

Case No.

152

Application, Transcript,
Small Exhibits, Etc.

NO.

ADDRESS

No. 152 Grayburg Oil Co & Western Prod. Co.
unorthodox locations T.17 S, R.29 and 30 E.
Grayburg-Jackson pool, Eddy County

DATE

AUGUST 17, 1948

Re: Case No. 152 - Application of
Grayburg Oil Company and Western
Production Company to Drill 28
Unorthodox Locations within
Boundaries of the Grayburg Coop-
erative and Unit Area in the
Grayburg-Jackson Pool, Eddy County,
New Mexico.

Mr. George H. Card, Chairman
Lee County Operators Committee
Box 1410
Fort Worth 1, Texas

Dear Sir:

At your request the committee appointed in your letter of August 3, 1948, met today in Hobbs, New Mexico. The following members of this committee were present:

Nelson Jones
Henry Forbes
R. G. Schuchle
J. N. Dunlavey

Humble Oil & Refining Company
(Alternate for S. V. McCollum)
(Alternate for R. W. Tesch)
Skelly Oil Company

Mr. R. O. Yarbrough, of the Oil Conservation Commission, also was present.

We have considered the proposal made by Grayburg Oil Company and Western Production Company, in the above case, and it was unanimously agreed that the following report should be made to you in behalf of our committee:

In our opinion it would be a serious mistake for the Commission to permit the use of a basic lease as the proration unit; such an Order would undermine the present proration system in this State. Insofar as Grayburg's proposal involves use of the basic lease as the proration unit, we are unalterably opposed to the proposal. We understand that the pattern proposed by Grayburg would allow the drilling of the fifth well on each area of 160 acres; this would operate to combine four proration units for some purposes, but would retain the 40 acre tract as the basic proration unit. Because of the unusual circumstances of this case, we find no objection to this feature of the proposed Order, provided it is made clear that no 40 acre proration unit may produce more than that top allowable for a unit, and that regardless of the number of wells, no area of 160 acres shall be allowed to produce more than the top allowable for four (4) forty acre proration units. This case, because of the peculiar facts, should not be regarded as a precedent. Furthermore, the mere fact that a repressuring project is involved does not justify any departure from the established proration system.

Very truly yours,

LEE COUNTY OPERATORS COMMITTEE
AUGUST 17, 1948
HOBBS, NEW MEXICO

J. N. Dunlavey, Chairman

Case 153
dismissal of Case 152
Case 157
Case 159
Case 160
case 161

cy to Staley
Staley & Hinkle
cy to Staley & Phillips, Richmond
cy to Staley & Hinkle

mailed 12-6-48

CLASS OF SERVICE
 This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

JOSEPH L. EGAN
PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

DVA022 NL PD=ARTESIA NMEX 15

R R SPURRIER

NOV 15 AM 7 48

OIL CONSERVATION COMMISSION SF

ADVISE WHEN ORDER WILL BE ISSUED IN GRAYBURG CASE NO 164
 JOHN E COCHRAN JR ATTORNEY AT LAW

Case 152

164

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Charge to the account of Oil Conservation Commission

CLASS OF SERVICE DESIRED	
DOMESTIC	CABLE
TELEGRAM	ORDINARY
DAY LETTER	URGENT
NIGHT LETTER	DEFERRED
NIGHT TELEGRAM	NIGHT LETTER
WIRELESS	WIRELESS
<small>Western Union checks class of service desired, otherwise the message will be transmitted as a telegram or wireless message.</small>	

WESTERN UNION

1206-B

CHECK
ACCOUNTING INFORMATION
TIME FILED

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

15 November 1948

Mr. John Cochran
Carper Bldg.,
Artesia, New Mexico

ORDER NO. 791 ISSUED THIS DATE FOR CASE 152.

OIL CONSERVATION COMMISSION

R. R. SPURRIER - DIRECTOR

cc: J. W. S.
Artesia, N. M.

[illegible]

POWERED BY BATTERY	CABLE SERVICES
<u>TELEGRAMS</u>	<u>DEFERRED</u>
A full-rate expedited service.	Deferred service, at full rates. Code messages, consisting of 6-letter groups only, at half rates.
<u>DAY LETTERS</u>	<u>DEFERRED</u>
A deferred service at lower than the standard telegram rates.	Deferred service messages, subject to being deferred in favor of full-rate messages.
<u>SERIALS</u>	<u>NIGHT LETTERS</u>
Messages sent in sections during the night day.	Overnight plain-language messages.
<u>OVERNIGHT TELEGRAMS</u>	<u>URGENTS</u>
Accepted up to 2 A.M. for delivery not earlier than the following morning at rates substantially lower than the standard telegram or day letter rates.	Messages taking precedence over all other messages except government messages.
<u>SHIP RADIOGRAMS</u>	
A service to ships at sea, to all parts of the world. Plain language or code messages may be used.	

Telegrams of the categories listed at the right, to any Western Union destination in the United States					GREETINGS AT				
TELEGRAMS OF PRESCRIBED FIXED TEXT — — — — —					25¢				
TELEGRAMS OF SENDER'S OWN COMPOSITION. First 15 words — — — — —					35¢				
LOCAL CITY TELEGRAMS — — — — —					20¢				
TOURATE TELEGRAMS, for TRAVELERS. First 15 words — — — — — (Additional Words, 2¢ each)					35¢				

Christmas Valentine's Day Jewish New Year	New Year Mother's Day Thanksgiving	Easter Father's Day
CONGRATULATIONS ON		
Anniversaries Birthdays	Weddings Commencement	Birth of a Child
MISCELLANEOUS		
Bon Voyage telegrams Kidnograms (No 35¢ rate)		
"Pop" telegrams		

ASK AT ANY WESTERN UNION OFFICE OR AGENCY FOR FULL INFORMATION

CLASS OF SERVICE
 This is a full-rate Telegram or Cablegram unless the deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

JOSEPH L. EGAN
PRESIDENT

SYMBOLS
 DL - Day Letter
 NL - Night Letter
 LC - Deferred Cable
 NLT - Cable Night Letter
 Ship Radiogram

The time shown in the date line on telegrams and day letters is INSTANT TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

JDVA256 PD=ROSWELL NMEX 30 550P=

OIL CONSERVATION COMMISSION=SF=

PLEASE SEND FULL COPY OF ORDER NUMBER 791=

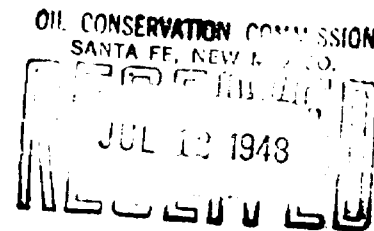
=HIRAM M DOW=

air mailed 11-30-48

791=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

LAW OFFICES
JOHN E. COCHRAN, JR.
CARPER BUILDING
ARTESIA, NEW MEXICO



July 8, 1948

Graham -

29, 5 ?

Oil Conservation Commission
State of New Mexico
State Capitol Building
Santa Fe, New Mexico

No. 152

Attention: Mr. R. R. Spurrier

Gentlemen:

Enclosed herewith is Application, in triplicate, of Grayburg Oil Company of New Mexico, and Western Production Company, Inc., for order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in Township 17 South, Ranges 29 and 30 East, N.M.P.M., in the Grayburg-Jackson pool of Eddy County, New Mexico.

At your earliest convenience, will you please set a time for hearing on this Application and publish notice thereof, and advise me the time and place of hearing on this Application.

The land upon which these locations are desired is embraced in Federal oil and gas leases and, therefore, a copy of this Application is being furnished Mr. Foster Morrell, Supervisor of the United States Geological Survey at Roswell, New Mexico.

Very truly yours

John E. Cochran, Jr.
John E. Cochran, Jr.

JEC:rm
Encls.

cc: Mr. Foster Morrell, Supervisor
United States Geological Survey
Roswell, New Mexico

Mr. J. O. Seth
111 San Francisco
Santa Fe, New Mexico

Mr. Nelson Jones
Humble Oil & Rfg. Co.
Houston, Texas

Mr. S. V. McCollum
Continental Oil Company
Fair Building
Fort Worth, Texas

Mr. R. W. Tesch
Texas-Pacific Coal & Oil Co.
Ft. Worth Nat'l. Bank Bldg.
Fort Worth, Texas

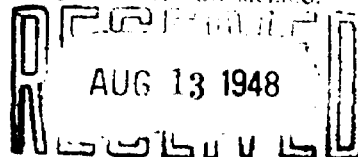
Gentlemen:

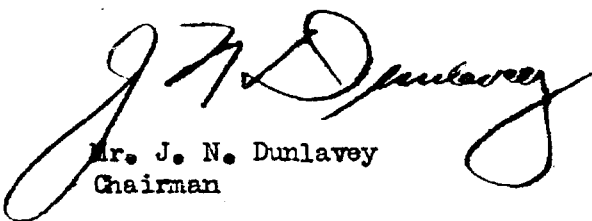
Attached hereto is a statement by John E. Cochran, Jr., Attorney for Grayburg Oil Company and the Western Production Company, setting out their position in regard to Case #152 presented at a hearing before the New Mexico Oil Conservation Commission, July 29, 1948.

You will also find attached hereto copy of the transcript of evidence presented by the Grayburg and Western in support of their position.

This information is being furnished each member of the committee for consideration and study prior to a meeting that is being called for 10:30 A. M., August 17, 1948, at the office of the Lea County Operators Committee, Hobbs, New Mexico.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.



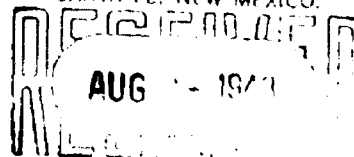

Mr. J. N. Dunlavey
Chairman

C O P Y

Law Offices
JOHN E. COCHRAN, JR.
Carper Bldg.
ARTESIA, NEW MEXICO

July 30, 1948

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.



Mr. Glenn Staley
Lea County Operators' Committee
Hobbs, New Mexico

Dear Mr. Staley:

With reference to the application of Grayburg Oil Company and Western Production Company, Inc. for permit to drill twenty-eight unorthodox locations in the Grayburg Cooperative and Unit Area in the Grayburg-Jackson Pool of Eddy County, New Mexico, and the application of these companies for permission to unitize basic leases within the cooperative area for proration purposes, the Commission, at the request of the Lea County Operators' Committee, through your attorney, Mr. J. O. Seth, and your Chairman, Mr. George H. Card, took under advisement the unitizing of basic leases for proration purposes until you could obtain a transcript of the testimony and ascertain whether the granting of such a request might, in your opinion, be prejudicial or in any way adverse to operators in Lea County.

The application for the drilling of the unorthodox locations was granted. However, whether basic leases may or may not be unitized for proration purposes in the Grayburg Cooperative and Unit area may have a very important effect on the proposed drilling of the twenty-eight unorthodox locations. Grayburg is anxious to start two rigs on this drilling program but before doing so, would like to have the basic lease allowable question settled.

Therefore, as Mr. R. J. Heard of Grayburg Oil Company advised you over the telephone this afternoon, if it is at all convenient we would appreciate it very much if Mr. Heard, Mr. Kroushop, Mr. Miller and the writer might have a meeting at an early date with the Lea County Operators' Committee to discuss fully and in detail the proration matter.

Grayburg Oil Company and Western Production Company, Inc. do not wish to ask for any plan of proration in its Grayburg unit that would affect adversely or be prejudicial to any other New Mexico oil operators

Mr. Glenn Staley

-4-

July 30, 1948

and we feel quite sure that if we can have a conference with Lea County Operators' Committee about the matter that an agreeable and satisfactory solution to the problem can be worked out. It may be that when the problem is thoroughly explained to Lea County Operators' Committee that some of the members of the committee may readily have a suggestion that would answer the entire question.

As I have previously stated, Grayburg is anxious to commence drilling on the wells involved in this drilling program, and we would appreciate it if you would advise us if such a meeting could be arranged with Lea County Operators' Committee at an early date and, if so, when such a meeting could be held.

Very truly yours,

/s/ John E. Cochran, Jr.

John E. Cochran, Jr.

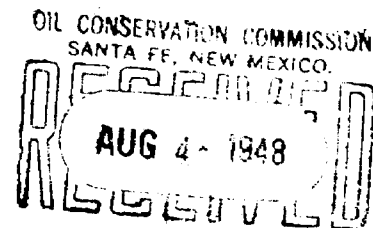
JEC:rm

LEA COUNTY OPERATORS COMMITTEE

DRAWER I

HOBBS, NEW MEXICO

August 2, 1948



Mr. R. R. Spurrier
Oil Conservation Commission
Santa Fe, New Mexico

Dear Dick:

Enclosed you will find copy of letter from Mr. John E. Cochran, Attorney for Grayburg Oil Company, together with a copy of my letter to Mr. Card, regarding same subject. It will be greatly appreciated if you will send us a transcript of the hearing held on the 29th, just as soon as possible, so that the meeting between the Lea County Operators and the Grayburg representatives can be held, and thus give the Grayburg relief in putting their rigs to work.

With kindest personal regards, I am

Yours very truly,

Glenn Staley
Glenn Staley

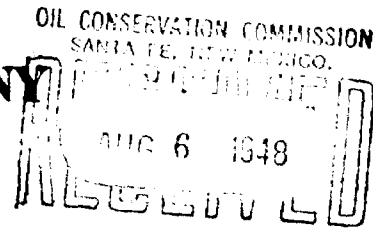
CGS:gi

STANOLIND OIL AND GAS COMPANY

FAIR BUILDING

FORT WORTH, TEXAS
August 3, 1948

G. H. CARD
DIVISION PRODUCTION SUPERINTENDENT



File: GHC-963-310.21

Re: Case No. 152 - Application
of Grayburg Oil Company and
Western Production Company
to Drill 28 Unorthodox Loca-
tions within Boundaries of the
Grayburg Cooperative and Unit
Area in the Grayburg-Jackson
Pool, Eddy County, New Mexico

Mr. J. N. Dunlavey
Skelly Oil Company
Hobbs, New Mexico

Mr. J. O. Seth
111 San Francisco
Santa Fe, New Mexico

Mr. Nelson Jones
Humble Oil & Refining Co.
Houston, Texas

Mr. S. V. McCollum
Continental Oil Company
Fair Building
Fort Worth, Texas

Mr. R. W. Tesch
Texas-Pacific Coal & Oil Co.
Ft. Worth Nat'l Bank Building
Fort Worth, Texas

Gentlemen:

In the above styled case before the New Mexico Oil Conservation Commission on July 29, 1948, the applicants made further request that the allowable on the leases on which the unorthodox locations were to be drilled be allocated on a lease basis. The Lea County Operators Committee requested the Commission to defer action on this application until a transcript of the Hearing could be obtained and the matter studied to determine if this application was in conflict with the oil and gas laws of the State of New Mexico and the General Orders of the Oil Conservation Commission.

This is to advise that you are being appointed on a committee to study this problem and make your recommendations to the Executive Committee. I wish that Mr. Dunlavey would serve as chairman of this committee and call a meeting of the committee at the earliest possible date, as we advised the Commission that we would advise them of our opinion as soon as possible. The writer has requested Mr. John E. Cockran, Jr., attorney for Grayburg Oil Company and Western Production Company, to furnish Mr. Dunlavey with copies of the letter setting forth the applicant's position and also copies of the maps showing the unorthodox locations. Mr. Staley has been requested to furnish Mr. Dunlavey with copies of the transcript of the hearing.

Yours very truly,

G. H. Card

G. H. Card

GHC:gp

cc: Members of Executive
Committee of Lea County
Operators Committee
C. G. Staley
R. R. Spurrier✓

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

F. B. Rigdon, being first duly sworn,
on oath says:

That he is publisher of the Daily
Current-Argus, a newspaper published
daily at the City of Carlsbad, in said
county of Eddy, State of New Mexico
and of general paid circulation in said
county; that the same is a duly qualified
newspaper under the laws of this state
wherein legal notices and advertisements
may be published; that the printed notice
attached hereto was published in the
regular and entire edition of said news-
paper and not in a supplement thereof
on the dates as follows, to-wit:

July 16....., 19*48*
....., 19.....
....., 19.....
....., 19.....

that the cost of publication is \$*7.80*,
and that payment therefor has been made
and will be assessed as court costs.

F. B. Rigdon
.....

Subscribed and sworn to before me this

21 day of *July*, 19*48*

Jay B. King
Notary Public.

My commission expires *July 1, 1950*

July 16 NOTICE OF PUBLICATION STATE OF NEW MEXICO, OIL CONSERVA- TION COMMISSION

The State of New Mexico by its Oil
Conservation Commission hereby gives
notice, pursuant to law, of the fol-
lowing public hearings to be held
July 29, 1948, beginning at 10:00 o'clock
a. m. on that day in the City of San-
ta Fe, New Mexico.

STATE OF NEW MEXICO TO:

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

Case No. 152

In the matter of the application of
Grayburg Oil Company of New Mexi-
co and Western Production Company,
Inc., for an order granting permis-
sion to drill twenty-eight unortho-
dox locations on leases within the
boundaries of the Grayburg Coopera-
tive and Unit Area in T.17 S. R. 29
and 30 E. N.M.P.M. in the Grayburg-
Jackson pool, Eddy County, New Mex-
ico.

Case No. 154

In the matter of the application of
Magnolia Petroleum Company, a cor-
poration of Dallas, Texas, for approval
of the Foster Unit Area and Agree-
ment, covering and including the fol-
lowing described lands: Lots 1 and 2,
S $\frac{1}{2}$ SE $\frac{1}{4}$, section 33; Lots 1, 2, 3, 4, and
5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, section 34; Lots
1, 2, 3, 4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$,
section 35; Lots 1, 2, 3, and 4, S $\frac{1}{2}$ -
S $\frac{1}{2}$ section 36, T.20 $\frac{1}{2}$ S. R.22
E; S $\frac{1}{2}$ section 13, S $\frac{1}{2}$ section
14; all sections 22, 23, 24, 25, 26, 27,
28, 33, 34, 35 and 36, T.20 S. R.23 E;
Lots 1, 2, 3, 4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ -
SW $\frac{1}{4}$, section 31; Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$, sec-
tion 32, T.20 $\frac{1}{2}$ S. R.23 E; Lots 3 and
4, E $\frac{1}{2}$ SW $\frac{1}{4}$, section 18; Lots 1, 2, 3, and
4, E $\frac{1}{2}$ W $\frac{1}{2}$, section 19; Lots 1, 2, 3, and
4, E $\frac{1}{2}$ W $\frac{1}{2}$, section 30; Lots 1, 2, 3,
and 4, E $\frac{1}{2}$ W $\frac{1}{2}$, section 31, T.20 S. R.24
E, N.M.P.M. containing 10,289.50 acres,
more or less, in Eddy County, New
Mexico.

Case No. 155

In the matter of the application of
the New Mexico Oil Conservation
Commission, at the request of the Lea
County Operators Committee for an
order clarifying and amending Com-
mission Order No. 52, dated Febru-
ary 1, 1937, and relating to rules and
regulations for Lea County pools.

Case No. 156

In the matter of the application of
the New Mexico Oil Conservation
Commission at the request of the Lea
County Operators Committee for an
order amending Commission No. 712 of
August 4, 1947, and known as the Lea-
Eddy-Chaves Counties New Mexico
Gas Oil Ratio Order.

Given under the seal of the Oil Con-
servation Commission of New Mexico
at Santa Fe, New Mexico on July
14, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COM-
MISSION

By R. R. SPURRIER
Secretary.

(SEAL)

**BOARD 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, of the following public hearings to be held July 29, 1948, at 10:00 a. m. on that day at the City of Santa Fe, New Mexico.

ORDER OF NEW MEXICO TO: All persons residing in the following areas, and notice to the public:

Case No. 124

In the matter of the application of Grayburg Oil Company of New Mexico and Gradyburg Production Company, Inc., for an order granting permission to drill twenty-five Grayburg locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T.17 S. R.20 E. and 30 E. N.M.P.M., in the Grayburg-Jackson pool, Eddy County, New Mexico.

Case No. 124

In the matter of the application of Magnolia Petroleum Company, a corporation of Texas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S.14E.1/4, section 22; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 24; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 26; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 28; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 30; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 32; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 34; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 36; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 38; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 40; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 42; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 44; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 46; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 48; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 50; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 52; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 54; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 56; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 58; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 60; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 62; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 64; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 66; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 68; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 70; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 72; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 74; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 76; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 78; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 80; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 82; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 84; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 86; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 88; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 90; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 92; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 94; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 96; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 98; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 100; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 102; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 104; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 106; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 108; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 110; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 112; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 114; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 116; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 118; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 120; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 122; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 124; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 126; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 128; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 130; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 132; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 134; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 136; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 138; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 140; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 142; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 144; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 146; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 148; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 150; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 152; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 154; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 156; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 158; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 160; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 162; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 164; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 166; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 168; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 170; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 172; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 174; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 176; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 178; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 180; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 182; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 184; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 186; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 188; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 190; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 192; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 194; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 196; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 198; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 200; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 202; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 204; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 206; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 208; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 210; Lots 1, 2, 3, 4, and 5, S.14E.1/4, S.W.1/4, section 212; Lots 1, 2, 3, 4, and 5, S.

State of New Mexico)
County of Santa Fe) ss.

I, Will Harrison, being first duly sworn,
declare and say that I am the (Business Manager) (Editor) of the Santa Fe
New Mexican, a daily newspaper, published in the English
Language, and having a general circulation in the City and County of Santa Fe, State of
New Mexico, and being a newspaper duly qualified to publish legal notices and adver-
tisements under the provisions of Chapter 167 of the Session Laws of 1937; that the
publication, a copy which is hereto attached, was published in said paper ~~once each week~~
for one time ~~once each week~~ once each week ~~once each week~~ each week as
the regular issue of the paper during the time of publication, and that the notice was
published in the newspaper proper, and not in any supplement, ~~once each week~~ for
one time ~~once each week~~ once each week ~~once each week~~ once each week ~~once each week~~
15th day of July, 1948, ~~and no other publica-~~
~~tion made~~ therein ~~therein~~ therein; that payment
for said advertisement has been (duly made), or (assessed as court costs); that the
undersigned has personal knowledge of the matters and things set forth in this affidavit.

time at \$ 7.90
times, \$
Tax \$
\$ 7.90

Will Herndon
Editor ~~Manager~~
Subscribed and sworn to before me this 15th
day of July, A.D., 1948
Anna K. Ormsbee
Notary Public
My Commission expires
June 14, 1949

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

July 16, 1948

Mr. John R. Cochran, Jr.
Attorney-at-Law
Artesia, New Mexico

RE: Case No. 152

Dear Mr. Cochran:

This is to advise you that the above captioned case, in the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc. for an order granting permission to drill 25 unorthodox locations in T.17 S., R. 29 and 30 E.,ddy County, will be heard at 10:00 o'clock a.m., July 29, 1948, Santa Fe, New Mexico, in the House of Representatives.

Very truly yours,

bpw

GEORGE A. GRAHAM, Attorney

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

July 13, 1948

C
O
P
Y

CARLSBAD CURRENT ARGUS
Carlsbad, New Mexico

RE: Notice of Publication - Cases 152,
154, 155 and 156

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

GEORGE A. GRAHAM, Attorney



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Box 187,
Artesia, New Mexico,
September 21, 1949.

Grayburg Oil Company of New Mexico,
P. O. Box 416,
Leco Hills, New Mexico.

Re: L. C. 028793 (a)

Gentlemen:

Receipt is acknowledged of your "Notice of Intention to Drill" dated September 20, 1949, covering your well # 25, Burch A, on the subject lease in the NW NE $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 19, T. 17 S., R. 30 E., Grayburg-Jackson field, Eddy County, New Mexico.

Your proposed work is hereby approved subject to compliance with provisions of the "Oil and Gas Operating Regulations" revised May 25, 1942, a copy of which will be sent you on request, and subject to the following conditions:

1. Drilling operations so authorized are subject to the attached sheet for general conditions of approval.
2. Furnish the U. S. Geological Survey a sample description from the base of the salt to the total depth.
3. The location approved for proration purposes by the New Mexico Oil Conservation Commission Order No. 791.

Very truly yours,

John A. Frost
JOHN A. FROST.
District Engineer.

(SUBMIT IN TRIPLICATE)
UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Land Office Las Cruces

Lease No. 228793-A

Unit Burch A

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL.....	<input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF WATER SHUT-OFF.....	
NOTICE OF INTENTION TO CHANGE PLANS.....		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING.....	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF.....		SUBSEQUENT REPORT OF ALTERING CASING.....	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL.....		SUBSEQUENT REPORT OF REDRILLING OR REPAIR.....	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE.....		SUBSEQUENT REPORT OF ABANDONMENT.....	
NOTICE OF INTENTION TO PULL OR ALTER CASING.....		SUPPLEMENTARY WELL HISTORY.....	
NOTICE OF INTENTION TO ABANDON WELL.....			

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

Loco Hills, New Mexico, September 20, 1949

Well No. 25-A is located 2615 ft. from W line and 1895 ft. from E line of sec. 19

Approx C of N Sec 19 17-S 30-E N.M.P.M.
(4 Sec. and Sec. No.) (Twp.) (Range) (Meridian)
Grayburg-Jackson Edy New Mexico
(Field) (County or Subdivision) (State or Territory)

The elevation of the derrick floor above sea level is ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

WE PROPOSE TO DRILL THIS WELL AS FOLLOWS:

OBJECTIVE: Grayburg-Jackson Zone.

TOTAL DEPTH: Approximately 3210 feet.

CASING PROGRAM: Salt String - will set approximately 500 feet of 8-5/8" OD 21# casing at top of salt and cement with 50 sacks cement preceded by heavy mud to surface.

Production String - will set approximately 2920 feet of 7" OD 20# casing and cement with 100 sacks cement preceded with heavy mud to surface.

ACIDIZING PROGRAM: To be submitted at a later date.

DRILLING OPERATIONS TO COMMENCE: On or about September 26, 1949.

REMARKS: This unorthodox well location was approved by NMOCC Order No. 791.
Well will be produced in accordance with NMOCC Order No. 802.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company GRAYBURG OIL COMPANY OF NEW MEXICO

Address Box 416

Loco Hills, New Mexico

By R. J. Heard

Title R. J. Heard
Vice President

PLEASE READ BEFORE STARTING OPERATIONS

Attention is called to the following general and special requirements most likely to be overlooked by operators on Federal oil and gas leases. Suspension of field operations may be required by the District Engineer for failure to comply with the Operating Regulations, the conditions of drilling approval, and these requirements:

GENERAL

1. All drilling and producing wells shall be permanently marked in a conspicuous place with the name of operators, lease name, serial number of lease, well number, and location. Necessary precautions must be taken to preserve such signs.
2. Any desired change of drilling plan or condition of approval must have written approval of the District Engineer BEFORE the change is made.
3. Unless otherwise specified in the approval to drill, the production string of casing must be set at the top of the pay zone, the completion shall be made with a reasonable gas-oil ratio.
4. Before work is started, written approval must be obtained, unless other acceptable arrangements are made in advance with the District Engineer, and after work is completed results must be reported to the U. S. Geological Survey by submitting complete information in triplicate on form 9-331a, covering:
 - a. Mudding or cementing, including proposed date and method of testing water shut-off.
 - b. Drill-stem tests or perforating.
 - c. Casing alterations, packer settings, or repairs of any kind.
 - d. Shooting, acid treatment, deepening or plugging back.
 - e. Gas-lift installations.
 - f. Drilling of water wells.
5. Monthly report of operations in duplicate, on form 9-329, must be submitted promptly each month beginning with spudding of the first well on a lease and continuing until approved abandonment of all drilling and producing operations.
6. Log, in triplicate, on form 9-330, must be submitted within 10 days of reaching temporary or permanent drilling depth. Copies of all electrical logs, sample cutting logs, drilling-time logs, and any other well information not given on the standard form, should be attached to same.
7. Separate application to drill any water well on federal land is required, and special procedure is necessary for abandonment of any well having a desirable water supply.
8. All wells and lease premises shall be maintained in first class condition with due regard to safety, conservation, appearance, and refuse disposal.
9. The notice of intention to drill any well is rescinded without further notice if drilling is not started within 90 days of approval.
10. Cement must be allowed to set a minimum of 72 hours on all strings of casing prior to drilling the plug, except for modifications provided by the Supervisor's order dated March 18, 1947, copy of which will be furnished on request

SPECIAL (none, if so indicated.)

GRAYBURG OIL COMPANY
OF NEW MEXICO
ARTESIA, NEW MEXICO

FIELD OFFICE
P. O. BOX NO. 418
LOCO HILLS, NEW MEXICO

October 8, 1949

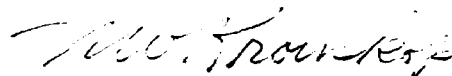
Mr. A. R. Spurrier, Director
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Sir:

In compliance with NMCCC Order No. 791 I am enclosing herewith one copy of Notice of Intention to Drill our Burch No. 25-A Well approved by the U.S. Geological Survey. This unorthodox well is located within the Grayburg Cooperative and Unit Area and, if completed as a commercial well, will be produced in accordance with NMCCC Order No. 802.

Very truly yours,

GRAYBURG OIL COMPANY OF NEW MEXICO



N. W. Krouskop, Engineer

NWK:gb

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

CASE NO. 152
ORDER NO. 791

THE APPLICATION OF GRAYBURG OIL COMPANY
OF NEW MEXICO, AND WESTERN PRODUCTION
COMPANY, INC., FOR AN ORDER GRANTING
PERMISSION TO DRILL TWENTY-EIGHT UNORTH-
DOX LOCATIONS ON LEASES WITHIN THE BOUND-
ARIES OF THE GRAYBURG COOPERATIVE AND
UNIT AREA, IN TOWNSHIP 17 SOUTH, RANGES
29 AND 30 EAST, N.M.P.M., IN THE GRAYBURG-
JACKSON POOL OF EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing at 10 o'clock A.M. on the 29th day of
July, 1948 at Santa Fe, New Mexico, before the Oil Conservation Commission of New
Mexico, hereinafter referred to as the "Commission".

NOW, on this 15 day of November 1948, the Commission, having before it
for consideration the testimony adduced at said hearing and being fully advised
in the premises,

FINDS:

1. That due public notice having been given as provided by law, the Com-
mission has jurisdiction of this cause.

2. That the acreage involved in the Application is Federally owned and
the Supervisor of the United States Geological Survey interposes no objections
to the Application.

3. That leases covering the following described lands in said Grayburg
Cooperative Unit Area are owned by Grayburg Oil Company of New Mexico:

BURCH "A" LEASE, Las Cruces Serial No. 028793, described
as S/2 S/2 Section 13, N/2 and N/2 S/2 Section 19, Township
17 South, Range 30 East, N.M.P.M.

BURCH "B" LEASE, Las Cruces Serial No. 028793-84, described
as NW/4, N/2 SW/4 Section 18, S/2 SW/4 Section 19, NW/4
Section 30, Township 17 South, Range 30 East; NE/4 and SW/4
Section 23, Township 17 South, Range 29 East, N.M.P.M.

KEELY "A" LEASE, Las Cruces Serial No. 028784, described as NE/4
SE/4, S/2 S/2 Section 13, N/2 NW/4, SW/4 NW/4, N/2 SW/4, NE/4,
N/2 SE/4 Section 24, Township 17 South, Range 29 East, N.M.P.M.

KEELY "B" LEASE, Las Cruces Serial No. 028784-93, described as
S/2 SW/4 Section 24, N/2 NW/4 Section 25 and E/2 Section 26,
Township 17 South, Range 29 East, N.M.P.M.

DEXTER LEASE, Las Cruces Serial No. 054406 described as SE/4 NW/4
Section 24, Township 17 South, Range 29 East, N.M.P.M.

That leases covering the following described lands in said Grayburg
Cooperative and Unit Area are owned by Western Production Company, Inc.

BURCH "C" LEASE, Las Cruces Serial No. 028793, described as NE/4,
N/2 SE/4 Section 18, S/2 SE/4 Section 19, NE/4 and S/2 Section
30, Township 17 South, Range 30 East, N.M.P.M.; NW/4 and SE/4
Section 23, Township 17 South, Range 29 East, N.M.P.M.

Santa Fe office
Copy

Afternoon session of the
hearing before the Oil
Conservation Commission
of July 29, 1948.

MR. SETH: On behalf of the Lea County Operators we would like to return to Case 152, the Grayburg and Western Production Co. matter. The announced decision of the Commission we fear will establish a bad precedent or a precedent that might be troublesome. It may be right in this case. But this departure from a unit allowable to a lease allowable might cause all manner of complications, and as I understand that application would--the order of the Commission would authorize that in certain cases. I would like on behalf of the Lea County Operators to have an opportunity to get a copy of the transcript and be further heard. The unit allowable has been the rule in this State for so long and operated so well we question anything that might be a departure from it. As soon as we can get the transcript and a copy of the application, Lea County Operators will either ask for further hearing or withdraw their objections. I also want to call your attention to the fact that the notice gave no warning other than unorthodox location of wells. It comes to us entirely by surprise, and as a matter of fact, we couldn't hear one third of the testimony taken on the matter this morning. I hope the stenographer could hear more of it.

COMMISSIONER SPURRIER: Judge, your thought is to ask for the case to be continued?

MR. SETH: That's right.

COMMISSIONER SPURRIER: More or less indefinitely?

MR. SETH: We don't want to delay these people. We want a chance to study the transcript. I hope the stenographer heard more of it than we did sitting in the back.

COMMISSIONER SPURRIER: The objection, if there is any, is to

the allowable or to the proration scheme, not to the drilling of the unorthodox locations?

MR. SETH: Not at all, no. We have no objection to that.

That is what we thought the application was for.

COMMISSIONER MILES: I tried to question somebody on that. I wasn't sure that I understood it fully, too. This morning I thought that perhaps somebody would bring up some objections and I talked to some of the people later, and they said they didn't hear the testimony.

MR. SETH: The matter is two wells on more than a 40-acre allowable being produced through those two wells, as I understand the proposition.

MR. COCHRAN: If the Commission please, Grayburg and Western Production Co. regret that some of the people here didn't hear all the testimony this morning. We certainly want Lea County Operators to have a chance to review the testimony. However, naturally since there is no objection to the drilling of unorthodox locations, and since Grayburg has two rigs available, they would like to proceed with the drilling of the first two wells.

MR. SETH: No objection on our part to that.

MR. COCHRAN: And naturally also with reference to the allowable question, they would like that the matter not be continued for any longer time than possible because it is an extensive drilling program and they would like to know what their allowable position is. Now, with reference to Mr. Seth's remarks about the notice. Well, my observation has been and I believe the Commission will agree that in an application asking for any unorthodox locations it always involves a question of allowable. I mean that appears to me to be part of the question itself. And it certainly wasn't Grayburg's or Western Pro-

duction Co.'s idea that the notice not disclose fully everything that they intended to present. And I know that wasn't in the mind of the Commission when they prepared the notice. But we would like to go ahead with the drilling of these wells, and go into this allowable question further with the Lea County Operators at the earliest possible date. It may be that Mr. Morrell might have some suggestions with reference to this that might be helpful.

MR. MORRELL: If the Commission please, the thought occurs to me in view of the fact that I had considerable contact with the formulation and preparation of the agreement leading to the application to the Commission that I might be able to add some history and background and thoughts that might be helpful to the operators in Lea County. I wonder though at this time whether to save the time of the Commission to allow you to proceed with the remainder of the cases on your docket and upon completion of those I would be glad to make several remarks for the benefit of the Lea County Operators.

COMMISSIONER MILES: Mr. Seth, you wanted an opportunity to study the testimony?

MR. SETH: Yes. It may be that under the circumstances Grayburg is entirely proper. But we don't know and we don't want a precedent established. That is our whole interest.

COMMISSIONER MILES: You will as soon as possible

MR. SETH: As soon as we get it--the stenographer's transcript.

COMMISSIONER MILES: Then it will be continued until such time as you have an opportunity to study the transcript.

MR. SETH: All right.

MR. COCHRAN: The continuance will be only as to the allowable question? The unorthodox locations are granted?

COMMISSIONER MILES: Anybody else want to say anything?

MR. MORRELL: Will I have an opportunity to say something after the finish of this meeting?

COMMISSIONER MILES: Yes, sir.

MR. MORRELL: I may be able to answer some thoughts that have not been yet presented.

COMMISSIONER MILES: We will be glad to hear you. Call the next case.

(Mr. Graham reads the notice of publication in Case No. 155.)

MR. CARD: I represent Lea County Operators.

COMMISSIONER SPURRIER: Mr. Card, will you please come forward?

MR. CARD: I represent Lea County Operators Committee. This proposed order was considered at a meeting of the Lea County Operators Committee yesterday and it was unanimously--the motion was unanimously adopted that this proposed order should be presented to the Commission for adoption. Mr. Hosford.

MR. SETH: As the Commission sees, it is a paragraph to take the place of two paragraphs in the old Order 52. I would like to have Mr. Hosford sworn.

Eugene Hosford, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. SETH:

Q. Please state your name.

A. Eugene Hosford.

Q. By whom are you employed?

A. Gulf Oil Corporation.

Q. In what capacity?

A. Assistant Chief Production Engineer.

Q. You have never testified before this Commission.

A. No, sir.

Q. Will you please state your training and qualifications briefly? And experience.

A. I graduated from the University of Oklahoma with an engineering degree, and since that time, the last thirteen years, have been employed by Gulf as an engineer.

Q. In oil production?

A. In oil production.

Q. Have you been employed in Lea County?

A. No, sir, I have not.

Q. This order provides for the production of oil with a certain maximum per cent, above which they shall not go on any one day. Will you please state the substance of the order and your view as to whether it is proper or not?

A. In effect, the order states that any unit cannot be produced in excess of 125 per cent of its daily allowable in any one day. In my opinion, the amendment is a good one in that there is some question in the minds of the pipe line companies as to whether they should run available oil that would exceed the summation of the daily allowable to that date. Now this amendment will clarify this situation. It goes even further than that, and probably of more importance in that it is a conservation measure. First, it restricts the rate of flow, and does not permit excessive rates, and this in itself would be more conducive to the proper operation of the reservoir. Secondly, and even more important these days, is the fact that by distributing the oil and gas production throughout the month in place of producing it in one or two days, or I should say in a week's time, it will make possible a more continuous flow of natural gas into the gasoline plants,

and this in turn will permit more efficient operation of the plants and minimize wastage of gas.

Q. Under this order a man couldn't produce a week's allowable in one day?

A. That's right.

Q. It must be spread more or less evenly over the month?

A. That is correct.

Q. Do you favor its adoption as a conservation measure?

A. Yes, sir, I do.

MR. SETH: I believe that is all we have.

COMMISSIONER MILES: Anyone else have a question?

MR. MORRELL: I would like a clarification of that testimony just presented. A week's allowable could be made up in one day?

A. Could not be.

Q. I would also like a little clarification, if possible, for the benefit of those who were not in attendance of the Lea County Operators Committee meeting yesterday. There was one or two that made the comment that this would allow a well to be produced at the rate of 125 per cent normal allowable for each day in the calendar month. I don't think that this is what the order intends.

A. I don't believe the order says that, Mr. Morrell. I believe it says that the owner or operator shall not produce from any unit during any calendar month any more oil than the allowable production for such unit as shown by the proration schedule. That is pretty plain. The other provision is that it shouldn't be produced over 125 per cent of the daily allowable on any one day.

Q. I think your statement is correct. I just wanted to call your attention to the fact so that there wouldn't be any

erroneous impressions.

COMMISSIONER MILES: You were reading from the order?

A. From the proposed amendment.

COMMISSIONER MILES: Anyone else? If not, we will take it under advisement. Next case.

(Mr. Graham reads the notice of publication in Case No. 156.)

MR. CARD: I represent Lea County Operators Committee. This proposed order likewise was considered yesterday in the meeting of the Lea County Operators and a motion was unanimously adopted that the proposed order be presented for adoption to the Commission.

R. S. Dewey, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. SETH:

Q. State your name, please.

A. R. S. Dewey.

Q. By whom are you employed?

A. I am employed by the Humble Oil and Refining Co.

MR. SETH: I don't think it is necessary to qualify Mr. Dewey before this Commission.

COMMISSIONER SPURRIER: No.

Q. Mr. Dewey, please state to the Commission the effect of this proposed amendment and your views as to whether it is a proper one for conservation of gas and oil.

A. As I understand the intent and purpose of this amendment, it is to establish a method of gas proration in an oil reservoir on a comparable and similar basis to the method now used for prorating oil in the same reservoir. When and if the Commission sees fit to adopt this amendment, the effect will be to automatically set a top allowable for gas production

on a unit basis similar to the top allowable that is now in effect for oil production on a unit basis.

Q. It is applicable only to pools producing both oil and gas?

A. That's right. It is limited to those oil and gas reservoirs in which the Commission has deemed it advisable to set a limiting gas-oil ratio. It does not refer at all to gas fields where no oil production is available. I believe that it is a conservation measure in keeping with the statutes as outlined in Section 12, and that it will afford the operators an opportunity to more nearly recover their proportionate part of the oil and gas underlying their properties. I think the first paragraph has particular reference to the first paragraph of Section 12 of the statutes. I believe that is all I have to say, unless somebody has a question they care to ask.

Q. The effect of it would be this, as I understand it. If the oil-gas ratio is 4,000, and the top unit allowable is 40 barrels, it would be 40 times 4,000, which would be all the gas from a field producing both oil and gas--all the gas they would be permitted to produce?

A. That is correct. If an operator on one unit had an oil well under the current proration schedule the Commission had established--a limiting ratio of 4,000 for that particular reservoir and the allowable of 40 barrels--then the operator on that adjoining tract of land who had a gas well would be permitted to produce 40 times 4,000 cu. ft. of gas per day.

Q. You welcome its adoption?

A. I do.

Q. And you appear here for the Lea County Operators?

A. I do.

MR. SETH: That is all.

COMMISSIONER SPURRIER: Mr. Dewey, just for the purpose of clarification for myself

COMMISSIONER MILES: And me too. (Laughter)

COMMISSIONER SPURRIER: And Governor Miles. I interpret what you have said, and Judge Seth has said, to mean that any pool in New Mexico, or Lea, Eddy, and Chaves counties, New Mexico, that has a gas-oil ratio will fall within the meaning of this order. But that fields which do produce oil--well, for example Langlie-Mattix--and have no gas-oil ratio will not be affected by this order.

A. That is my interpretation of it. I think that is the intent of this amendment.

COMMISSIONER SPURRIER: While the Commission has no order which defines a gas well from an oil well, or a gas pool from an oil pool, this order has the purpose of preventing the withdrawal of excessive amounts of reservoir energy in the form of gas from a pool which is primarily an oil pool?

A. That's right. It is an order to equalize the withdrawals between operators, to give everybody the same opportunity to recover the fluids and benefit by the energy contained in the gas.

COMMISSIONER SPURRIER: That is all I have.

COMMISSIONER MILES: Anyone else have any statements or questions?

MR. MORRELL: Governor Miles, I would like to enter in the record that we do concur in that proposed order as to Federal lands. We are at the present time using that exact process. We have two wells on a Federal lease in the Square Lake pool producing solely gas from a definite oil-producing zone. And they have been allowed--although not taken the opportunity--to produce the allowable gas-oil ratio to the top oil allowable

for that pool. We are doing the same thing for the Amon G. Carter well in Section 22 South, 37 East, which was recently completed as a gas producing well in the Drinkard zone. And they are limited to withdrawals exactly in accordance with this proposed order.

COMMISSIONER MILES: Anyone else wish to ask any questions or make any statements regarding this matter? If not, it will be taken under advisement.

MR. GRAHAM: May I ask one question? Judge Seth, this suggested amendment to the Commission's order. Where do you suggest it go?

MR. SETH: I don't think it is on the general Lea County order. That is where I think it belongs. 712.

MR. GRAHAM: 712, but no specific section?

MR. SETH: No, just a new rule.

MR. GRAHAM: That will be an addition to that order?

MR. SETH: Yes, that's right.

COMMISSIONER SPURRIER: I have a question. I believe that Order 52 applies to Lea County only. Is that right?

MR. SETH: We recommend that it apply to all of them.

COMMISSIONER SPURRIER: The recommendation is that this order apply to Lea, Eddy, and Chaves counties?

COMMISSIONER MILES: What was the answer, yes?

MR. SETH: Yes.

COMMISSIONER MILES: This case will be taken under advisement and we will proceed with the next case.

(Mr. Graham reads the notice of publication in Case No. 110.)

MR. CARD: I represent Lea County Operators Committee. This proposed order covering Case No. 110 was also considered in the meeting of the Lea County Operators Committee yesterday.

And a motion was unanimously adopted that the proposed order be submitted to the Commission for their adoption. We would like to call your attention to the fact that this proposed order doesn't cover gasoline plants and pipe line operations with regard to reclaiming waste oil, and it is suggested that the Commission appoint a committee representative of the gasoline plant operators to write a proposed order.

R. S. Dewey, recalled for further testimony, testified as follows:

DIRECT EXAMINATION BY MR. SETH:

Q. You are the same R.S. Dewey that testified in the preceding case?

A. I am.

Q. Have you gone over this proposed order?

A. I have.

Q. To get the record clear. It is limited entirely to lease oil, is it not?

A. That's right. It is an operator's order.

Q. And it has nothing to do with pipe cleaning, pipe line tank bottoms or the recovery of drippings from gasoline plants?

A. That's right. It might have some application in that it sets up some rules and regulations about cleaning plants and that sort of thing, but it is not applicable to either pipe lines or gasoline plants in the full sense.

Q. Will you discuss the purpose of the order and your view as to it, Mr. Dewey?

A. The purpose of this order, as I see it, is to set up the mechanics to be followed by the oil producer in the reclamation of tank bottoms and provide means that such reclaimed production can be disposed of under the regulations of the Commission. The proposed order sets out in detail

the method of making reports to the Commission relative to the amount of reclaimed merchantable oil, and provides a means for a processing plant to dispose of the merchantable oil, all under the Commission's direction. It also sets out a means for any person or firm desiring to enter into the reclamation of tank bottoms as a business, how they shall proceed to obtain a permit from the Commission to engage in that business. Besides the reclamation of tank bottoms, it also provides for a means for reclaiming merchantable oil that is incident to drilling in operations or otherwise lost in pits. The order further defines the terms that are used in the main body of the order.

Q. It requires this reclaimed oil to be charged back against allowable of the unit, does it not?

A. That's right. Whatever oil merchantable oil accumulates and can be recovered from tank bottoms is subject to the royalty being paid by the producer.

Q. In your opinion, does it provide proper safeguards against any possible abuse through these reclamation plants?

A. I think that it will prevent abuse by these reclamation plants due to the fact that sworn statements are required from the operator or producer relative to the location and amount of tank bottoms that are to be processed. And also by the reclamation unit in the amount of recoverable merchantable oil that they obtain from such tank bottoms.

Q. It requires the operator of one of these reclamation plants to give bond to comply with the law?

A. That's right. His charter can be revoked.

Q. His permit is good only for one year and has to come up for review of the situation every year. Is that right?

A. That's right.

MR. SETH: I believe that is all I have.

COMMISSIONER MILES: Anybody else have any questions or statements regarding the matter?

MR. FAMARISS: If the Commission please. Mr. Dewey, under rule 1, section d, the first sentence.

COMMISSIONER MILES: What are you referring to now?

MR. FAMARISS: Rule 1, section d. In this section the following words appear; "Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated". Is this construed to mean that if a tank is cleaned and the bottom used on the lease, no tank cleaning permit is necessary or must be filed with the Commission, and that there shall be no charge back of any allowable in this instance?

A. That is my understanding of it, Mr. Famariss. That is, if the operator wants to clean his own tanks, and the oil is not disposed of except in the regular manner similar to any oil produced on the lease. The operator doesn't have to get a permit to clean his tanks.

Q. What do you mean by if it is disposed of in the regular manner?

A. I think under C-110, the regular form that the operator

Q. Isn't that taken care of in the second part, "or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission." Is that particular instance permitting the producer the rightful liberty to treat his own tank bottoms and run them through a pipe line?

A. That is the intent of the order. If a producer desires to treat his own tank bottoms, he should be permitted to do so.

Q. Yes, but the first thought in my mind would not indicate

that. In other words, nothing contained in this order shall apply to tank bottoms used on the lease. Not treated and sold through a pipe line.

A. As I understand the intent of this, Mr. Famariss, it is that every operator in his discretion has the right to go in and clean his tanks and recover what merchantable oil he can, and that merchantable oil can be pumped right into the other stock tanks on the lease and be disposed of in the normal manner through some authorized transporter. There will probably be some residue that accumulates in that process that there would be no point in making a report to the Commission relative to.

Q. If we delete my citation, would not that liberty still exist?

A. Oh, I think the inference would be there that the operator still had the right. This just sets it out specifically. He has the right to reclaim his own oil and dispose of it.

Q. That part I thoroughly agree with.

A. Which part do you wish to delete?

COMMISSIONER MILES: And why.

MR. FAMARISS: I wish to delete the following: "Nothing contained in this order shall apply" and delete the words "to tank bottoms used on the lease from which the tank bottoms accumulated or". The deletion is as follows: "to tank bottoms used on the lease from which the tank bottoms accumulated or " Just these words. They are the exact deletions in my request.

THE WITNESS: Would you mind reading out--reading it after you get through with all this deletion business? I can't write as rapidly as this gentleman here.

MR. FAMARISS: Yes, sir. "Nothing contained in this Order

shall apply to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission."

A. You know I can't keep up with this gentleman in taking this thing down. If you wouldn't mind going a little bit slower.

MR. PAMARISS: All right. "Nothing contained in this Order shall apply to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission." If the Commission please, that request is made with the following thought. It would seem that a producer could have the right to clean a tank bottom into a pit, which would constitute its remaining on the lease, and destroy that tank bottom. And by the inference contained in the words which I requested be deleted, he therefore would come under no provisions of this order. He would not have to file a tank cleaning report. He would have no allowable charge back. So, in deduction, it would round itself out to mean that if a producer--of which there are some--wishes to market his emulsions through a reclamation plant, then he must fill out under oath a tank cleaning order. He must go through a very elaborate test of that emulsion by virtue of A.P.I. Code 25, Section 5--by the way, a minimum number of turns of the centrifuge machine is 9,000--and then it is to be charged back against his allowable. I can only construe this to mean that in order to do business with a reclamation plant, the operator must therefore suffer expense and penalty. Whereby, were these words which I requested deleted, there would be no one exempt from filing a tank cleaning report if he had a tank to clean,

oil
and the merchantable/therefrom returned by the A.P.I. test
would be charged back against his allowable from the producing
unit from which the accumulation came. In other words, in
my opinion it is an instance to evade any jurisdiction of
the order in that specific instance. I have no quarter to
ask at all in the producer being able to treat his own bottoms.
I think that is just good oil business. I would like also to
have clarified this matter of the shake-out test.

COMMISSIONER MILES: The matter of what?

MR. FAMARISS: Shake-out test. Rule 1, Section b, where it
states that the emulsion shall be subject to the centrifuge test
as provided under A.P.I. Code 25, Section 5. Could someone
explain to me what would constitute the merchantable oil?
Shall it be that mass above the water line, or shall it be
that fluid oil above the solid line? The reason I ask that
is, in a shake-out test--in a shake-out of a tank bottom there
is a very substantial section of solids above your water.
And my interpretation is that the crude oil lies above those
solids. I would like to have that clarified by someone
capable of answering it.

COMMISSIONER MILES: Anyone care to clarify the paragraph?

THE WITNESS: When you heat that oil to 120 degrees as pro-
vided here, won't most of those solids that are--that may be
considered as merchantable hydrocarbons, won't they go into
solution then?

MR. FAMARISS: No, Mr. Dewey, the tank bottoms which we are
marketing attain fluidity somewhere above 150 degrees. In
other words, at 120 degrees you will have a solid mass above
your water line.

MR. DUNLEAVY: Mr. Dunleavy of Skelly Oil. Where are you
getting these 150 degrees?

MR. FAMARISS: I have not secured, nor solicited, or processed

in any manner or obtained a production tank bottom. The order as submitted covered the producer, and inasmuch as there has never been any specific clear method of obtaining a production tank bottom, we have never handled one.

MR. DUNLEAVY: How many shake-outs have you taken on a producing property from the time you have been in business?

Not very many on a producing property.

MR. FAMARISS: I have taken several shake-outs on tank bottoms.

MR. DUNLEAVY: What was the temperature of the oil?

MR. FAMARISS: Everything from cold to 180 degrees.

MR. DUNLEAVY: 180 degrees?

MR. FAMARISS: 180 degrees.

MR. DUNLEAVY: What do you take a shake-out in?

MR. FAMARISS: In a centrifuge machine.

MR. DUNLEAVY: Under what conditions?

MR. FAMARISS: How do you mean?

MR. DUNLEAVY: You develop a heat of 180 degrees.

MR. FAMARISS: We don't heat.

MR. DUNLEAVY: In hot water?

MR. FAMARISS: No, steam. Subject your centrifuge to the steam. Subject your mass before you pour it in to steam.

MR. DUNLEAVY: And you come up with?

MR. FAMARISS: That depends upon what we were sampling. If sampling an unclean bottom, we might come up with sixty per cent water, thirty per cent of a parafine-natured thick mass, and ten per cent of what could be construed to be oil.

MR. DUNLEAVY: I see. If it please the Commission. About eighty-five per cent of the operators have asked and petitioned the Commission that this proposed order be adopted. I would like to ask Mr. Famariss if he is an oil producer in Lea County?

MR. FAMARISS: No, I am not.

MR. DUNLEAVY: Thank you.

MR. KELLY: I am an independent. I would like Mr. Famariss to clarify a statement he just made. I didn't sit in on the Lea County Operators Committee order. But Mr. Famariss has stated that one producer can clean his own tank bottoms, circulate the good oil back into other tanks and sell to a pipeline, or he can hire a service company to do that job for him.

MR. FAMARISS: Sure.

MR. KELLY: What if a producer doesn't want to do either?

MR. FAMARISS: What do you mean?

MR. KELLY: Will you drive your service outfit 150 miles to service a tank bottom?

MR. FAMARISS: Yes, if there be sufficient oil.

MR. KELLY: In other words, you are stating that the independent operator has to hire at a high fee someone to service his oil that would not be worth the service charge?

MR. FAMARISS: No.

MR. KELLY: You state a producer that does not wish to--suppose a man with a one-well lease. The way he cleans his tank is get his run the best he can and drag the residue out on the ground. He can't do that you think?

MR. FAMARISS: If that was the inference that was made it was certainly unintentional. If there is an allowable charge back--that by virtue of its going into a reclamation market--the charge back is established by any other disposition agreement, including the district, is not charged back against the operator.

MR. KELLY: In order to further clarify it, would you please read through it again?

MR. FAMARISS: Yes, sir.

COMMISSIONER MILES: I think if you will just strike out the

words he wants deleted you can read it.

MR. KELLY: All right, sir.

MR. MORRELL: I would like to interject a thought. That the suggestion that Mr. Famariss has made for deletion is rather academic inasmuch as every lease operator has that right under his lease instrument to use oil produced on the property on the leasehold. And that is all that phrase means. As I would take it, the primary purpose is that there would be nothing under this proposed order to prevent an operator from doing what he could do to take a tank bottom and put it on the leasehold.

MR. FAMARISS: But then if there is a tank cleaning order--do you believe that there should be exceptions to the tank cleaning order?

MR. MORRELL: It wouldn't make any difference whether it is in the order or not. Actually this is for transporting and reclamation, and if you use it on a leasehold, you are not doing anything that comes under this order.

MR. KELLY: Would you answer this? If the tank bottom goes into a reclamation market, a tank cleaning permit must be secured, but if anyone else--but if anything else is done with it, it is not necessary to secure one, and there is no allowable charge back.

MR. MORRELL: I think you have a point there. And right along that line, I want to suggest something that may answer Mr. Famariss' proposal. We have a reference under rule 2,(d) to the treating of tank bottoms on the lease. Now, that is the only reference that I find, by quick observation, throughout the whole order to a lease. It occurred to me--the thought I had was to possibly include in the reference clause in the

third paragraph, "the following rules and regulations are hereby adopted to govern, regulate and controle the cleaning of all tanks used in the handling, production, and/or measuring, and storing of crude oil in the State of New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up" and insert after "picking up" "the removal from the leasehold on which such oil was produced."

MR. FAMARISS: Then what, Mr. Morrell?

MR. MORRELL: The reclamation from the leasehold on which such oil is produced. This would be an order authorizing that reclamation from the leasehold. I think that would take care of the point that you have in mind.

MR. FAMARISS: Really what I tried to bring out--I can't say in so many words--was that in order to do business with the reclamation plant, the operator suffers a penalty. And that is the way I construed that to be. In other words, the order applies when it hits a reclamation plant, but when not, it doesn't. Naturally, it goes back to the same argument I have put before the Commission for the last year, that no producer will sell me something for twenty-five cents a barrel that he can dispose of and draw two and a half dollars from the well and market.

MR. KELLY: Mr. Morrell, here, clears up the point I was bring up. That the operator have the full right to use his oil any way he wants to on the lease.

MR. FAMARRISS: Oh, yes.

MR. MORRELL: I would like to ask one further question.

Under this circumstance to which you refer, an operator could clean his own tanks and place the merchantable oil in a pit

and that pit oil could be transported to this reclamation?

MR. FAMARISS: No, that is covered in that order. He still has to have a charge back, whether picked up from the tank or pit. What I was trying to get at is that there was no tank cleaning order involved until it was brought to a reclamation plant.

MR. MORRELL: What did you say about putting merchantable oil into a pit?

MR. FAMARISS: I said a tank could be drawn off into a pit and burned and no charge back.

MR. MORRELL: But should the producer choose to sell it into the market, then he has to go through a tank cleaning permit?

MR. FAMARISS: And A.P.I. test of the emulsion and allowable charge back.

MR. MORRELL: Or if removed from the leasehold?

MR. FAMARISS: In other words, what I am trying to imply is that in order to do business with a reclamation plant an intentional penalty is assessed against the producer that would remove the producer from the market entirely. If I am wrong, I would be very happy to be advised of it.

MR. DEWEY: It is the purpose and intent on the part of the operators in inserting this requirement that operators make application for disposal of tank bottoms off the lease.

We have been operating in Lea County since 1928, and up until the last six months we have done a pretty good job without reclamation plants, and I don't know of any waste oil that hasn't been taken care of by the operators. And the purpose or intent of this order is that if the operator wishes to dispose of his oil that he file an application and obtain a permit, and that is the guts of the whole order.

COMMISSIONER MILES: Have you any further statements, Mr. Famariiss?

MR. FAMARISS: Yes, I have some I would like to make, please sir. Under Rule 2, Section a in the fourth line. The word "bond" that it be preceded by the word "surety".

COMMISSIONER MILES: What is that again?

COMMISSIONER SPURRIER: I don't find that.

MR. DEWEY: At the foot of the page in Section c.

MR. FAMARISS: No, it is in the second paragraph under Section a, the fourth line out towards the end. It says "approval of bond". Insert the word "surety". It is in section c. It was omitted in that other one.

COMMISSIONER MILES: What is your comment?

MR. FAMARISS: That that word "surety" be inserted preceding the word "bond" to further clarify it. This order as suggested, I believe in the test provision, and stated that a reclamation plant operator would have to come up once a year and petition for a hearing and come before the Commission and go through the expense and procedure that originally included getting a permit. I would like to suggest to the Commission that in lieu of that that some provision for for a renewal by consent be placed in the order. And as a suggestion--this was very hurriedly written and there may be a loophole in it--that the following words be added to Rule 2, Section a, fourth paragraph, "renewal of permit may be secured by consent of the Commission for an additional period of one year without the necessity of additional hearing or notice."

MR. GRAHAM: By inspection and recommendation? It occurred to me by inspection of your plant and a recommendation by somebody.

MR. FAMARISS: That would be a good idea. By inspection of the operation. In other words, that the Commission satisfy themselves that the operation is legal and properly operated. I would like also to have a clarification for my benefit that should the Commission adopt this suggested order of the operators, would it mean that my operations are permitted to go on for one year past the date of adoption of the order? Should No. 726, which is my permit to operate--it has no time limit in it. And how would it be construed upon the adoption of this order?

COMMISSIONER SPURRIER: Is there someone from Lea County Operators that could answer that question?

MR. DEWEY: I think it would be a matter for the Commission to decide.

MR. SETH: It probably would extend a year.

COMMISSIONER SPURRIER: And while we are talking and getting comments, how about Mr. Famariss' question that he just raised on this fourth paragraph. What is any operator's comment on that?

MR. DEWEY: We thought that this paragraph has covered that situation, and that the plant operator should come back once a year and renew their permit. Give the Commission a chance to review the matter.

COMMISSIONER SPURRIER: By what specific method, Mr. Dewey? Open hearing before the Commission or inspection of his plant by some employee of the Commission or some other means?

MR. DEWEY: Well, that is left to the discretion of the Commission. How they would care to handle that.

MR. FAMARISS: Then the opinion seems to be that the order as existing--726--would continue for one year past the date

of adoption of this order.

MR. SETH: Isn't that subject to the third paragraph?

MR. FAMARISS: That is why I asked for an opinion.

MR. CARD: Your present order would be subject to the hold orders as stated in Section 2, a.

COMMISSIONER MILES: Is this being discussed for the benefit of the Commission, or is it a private hearing? I am not getting a word of it.

COMMISSIONER SPURRIER: Are you getting it, Gene?

THE REPORTER: Yes.

MR. FAMARISS: Judge Seth, would you care to discuss this?

MR. SETH: My opinion is that the new order doesn't apply to him until a year after it is issued. He has a year after that time.

MR. FAMARISS: I wanted that part. If those changes in the order suggested--particularly the deletion and clarification of the method of renewal, whatever it may be--in other words, clarify that. I would like to concede my argument of a no allowable charge back. I haven't changed my opinion about it, nor have I in any manner changed my thoughts as to what is right and wrong. However, this controversy can't go on forever, and if the Commission pleases, and it is agreeable to make those changes which I have suggested, I would like the Commission to know that the order is acceptable to me. Without the revisions which I have suggested, I have two thoughts. One, the matter be continued. That covers them both anyway.

COMMISSIONER MILES: Let's go back to this "d" under Rule 1. Was there ever any conclusion with regard to whether these words should be deleted from the paragraph?

MR. SETH: I believe they should be left there, if the Com-

mission please. Because the oil can be used on the lease.

There is no question about that.

MR. SANDERSON: Engineer of production of the Gulf Oil Corporation. I think it is very important that statement "d" be left in the order. For the reason that we would like the right to use the bottoms, what remains after the--for the purpose of use on the lease, for roads, and any other purpose we see fit to use it for.

COMMISSIONER MILES: That is the manner in which it has been handled prior to the time of any order. The way you choose to do so now. Mr. Famariss, what is your objection to the words?

MR. FAMARISS: That in order to do business with the reclamation plant, the operator must file a tank cleaning permit. He must make a very exacting shakeout of his emulsion and he must charge it back against his allowable. But if he doesn't do business with the reclamation plant, then none of the provisions of the order apply.

COMMISSIONER MILES: Any dispute on that matter?

MR. SANDERSON: None of the oil could be used without a permit. I can't understand Mr. Famariss' objection. It can't be taken away. And as Mr. Morrell suggested, the basic lease has given you the right to use it for any purpose you want to use it for. I can't see how there will be any waste or any chance of anyone marketing oil not accounted for.

MR. FAMARISS: If the basic lease gives the right to use the oil for maintenance of the lease, why is it necessary to further state it in this order?

MR. SANDERSON: This is simply for clarification. Because the lease is subject to the orders of the Commission.

MR. MORRELL: In connection with Mr. Famariss' statement about the necessity of a producer, in order to do business with a reclamation plant, as compelled to get a permit, I would like to add for his information and the information of the operators on public lands that they will also have to come to us in addition to the State. It is provided in the regulations that no oil should be taken off a lease without an approved sales contract, diversion order, or other arrangement first approved. And in that same paragraph it is set forth here for clarification purposes, similar to the manner in which it is included in this proposed order that all contracts for the disposition of production on the leased land, except that portion used for purposes of production on the leased land. We have that same type of provision in our regulations. It is merely for clarification in this proposed order. I believe--I see no objection to it.

MR. FAMARISS: If there is nothing else, I have one more piece of information.

MR. LOVERING: Shell Oil Company. Mr. Famariss stated that it would be an imposition on the operators to make out these permits, etc, and get rid of the oil off the lease. The operators together made up this resolution here and knowing that it would cause them additional paper work to handle their oil, and even knowing that, were unanimous in their agreement in having this thing presented to the Commission as it is. It is also inferred by Mr. Famariss that since we are going to be penalized on that little detail we should be penalized on all tank cleaning operations which are normally much greater than treated by an assayer. I don't think it is necessary, and I recommend that paragraph d be left in.

MR. FAMARISS: I have this other information to place in the record.

COMMISSIONER MILES: Yes.

MR. FAMARISS: In the hearing of the Commission in the Case 104 and 110, October 15, 1947, the controversy of allowable charge back or no charge back was propounded at quite some length before the Commission. The Commission made the suggestion at that time--I believe if I am correct it came from Governor Mabry--that a committee be appointed of the industry to examine the controversy. Included on that committee, Mr. Spurrier, was a pipeline company, a major oil company, a gasoline plant, an independent operator, a refinery, the United States Geological Survey, and Lea County Operators. That committee met on October 31 and transmitted to the Commission on November 3 a suggested order. I don't believe that this has ever been made a matter of a hearing record, and for that reason I would like to present it. I think everybody here is acquainted with the order. I would like to present it and have it made a part of this hearing. These are my originals from my files. Will you need these?

COMMISSIONER SPURRIER: No, we have copies.

MR. FAMARISS: That is all I have.

MR. SETH: If the Commission please, the proposed order that Mr. Famariss referred to was never circulated among the operators. And we don't know whether or not the committee that prepared the proposed order were representatives of all the producers involved--purchasers, producers, tank cleaners. The suggestion made by Mr. Morrell about going off the lease. We thoroughly approve that. To limit the scope of the order.

COMMISSIONER MILES: Anyone else have any statements regarding

this matter?

MR. DEWEY: I discussed this matter of the amount of heat that should be applied in a centrifuge test with our Chief Pipeline Gauger, and he expressed the opinion to me that if you had to heat it much above 120 degrees you get a lot of material that would settled out as soon as the temperature was reduced. That is, the lighter oil--elements of the oil were driven off by the heat and just the heavier hydrocarbons were left, and that from the pipeline standpoint they were not interested in having somebody try to sell them some oil that had been subject to too much heat. It had been their experience where they had taken oil of that nature that as soon as the oil had cooled down that it settled out in the first tank along the pipeline system, and they had paid for something that they would have to--that they couldn't get down to the refinery. And it would tend to fill up their tanks and cost them money to dispose of. So, I don't know whether that is permissible evidence or not in this hearing. I have no experience myself about the matter. It is just the opinion he expressed to me about it.

MR. FAMARISS: You say the oil then above the solid mass would be considered merchantable oil?

MR. DEWEY: I would think that is the case. But as I say, I have no experience outside of his statement to me to justify it.

MR. FAMARISS: I would like to make a statement that we in processing tank bottoms that we sell no pipeline oil. Tank bottoms are not sold for crude oil. They are sold and shipped in tank cars to chemical companies for the recovery of waxes. Not one barrel of tank bottoms we have produced

ever entered the crude oil market. The price is higher for wax purposes.

COMMISSIONER SPURRIER: What do you do with the crude oil after treating it?

MR. FAMARISS: Our operation is the dehydration and the clearing up of sediment, and then shipping the entire mass, which includes the wax and pipeline oil. And our experience is that that oil is somewhere between 10 and 20 per cent. We can't get it out. If we had a cracking unit we could. But there is no practical way to do it in the field. It goes to Kansas from Hobbs on our operation at the present time. The freight rates on that oil into Kansas run somewhere in the neighborhood of \$1.27 and they receive on the Kansas market after distillation of the crude \$1.75 for it. So, you see there is no economic value in handling that crude oil.

COMMISSIONER SPURRIER: There is some in it, but you include it with your shipment?

MR. FAMARISS: Yes, but it is impossible to get it out.

MR. DUNLEAVY: Are you talking about pipeline tank bottoms?

A. Yes.

MR. DUNLEAVY: You are not talking about stock tank bottoms?

MR. FAMARISS: Yes.

MR. DUNLEAVY: You should clarify yourself.

MR. FAMARISS: I did. I said that my statement was for the information of the Commission and the operators on our present tank bottom operations. And we take no producing tank bottoms at all.

COMMISSIONER MILES: Anyone else wish to be heard on this matter? Any other business before this Commission?

COMMISSIONER SPURRIER: May I ask a question before the case is

closed? Mr. Dewey, in connection what you said. When is the classification of your oil taken?

MR. DEWEY: They go right to the lease stock tanks. The pipeline gauger does.

COMMISSIONER SPURRIER: And all oil is bought on a classification basis?

MR. DEWEY: That is right.

COMMISSIONER SPURRIER: I might add something to the record....

I must add something to the record. W. C. Garand, attorney for Hardin-Houston, addressed a letter to the Commission regarding this case, and he stated that Hardin-Houston had no objection to the order proposed by Lea County Operators. While I don't have the letter right here, we will make that a part of this record.

COMMISSIONER MILES: I assume there is no objection from the operators to that?

MR. DEWEY: I have no objection.

COMMISSIONER MILES: Any other business? Mr. Morrell wanted to make a statement, I believe.

MR. GRAHAM: It was on a previous case.

MR. McCORMICK: It was in 152 that Mr. Morrell wanted to make a statement.

COMMISSIONER SPURRIER: Mr. Morrell, before you start, do you want this for the record?

MR. MORRELL: That would be as the Commission pleases. They may enter it if they so desire for consideration. This would be an extension of my remarks under Case No. 152 on the application of Grayburg. Based somewhat on the request made by Judge Seth for further consideration by the Lea County Operators. This morning I mentioned a distinction between plant cooperative unit operations as contrasted with those of

an operator solely operating on his own lease. Reviewing the history of a cooperative unit agreement as affecting the Federal lands, which the Grayburg application does, the department does not approve any unit or cooperative agreement of producing properties unless some action is taken over and above normal operations. By that I mean a secondary recovery project. That is the basis on which the Grayburg cooperative and unit agreement was approved by the Department of the Interior. They agreed to a single operator for the unit area and to install a plant to inject gas, which they have done in approximately nine different wells, and at the present time are injecting into five. The matter of unitizing 40 acres in connection with the drilling of unorthodox wells has now been before the Commission for several years. We have several in the Grayburg and Square Lake pools in which a third well is drilled on 80 acres and those two 40's are communitized. The 80-acre unit is to receive more than twice the top unit allowable to be distributed among the three wells, as the operator sees fit. We have others in the east end of the Maljamar field involving 160-acre tracts. So, the basic principle of unitizing for proration purposes is approved, but in all cases still limiting those units, whatever their size, to the top unit allowable per 40 times the developed 40 acres. I have observed for a number of years a situation under our present proration plan of the Commission that as we approach stripper conditions in the older areas, that production on some leases is actually done on a lease basis by virtue of the collecting of oil from three or four or more wells into a single tank battery. The effect being that the actual amount of oil from each individual well is

not made of record. Well, that situation has made it very unfortunate and undesirable for record purposes in connection with secondary recovery situations. The operators found that to be true in the Maljamar, in the Vacuum studies. In connection with the studies of a proposed secondary recovery in the north end of the Langlie-Mattix pool. It seems to me that if this basic lease allowable for a stripper production could be actually set forth by the Commission, we may be able to have official records in the State shown in such a manner that the engineering data is available for secondary study purposes. That particular statement goes beyond the intent and purpose of this particular case. That is merely made for information purposes. In the instant case of the Grayburg, they have an approved agreement. They have a plan for the drilling of 28 wells. If we can get additional expenditure of capital for the recovery of oil, I think we should encourage it. The only objection that I could see--rather, the point that the Lea County Operators would be interested in--would be how they would be adversely affected by an order on the Grayburg. And so long as the Grayburg order is limited, not in excess of a top allowable, the Lea County Operators would not be adversely affected any more than they had been in the past when all wells were a one well to a 40 and were top allowable wells. They will endeavor to keep the total production up to top production by virtue of the additional wells. I would suggest that you encourage the additional drilling of five-spot wells on unorthodox locations, as they may be called, in Lea County, might be considered on a somewhat similar basis, otherwise we will not obtain all the oil that could be otherwise recovered. I believe that I have

nothing further. I believe that is about the sum and substance of the thoughts I have. There may be some questions. If the Lea County Operators have any at the present time I would be glad to endeavor to add to it.

COMMISSIONER MILES: Anyone wish to ask Mr. Morrell any questions relative to the matter?

MR. LOVERING: What becomes the limiting factor in the number of unorthodox wells on any particular sized unit? As you say, we admit that every well you get down might get another barrel of oil, but where is the limiting factor?

MR. MORRELL: You mean as to the total number of wells to be drilled?

MR. LOVERING: What would keep you from having three or four unorthodox wells on one 40 for that matter?

MR. MORRELL: I don't see any limiting factor except the economics involved.

MR. LOVERING: Who would determine that?

MR. MORRELL: The operator. For instance, we have right now in the Russell pool--20-28--five wells to the 40. We are using one 40-acre unit allowable for the five wells. If we have a basic lease with eleven productive 40-acre tracts, we would have 11 times 40 barrels for the basic lease allowable. That is the most that that lease might be produced. It would not make any difference it seems to me to the Lea County Operators whether it was produced out of 11 wells or 44 wells.

MR. LOVERING: It might make some difference to one party who shows and thinks it is more economical to produce with a dozen wells than twenty-four. He might have to drill and produce from each of these offset operators, put in all those unorthodox locations.

MR. MORRELL: We have that exact procedure in effect in the Fren pool in 7-31. Max Friess came to us several years ago and said to us in his opinion he could drill two wells to the 40 in the seven Rivers pay. In order to work out a well-spacing pattern so that it would be in a universal manner, and that is one of the things that should be done and considered in any of these type of well spacings--we called a meeting of the operators--Danziger, Skelly, Fren, and one or two individuals. We worked out and approved two wells to the 40 to the Seven Rivers pay. With that approved, we set up also a well-spacing pattern for Skelly and Danziger on adjoining leases. They did not desire to drill two to a 40. At that time they considered it uneconomic. Our approval was given to Fren Oil Co. with the understanding that it did not require an offset to the second well by the adjoining operators. They would have the same privilege and same right to follow the same spacing pattern, but it was left to them. They have since followed it and are drilling 20-acre wells. Danziger is.

COMMISSIONER MILES: Gentlemen, I am sure that this is a matter of great interest to all, but as far as what it will accomplish here at this time, I can't see. I think it should be called at a meeting of the operators and discussed at some future time.

MR. MORRELL: The only reason I mention it here at the time is you might want to hear it.

MR. COCHRAN: The Grayburg has outlined a specific program. This thought has occurred to me. As Mr. Morrell has said, in some instances there have been 4 wells drilled on a 40-acre tract. In many instances, 5 wells on a 160 acre tract. In

the proposed drilling of the Grayburg wells, this situation may occur. That on 160-acre tracts there may be four wells of which three wells are top allowable wells. And the fourth well doesn't quite make top allowable. And in this spacing pattern, I believe the five-spots are located about 25 feet south and 25 feet east of the center of the 160. Well, undoubtedly the Grayburg, if it happened that the second well on a 40 fell on a 40 that there was a well that would make top allowable, then they would have to come in in order to produce top allowable from 4 wells out of 5 wells, and either ask that that location be moved 50 feet to the 40-acre tract where there was a well that didn't quite make allowable, or they would have to go through this cooperative unit and file with the Commission and ask permission to unitize each 160-acre tract. So that they could produce the allowable for four wells out of five wells. If they are not permitted to do it on a lease basis, then that can destroy to a certain extent the spacing pattern and some of the wells may have to be changed.

COMMISSIONER MILES: Anything else?

MR. COCHRAN: One more thing. On using 160-acre units.

That would mean that every other five-spot would have to be eliminated because there would be a five-spot in between.

COMMISSIONER MILES: I lost the first part of that statement.

MR. COCHRAN: I say if it is necessary in order to produce this allowable from 160 from 5 wells, then every other five-spot location would be affected in that there will be a five-spot between the north row of wells on a 160, and the south row of wells on the adjoining 160. So a number of those might have to be eliminated.

COMMISSIONER MILES: Does anyone else have a statement to make?
If not, the Commission will be adjourned.

C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing transcript of the afternoon proceedings before the Oil Conservation Commission of the State of New Mexico in Santa Fe on July 29, 1948, is a true record of such proceedings to the best of my knowledge, skill, and ability.

I FURTHER CERTIFY that I am the Official Reporter for the United States District Court for the District of New Mexico.

DATED at Santa Fe August 9, 1948.

E. E. J. J. J.
COURT REPORTER

Santa Fe file

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Pursuant to legal notice to all parties and the public the following proceedings were held before the Oil Conservation Commission in the House of Representatives at the Capital Building in Santa Fe at 10:00 A. M. on July 29, 1948.

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, of the following public hearings to be held July 29, 1948, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico

STATE OF NEW MEXICO TO:

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

Case No. 153

In the matter of the application of Repollo Oil Company for bonus discovery allowable under Commission Order No. 573, for well No. 5, Phillips "A" lease, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 31, T. 19 S., R. 37 E., N.M.P.M., Lea County, New Mexico.

Case No. 152

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc., for an order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T. 17 S., R. 29 and 30 E., N.M.P.M., in the Grayburg-Jackson pool, Eddy County, New Mexico.

Case No. 154

In the matter of the application of Magnolia Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S $\frac{1}{2}$ SE $\frac{1}{4}$ section 33; Lots 1, 2, 3, 4 and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 34; Lots 1, 2, 3, 4 and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 35; Lots 1, 2, 3 and 4, S $\frac{1}{2}$ S $\frac{1}{2}$ section 36, T. 20 $\frac{1}{2}$ S., R. 22 E; S $\frac{1}{2}$ section 13, S $\frac{1}{2}$ section 14; all sections 22, 23, 24, 25, 26, 27, 28, 33, 34, 35 and 36, T. 20 S., R. 23 E; Lots 1, 2, 3, 4 and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 31; Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 32, T. 20 $\frac{1}{2}$ S., R. 23 E; Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ section 18; Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 19; Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 30; Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 31, T. 20 S., R. 24 E., N.M.P.M., containing 10,289.50 acres, more or less, in Eddy County, New Mexico.

Case No. 155

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

Case No. 156

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order amending Commission Order No. 712 of August 4, 1947, and known as the Lea-Eddy-Chaves Counties New Mexico Gas-Oil Ratio Order.

Case No. 110 (continued); Case No. 104 in which Commission retained jurisdiction and upon further motion of the Oil Conservation Commission; Hardin-Houston, Hobbs, New Mexico; Walter Famariss, Hobbs, New Mexico; Lea County Operators Committee:

In the matter of an order or orders of general application regulating tank cleaning, plants processing tank bottoms, and the reclaiming of waste oil.

Case No. 146 (continued); Re purchase, transportation and handling of crude petroleum, was not presented at the hearing of the Commission held July 15th, and was continued to July 29th at the request of the Lea County Operators Committee.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on July 14, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

By (sgnd) R. R. SPURRIER
R. R. SPURRIER, Secretary.

BEFORE:

Hon. John E. Miles, Presiding Member
Hon. R. R. Spurrier, Secretary
Hon. Geo. A. Graham, Attorney
Don McCormick, Attorney

REGISTER:

Clarence E. Hinkle
Magnolia Petroleum Co.
Roswell, N. M.

Walter Famariss
Hobbs, N. M.

Justin Newman
Oil Conservation Commission
Artesia, N. M.

Rouse Simmons
Grayburg Oil Co. of New Mexico
Artesia, N. M.

Roy O. Yarbrough
Oil Conservation Commission
Hobbs, N. M.

W. W. Wilson
Northwestern Refining Co.
Midland, Texas

Joe W. Lackey
Malco Refineries, Inc.
Roswell, N. M.

S. B. Fowler
Wood River Oil & Refg. Co., Inc.
Midland, Texas

Frank D. Gardner
Sinclair Prairie Oil Co.
Midland, Texas

C. D. Thomas
Sinclair Prairie Oil Co.
Tulsa, Okla.

J. D. Almen, Jr.
Repollo Oil Co.
Tulsa, Okla.

G. H. Gray
Repollo Oil Co.
Midland, Texas

C. V. Milliken
Amerada Petroleum Corp.
Tulsa, Okla.

Frank R. Lovering
Shell Oil Co., Inc.
Hobbs, N. M.

S. G. Sanderson
Gulf Oil Corp.
Tulsa, Okla.

E. J. Gallagher
Gulf Oil Corp.
Hobbs, N. M.

Glenn Staley
Lea County Operators
Hobbs, N. M.

O. G. Schuchle
Tex. Pac. G. and O. Co.
Midland, Texas

R. W. Tesch
Tex. Pac. G. and O. Co.
Ft. Worth, Texas

J. B. Jenkins
Stanolind Oil & Gas Co.
Ft. Worth, Texas

J. E. Wootton
Stanolind Oil & Gas Co.
Lubbock, Texas

G. H. Card
Stanolind Oil & Gas Co.
Ft. Worth, Texas

J. O. Seth
Stanolind Oil & Gas Co.
Santa Fe, N. M.

R. S. Dewey
Humble Oil & Refining
Midland, Texas

Harvey Hardison
Standard of Texas
Midland, Texas

Harve H. Mayfield
Magnolia Petroleum Co.
Midland, Texas

E. P. Keeler
Magnolia Petroleum Co.
Dallas, Texas

Raymond M. Myers
Magnolia Petroleum Co.
Dallas, Texas

A. F. Holland
Skelly Oil Co.
Tulsa, Okla.

J. N. Dunlavy
Skelly Oil Co.
Hobbs, N. M.

M. T. Smith
Shell Oil Co., Inc.
Midland, Texas

John M. Kelly
Roswell, N. M.

D. A. Powell
Drilling & Exploration Co.
Hobbs, N. M.

Wm. E. Bates
The Texas Co.
Midland, Texas

George H. Hirschfeld
Lea County Operators Committee
Hobbs, N. M.

Ross L. Mabrie, Jr.
Roswell, N. M.

S. P. Hannifin
Magnolia Petroleum Co.
Roswell, N. M.

Jack M. Campbell
Roswell, N. M.

N. R. Lamb
New Mexico Bureau of Mines
Artesia, N. M.

H. F. Forbes
Continental Oil Co.
Midland, Texas

C. B. Wentz
Continental Oil Co.
Ponca City, Okla.

Paxton Howard
Shell Oil Co.
Midland, Texas

F. C. Brown
Shell Oil Co.
Houston, Texas

Foster Morrell
U. S. Geological Survey
Roswell, N. M.

Frank C. Barnes
Oil Conservation Commission
Santa Fe, N. M.

R. J. Heard
Grayburg Oil Co. of N. M.
Artesia, N. M.

John E. Cochran, Jr.
Grayburg Oil Co. of N. M.
Artesia, N. M.

N. W. Kronsop
Grayburg Oil Co. of N. M.
Loco Hills, N. M.

R. F. Miller
Grayburg Oil Co. of N. M.
Loco Hills, N. M.

M. L. Patterson
Phillips Petroleum Co.
Odessa, Texas

Scott R. Brown
Western Natural Gas
Midland, Texas

Geo. E. Kendrick
El Paso Natural Gas Co.
Jal, N. M.

O. N. Adkins
Cities Service Oil Co.
Midland, Texas

COMMISSIONER MILKS: The Commission is now in session.

(Mr. Graham read the Notice of Publication in
Case No. 153)

MR. E. R. WRIGHT, for the Texas Company: The Texas Company desires to appear in this matter and claim that they are entitled to the discovery bonus. Appearing for the Texas Company are Mr. P. D. Gromman, Ft. Worth, Texas, and E. R. Wright, Santa Fe, New Mexico.

MR. J. D. ALMEN, JR., Attorney for the Repollo Oil Company: If the Commission please, Mr. G. H. Gray will testify for the Repollo Oil Company. May he be sworn?

(Mr. Graham administers the oath)

MR. GRAY, having been duly sworn, testifies as follows:

DIRECT EXAMINATION BY MR. ALMEN:

Q. Please state your name and address?

A. G. H. Gray, Midland, Texas.

Q. By whom are you employed?

A. By the Repollo Oil Company.

Q. In what capacity?

A. As assistant division engineer.

Q. How long have you been so employed?

A. About six years.

Q. Are you a graduate engineer?

A. Yes.

MR. ALMEN: Will the Commission accept the qualification of the witness previously made when he has appeared before the Commission?

COMMISSIONER MILKS: Yes.

Q. Are you familiar with the Repollo Oil Company's J. R. Phillips "A" No. 5 well?

A. Yes.

Q. What day was this well commenced?

A. March 29, 1948.

Q. What was the total depth?

A. Fifty-seven hundred and twenty feet.

Q. And what formations were encountered?

A. The regular Monument pay and Paddock formation and the Blinebry pay.

Q. When was the well completed?

A. May 21, 1948.

Q. In what formation was it completed?

A. In the Blinebry pay.

Q. What was the result of the test made in the Blinebry pay in the Repollo Phillips A No. 5 well?

A. It produced 936 bbls. of oil in twenty-four hours on 5/16" tubing choke with gas oil ratio of 680 cubic feet.

Q. Has the Repollo well continued to produce from the Blinebry pay ever since its completion?

A. Yes.

Q. Mr. Gray, in the course of your work -- is it part of your work to assemble information regarding other wells in this area?

A. Yes.

Q. Have you made a study of, and received any information regarding the Texas Phillips No. 5 well and the Amerada Phillips No. 5 well?

A. Yes sir.

Q. When was the Texas Phillips No. 5 drilled?

A. It was commenced February 19, 1948 and completed in April 1948.

Q. At what depth?

A. At 5775 feet.

Q. What formations were tested?

A. The Paddock and Blinebry.

Q. In what formation was the Texas well completed?

A. It went on proration schedule in the Paddock formation.

Q. When was the Amerada Phillips No. 5 well drilled?

A. From May, 1947 to January, 1948.

Q. To what depth was it drilled?

A. A depth of 9933 feet.

Q. What formations were tested?

A. They tested all formations .

Q. When was the Amerada completed?

A. In January, 1948.

Q. In what formation was it completed?

A. In the Paddock formation.

Q. At the time the Repollo Oil Company's Phillips A No. 5 was completed in the Blinebry pay was any other well producing from that formation within a radius of two miles?

A. No sir.

MR. ALMEN: I believe that is all unless there are any questions.

COMMISSIONER MILES: Does anyone have any questions?

MR. ALMEN: At this time I would like to introduce into evidence before the Commission the records on file with the Commission concerning the Repollo Oil Company's J. R. Phillips "A" No. 5 well, the Texas Company's Phillips No. 5 and the Amerada Petroleum Corporation's Phillips No. 5. Also the application of Repollo Oil Company for this bonus discovery allowable with the exhibits attached thereto, and the correspondence with the Commission concerning this application. I believe the record will show the application was filed May 27, 1948. Now I would like to review the facts leading up to the filing of the application . As the Commission knows, it has heretofore entered its order effective July, 1, 1944, which order provides in the first paragraph three circumstances under which a bonus allowable may be awarded, the one applicable in this case being that a bonus allowable shall be awarded for the discovery of a new producing horizon in an existing oil field. Other paragraphs in the order provide

for the amount of the allowable, maximum daily allowable, and pertinent instructions in connection with the order. The area involved in this application is the Monument area. This field at the present time is producing from three pay zones. The Monument pay at 3900 feet; the Paddock at approximately 5200 feet and the new Blinebry at approximately 5700 feet. The bonus here sought is, of course, for the Blinebry pay. To date three wells have tested the Blinebry pay in this area. The first to test this pay zone was the Phillips No. 5 of Amerada Petroleum Corporation in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 1-20S-36E. This well was commenced May 8, 1947 and drilled to a depth of 9933 feet in January, 1948. The Blinebry pay was tested by the Amerada July 20, 1947 and December 15, 1947. However, the Amerada completed their well in January, 1948, in the Paddock pay at a depth of from 5180 feet to 5200 feet. The second well to drill to the Blinebry pay was the Texas Company's Phillips No. 5, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 6-20S-37E. This well was commenced in February, 1948, and was drilled to a total depth of 5775 feet. It tested the Blinebry pay April 27, 1948, at a depth of 5660 feet to 5720 feet. But, like the Amerada, the Texas Company plugged their well back to the Paddock and completed it at a depth of 5130 to 5220 feet. The third well to drill to the Blinebry pay in this area is the Repollo Oil Company's J. R. Phillips "A" No. 5, in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 31-19S-37E. This well was commenced March 29, 1948, and drilled to a total depth of 5720 feet. It tested the Blinebry pay and completed the well May 21, 1948, in the Blinebry pay. It produced 402 bbls. through 3/4" choke in nine hours and 936 bbls. with 5/16" choke in twenty-four hours. The Repollo Oil Company has continued to produce oil from the Blinebry pay ever since the well was completed. These facts are not controverted and they are all a matter of record. Therefore the question narrows down to the consideration by

this Commission of the interpretation of Order No. 573. Both Repollo and Texas have filed applications for discovery allowable. Repollo Oil Company filed May 27, 1948, and The Texas Company filed June 3, 1948. So the question becomes, "What is meant by the discovery of a new producing horizon?" It is Repollo's position in this matter that this means not only drilling to a test of formation, but also completing in that formation and producing oil from that formation in paying quantities. There is an old saying, "Equity aids the diligent." Repollo in this case is the only diligent company. They are the only company that has drilled to, has tested, has completed, and has produced in paying quantities oil from the Blinbry formation. I note Order No. 573 was entered by this Commission at a time when the United States and the industries in this country were in great need of oil. That condition still exists. The obvious purpose of the order was to provide an incentive for producers to go into any proven areas and drill there to new horizons. I believe it was the intention of the Commission in writing Order No. 573 to induce the production of oil from that horizon. It is not within the realm of reason to think they intended a producer to drill to a new horizon, test it, make application for and be awarded a bonus, and then fail to produce from it. It is the fact that oil can be and is being produced that provides the incentive. I repeat here that Repollo has been the only diligent company to test the Blinbry pay. Therefore, I ask this Commission to construe Order No. 573 to mean that the bonus discovery allowable shall be awarded only to the company that has diligently drilled to, tested, completed its well, produced and continued to produce in paying quantities from this horizon, and that the bonus allowable in this instance be awarded to Repollo Oil Company. Thank you.

COMMISSIONER MILES: Are there any other statements, or any questions?

E. R. WRIGHT: I would like to have Mr. Grommon take the stand and ask that he be sworn.

(Mr. Graham swears in Mr. Grommon)

MR. GROMMON, being duly sworn testified as follows:

DIRECT EXAMINATION BY E. R. WRIGHT:

Q. Please state your name?

A. P. D. Grommon.

Q. You are employed by The Texas Company?

A. Yes sir.

Q. In what capacity?

A. Assistant Division Petroleum Engineer.

Q. Where do you live?

A. Fort Worth, Texas.

Q. Are you in charge of the area involved in this case?

A. Yes sir.

Q. It is under your supervision?

A. Yes sir.

Q. You have heard the testimony given by Mr. Gray and the statement made by Mr. Almen with reference to the Repollo application for a bonus discovery allowable. Without detailed questions, Mr. Grommon, will you state the situation as you understand it in connection with the Texas application for a bonus discovery allowable?

A. The Texas Company's J. R. Phillips No. 5, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 6-20S-37 E, was completed in the Monument-Blin-bry pay April 27, 1943. This well produced 367 bbls. of oil in twenty-two hours, flowing through a 3/4 inch choke, with a gas oil ratio of 1030 to one; producing through perforations in 5 $\frac{1}{2}$ inch casing from 5660 to 5720 feet. After this initial production test the well was shut in for twenty-four hours, and a bottom hole pressure survey indicated pressure of 2275 pounds at 5700 feet or sub-sea depth of 2117 feet. The Texas

Company's application for bonus discovery allowable for this well was filed on Form C-102 in accordance with Order No. 573, dated May 19, 1948, and we request that this application be included as evidence in the present hearing. As indicated in our application, a temporary plug was set in the casing above the 5700 foot zone in order to test the 5200 foot, or Paddock zone.

Q. Why was it necessary to test the Paddock zone?

A. This well is a direct offset to the Amerada Phillips No. 5 mentioned previously in the testimony here today, and they had completed their well in the Paddock zone in order to determine future development policies or practice on this lease. The Texas Company felt a test of the Paddock zone should be made.

Q. And was it made?

A. It was.

Q. Will you state how it was made?

A. We set a temporary plug, as indicated in our application, above the Monument Blinebry pay, and perforated the Paddock zone in order to make a temporary test.

Q. What was the result of that test?

A. I do not have the exact figures on the test. We did not get a commercial well, and the test was run, as I stated, in order to determine whether we should produce from that zone.

Q. Now then, what was done?

A. As soon as the tests are completed an allowable for the lower zone -- the 5700 foot zone -- will be requested. While we were testing the Paddock zone we made application for this discovery allowable in the Blinebry zone.

Q. When was that filed? Was it on June 3rd?

A. I do not have that date.

Q. That is the date on the file. Now then, Mr. Grommon, is it a fact that the Texas well reached the lower zone prior to

the Repollo?

A. We had completed and tested the lower zone through tubing on April 27th and Repollo, according to my records, reached it May 15th and completed in that zone May 21st.

Q. What was done with this oil that you got from the Blinebry test?

A. The 367 bble. of oil from the Blinebry zone was put in lease storage. It became commingled with the oil from the temporary test of the Paddock and was disposed of through the regular pipe line run.

Q. We completed our tests of the Paddock pay and drilled through the temporary plug to the Blinebry pay July 3rd, and we are now producing from the Blinebry as we intended to do when application was made for the bonus discovery allowable.

Q. And you are continuing that production now from the Blinebry pay?

A. Yes sir.

Q. Have you anything to add to your testimony?

A. I believe not.

CROSS-EXAMINATION BY MR. ALMEN:

Q. When The Texas J. R. Phillips No. 5 well was completed in the Blinebry pay I understood you to say that they ran 367 bbls. produced from that formation?

A. Yes sir.

Q. When was the first oil run to the credit of the Blinebry pay from the Texas Phillips No. 5 well?

A. As I stated, this oil was commingled with the oil from the Paddock pay.

Q. Was it credited to the Paddock pay?

A. I assume that, since we had a temporary allowable in the Paddock, any oil run would be credited to the Paddock.

Q. Is it not true that after a test of the Blinebry by the

Texas Company they plugged back and produced from the Paddock formation?

A. We set a temporary plug, as stated in our application for the bonus discovery allowable, in order to test the Paddock zone.

Q. That application of The Texas Company was filed after the Repollo Oil Company filed their application for bonus discovery allowable for their Phillips No. 5, wasn't it?

A. Apparently it reached this office at a later date. It left our Midland office May 19th.

Q. As far as reaching and testing the Blinebry formation is concerned, actually the Amerada Petroleum Corporation Phillips No. 5 well was the first, was it not?

A. No, not in my opinion. We made an actual production test through tubing in that zone.

Q. I believe the Amerada tested this formation as shown by the records first July 20, 1947 and again on December 15, 1947, both of which were before the Texas well was commenced. That is all the questions I have right now. I may have further questions later.

MR. GROMMON: We believe the evidence establishes the fact that the Texas Company's J. R. Phillips No. 5 was the first well completed in the Blinebry zone, and the discovery well according to the order, and we respectfully request that our application for the bonus discovery allowable for this well be granted.

COMMISSIONER SPURRIER: I think you stated before, and I wish you would repeat how much oil was produced from the Paddock formation in this well?

A. I do not have those figures with me. I stated that our test indicated non-commercial production from the Paddock zone. It was a test to determine whether we should develop the Paddock.

MR. WRIGHT: In other words, whether the Paddock was good for a commercial well?

A. Yes sir.

MR. ALLEN: Is it true that you ran oil from the Paddock formation two months?

A. We ran oil from that zone during the month of June only.

Q. When did you commence?

A. May 29th, and ran during the month of June. The well was completed in the Blinbry zone, as I previously stated, on July 4th and it has been producing from that zone since then; we had an allowable from that pay for the month of July.

MR. WRIGHT: It is the contention and claim of The Texas Company that they are entitled to the bonus discovery allowable on the basis of the test they made of the Blinbry pay?

A. Yes sir.

Q. That test indicated that it would be a commercial well?

A. Definitely. It produced 367 bbls. in twenty-two hours through a 3/4 inch choke.

COMMISSIONER SPURRIER: Is there anything further?

COMMISSIONER MILES: Does anybody have any questions? Mr. McCormick, have you any questions?

MR. McCORMICK: No.

COMMISSIONER SPURRIER: If that is all the testimony in the case, we will take it under advisement and proceed with the next case.

COMMISSIONER MILES: Before we proceed with the next case I would like to introduce Mr. Don McCormick, who is one of the attorneys for the Oil Conservation Commission.

(MR. GRAHAM called Case No. 146, continued from the July 15th hearing.)

COMMISSIONER SPURRIER: Case No. 146, as you all know, concerns an order of the Commission clarifying existing regulations for the handling and transportation of crude petroleum, and was continued from the July 15th hearing to today's hearing. We

have a proposed order before us, prepared by the Lea County Operators Committee, and all operators have had an opportunity to criticize it, and if anyone at this time cares to criticize, amend, clarify or make any further changes, please come forward.

MR. J. O. SETH: Mr. Smith is not in the room at the moment, but he wanted to report that the Lea County Operators at a meeting yesterday unanimously approved the order with some modifications.

MR. G. H. CARD, for Stanolind Oil & Gas Company: The transportation order was considered by the Lea County Operators at a meeting yesterday and was unanimously approved for adoption by the Commission.

MR. SETH: Mr. Smith has returned to the room. May he please be sworn?

(Mr. Graham administers the oath.)

MR. M. T. SMITH, having been duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. J. O. SETH:

Q. Please state your name?

A. M. T. Smith.

Q. By whom are you employed?

A. By the Shell Oil Company.

Q. In what capacity?

A. As crude oil representative.

Q. How long have you been engaged in the purchase of crude petroleum?

A. Since 1936.

Q. Have you operated in Lea County, New Mexico?

A. Yes sir.

Q. Extensively?

A. From 1937 to the present time.

Q. Are you familiar with the purchase, handling and transportation of crude oil?

A. Yes sir.

Q. Have you examined this proposed order submitted by the Lea County Operators Committee?

A. I have.

Q. In your opinion is it a proper order for the purchasing, handling and transportation of crude petroleum?

A. It is, with one or two amendments.

Q. Please state why you think it is a proper method.

A. After reviewing this order, and discussing it with various other representatives in the crude oil business, I feel that this order brings down to date, and amends, supersedes and remedies any order previously issued by the Commission. We feel that should the Commission see fit to issue this order that we can better handle, purchase and transport all crude out of the state or within the state of New Mexico.

Q. Is this method of handling marginal wells, as set out in this order, one which will enable the purchaser to keep within the limit of the proration schedule?

A. It will. It defines the method for handling crude produced over and above the allowable as shown on the proration schedule.

Q. I believe that is all.

COMMISSIONER MILES: Were you chosen by the Committee to represent it here?

A. Yes sir.

MR. SETH: Unless there are further questions that is all.

COMMISSIONER SPURRIER: Does anyone have any further questions or comments?

MR. SETH: If the Commission please, it was suggested that the title of this order be amended so as to read, "An order which will amend and clarify present existing regulations," etc.

COMMISSIONER SPURRIER: We will take Case No. 146 under advisement.

Mr. Graham, will you please announce the next case to be heard?

-17-

(Here insert transcript of testimony of Case No. 152, consisting of 11 pages, and so numbered.)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

P. O. Box 997
Roswell, New Mexico
July 27, 1948

Case 152
Grayburg Oil Co. et al
"EXHIBIT A"
Presented by Attorney
Cochran at hearing
before the Oil Con-
servation Commission
July 29, 1948

Mr. John E. Cochran, Jr.
Carper Building
Artesia, New Mexico

Subject: Grayburg Cooperative and Unit Area

Dear Mr. Cochran:

Reference is made to your letter of July 8 transmitting a copy of an application executed by you on July 8, 1948, as attorney for applicants Grayburg Oil Company of New Mexico and Western Production Company, Inc., which has been filed with the Oil Conservation Commission of New Mexico, for permission to drill 28 unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area, T. 17 S., Rs. 29 and 30 E., N.M.P.M., Grayburg-Jackson pool, Eddy County, New Mexico. The Grayburg Cooperative and Unit Agreement, I-Sec. No. 370, embraces lands in Federal oil and gas leases Las Cruces 028784(a), 028784(c), 028793(a), 028793(c), 054406, and consolidated lease 028784(b)-028793(b), now operated by Grayburg Oil Company of New Mexico.

The unorthodox well locations set forth in the application are for "five spot" wells to be located as near as practicable equidistant between wells now producing from the San Andres pay zone of the Grayburg-Jackson pool. In general, the proposed well locations are 25 feet from 40-acre legal subdivision lines. No encroachment of the outer boundaries of the leaseholds is involved. The application provides for unitizing each basic lease for allowable and proration purposes. With your letter of July 24, 1948, you furnished this office with an amendment to paragraph 7 of the original application to clarify the matter of production allowables to limit the total daily allowable for any basic lease and also to limit the production of any well now or hereafter located on any of the basic leases.

No objection is offered by this office to the well spacing plan providing for the drilling of additional wells at the unorthodox locations specified in the application. The proposed additional drilling should afford opportunity to increase the ultimate recovery of oil and gas from the presently producing reservoir of the Grayburg-Jackson pool.

Approval to drill the additional wells at the unorthodox locations will be contingent upon approval of such locations by the Oil Conservation Commission of the State of New Mexico for proration purposes.

Very truly yours,

Foster Morrell
Foster Morrell,

Supervisor, Oil and Gas Operations.

cc: Mr. Cochran

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 152
ORDER NO. 791

THE APPLICATION OF GRAYBURG OIL COMPANY
OF NEW MEXICO, AND WESTERN PRODUCTION
COMPANY, INC., FOR AN ORDER GRANTING
PERMISSION TO DRILL TWENTY-EIGHT UNORTHO-
DOX LOCATIONS ON LEASES WITHIN THE BOUND-
ARIES OF THE GRAYBURG COOPERATIVE AND
UNIT AREA, IN TOWNSHIP 17 SOUTH, RANGES
29 AND 30 EAST, N.M.P.M., IN THE GRAYBURG-
JACKSON POOL OF EDDY COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing at 10 o'clock
A. M. on the 29th day of July, 1948 at Santa Fe, New
Mexico, before the Oil Conservation Commission of New
Mexico, hereinafter referred to as the "Commission".

NOW, on this 15 day of November 1948,
the Commission, having before it for consideration the
testimony adduced at said hearing and being fully advis-
ed in the premises,

FINDS:

1. That due public notice having been given
as provided by law, the Commission has jurisdiction of
this cause.
2. That the acreage involved in the Applica-
tion is Federally owned and the Supervisor of the United

States Geological Survey interposes no objections to the Application.

3. That leases covering the following described lands in said Grayburg Cooperative Unit Area are owned by Grayburg Oil Company of New Mexico:

BURCH "A" LEASE, Las Cruces Serial No. 028793, described as S/2 S/2 Section 18, N/2 and N/2 S/2 Section 19, Township 17 South, Range 30 East, N.M.P.M.

BURCH "B" LEASE, Las Cruces Serial No. 028793-84, described as NW/4, N/2 SW/4 Section 18, S/2 SW/4 Section 19, NW/4 Section 30, Township 17 South, Range 30 East; NE/4 and SW/4 Section 23, Township 17 South, Range 29 East, N.M.P.M.

KEELY "A" LEASE, Las Cruces Serial No. 028784, described as NE/4 SE/4, S/2 S/2 Section 13, N/2 NW/4, SW/4 NW/4, N/2 SW/4, NE/4, N/2 SE/4 Section 24, Township 17 South, Range 29 East, N.M.P.M.

KEELY "B" LEASE, Las Cruces Serial No. 028784-93, described as S/2 SW/4 Section 24, N/2 NW/4 Section 25 and E/2 Section 26, Township 17 South, Range 29 East, N.M.P.M.

DEXTER LEASE, Las Cruces Serial No. 054406 described as SE/4 NW/4 Section 24, Township 17 South, Range 29 East, N.M.P.M.

That leases covering the following described lands in said Grayburg Cooperative and Unit Area are owned by Western Production Company, Inc.

BURCH "C" LEASE, Las Cruces Serial No. 028793, described as NE/4, N/2 SE/4 Section 18, S/2 SE/4 Section 19, NE/4 and S/2 Section 30, Township 17 South, Range 30 East, N.M.P.M.; NW/4 and SE/4 Section 23, Township 17 South, Range 29 East, N.M.P.M.

✓ KEELY "C" LEASE, Las Cruces Serial No. 028784, described as N/2 SW/4, NW/4 SE/4 Section 13, S/2 SE/4 Section 24, S/2 NW/4, NE/4 and S/2 Section 25, W/2 Section 26, Township 17 South, Range 29 East, N.M.P.M.

That all of the leases covering the lands above described comprise and are situated within the boundaries of the Grayburg Cooperative and Unit Area.

4. That one well located in the center of each forty-acre legal subdivision is not sufficient to obtain all of the recoverable oil under any forty-acre tract and that the drilling of "five spot" wells, as proposed in the Application of Grayburg Oil Company of New Mexico, and Western Production Company, Inc., at the locations designated, would be in the interest of conservation, prevent waste and enable Applicants to obtain a greater ultimate recovery of oil, in that Applicants would be able to recover substantial quantities of oil which would otherwise not be produced if such "five spot" locations were not drilled.

5. That in said cause, Grayburg Oil Company of New Mexico, and Western Production Company, Inc. asked for permission to unitize each basic lease for proration and allowable purposes, but thereafter, by motion filed and granted by the Commission, that part of the Application in the above cause with reference to unitizing basic leases within the boundaries of the Grayburg Cooperative and Unit Area for allowable and proration purposes was dismissed.

IT IS, THEREFORE, ORDERED, by the Commission that the Application of Grayburg Oil Company of New Mexico, and Western Production Company, Inc., for an order granting permits to drill the twenty-eight unorthodox "five spot" locations described in said Application, be

and the same is hereby granted and approved.

The numbers and locations of the wells to be drilled by Grayburg Oil Company of New Mexico are as follows:

BURCH NO. 19-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit B, NW/4 NE/4, 2615 feet from East Line, 25 feet from North Line;

BURCH NO. 20-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit A, NE/4 NE/4, 165 feet from North Line, 1155 feet from East Line;

BURCH NO. 21-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit F, SE/4 NW/4, 1485 feet from North Line, 1260 feet from West Line;

BURCH NO. 22-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit H, SE/4 NE/4, 1345 feet from North Line, 1295 feet from East Line;

BURCH NO. 23-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit L, NW/4 SW/4, 2615 feet from South Line, 905 feet from West Line;

BURCH NO. 24-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit G, SW/4 NE/4, 2310 feet from North Line, 2615 feet from East Line;

BURCH NO. 25-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit I, NE/4 SE/4, 2615 feet from South Line, 1295 feet from East Line;

BURCH NO. 14-B: Section 23, Township 17 South, Range 29 East, N.M.P.M., Unit N, SE/4 SW/4, 1295 feet from South Line, 1345 feet from West Line;

BURCH NO. 15-B: Section 30, Township 17 South, Range 30 East, N.M.P.M., Unit C, NE/4 NW/4, 330 feet from North Line, 1260 feet from West Line;

BURCH NO. 16-B: Section 30, Township 17 South, Range 30 East, N.M.P.M., Unit F, SE/4 NW/4, 1345 feet from North Line, 1260 feet from West Line;

KEELY NO. 16-A: Section 24, Township 17 South, Range 29 East, N.M.P.M., Unit H, SE/4 NE/4, 1345 feet from North Line, 1295 feet from East Line;

KEELY NO. 14-B: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit C, NE/4 NW/4, 25 feet from North Line, 1345 feet from West Line;

KEELY NO. 15-B: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit I, NE/4 SE/4, 2615 feet from South Line, 1295 feet from East Line;

KEELY NO. 16-B: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit P, SE/4 SE/4, 1295 feet from South Line, 1295 feet from East Line.

The numbers and locations of the wells to be drilled by Western Production Company, Inc. are as follows:

BURCH NO. 10-C: Section 23, Township 17 South, Range 29 East, N.M.P.M., Unit P, SE/4 SE/4, 1295 feet from South Line, 1295 feet from East Line;

BURCH NO. 11-C: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit P, SE/4 SE/4, 990 feet from South Line, 1295 feet from East Line;

BURCH NO. 12-C: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit O, SW/4 SE/4, 25 feet from South Line, 1345 feet from East Line;

KEELY NO. 28-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit A, NE/4 NE/4, 25 feet from North Line, 1295 feet from East Line;

KEELY NO. 29-C: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit F, SE/4 NW/4, 1345 feet from North Line, 1345 feet from West Line;

KEELY NO. 30-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit H, SE/4 NE/4, 1345 feet from North Line, 1295 feet from East Line;

KEELY NO. 31-C: Section 26, Township 17
South, Range 29 East, N.M.P.M., Unit K,
NE/4 SW/4, 2615 feet from South Line,
1345 feet from West Line;

KEELY NO. 32-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit K,
NE/4 SW/4, 2615 feet from South Line,
1345 feet from West Line;

KEELY NO. 33-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit J,
NW/4 SE/4, 2615 feet from South Line,
2615 feet from East Line;

KEELY NO. 34-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit I,
NE/4 SE/4, 2615 feet from South Line,
1295 feet from East Line;

KEELY NO. 35-C: Section 26, Township 17
South, Range 29 East, N.M.P.M., Unit N,
SE/4 SW/4, 1295 feet from South Line,
1345 feet from West Line;

KEELY NO. 36-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit N,
SE/4 SW/4, 1295 feet from South Line,
1345 feet from West Line;

KEELY NO. 37-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit O,
SW/4 SE/4, 1295 feet from South Line,
2615 feet from East Line;

KEELY NO. 38-C: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit P,
SE/4 SE/4, 1295 feet from South Line,
1295 feet from East Line.

IT IS FURTHER ORDERED that production from
any well hereinabove authorized, when added to the produc-
tion of any existing well in the same forty-acre unit,
shall not be produced in excess of the forty-acre allow-
able as now, or as may be hereafter fixed for the Gray-
burg-Jackson Pool, until further ordered by the Commis-
sion.

IT IS FURTHER ORDERED that the Applicants shall
file with the Commission copies of Federal location notices

for the hereinabove described locations after approval thereof by the Oil and Gas Supervisor.

It is further ordered that this case shall not be considered a precedent except for the Grayburg-Jackson pool or pools in which similar conditions exist.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CHAIRMAN

John E. Miller

MEMBER

L. R. Guerrer

SECRETARY

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATION OF
GRAYBURG OIL COMPANY OF NEW MEXICO AND
WESTERN PRODUCTION COMPANY, INC., FOR
AN ORDER GRANTING PERMISSION TO DRILL
TWENTY-EIGHT UNORTHODOX LOCATIONS ON
LEASES WITHIN THE BOUNDARIES OF THE
GRAYBURG COOPERATIVE AND UNIT AREA, IN
TOWNSHIP 17 SOUTH, RANGES 29 AND 30
EAST, N.M.P.M. IN THE GRAYBURG-JACKSON
POOL OF EDDY COUNTY, NEW MEXICO

NO. 152

ORDER

Upon Motion filed by Grayburg Oil Company of
New Mexico and Western Production Company, Inc., with
reference to the above entitled Application, IT IS HEREBY
ORDERED that said Application be and the same is hereby
dismissed insofar and only insofar as said Application
makes reference to unitizing basic leases within the
boundaries of the Grayburg Cooperative and Unit Area for
allowable and proration purposes.

Done at Santa Fe, New Mexico this 19 day of
November, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Chairman

Member

Secretary

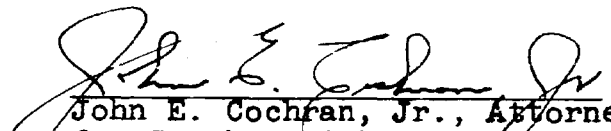
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATION OF
GRAYBURG OIL COMPANY OF NEW MEXICO AND
WESTERN PRODUCTION COMPANY, INC., FOR
AN ORDER GRANTING PERMISSION TO DRILL
TWENTY-EIGHT UNORTHODOX LOCATIONS ON
LEASES WITHIN THE BOUNDARIES OF THE
GRAYBURG COOPERATIVE AND UNIT AREA, IN
TOWNSHIP 17 SOUTH, RANGES 29 AND 30
EAST, N.M.P.M. IN THE GRAYBURG-JACKSON
POOL OF EDDY COUNTY, NEW MEXICO

NO. 152

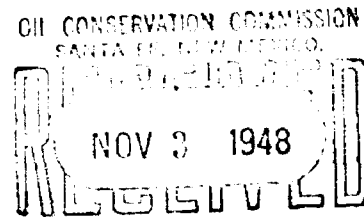
MOTION

COMES NOW, Grayburg Oil Company of New Mexico
and Western Production Company, Inc. and move the dismis-
sal of that portion of the above entitled Application, in-
sofar and only insofar as said Application refers to the
unitizing of basic leases within the boundaries of the
Grayburg Cooperative and Unit Area, for allowable and pro-
duction purposes.


John E. Cochran, Jr., Attorney
for Grayburg Oil Company of
New Mexico and Western Produc-
tion Company, Inc.

LAW OFFICES
JOHN E. COCHRAN, JR.
CARPER BUILDING
ARTESIA, NEW MEXICO

November 1, 1948



Grayburg

Mr. R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

#152

Dear Dick:

In order to keep the record straight in the Grayburg Oil Company of New Mexico and Western Production Company, Inc., cases, I am enclosing herewith Motion of Grayburg Oil Company of New Mexico and Western Production Company, Inc. to dismiss that portion of Application in Case No. 152, insofar and only insofar as said Application refers to the unitizing of basic leases within the boundaries of the Grayburg Cooperative and Unit Area for allowable and proration purposes.

Also enclosed is Order to be signed by the Commission dismissing this portion of the Application in Case No. 152.

In this manner Case No. 152 grants permission to Grayburg and Western for the drilling of twenty-eight "five spot" locations and Case No. 164 grants to Grayburg and Western permission to unitize certain tracts for proration and allowable purposes.

With kindest personal regards, I am

Very truly yours

John E. Cochran, Jr.
John E. Cochran, Jr.

JEC:rm
Encls.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 08-11-2011 BY 60322 UCBAW

The State of New Mexico by its all conscription commission hereby gives notice, pursuant to law, of the following public hearing to be held July 29, 1943, beginning at 10:00 o'clock a.m. on that day at the City of Santa Fe, New Mexico.

All news articles in the following cases,
and notice to the public:

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc., for an order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in S.17, S.23 and T.2S, R.2E, in the Grayburg-Johnson pool, Eddy County, New Mexico.

In the matter of the application of Esplanade Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit lease and agreement, covering and including the following described lands: Lots 1 and 2, 34th section 10; Lots 1, 2, 3, 4, and 5, 34th section 34; Lots 1, 2, 3, 4, and 5, 34th section 35; Lots 1, 2, 3, and 4, 34th section 36, T.20th S., R.22nd E.; 34th section 13, 34th section 14; all sections 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, and 36, T.20th S., R.23rd E.; Lots 1, 2, 3, 4, and 5, 34th section 31; Lot 4, 34th section 32, T.20th S., R.22nd E.; Lots 1 and 4, 34th section 13; Lots 1, 2, 3, and 4, 34th section 19; Lots 1, 2, 3, and 4, 34th section 30; Lots 1, 2, 3, and 4, 34th section 31, T.20th S., R.22nd E., S.W. 1/4, containing 10,390.70 acres, more or less, in Sibley County, New Mexico.

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

100

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Les. Lease Operators Committee for or order according Commission Order No. 712 of August 4, 1947, and known as the Les. - 344y - Chavez Counties New Mexico Les. Oil Ratio Order.

Given under the seal of the Oil Conservation Commission of New Mexico
at Santa Fe, New Mexico on July 14, 1943.

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SECRETARY

NOTICE OF PUBLICATION
OF THE ORDER OF THE
OIL CONSERVATION COMMISSION

The State of New Mexico by the Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearings to be held July 29, 1948, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico:

Case No. 132

All persons parties in the following cases,
and notice to the public:

Case No. 132

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc., for an order granting permission to drill twenty-eight unauthorized locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T.17N., R.23E. and 30E., S.17N., in the Grayburg-Jackson pool, Eddy County, New Mexico.

Case No. 134

In the matter of the application of Republic Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S.17N., section 33; Lots 1, 2, 3, 4, and 5, S.17N., section 34; Lots 1, 2, 3, 4, and 5, S.17N., section 35; Lots 1, 2, 3, and 4, S.17N., section 36; T.20N., R.22E., S.17N., section 13; S.17N., section 14; all sections 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, and 36, T.20N., R.23E.; Lots 1, 2, 3, 4, and 5, S.17N., section 37; Lot 4, S.17N., section 38, T.20N., R.23E.; Lots 1 and 4, S.17N., section 13; Lots 1, 2, 3, and 4, S.17N., section 19; Lots 1, 2, 3, and 4, S.17N., section 39; Lots 1, 2, 3, and 4, S.17N., section 32, T.20N., R.24E., S.17N., containing 10,287.70 acres, more or less, in Eddy County, New Mexico.

Case No. 135

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

Case No. 136

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order amending Commission Order No. 712 of August 4, 1947, and known as the Lea - Eddy - Garcon Counties New Mexico Oil Unit Order.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on July 14, 1948.

WILLIAM C. BROWN, Chairman
Oil Conservation Commission

W. C. BROWN, Secretary

ILLEGIBLE

OIL CONSERVATION COMMISSION
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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATION OF
GRAYBURG OIL COMPANY OF NEW MEXICO AND
WESTERN PRODUCTION COMPANY, INC., FOR
AN ORDER GRANTING PERMISSION TO DRILL
TWENTY-EIGHT UNORTHODOX LOCATIONS ON
LEASES WITHIN THE BOUNDARIES OF THE
GRAYBURG COOPERATIVE AND UNIT AREA, IN
TOWNSHIP 17 SOUTH, RANGES 29 AND 30
EAST, N.M.P.M. IN THE GRAYBURG-JACKSON
POOL OF EDDY COUNTY, NEW MEXICO

NO. _____

APPLICATION

GRAYBURG OIL COMPANY OF NEW MEXICO, and
WESTERN PRODUCTION COMPANY, INC., Applicants herein are
both corporations organized and existing under and by
virtue of the laws of the State of New Mexico, and in
connection herewith respectfully show to the Oil Conser-
vation Commission:

1. Applicants are the owners and holders,
respectively, of all of the Federal Oil and Gas Leases
comprising what is known as the Grayburg Cooperative
and Unit Area situated in Eddy County, State of New Mex-
ico.

That leases covering the following described
lands in said Grayburg Cooperative and Unit Area are
owned by Grayburg Oil Company of New Mexico:

BURCH "A" LEASE, Las Cruces Serial No.
028793, described as S/2 S/2 Section 18,
N/2 and N/2 S/2 Section 19, Township 17
South, Range 30 East, N.M.P.M.

BURCH "B" LEASE, Las Cruces Serial No. 028793-84, described as NW/4, N/2 SW/4 Section 18, S/2 SW/4 Section 19, NW/4 Section 30, Township 17 South, Range 30 East; NE/4 and SW/4 Section 23, Township 17 South, Range 29 East, N.M.P.M.

KEELY "A" LEASE, Las Cruces Serial No. 028784, described as NE/4 SE/4, S/2 S/2 Section 13, N/2 NW/4, SW/4 NW/4, N/2 SW/4, NE/4, N/2 SE/4 Section 24, Township 17 South, Range 29 East, N.M.P.M.

KEELY "B" LEASE, Las Cruces Serial No. 028784-93, described as S/2 SW/4 Section 24, N/2 NW/4 Section 25 and E/2 Section 26, Township 17 South, Range 29 East, N.M.P.M.

DEXTER LEASE, Las Cruces Serial No. 054406 described as SE/4 NW/4 Section 24, Township 17 South, Range 29 East, N.M.P.M.

That leases covering the following described lands in said Grayburg Cooperative and Unit Area are owned by Western Production Company, Inc.

BURCH "C" LEASE, Las Cruces Serial No. 028793, described as NE/4, N/2 SE/4 Section 18, S/2 SE/4 Section 19, NE/4 and S/2 Section 30, Township 17 South, Range 30 East, N.M.P.M.; NW/4 and SE/4 Section 23, Township 17 South, Range 29 East, N.M.P.M.

KEELY "C" LEASE, Las Cruces Serial No. 028784, described as N/2 SW/4, NW/4 SE/4 Section 13, S/2 SE/4 Section 24, S/2 NW/4, NE/4 and S/2 Section 25, W/2 Section 26, Township 17 South, Range 29 East, N.M.P.M.

That all of the leases covering the lands hereinabove described comprise and are situated within the confines of the boundaries of the Grayburg Cooperative and Unit Area.

2. That from inception of production to the present time there have been drilled a total of 79 producing oil wells and a total of 5 gas injection wells; that

said producing wells are all producing from the Grayburg-Jackson Pay of the Upper San Andres Formation encountered at an approximate depth of 2800 feet, with the exception of the Keely Well No. 27-C of Western Production Company, Inc., located in the NW/4 of Section 26, Township 17 South, Range 29 East, N.M.P.M., which is producing from the sub-Grayburg Section encountered at an approximate depth of 3300 feet. That each of said producing wells has been drilled on a spacing pattern of one well to a legal forty-acre subdivision, except Grayburg Oil Company of New Mexico's Burch Well No. 13-B, located in the SE/4 SW/4 Section 19, Township 17 South, Range 30 East, and its Keely Well No. 11-A, located in the NE/4 SE/4 Section 24, Township 17 South, Range 29 East, which said two wells are drilled on a ten-acre spacing pattern, and its Keely Well No. 13-B in the SE/4 NE/4 of Section 26, Township 17 South, Range 29 East, N.M.P.M., which is drilled on a "five spot" location.

3. That applicants, upon the basis of geological and engineering information, are advised and are of the opinion and belief that one well located in the center of each forty-acre legal subdivision is not sufficient to obtain all of the recoverable oil under any forty-acre tract and that the drilling of "five spot" wells in the Grayburg Cooperative and Unit Area at the locations shown on the map attached hereto, marked Exhibit "A" and by reference made a part hereof, would be in the interest of conservation, prevent waste and enable applicants to obtain a greater ultimate recovery of oil, in that applicants would be able

to recover substantial quantities of oil which would otherwise not be produced if such "five spot" locations were not drilled. That the drilling of said "five spot" locations would enable applicants to produce the wells on each of said leases at a more efficient rate of withdrawal.

4. That Grayburg Oil Company of New Mexico desires, and hereby makes application to drill fourteen such "five spot" locations located upon the leases owned by it, hereinabove described, numbered and located as follows:

BURCH NO. 19-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit B, NW/4 NE/4, 2615 feet from East Line, 25 feet from North Line;

BURCH NO. 20-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit A, NE/4 NE/4, 165 feet from North Line, 1155 feet from East Line;

BURCH NO. 21-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit F, SE/4 NW/4, 1485 feet from North Line, 1260 feet from West Line;

BURCH NO. 22-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit H, SE/4 NE/4, 1345 feet from North Line, 1295 feet from East Line;

BURCH NO. 23-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit L, NW/4 SW/4, 2615 feet from South Line, 905 feet from West Line;

BURCH NO. 24-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit G, SW/4 NE/4, 2310 feet from North Line, 2615 feet from East Line;

BURCH NO. 25-A: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit I, NE/4 SE/4, 2615 feet from South Line, 1295 feet from East Line;

BURCH NO. 14-B: Section 23, Township 17
South, Range 29 East, N.M.P.M., Unit N,
SE/4 SW/4, 1295 feet from South Line,
1345 feet from West Line;

BURCH NO. 15-B: Section 30, Township 17
South, Range 30 East, N.M.P.M., Unit C,
NE/4 NW/4, 330 feet from North Line, 1260
feet from West Line;

BURCH NO. 16-B: Section 30, Township 17
South, Range 30 East, N.M.P.M., Unit F,
SE/4 NW/4, 1345 feet from North Line,
1260 feet from West Line;

KEELY NO. 16-A: Section 24, Township 17
South, Range 29 East, N.M.P.M., Unit H,
SE/4 NE/4, 1345 feet from North Line,
1295 feet from East Line;

KEELY NO. 14-B: Section 25, Township 17
South, Range 29 East, N.M.P.M., Unit C,
NE/4 NW/4, 25 feet from North Line, 1345
feet from West Line;

KEELY NO. 15-B: Section 26, Township 17
South, Range 29 East, N.M.P.M., Unit I,
NE/4 SE/4, 2615 feet from South Line,
1295 feet from East Line;

KEELY NO. 16-B: Section 26, Township 17
South, Range 29 East, N.M.P.M., Unit P,
SE/4 SE/4, 1295 feet from South Line,
1295 feet from East Line;

the locations of each of said wells being shown on the
map attached hereto marked Exhibit "A".

5. That Western Production Company, Inc. de-
sires, and hereby makes application to drill fourteen
such "five spot" locations located upon the leases own-
ed by it, hereinabove described, numbered and located
as follows:

BURCH NO. 10-C: Section 23, Township 17
South, Range 29 East, N.M.P.M., Unit P,
SE/4 SE/4, 1295 feet from South Line,
1295 feet from East Line;

BURCH NO. 11-C: Section 19, Township 17
South, Range 30 East, N.M.P.M., Unit P,
SE/4 SE/4, 990 feet from South Line, 1295
feet from East Line;

BURCH NO. 12-C: Section 19, Township 17 South, Range 30 East, N.M.P.M., Unit O, SW/4 SE/4, 25 feet from South Line, 1345 feet from East Line;

KEELY NO. 28-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit A, NE/4 NE/4, 25 feet from North Line, 1295 feet from East Line;

KEELY NO. 29-C: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit F, SE/4 NW/4, 1345 feet from North Line, 1345 feet from West Line;

KEELY NO. 30-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit H, SE/4 NE/4, 1345 feet from North Line, 1295 feet from East Line;

KEELY NO. 31-C: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit K, NE/4 SW/4, 2615 feet from South Line, 1345 feet from West Line;

KEELY NO. 32-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit K, NE/4 SW/4, 2615 feet from South Line, 1345 feet from West Line;

KEELY NO. 33-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit J, NW/4 SE/4, 2615 feet from South Line, 2615 feet from East Line;

KEELY NO. 34-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit I, NE/4 SE/4, 2615 feet from South Line, 1295 feet from East Line;

KEELY NO. 35-C: Section 26, Township 17 South, Range 29 East, N.M.P.M., Unit N, SE/4 SW/4, 1295 feet from South Line, 1345 feet from West Line;

KEELY NO. 36-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit N, SE/4 SW/4, 1295 feet from South Line, 1345 feet from West Line;

KEELY NO. 37-C: Section 25, Township 17 South, Range 29 East, N.M.P.M., Unit O, SW/4 SE/4, 1295 feet from South Line, 2615 feet from East Line;

KEELY NO. 38-C: Section 25, Township 17

South, Range 29 East, N.M.P.M., Unit P,
SE/4 SE/4, 1295 feet from South Line,
1295 feet from East Line;

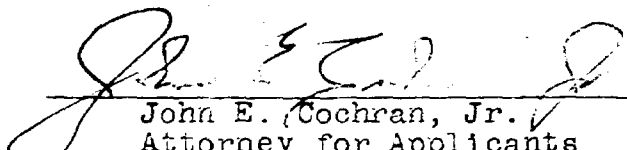
the locations of each of said wells being shown on the map attached hereto marked Exhibit "A".

6. That if permits are granted to applicants to drill the unorthodox locations hereinabove described that said drilling program as to said locations will be carried on in an orderly and continuous manner and that while applicants propose to drill all of said locations they do not wish to be obligated to do so for the reason that as such locations are drilled, the data and information obtained from the drilling of such wells may cause applicants to change or modify their future program with reference to the drilling of all of the twenty-eight unorthodox locations hereinabove described.

7. That in the event an order is entered by the Oil Conservation Commission granting permission to applicants to drill the hereinabove described unorthodox locations, that as said "five spot" wells are drilled, it is not applicants' intention, nor do applicants ask that they be granted any allowable in addition to the daily allowable as fixed, monthly, by the Oil Conservation Commission for each forty-acre proration unit but applicants believe that the wells on each of the basic leases hereinabove described could be produced at a more efficient rate of withdrawal and that a greater ultimate recovery of oil could be obtained from each of said leases if applicants are permitted to unitize each of said basic leases as to the lands embraced therein

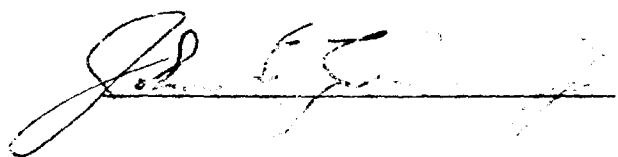
within the Grayburg Cooperative and Unit Area, for allowable and proration purposes only, insofar as all wells located upon said leases producing from the same horizon are concerned and, therefore, applicants desire that each of the above described basic leases be unitized for proration and allowable purposes only insofar as the lands embraced in such basic leases are concerned whether all of such lands be contiguous or not, and that applicants be given a total allowable each month for each basic lease and that hereafter such allowable not be based upon forty-acre units.


WHEREFORE, applicants pray that this Commission enter an order granting applicants permission to drill the twenty-eight unorthodox locations hereinabove described and shown on the map attached hereto, marked Exhibit "A"; that the Commission further enter its order permitting the unitization by applicants for allowable and proration purposes only of each of the basic leases hereinabove described as to all of the lands embraced in each respective basic lease situated within the boundaries of the Grayburg Cooperative and Unit Area; that the Commission set a date for hearing this Application in accordance with its rules and regulations, and that upon presentation of this Application that such orders hereinabove described be granted to applicants to drill said wells and unitize for allowable and proration purposes only the respective basic leases hereinabove described.


John E. Cochran, Jr.
Attorney for Applicants
Grayburg Oil Company of New Mexico
Western Production Company, Inc.

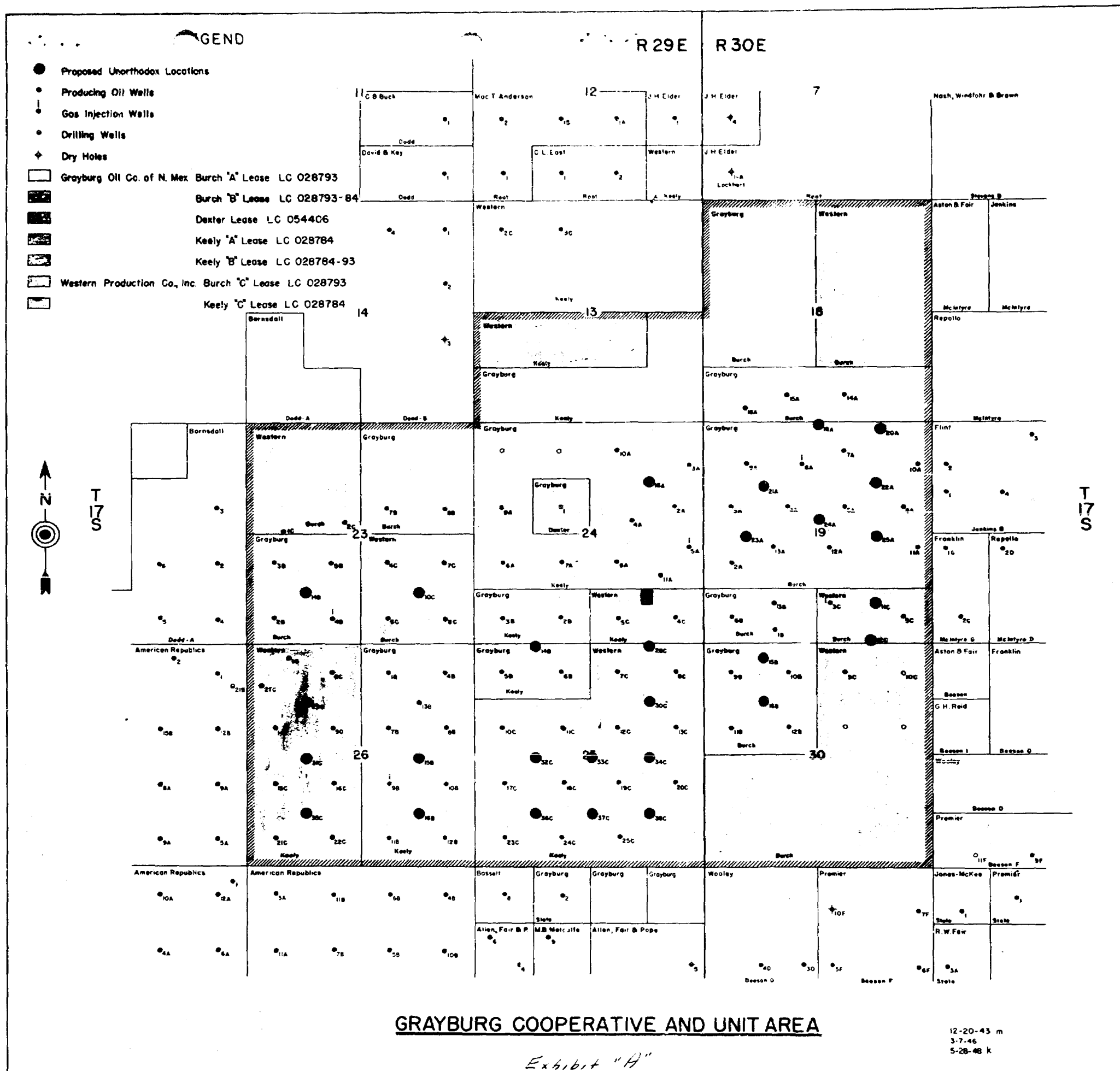
STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

JOHN E. COCHRAN, JR., being first duly sworn upon his oath deposes and states: That he is attorney for the applicants in the above and foregoing Application, and that he has read the same and from personal knowledge knows the matters therein contained to be true and correct, except such statements as are alleged upon information and belief, and as to those, he verily believes them to be true; that this verification is made by him on behalf of Grayburg Oil Company of New Mexico and Western Production Company, Inc.


SUBSCRIBED AND SWORN to before me this 8th
day of July, 1948.


Notary Public

My commission expires:
April 15, 1950



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATION OF
GRAYBURG OIL COMPANY OF NEW MEXICO AND
WESTERN PRODUCTION COMPANY, INC., FOR
AN ORDER GRANTING PERMISSION TO DRILL
TWENTY-EIGHT UNORTHODOX LOCATIONS ON
LEASES WITHIN THE BOUNDARIES OF THE
GRAYBURG COOPERATIVE AND UNIT AREA, IN
TOWNSHIP 17 SOUTH, RANGES 29 AND 30
EAST, N.M.P.M. IN THE GRAYBURG-JACKSON
POOL OF EDDY COUNTY, NEW MEXICO

NO. 152

AMENDMENT TO PARAGRAPH 7
OF ORIGINAL APPLICATION

COMES NOW, GRAYBURG OIL COMPANY OF NEW MEXICO
and WESTERN PRODUCTION COMPANY, INC., Applicants in the
above numbered case, and respectfully ask permission of
the Oil Conservation Commission to file the following
Amendment to Paragraph 7 contained in the original Ap-
plication.

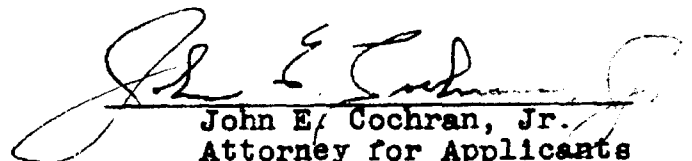
Paragraph 7 of the original Application filed
herein, at the suggestion of the Supervisor of the United
States Geological Survey, shall be and the same is hereby
amended to read as follows:

7. Applicants are of the opinion and
belief that the wells on each of the basic
leases hereinabove described can be produced
at a more efficient rate of withdrawal and
that a greater ultimate recovery of oil can
be obtained from each of said leases if ap-
plicants are permitted to unitize each of
said basic leases as to the lands embraced

therein within the Grayburg Cooperative and Unit Area, for allowable and proration purposes only, insofar as all wells located upon said basic leases producing from the same horizon are concerned and, therefore, applicants desire that each of the above described basic leases be unitized for proration and allowable purposes only, insofar as the lands embraced in such basic leases are concerned, whether or not all of such lands be contiguous, and that applicants be given a total allowable each month for each basic lease. That in the event an order is entered by the Oil Conservation Commission granting permission to applicants to drill the hereinabove described unorthodox locations and permitting applicants to unitize each of said basic leases for allowable and proration purposes only, that as said "five spot" wells are drilled, it is not applicants' intention hereafter to ask that they be granted a total daily allowable for any basic lease exceeding the daily top allowable as fixed by the Oil Conservation Commission for each forty acre proration unit multiplied by the number of forty acre developed proration units in each basic lease. It is not applicants' intention to ask that they be permitted to produce any hereinabove described "five spot" well, or any other well now located upon any of said basic leases, at any time

at a rate in excess of the daily top allowable as fixed by the Commission for each forty acre proration unit.

Except as herein amended, the original Application shall remain as originally written.


John E. Cochran, Jr.
Attorney for Applicants
Grayburg Oil Company of New Mexico
Western Production Company, Inc.