCCORMICK: Mr. Morrell, if this were rephrased so that it would read like this, "Each well drilled not within the limits of a defined oil pool or defined gas pool shall be located on a lease consisting of not less 40 surface, contiguous acres substantially in the form of a square and shall be drilled not closer than 660 feet to any outer boundary line of said lease and not closer than 330 feet to the outer boundary line of any component 40-acre subdivision or lot"?

MR. MORRELL: That would be an improvement. Possibly, use the combined term, "lease-tract," because many leases are not solid and contiguous. It doesn't answer the question that you have on 80 acres, because it would still make it exactly 660 of a 40-acre tract, and where you would have two lots comprising the lease, you would still have to have a special exception. The point you raise that you doubt whether a wildcat would be drilled on less than 160 as a matter of economics, there are wildcats drilled on 80-acre tracts

MR. MCCORMICK: It is quite a rarity.

MR. MORRELL: It is a matter of depth to production and the economics of it all. One important thing. I think the Commission should consider that under Rule 104 b and c you speak of within defined oil pools or defined gas pools. I think one of the problems that the operators are faced with is the control of extension wells. Under Rule 104 b you could drill 330 within a defined pool. There should be something covering extension wells, possibly some distance beyond the definitions to carry the same spacing. There is a difference between your wildcat and semi-

wildcat or extension wildcat. I offer that for consideration.

MR. SPURRIER: Why not carry that further, Mr. Morrell? I realize that you are talking about a well just outside of pool limits.

MR. MORRELL: Take the Wilkins Pool in 18-31. Drill a 330 location within the defined pool. Featherstone is drilling a 330 outside the defined pool. It was approved by the Commission. I don't know whether an exception was granted or not. One well completed and a second drilling. You will find that in a large number of areas. The question of putting an indefinite, say one mile limitation, outside definitions raises the question where pool definitions are so close. Of course, that well might be considered an extension of it.

MR. SPURRIER: Do I understand you object to a 330 outside the pool boundary?

MR. MORRELL: As far as our office is concerned, we take the position that an operator who is investing his money, if he considers the geological prospects sufficient to invest in a 330 location we have no objection. If he is fortunate in getting production, we can then determine what the spacing will be. It would mean possibly one exception for the first well. On the gas proposition of 160-acre spacing, we are following in the Fulcher-Basin Kutz Canyon and San Juan Basin and on the majority of the federal lands in Lea County, a spacing of 990 from the outer boundary 160-acre gas unit. And we don't know about any 1320 locations. We keep them off the boundary lines.

CHAIRMAN SHERARD: Anybody else?

MR. McCORMICK: I wonder if anybody has any comments on subdivisions h and i? They are new. That is they had never appeared in what is now Rule 104 prior to this compilation. And I wonder what the experience of the operators is. If those

two rules are workable or if they might be revised, if they need revision.

CHAIRMAN SHEPARD: Well, if there is no more comment and nothing further to offer--

MR. KELLEY: John M. Kelley, Independent. Speaking as an independent I recommend to the Commission that the Commission cut out Section a and completely change Section b to read, "Each well drilled shall be located on a tract"--cut out the words, within a defined oil pool. Also in section e cut out the words, --on the exception--cut out the words, "would be nonproductive." If an operator requests an exception due to the fact that his location, he felt that a location would be nonproductive, then he certainly would not be entitled to a full allowable. Therefore, I don't believe the Commission could grant an exception and then grant a full allowable.

MR. MCCORMICK: Don't you think it is taken care of by subdivision g?

MR. KELLEY: I don't think it should be in there, Don. If he gives that reason, if that is the reason he is giving, then he is admitting on the face of it his entire lease isn't productive, isn't that right?

MR. MCCORMICK: That is the basis of an unorthodox location. Still they are hedged wells and have got to crowd the corner.

MR. KELLEY: If he puts that reason in his application, he has gotten himself where you can cut his allowable.

MR. MCCORMICK: You can do that under g now, can't you?

MR. KELLEY: Yes.

MR. MCCORMICK: If you think he isn't productive, you can cut his allowable?

MR. KELLEY: Yes, you can do it. You would have to set that up?

CHAIRMAN SHEPARD: Anyone else? If there is nothing further to come before the Commission, we will stand adjourned.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I HEREBY CERTIFY the foregoing transcript of hearing before the Oil Conservation Commission in Santa Fe on July 6, 1950, at 10:30 a.m. is a true and correct transcript of such hearing to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 14th day of

July, 1950.

E. G. Gresson
NOTARY PUBLIC



Commission Expires
August 4, 1952