

CASE 1000: MEXICO PRODUCING CORPORATION
MEXICO GAS WELL LOCATION, LEA *en*
COUNTY, NEW MEXICO

Case No.

6908

Application

Transcripts

Small Exhibits

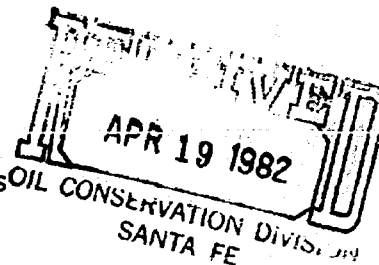
ETC



NATOMAS
NORTH
AMERICA
INC.

April 14, 1982

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of Energy and Minerals
P. O. Box 2088
Santa Fe, New Mexico 87501

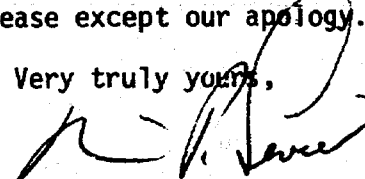


Re: NMOCD #6908
State of New Mexico L-4804
T. 23S, R. 34E
Sec. 22: NE/4
Lea County, New Mexico

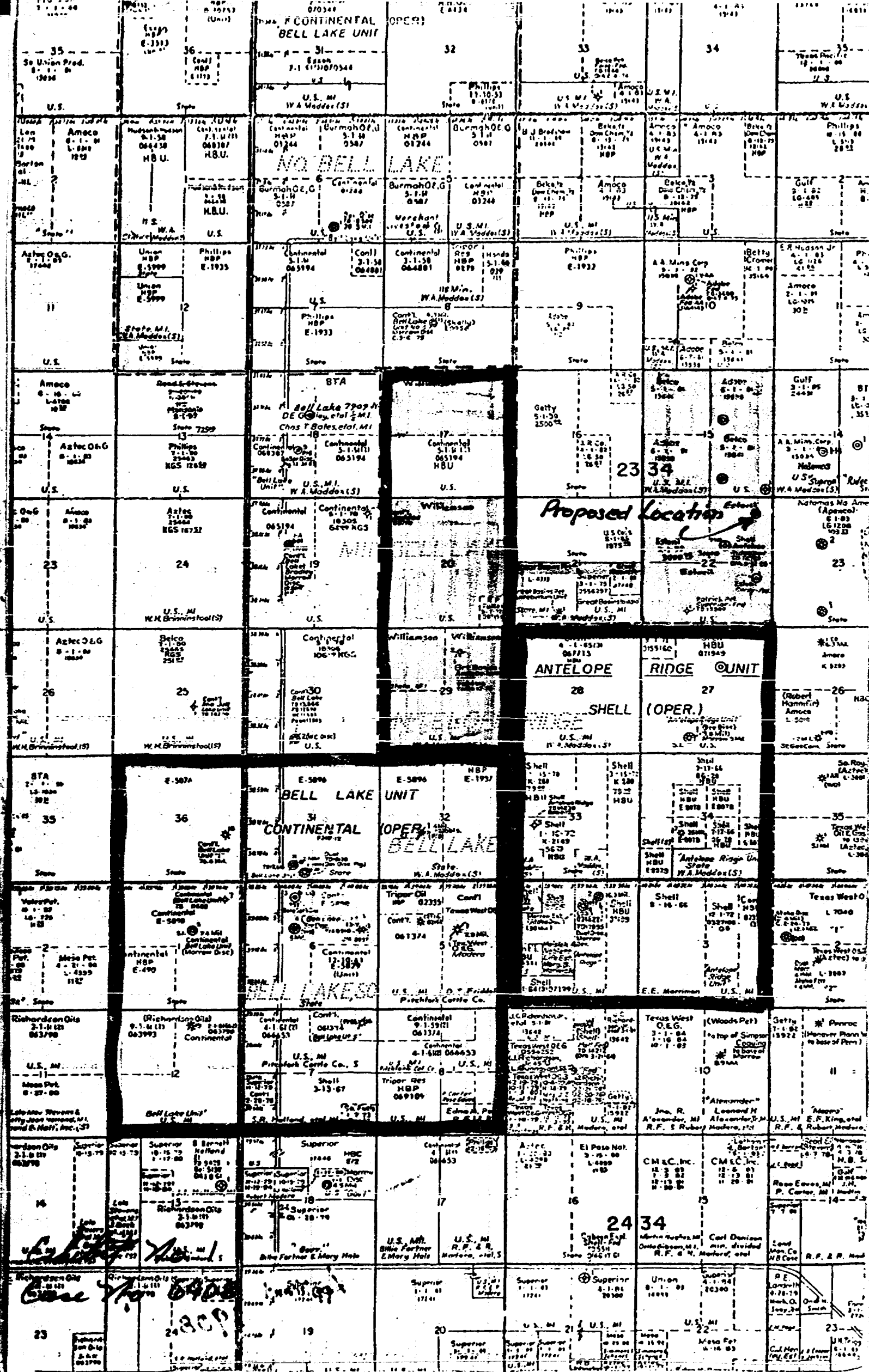
Dear Sir:

Enclosed are Exhibits furnished us in connection with the above referenced case by Mr. William F. Carr, Attorney-at-Law, Santa Fe, New Mexico. Mr. Carr had asked that these Exhibits be returned to you and we inadvertently did not do this. Please except our apology.

Very truly yours,


Richard P. Sevier
Division Manager

Enclosures - Maps and Plats (7)

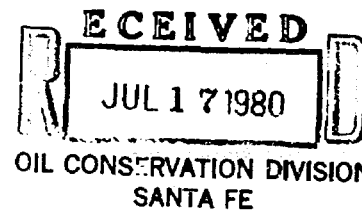


GEORGE H. HUNKER, JR.
DON M. FEDRIC

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 1837
ROSWEILL, NEW MEXICO 88201

TELEPHONE 622-2700
AREA CODE 505

July 16, 1980



Mr. William F. Carr
Cambell & Black P.A.
P.O. Box 2208
Santa Fe, New Mexico 87501

Re: Oil Conservation
Division Case No. 6908:
Application of Estoril
Producing Corporation
for an Unorthodox Gas
Well Location, Lea
County, New Mexico;
Order No. R-6374

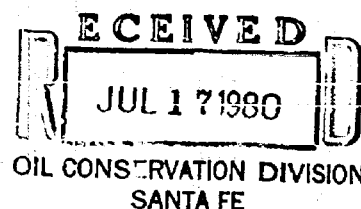
Dear Bill:

Thank you for providing us with a copy of your July 15, 1980 letter addressed to the Oil Conservation Division. We received your letter and the July 14, 1980 Commission's Decision at the same time.

For informational purposes, and not as an attempt to argue our respective client's positions, we thought we should respond to one of your preliminary comments regarding the possibility of lack of diligence on the part of Estoril in connection with drilling of the well.

We recognize your argument that Natomas may not intend to be dilatory in this matter, but neither has Estoril. The prospect could not go forward until Estoril acquired the NW1/4 of Section 22 by State Sale in February of this year. Shortly thereafter, the expiring lease L 4804 (NE1/4) was acquired, with considerable subsequent title curative work required through the latter part of June, 1980. Estoril has moved as diligently and quickly as possible to effect drilling prior to August 18, 1980.

Mr. William F. Carr
July 16, 1980
Page 2



Based upon the Division's original Order R-6374, and the July 14, 1980 Decision, Estoril has commenced the drilling of the well. Costs to date are approximately \$408,000.00 for acquisition of the lease covering the NW1/4 of Section 22; \$36,000.00 for acquisition and curative work on the lease covering the NE 1/4; and \$40,000.00 location costs.

Yours very sincerely,

HUNKER-FEDRIC, P.A.

ORIGINAL SIGNED BY

Don M. Fedric

cc: Mr. Joe D. Ramey ✓
Estoril Producing



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

July 25, 1980

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: Amended Application for
Hearing De Novo in Case
No. 6908

Dear Mr. Carr:

After review of the amended application of Natomas North American for a hearing de novo and consideration of the additional allegations relative to notice, the Commission stands by its earlier decision of July 14, 1980, to deny a de novo hearing in this case. Accordingly, the amended application is denied.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOE D. RAMEY
Secretary

JDR/fd

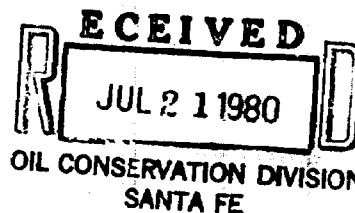
cc: Hunker-Fedric

GEORGE H. HUNKER, JR.
DON M. FEDRIC

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700
AREA CODE 505

July 18, 1980



Mr. Joe D. Ramey, Division Director
Oil Conservation Division
New Mexico Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: NMOCD #6908
State of New Mexico L-4804
T. 23S, R. 34E
Sec. 22: NE¼
Lea County, New Mexico

Dear Mr. Ramey:

In response to the July 17, 1980, second request of Natomas North America, Inc., by Attorney William F. Carr for a de novo hearing of the captioned matter, we again express our opposition to the same on behalf of Estoril Producing Corporation.

Statutory requirements for notice were met, and Natomas lacks standing to initiate the de novo application.

Yours very sincerely,

HUNKER-FEDRIC, P.A.

A handwritten signature in cursive script, appearing to read "Don M. Fedric".

Don M. Fedric

DMF:dd

xc: Estoril Producing Corporation
Attention: Mr. Flynt Chancellor
1100 Vaughn Building
Midland, Texas 79701, w/enc.

xc: Mr. J.C. Williamson
P.O. Box 16
Midland, Texas 79701, w/enc.

xc: Mr. William F. Carr
Campbell and Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87501

CAMPBELL AND BLACK, P.A.

LAWYERS

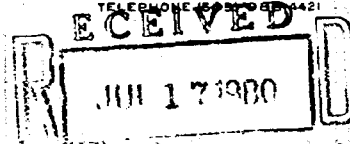
JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR

POST OFFICE BOX 2208

JEFFERSON PLACE

SANTA FE, NEW MEXICO 87501

TELEPHONE 435-0000



July 17, 1980

Oil Conservation Commission
State of New Mexico
Energy and Minerals Department
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Oil Conservation Division Case No. 6908:
Application of Estoril Producing Corporation
for an Unorthodox Gas Well Location, Lea
County, New Mexico; Order No. R-6374

Attention: Joe D. Ramey

Gentlemen:

Enclosed in triplicate is the Amended Application for Hearing De Novo of Natomas North America, Inc. in the above-referenced case. Since the original Order in this case was entered by the Division Director on June 18, 1980, this Amended Application is timely filed. As you will note, this Amended Application is similar to that previously filed for Natomas North America, Inc. except that Natomas now specifically alleges that it did not receive notice of the examiner hearing in this case.

We request that you treat our letter of July 15, 1980, as our memorandum in support of this Amended Application and that you set this matter for hearing before the Oil Conservation Commission at the earliest possible date.

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

William F. Carr

WFC:lr

Enclosures

cc: David W. Eckman
Jack Goodwin
George Hunker

*1. Notice added to
to move petition
2. find out what*

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CAER

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

July 15, 1980

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Oil Conservation Division Case No. 6908:
Application of Estoril Producing Corporation
for an Unorthodox Gas Well Location, Lea
County, New Mexico; Order No. R-6374

Dear Mr. Ramey:

This letter is written in support of the Application for Hearing De Novo which we filed with the Oil Conservation Division in the above-referenced matter on July 7, 1980, and in response to the letter dated July 8, 1980, from Mr. George H. Hunker, Jr., attorney for Estoril Producing Corporation. Initially, I would like to point out that our request for a hearing de novo on August 5, 1980, was in no way intended to be dilatory or take advantage of the situation in which Estoril finds itself due to its August 18, 1980 lease expiration date. We requested a hearing on August 5 because it was my understanding that this was the earliest date on which this matter could be heard by the full Commission.

We appreciate the situation in which Estoril finds itself but must state that it is not the fault of Natomas North America, Inc. that Estoril did not pursue this matter until its New Mexico Oil and Gas Lease No. L-4804 was about to expire. We do stand by our request for hearing de novo and request that this hearing be scheduled on the earliest possible date.

The first question raised by Mr. Hunker is whether or not Natomas was a party in the original proceeding and thereby entitled to file for a hearing de novo pursuant to the provisions of Section 70-2-13, N.M.S.A., 1978 Compilation. This statute provides that any party adversely affected by a decision resulting from an examiner hearing shall have the right to have the matter referred

Mr. Joe D. Ramey
July 15, 1980
Page -2-

to the Commission for hearing de novo. We would note in this regard that Section 70-2-25, N.M.S.A., 1978 Compilation, relating to rehearings provides that any person affected by a Commission order may file an application for rehearing with the Commission. We submit that it is not logical to read these two statutes as authorizing appeals by individuals who were not parties in Commission hearings but prohibiting appeals by individuals who were not parties in examiner hearings. We further submit that both of these statutes should be reviewed in light of other Oil Conservation Division statutes. Section 70-2-11, N.M.S.A., 1978 Compilation, provides that the Division is empowered "...to do whatever may be reasonably necessary to carry out the purposes of this act, whether or not indicated or specified in any section hereof." As you are aware, the purposes of the Oil and Gas Act are to prevent waste and to protect correlative rights (Section 70-2-11, N.M.S.A., 1953). Section 70-2-33 H, N.M.S.A., 1978, defines correlative rights as affording an opportunity to the owner of each property in a pool to produce his just and equitable share of the oil or gas in the pool. We believe the above-referenced statutes authorize, if not direct, the Division to set the above-referenced case for hearing before the full Commission, thereby enabling Natomas to present its objections to the unorthodox well location proposed by Estoril Producing Company. If Natomas does not have a right to hearing de novo, we believe that the Division has authority to grant such a hearing and should do so in this situation where the correlative rights of an operator in a pool are going to be impaired by an action of an offsetting operator.

Before an individual can become a party to a proceeding before the Oil Conservation Commission, he must have notice of the proceeding. In Case 6908, Natomas North America, Inc. did not appear in opposition to Estoril. Natomas was not on the Oil Conservation Division mailing list and did not receive a docket for the June 4 hearing. It was unaware of this case. Mr. Hunker states in his letter of July 8, 1980, that Natomas had legal notice of the hearing held on June 4. Max D. Curry, witness for Estoril, stated in the transcript at page 8 that he was not aware of any objection to the proposed location on the part of any offset operator. We take issue with both of these statements, for Natomas did not have sufficient notice of the hearing and Estoril's statements concerning the lack of objection by offset operators are misleading. This situation, furthermore, raises questions concerning the general notice requirements for Oil Conservation Division hearings.

The general rule concerning constructive notice is that notice by newspaper publication of the pendency of a proceeding which will affect an interest in real property is not sufficient as

Mr. Joe D. Ramey
July 15, 1980
Page -3-

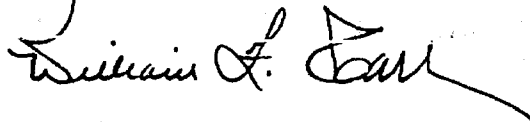
to a person whose name and address is known or easily ascertainable. In this case, Estoril knew or should have known the name and address of Natomas. If it did not, this information could easily have been ascertained. The purpose of notice is to afford affected parties an opportunity to present objections to an application. Notice by publication does not satisfy the due process requirements of the Fourteenth Amendment to the U.S. Constitution where the person's name can actually be ascertained for the problem with notice by publication is that, in most cases, it amounts to no notice at all. It can be argued that the general rule is modified in the situation where there is a state statute authorizing notice by publication. It is doubtful, however, that this position would stand up in Court for the United States Supreme Court, on at least two occasions, has set aside actions by state authorities on the grounds that notice by publication was insufficient, although authorized by statute. See, Walker v. Hutchinson, 1956, 352 U.S. 112, 1 L.Ed.2d 178, 77 S.Ct. 200; and Schroeder v. New York, 1962, 371 U.S. 208, 9 L.Ed.2d 255, 83 S.Ct. 279.

The test seems to be that if it is "reasonably possible" to give actual notice to a party who has a property interest which will be affected by a proceeding, notice by publication is constitutionally deficient.

Estoril, as the party seeking an unorthodox location, had a duty of giving adequate notice to the offsetting operators. The notice provided to Natomas North America, Inc. in this case was constitutionally deficient for it did not meet the basic standards of procedural due process. We, therefore, submit that since the notice is deficient, the Order resulting from the hearing is likewise deficient and can be set aside.

We urge the Commission to set the Application for Hearing De Novo of Natomas North America, Inc. at the earliest possible date.

Very truly yours,



William F. Carr

WFC:lr

cc: Mr. George H. Hunker, Jr.
Mr. David W. Eckman
Mr. Jack Goodwin

BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
JUN 11 1980
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE APPLICATION
OF ESTORIL PRODUCING CORPORATION
FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

CASE 6908

AMENDED APPLICATION FOR HEARING DE NOVO

Comes now NATOMAS NORTH AMERICA, INC., and hereby requests that the above-referenced cause be set for hearing de novo before the Oil Conservation Commission and in support of its request states:

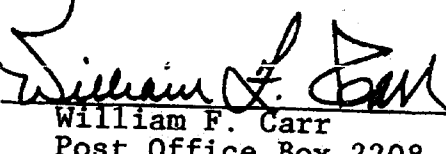
1. That this case was heard before Examiner Daniel S. Nutter on June 4, 1980.
2. That Natomas North America, Inc. did not receive notice of the examiner hearing and, therefore, did not appear as a party in that proceeding.
3. That pursuant to said hearing, the Oil Conservation Division entered Order No. R-6374 granting the application of Estoril Producing Corporation for the drilling of a well 660 feet from the North and East lines of Section 22, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico.
4. That the drilling and producing of a well at the approved unorthodox location permits Estoril to obtain a substantial advantage over the producers to the east by reason of this unorthodox location.

5. As the producer of the property to the east of the proposed location, Natomas North America, Inc. is adversely affected by said Order.

WHEREFORE, Natomas North America, Inc. requests that this matter be set for hearing de novo before the full Commission to enable it to offer evidence concerning assessment of a penalty against the production from said well.

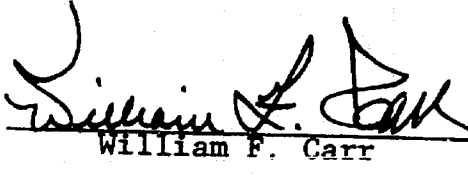
Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Natomas North
America, Inc.

Certificate of Service

I hereby certify that a copy of the foregoing Amended Application for Hearing De Novo was mailed to George Hunker, Esq., attorney for Estoril Producing Corporation, this 17th day of July, 1980.


William F. Carr

BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION
SANTA FE

RECEIVED

JUL 17 1980

IN THE MATTER OF THE APPLICATION
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FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

CASE 6908

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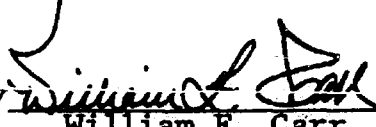
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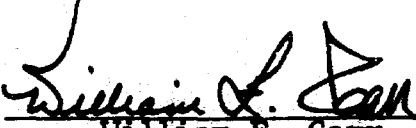
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BEFORE THE
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NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
JUL 17 1980
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SANTA FE

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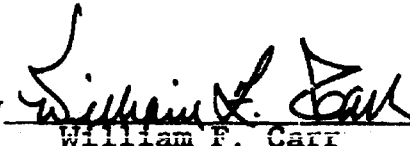
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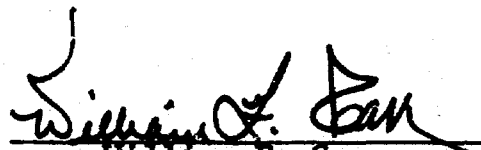
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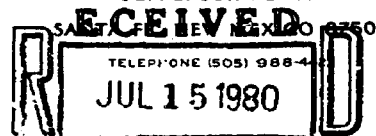
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR

July 15, 1980

POST OFFICE BOX 2208

JEFFERSON PLACE



OIL CONSERVATION DIVISION
SANTA FE

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Oil Conservation Division Case No. 6908:
Application of Estoril Producing Corporation
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Mr. Joe D. Ramey
July 15, 1980
Page -3-

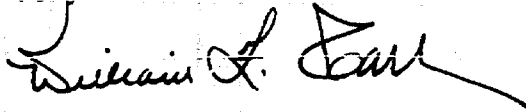
to a person whose name and address is known or easily ascertainable. In this case, Estoril knew or should have known the name and address of Natomas. If it did not, this information could easily have been ascertained. The purpose of notice is to afford affected parties an opportunity to present objections to an application. Notice by publication does not satisfy the due process requirements of the Fourteenth Amendment to the U.S. Constitution where the person's name can actually be ascertained for the problem with notice by publication is that, in most cases, it amounts to no notice at all. It can be argued that the general rule is modified in the situation where there is a state statute authorizing notice by publication. It is doubtful, however, that this position would stand up in Court for the United States Supreme Court, on at least two occasions, has set aside actions by state authorities on the grounds that notice by publication was insufficient, although authorized by statute. See, Walker v. Hutchinson, 1956, 352 U.S. 112, 1 L.Ed.2d 178, 77 S.Ct. 200; and Schroeder v. New York, 1962, 371 U.S. 208, 9 L.Ed.2d 255, 83 S.Ct. 279.

The test seems to be that if it is "reasonably possible" to give actual notice to a party who has a property interest which will be affected by a proceeding, notice by publication is constitutionally deficient.

Estoril, as the party seeking an unorthodox location, had a duty of giving adequate notice to the offsetting operators. The notice provided to Natomas North America, Inc. in this case was constitutionally deficient for it did not meet the basic standards of procedural due process. We, therefore, submit that since the notice is deficient, the Order resulting from the hearing is likewise deficient and can be set aside.

We urge the Commission to set the Application for Hearing De Novo of Natomas North America, Inc. at the earliest possible date.

Very truly yours,



William F. Carr

WFC:lr

cc: Mr. George H. Hunker, Jr.
Mr. David W. Eckman
Mr. Jack Goodwin

GEORGE H. HUNKER, JR.
DON M. FEDRIC

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 105
ROSWELL, NEW MEXICO, 88203

TELEPHONE 622-2700
AREA CODE 505

July 8, 1980

Mr. Joe D. Ramey, Division Director
Oil Conservation Division
New Mexico Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: NMOCD #6908
State of New Mexico L-4804
T. 23S, R. 34E
Sec. 22: NE $\frac{1}{4}$
Lea County, New Mexico

Dear Mr. Ramey:

State of New Mexico Oil and Gas Lease L-4804 (absent drilling operations) expires August 18, 1980. Estoril Producing Corporation of Midland has built its location and a rig will be moved onto the location shortly to commence drilling operations. A Communitization Agreement has been tentatively approved by the Land Commissioner involving an orthodox well spacing unit consisting of the N $\frac{1}{2}$ of Section 22, Township 23 South, Range 34 East. On June 18, 1980, the Division approved an unorthodox location 660 FN&EL of said section, reference being made to Case No. 6908, Order R-6374. Natomas North American now contends it is adversely affected and has filed an application for a de novo hearing.

Although Natomas had legal notice of the hearing held June 4, 1980, it failed to become a party, to enter an appearance, or otherwise object to the subject unorthodox location. The testimony adduced at the hearing did not indicate that Natomas would be adversely affected.

In a transmittal to your office from Attorney William F. Carr, for Natomas, it is indicated that the earliest Commission hearing date is August 5, 1980. Estoril may be irreparably damaged if this controversy cannot be resolved immediately for they have entered into certain contractual and drilling commitments with the August 18, 1980, lease termination date in mind.

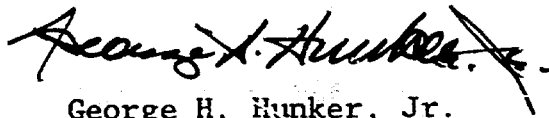
In the event the Division regards Natomas as an adversely affected "party", it is respectfully requested that an order be entered for an immediate Commission hearing, said hearing to be held after 15 days from July 7, 1980. Estoril strongly objects to the tardy manner in which this matter was handled by Natomas. Substantial monetary commitments have been made in reliance on the Division's Order R-6374. Additionally, Estoril paid more than \$3,000 per acre for the NW $\frac{1}{4}$ Sec. 22.

Mr. Joe D. Ramey
N.M.O.C.D.
7/8/80
Page 2

An early response is requested.

Sincerely yours,

HUNKER-FEDRIC, P.A.



George H. Hunker, Jr.

Attorneys for Estoril Producing
Corporation

GHH:dd

xc: William F. Carr, Esq.
Campbell and Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87501

xc: Mr. Flynt Chancellor
Estoril Producing Corporation
1100 Vaughn Building
Midland, Texas 79701, w/enc.

xc: Mr. J.C. Williamson
P.O. Box 16
Midland, Texas 79701, w/enc.

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

July 14, 1980

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Dear Mr. Carr:

The Oil Conservation Commission, upon a quorum being present, has considered your request for a de novo hearing in the above referenced matter and is of the opinion that the application be denied.

In denying the application, the Commission believes that Natomas North American is not a "party adversely affected" within the meaning of Section 70-2-13 NMSA, 1978 Compilation. Natomas North American was not a party of record at the examiner hearing and to allow it to enter the proceedings at the de novo stage would totally undermine the purpose and authority to hold examiner hearings. Moreover, Natomas has not alleged a lack of notice as to the examiner hearing.

Accordingly, the application for a de novo hearing is considered improper as Natomas North American lacks standing to bring the de novo application.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOE D. RAMEY

ALEX J. ARMIJO

EMERY C. ARNOLD

fa/

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

July 7, 1980

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of Energy & Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

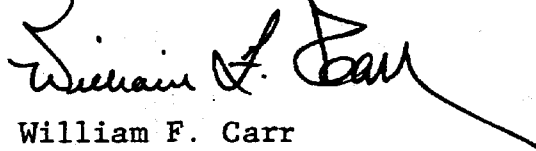
Re: Application for Hearing De Novo
Regarding Case No. 6908

Dear Mr. Ramey:

Enclosed in triplicate is the application of Natomas North American for a hearing de novo regarding the above-referenced case.

The applicant requests that this matter be included on the docket for the hearing before the Oil Conservation Commission to be held on August 5, 1980.

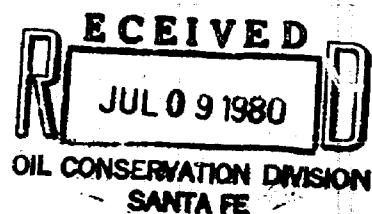
Very truly yours,

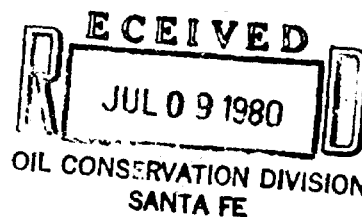

William F. Carr

WFC:lr

Enclosure

cc: Mr. Julian C. Stroud
Mr. George Hunker





BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF ESTORIL PRODUCING CORPORATION
FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

Case 6908

APPLICATION FOR HEARING DE NOVO

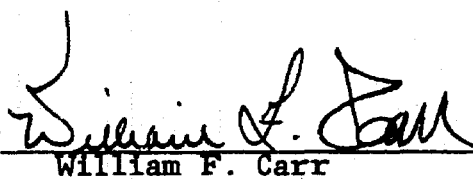
Comes now NATOMAS NORTH AMERICAN and hereby requests that the above-referenced cause be set for de novo hearing before the Oil Conservation Commission and in support of its request states:

1. That this case was heard before Examiner Daniel S. Nutter on June 4, 1980.
2. That pursuant to said hearing, the Oil Conservation Division entered Order No. R-6374 granting the application of Estoril Producing Corporation for the drilling of a well 660 feet from the North and East lines of Section 22, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico.
3. That the drilling and producing of a well at the approved unorthodox location permits Estoril to obtain a substantial advantage over the producers to the east by reason of this unorthodox location.
4. As the producer of the property to the east of the proposed location, Natomas North American is adversely affected by said Order.

WHEREFORE, Natomas North American requests that this matter be set for hearing de novo before the full Commission to

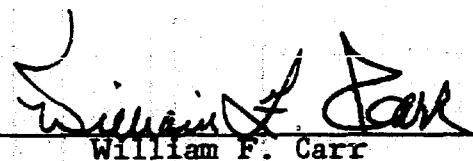
enable it to offer evidence concerning assessment of a penalty
against the production from said well.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By 
William F. Carr
Attorneys for Natomas North
American
Post Office Box 2208
Santa Fe, New Mexico 87501
Telephone: (505) 988-4421

Certificate of Service

I hereby certify that a copy of the foregoing Application
was mailed to George Hunker, Esq., attorney for Estoril Pro-
ducing Corporation, this 7th day of July, 1980.


William F. Carr



BEFORE THE
OIL CONSERVATION COMMISSION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF ESTORIL PRODUCING CORPORATION
FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

Case 6908

APPLICATION FOR HEARING DE NOVO

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WHEREFORE, Natomas North American requests that this matter be set for hearing de novo before the full Commission to

enable it to offer evidence concerning assessment of a penalty against the production from said well.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By *William F. Carr*
William F. Carr
Attorneys for Natomas North
American
Post Office Box 2208
Santa Fe, New Mexico 87501
Telephone: (505) 988-4421

Certificate of Service

I hereby certify that a copy of the foregoing Application was mailed to George Hunker, Esq., attorney for Estoril Producing Corporation, this 7th day of July, 1980.

William F. Carr
William F. Carr



BEFORE THE
OIL CONSERVATION COMMISSION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF ESTORIL PRODUCING CORPORATION
FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

Case 6908

APPLICATION FOR HEARING DE NOVO

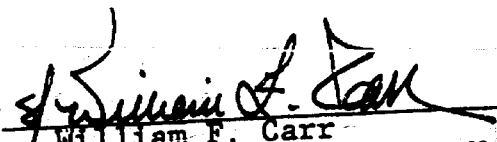
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WHEREFORE, Natomas North American requests that this matter be set for hearing de novo before the full Commission to

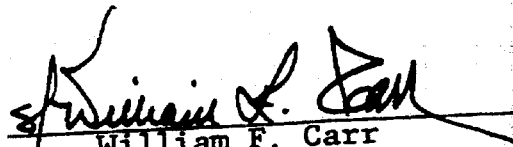
enable it to offer evidence concerning assessment of a penalty against the production from said well.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By 
William F. Carr
Attorneys for Natomas North
American
Post Office Box 2208
Santa Fe, New Mexico 87501
Telephone: (505) 988-4421

Certificate of Service

I hereby certify that a copy of the foregoing Application was mailed to George Hunker, Esq., attorney for Estoril Producing Corporation, this 7th day of July, 1980.


William F. Carr

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
4 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Estoril Producing Cor-) CASE
poration for an unorthodox gas well) 6908
location, Lea County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

George H. Hunker, Jr., Esq.
HUNKER, FEDRIC, P. A.
P. O. Box 1837
Roswell, New Mexico 88201

SALLY W. BOYD, C.S.R.

Rt. 1 Box 195-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

MAX D. CURRY

Direct Examination by Mr. Hunker 3

Cross Examination by Mr. Nutter 10

J. C. WILLIAMSON

Direct Examination by Mr. Hunker 11

E X H I B I T S

Applicant Exhibit One, Plat 5

Applicant Exhibit Two, Map 6

Applicant Exhibit Three, Map 12

Applicant Exhibit Four, Map 12

SALLY VI. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

MR. NUTTER: We'll call next Case Number

6908.

MR. PADILLA: Application of Estoril Producing Corporation for an unorthodox gas well location, Lea County, New Mexico.

MR. HUNKER: George H. Hunker, Junior, Hunker, Fedric, Roswell, New Mexico, appearing on behalf of Estoril Producing Corporation. I have two witnesses, who need to be sworn.

(Witnesses sworn.)

MAX D. CURRY

being called as a witness and having been duly sworn upon their oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HUNKER:

Q Mr. Curry, will you identify yourself for the record, by giving your name, occupation, and address?

A My name is Max D. Curry. I live in Midland. I'm a partner in Curry Engineering.

Q Have you previously testified before the New Mexico Oil Conservation Division and are your credentials a matter of record?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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Yes, sir, they are.

Have your qualifications been found to be acceptable?

Yes, they have.

MR. HUNKER: We ask that Mr. Curry be --

MR. NUTTER: Mr. Curry is qualified.

Are you familiar with Estoril's application filed in this matter?

Yes, I am.

Is Estoril Producing Corporation the designated operator of the spacing unit in question?

Yes, they are.

What does Estoril propose to do?

They propose to drill a well to the -- to test the Morrow formation at a location 660 from both the north and the east lines of Section 22, Township 23 South, Range 34 East, Lea County, New Mexico. This is in the area of the Antelope Ridge-Morrow Field. And they intend to dedicate the 320 acres of the north half of the said section to the well.

Did you testify in a companion case involving an unorthodox location in this same area?

Yes, I did.

Was that Case Number 6798, heard by the Division in January of 1980?

SALLY W. BOYD, C.S.R.
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Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 A Yes, it was.

2 Q Have you prepared a land plat involving
3 this particular matter?

4 A Yes.

5 Q What does this map depict?

6 A This map is production lease ownership
7 map. It shows the proximity of the subject acreage to other
8 leases and production in the area, along with several of the
9 units that are existing or requested in this -- in this field.

10 Q The area outlined in green represents what
11 unit?

12 A That's the Bell Lake Unit, operated by
13 Continental Oil Company.

14 Q And the orange?

15 A Is the Antelope Ridge Unit, operated by
16 Shell.

17 Q The pink acreage?

18 A Is -- this is the Antebellum Unit, operated
19 by Great Basins Petroleum Corporation.

20 Q And the dark red acreage, what is that?

21 A That is the unit that is being requested
22 operated by Mr. J. C. Williamson.

23 Q And is this material all shown on what's
24 been marked Exhibit One?

25 A Yes, it is.

SALLY W. BOYD, C.S.R.

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1 Q I'd like for you to refer to Exhibit Two
2 and will you tell the Examiner what this exhibit reflects?

3 A Exhibit Two is a large scale map showing
4 the Section 22, Township 23, Range 34 East, with the proposed
5 location shown in the north half of that section. It also
6 shows offset wells to the proration that's to be assigned to
7 this well, and shows the existence of gas pipelines, lease
8 roads, and other wells in the area.

9 As you can see from this map, we have
10 shaded an area, which would be the normal area representing
11 the normal spacing for a unit of this nature, lying in a hor-
12 izontal configuration. We have two high pressure gas pipe-
13 lines that cross that, as well as numerous lease roads, and
14 also shows the position of the Shell Oil Company North Ante-
15 lope Ridge Unit Well No. 1, which has been abandoned in the
16 Pennsylvanian sections and used as a water disposal well for
17 the Shell Antelope Ridge Gasoline Plant, that's located
18 several sections to the south.

19 As you can see, these pipelines, high
20 pressure pipelines across this area very closely, and confine
21 the area within the legal spacing for a unit of this type to
22 a very small area, and the proposed unit is relatively free
23 of any obstructions.

24 Q You mentioned the Shell Oil Company North
25 Antelope Ridge Well and the fact that it was abandoned. Would

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 you explain to the Examiner whether you regard that well as
2 a dry hole or not?

3 A Well, it has been plugged. It was originally
4 drilled quite a few years ago to the Devonian formation and
5 was cased through the top part of the Devonian formation and
6 14,000 feet. The well was drilled prior to the importance of
7 Pennsylvanian producing horizons and prior to the time when
8 it was determined that fresh water mud was extraordinarily
9 damaging to the Pennsylvanian formation.

10 Some attempt was made later on to -- well,
11 they had -- they took drill stem tests in this well, which
12 indicated it was not only productive but was highly commer-
13 cial in the Pennsylvanian section. However, in my opinion,
14 the drill stem testing of such horizons strictly with water
15 fresh water muds tends to fracture and damage the Pennsyl-
16 vanian sands.

17 Later on Shell came back to attempt com-
18 pletion in these wells and got absolutely nothing out of
19 these formations that had tested very well in -- during the
20 drilling process. So although these horizons are productive
21 in that area, they're severely damaged in the immediate prox-
22 imity of the well.

23 Q Do you think your proposed location would
24 avoid the damaged area?

25 A Yes. Yes, we do.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 Q Are you aware of any objection on the part
2 of any offset operator to this proposed location?

3 A No, I do not.

4 Q Will a well at the proposed location enable
5 Estoril and its associated working interest owners to produce
6 the gas underlying the proration unit at this location, which
7 will avoid the proximity to roads and to pipelines and to the
8 possible damage that has occurred in connection with the Shell
9 North Antelope Ridge Unit Well?

10 A Yes. It is a desireable location in all
11 those respects.

12 Q Mr. Curry, have you had occasion to pre-
13 pare an AFE with regard to the proposed well?

14 A Yes, I have.

15 Q Will you advise the Examiner what the costs
16 are estimated to be in connection with this well, both for a
17 dry hole and for a completed well?

18 A The AFE's that I've prepared included
19 leasehold costs of \$513,000, so the numbers I give you are --
20 include the leasehold cost. The remaining costs are the ac-
21 tual physical costs of the well.

22 A dry hole cost would be \$2,117,000. A
23 single zone completion would be \$2,307,000 and a dual com-
24 pletion, the well dually completed, would be \$2,530,000.

25 Q Are these costs reasonable in your opinion?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 A Yes. We're in the process of drilling
2 other wells in the area and these numbers are very close.

3 Q Are you drilling at the present time the
4 Curry Federal No. 1 in the south half of Section 22?

5 A Yes, yes, we are.

6 Q And at what depth are you at the present
7 time?

8 A Approximately 5100 feet.

9 Q How soon do you plan to start the present
10 well?

11 A As soon as a rig is available. We have a
12 rig that's due in two to three weeks.

13 Q Do you have a lease expiration problem?

14 A Yes, we do. Part of the acreage in this
15 lease expires, I believe it's August the 8th of this year.

16 Q Do you have anything else to add to your
17 testimony, Mr. Curry?

18 A Well, I might -- I might point out that
19 the well, the other well drilling in this section, is spaced
20 the same in the proration unit that the requested location
21 is and that Estoril is the operator in Section 15 to the north;
22 has already staked and permitted two locations there that
23 are normal locations, and that this will not create any chain
24 reaction or any problems in spacing with the other units in
25 the field.

SALLY W. BOYD, C.S.R.

St. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Are there two state leases involved in the
2 north half of Section 22?

3 A Yes, both leases are state leases. All of
4 the north half of Section 22 is State.

5 Q And will those two leases be communitized?

6 A Yes, they will.

7 MR. HUNKER: I have no further questions
8 of the witness at this time.

9
10 CROSS EXAMINATION

11 BY MR. NUTTER:

12 Q Mr. Curry, when you mentioned your \$500,000
13 lease acquisition which was included in your estimated well
14 cost, was that lease acquisition for the north half of Section
15 22 only? Or was that for the entire section?

16 A Principally for the northwest quarter,
17 but it is the total leasehold cost for the north half only.

18 Q Only?

19 A Yes.

20 Q And so to get an estimate of well costs
21 for the well itself, we just simply deduct about half a million
22 dollars.

23 A Yes.

24 Q From those well costs you gave us?

25 A Correct.

SALLY W. BOYD, C.S.R.

El Paso 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 MR. NUTTER: Are there any further ques-
2 tions of Mr. Curry? He may be excused.

3 Do you have anything further, Mr. Hunker?

4 MR. HUNKER: Yes, I have one other witness.

5 MR. NUTTER: Oh, yes.

6 J. C. WILLIAMSON

7 being called as a witness and having been duly sworn upon
8 his oath, testified as follows, to-wit:

9 DIRECT EXAMINATION

10 BY MR. HUNKER:

11 Q Mr. Williamson, will you identify yourself
12 for the record by giving your name, occupation, and address?

13 A I am J. C. Williamson, Midland, Texas, and
14 I am a geologist. I came to Midland on Juneteenth, 1937,
15 and have been a geologist almost every day since that time.

16 Q Have you previously testified before the
17 New Mexico Oil Conservation Division and have your creden-
18 tials been made a matter of record?

19 A Yes, sir.

20 MR. HUNKER: Mr. Nutter, are Mr. William-
21 son's qualifications satisfactory?

22 MR. NUTTER: Yes Mr. Williamson is
23 qualified.
24
25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 195-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Are you familiar with Estoril's application
2 filed in connection with this matter, Mr. Williamson?

3 A Yes.

4 Q Is Estoril Producing Corporation the de-
5 signated operator of the spacing unit in question?

6 A Yes, sir.

7 Q Are you interested in the drilling of the
8 well?

9 A I own a part interest, yes, sir.

10 Q What does Estoril propose to do in connection
11 with this case?

12 A Well, they propose to drill a well 660
13 from the north and east, and commit the whole north half of
14 Section 22 to the unit.

15 Q Is that demonstrated on the exhibits that
16 you have in front of you?

17 A Yes, sir, it is, right here.

18 Q Are these Exhibits Numbers Two and Three?

19 A This is Exhibit Number Two and I think
20 this is Exhibit Number Three. No, this is Three and --

21 MR. NUTTER: No, Three and Four.

22 MR. HUNKER: Three and Four?

23 A Three and Four, yes. And this is Four
24 here.

25 Q Did you prepare these plats or were they

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 prepared under your direction and supervision?

2 A These were prepared in my office, yes.

3 Q Referring to Exhibit Number Three, I be-
4 lieve it's the Devonian structure map, is that correct?

5 A Yes, uh-huh.

6 Q And does the Examiner have before him a
7 reduced version of this particular exhibit?

8 MR. NUTTER: Yes, we have Exhibit Three.

9 Q Will you explain what that map shows?

10 A Well, this map is on the Devonian with
11 the points that are available, and with considerable shooting
12 in the area, and it reveals the -- more or less, the Devonian
13 structure.

14 Now, a series of faults, which the Devon-
15 ian lies up against it, with a back direction like this.
16 This fault is approximately 800 feet and this one about 1000.
17 This one has nothing to do with this present proposal.

18 This area here is definitely a Devonian
19 high.

20 Q You're referring to the area to the east,
21 is that correct?

22 A To the east, the east fold, let's put it
23 that way. And it's producing from the Devonian in several
24 places. The Shell well in Section 27 here made considerable
25 gas from the Devonian, lost when they tried to dual.

We ourselves expected to drill some Devonian tests on the west side of the section in the near future, and maybe in the section north of it.

Q Explain your prognosis for the drilling of this Pennsylvanian test by Estoril. Why have you selected this particular location, Mr. Williamson?

A Well, now there are numerous pays up here and -- about ten in the field -- but the real best one, let's put it this way, the one that makes the most money, is the Morrow, and in that Morrow there are approximately four sands. The fourth sand is the one that makes the big production, and that fourth sand is, now more or less, it's a -- probably something like Padre Island, lying around these gentle folds where the sand was laid down coming in from the north, and these gentle areas enabled the waves to sort this sand out, and it is best on the side, lying just kind of piggyback on the back of these -- these folds.

This, going to this exhibit, --

Q Number -- you're referring to Number Four?

A I'm referring to Number Four, and we have this in pink. The best part -- now these sands are present in one form or another all over this fold; they go over there. This pink only represents what we think is the best part of them. Now, one good example is the recoveries of the Shell Well, which is in it. Now it goes on over here, the Shell

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1 dry hole has it in it but it's not as well developed even that
2 far over. I'm talking about the Shell dry hole is here; not
3 as well developed as it is in this area.

4 Now when you get over here, it's gone again.

5 Q That's the area to the extreme east, is
6 that correct?

7 A Yes, yes, the northeast, it's low and
8 probably will have water over there and it's not as well
9 developed. It's a matter of sorting of these sands that came
10 down, washed down on their way traveling towards the central
11 basin, and when you find these gentle folds, why, there was
12 enough hesitation of the deposition, enough cleaning, to get
13 a real worthwhile sand. Then filled up with gas, and it is
14 just a little better place to drill a well to move over to
15 the east a little and get in those -- the pink.

16 Now these wells make considerable gas and
17 they draw from a long direction. And our purpose of this
18 thing is, from a geological standpoint, and other the -- the
19 reasons that Mr. Curry's pointed out, is just to move a little
20 hit better into the porosity of these sands. For example,
21 the porosity of that well is not as good, though it might
22 have produced --

23 Q What well are you referring to?

24 A The Shell Well drilled in this -- Shell
25 Antelope Ridge, the well drilled in Section 22 -- is not as

1 good as it is in the Natomas Well, which is in Section 20 --
2 oh, it's in 23. The Natomas Well is a very nice well and
3 just to be frank with you, we want to move a little bit into
4 the more porous sand.

5 Q You heard Mr. Curry's testimony with re-
6 gard to well costs.

7 A Yes.

8 Q Do you -- what bearing does this have on
9 the proposed location?

10 A Well, we would like to get over in the
11 porous part of the number four sand because this well up in
12 here is turning out considerable money, maybe a million and
13 a half a month, or something like that, from this sand. The
14 sand is a broad area. It goes way down, it's a little bit
15 erratic. It's -- the costs are enough to take a chance on
16 it, anyway.

17 Q Do you feel that this is an optimum loca-
18 tion?

19 A Yes, this would be the best location we
20 could drill for the number four Morrow sand.

21 Now there are other sands in that Morrow
22 and we will get them, probably, but at this minute, in our
23 knowledge of the area, the best sand is what we call the
24 number four, this production zone in this well here. They
25 had it in this well but they lost the -- they didn't get a

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1 cement job on it, and came back to some of the upper sands
2 in the Atoka. But we feel like that this is the best location
3 on that. We feel like we will drill other locations to the
4 other sands later. We will get a Devonian deal, which we
5 will certainly want to drill over as far to the west as pos-
6 sible and observe these expensive wells. We would like to
7 get into the best possible location that we could.

8 Now the other wells will be different,
9 but we're aiming principally at the offset production, which
10 is what we call our number four Morrow sand.

11 Q Mr. Williamson, in your opinion will the
12 approval of Estoril's application afford the applicant the
13 opportunity to produce its just and equitable share of the
14 gas in the pool --

15 A Yes, sir, especially --

16 Q -- prevent economic loss caused by the
17 drilling of unnecessary wells, and avoid the augmentation of
18 risk arising from the drilling of an excessive number of
19 wells, and otherwise prevent waste and protect correlative
20 rights?

21 A Yes. Now, as I say, there will probably
22 be many other wells drilled on this section, or this loca-
23 tion, but to get at this zone we need to drill as far east
24 as possible to get -- it's a matter of porosity. Now, if
25 we could get the porosity anywhere in here, well, perhaps

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1 it would do, because of this being a gas zone, but it wasn't
2 as good in the Shell Well; there has been a great deal of
3 damage to the Shell Well due to the drilling practices. We
4 need to move away from that and if you're going to move away
5 from that, you just need to go a little bit farther east to
6 improve your position in that formation alone.

7 MR. NUTTER: So your answer to the ques-
8 tion is yes?

9 A Yes, sir.

10 Q Mr. Nutter, we are -- I beg your pardon.
11 I want to ask him one other question.

12 Does Mr. Nutter have before him a reduced
13 scale copy of the large map which you've been talking from
14 that is Exhibit Number Four?

15 A Yes.

16 MR. HUNKER: Mr. Nutter, we'd offer in
17 evidence at this time Exhibits Numbers Three and Four.

18 MR. NUTTER: Estoril Exhibits Three and
19 Four will be admitted in evidence.

20 MR. HUNKER: We have no further testimony.
21 Do you have any further questions for Mr. Williamson?

22 MR. NUTTER: Are there any questions of
23 Mr. Williamson? He may be excused.

24 Do you have anything further, Mr. Hunker?

25 MR. HUNKER: No.

1 MR. NUTTER: Does anyone have anything they
2 wish to offer in Case Number 6908?

3 We'll take the case under advisement.
4

5 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6908
heard by me on 6/4 1980.

[Signature], Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
4 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Estoril Producing Cor-
poration for an unorthodox gas well
location, Lea County, New Mexico.

CASE
6908

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

George H. Hunker, Jr., Esq.
HUNKER, FEDRIC, P. A.
P. O. Box 1837
Roswell, New Mexico 88201

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I N D E X

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MAX D. CURRY

Direct Examination by Mr. Hunker

3

Cross Examination by Mr. Nutter

10

J. C. WILLIAMSON

Direct Examination by Mr. Hunker

11

E X H I B I T S

Applicant Exhibit One, Plat

5

Applicant Exhibit Two, Map

6

Applicant Exhibit Three, Map

12

Applicant Exhibit Four, Map

12

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1 MR. NUTTER: We'll call next Case Number
2 6908.

3 MR. PADILLA: Application of Estoril Pro-
4 ducing Corporation for an unorthodox gas well location, Lea
5 County, New Mexico.

6 MR. HUNKER: George H. Hunker, Junior,
7 Hunker, Fedric, Roswell, New Mexico, appearing on behalf of
8 Estoril Producing Corporation. I have two witnesses, who
9 need to be sworn.

10
11 (Witnesses sworn.)

12
13 MAX D. CURRY
14 being called as a witness and having been duly sworn upon
15 their oath, testified as follows, to-wit:

16
17 DIRECT EXAMINATION

18 BY MR. HUNKER:

19 Q Mr. Curry, will you identify yourself
20 for the record, by giving your name, occupation, and address?

21 A My name is Max D. Curry. I live in Mid-
22 land. I'm a partner in Curry Engineering.

23 Q Have you previously testified before the
24 New Mexico Oil Conservation Division and are your credentials
25 a matter of record?

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1 A Yes, sir, they are.

2 Q Have your qualifications been found to be
3 acceptable?

4 A Yes, they have.

5 MR. HUNKER: We ask that Mr Curry be --

6 MR. NUTTER: Mr. Curry is qualified.

7 Q Are you familiar with Estoril's application
8 filed in this matter?

9 A Yes, I am.

10 Q Is Estoril Producing Corporation the de-
11 signated operator of the spacing unit in question?

12 A Yes, they are.

13 Q What does Estoril propose to do?

14 A They propose to drill a well to the -- to
15 test the Morrow formation at a location 660 from both the
16 north and the east lines of Section 22, Township 23 South,
17 Range 34 East, Lea County, New Mexico. This is in the area
18 of the Antelope Ridge-Morrow Field. And they intend to dedi-
19 cate the 320 acres of the north half of the said section to
20 the well.

21 Q Did you testify in a companion case in-
22 volving an unorthodox location in this same area?

23 A Yes, I did.

24 Q Was that Case Number 6798, heard by the
25 Division in January of 1980?

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1 A Yes, it was.

2 Q Have you prepared a land plat involving
3 this particular matter?

4 A Yes.

5 Q What does this map depict?

6 A This map is production lease ownership
7 map. It shows the proximity of the subject acreage to other
8 leases and production in the area, along with several of the
9 units that are existing or requested in this -- in this field.

10 Q The area outlined in green represents what
11 unit?

12 A That's the Bell Lake Unit, operated by
13 Continental Oil Company.

14 Q And the orange?

15 A Is the Antelope Ridge Unit, operated by
16 Shell.

17 Q The pink acreage?

18 A Is -- this is the Antebellum Unit, operated
19 by Great Basins Petroleum Corporation.

20 Q And the dark red acreage, what is that?

21 A That is the unit that is being requested
22 operated by Mr. J. C. Williamson.

23 Q And is this material all shown on what's
24 been marked Exhibit One?

25 A Yes, it is.

1 Q I'd like for you to refer to Exhibit Two
2 and will you tell the Examiner what this exhibit reflects?

3 A Exhibit Two is a large scale map showing
4 the Section 22, Township 23, Range 34 East, with the proposed
5 location shown in the north half of that section. It also
6 shows offset wells to the proration that's to be assigned to
7 this well, and shows the existence of gas pipelines, lease
8 roads, and other wells in the area.

9 As you can see from this map, we have
10 shaded an area, which would be the normal area representing
11 the normal spacing for a unit of this nature, lying in a hor-
12 izontal configuration. We have two high pressure gas pipe-
13 lines that cross that, as well as numerous lease roads, and
14 also shows the position of the Shell Oil Company North Ante-
15 lope Ridge Unit Well No. 1, which has been abandoned in the
16 Pennsylvanian sections and used as a water disposal well for
17 the Shell Antelope Ridge Gasoline Plant, that's located
18 several sections to the south.

19 As you can see, these pipelines, high
20 pressure pipelines across this area very closely, and confine
21 the area within the legal spacing for a unit of this type to
22 a very small area, and the proposed unit is relatively free
23 of any obstructions.

24 Q You mentioned the Shell Oil Company North
25 Antelope Ridge Well and the fact that it was abandoned. Would

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1 you explain to the Examiner whether you regard that well as
2 a dry hole or not?

3 A Well, it has been plugged. It was originally
4 drilled quite a few years ago to the Devonian formation and
5 was cased through the top part of the Devonian formation below
6 14,000 feet. The well was drilled prior to the importance of
7 Pennsylvanian producing horizons and prior to the time when
8 it was determined that fresh water mud was extraordinarily
9 damaging to the Pennsylvanian formation.

10 Some attempt was made later on to -- well,
11 they had -- they took drill stem tests in this well, which
12 indicated it was not only productive but was highly commercial
13 in the Pennsylvanian section. However, in my opinion,
14 the drill stem testing of such horizons strictly with water --
15 fresh water muds tends to fracture and damage the Pennsylvanian
16 sands.

17 Later on Shell came back to attempt completion
18 in these wells and got absolutely nothing out of
19 these formations that had tested very well in -- during the
20 drilling process. So although these horizons are productive
21 in that area, they're severely damaged in the immediate proximity
22 of the well.

23 Q Do you think your proposed location would
24 avoid the damaged area?

25 A Yes. Yes, we do.

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1 Q Are you aware of any objection on the part
2 of any offset operator to this proposed location?

3 A No, I do not.

4 Q Will a well at the proposed location enable
5 Estoril and its associated working interest owners to produce
6 the gas underlying the proration unit at this location, which
7 will avoid the proximity to roads and to pipelines and to the
8 possible damage that has occurred in connection with the Shell
9 North Antelope Ridge Unit Well?

10 A Yes. It is a desireable location in all
11 those respects.

12 Q Mr. Curry, have you had occasion to pre-
13 pare an AFE with regard to the proposed well?

14 A Yes, I have.

15 Q Will you advise the Examiner what the costs
16 are estimated to be in connection with this well, both for a
17 dry hole and for a completed well?

18 A The AFE's that I've prepared included
19 leasehold costs of \$513,000, so the numbers I give you are --
20 include the leasehold cost. The remaining costs are the ac-
21 tual physical costs of the well.

22 A dry hole cost would be \$2,117,000. A
23 single zone completion would be \$2,307,000 and a dual com-
24 pletion, the well dually completed, would be \$2,530,000.

25 Q Are these costs reasonable in your opinion?

1 A Yes. We're in the process of drilling
2 other wells in the area and these numbers are very close.

3 Q Are you drilling at the present time the
4 Curry Federal No. 1 in the south half of Section 22?

5 A Yes, yes, we are.

6 Q And at what depth are you at the present
7 time?

8 A Approximately 5100 feet.

9 Q How soon do you plan to start the present
10 well?

11 A As soon as a rig is available. We have a
12 rig that's due in two to three weeks.

13 Q Do you have a lease expiration problem?

14 A Yes, we do. Part of the acreage in this
15 lease expires, I believe it's August the 8th of this year.

16 Q Do you have anything else to add to your
17 testimony, Mr. Curry?

18 A Well, I might -- I might point out that
19 the well, the other well drilling in this section, is spaced
20 the same in the proration unit that the requested location
21 is and that Estoril is the operator in Section 15 to the north;
22 has already staked and permitted two locations there that
23 are normal locations, and that this will not create any chain
24 reaction or any problems in spacing with the other units in
25 the field.

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Q Are there two state leases involved in the north half of Section 22?

A Yes, both leases are state leases. All of the north half of Section 22 is State.

Q And will those two leases be communitized?

A Yes, they will.

MR. HUNKER: I have no further questions of the witness at this time.

CROSS EXAMINATION

BY MR. HUNTER:

Q Mr. Curry, when you mentioned your \$500,000 lease acquisition which was included in your estimated well cost, was that lease acquisition for the north half of Section 22 only? Or was that for the entire section?

A Principally for the northwest quarter, but it is the total leasehold cost for the north half only.

Q Only?

A Yes.

Q And so to get an estimate of well costs for the well itself, we just simply deduct about half a million dollars.

A Yes.

Q From those well costs you gave us?

A Correct.

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1 MR. NUTTER: Are there any further ques-
2 tions of Mr. Curry? He may be excused.

3 Do you have anything further, Mr. Hunker?

4 MR. HUNKER: Yes, I have one other witness.

5 MR. NUTTER: Oh, yes.

6
7 J. C. WILLIAMSON

8 being called as a witness and having been duly sworn upon
9 his oath, testified as follows, to-wit:

10
11 DIRECT EXAMINATION

12 BY MR. HUNKER:

13 Q Mr. Williamson, will you identify yourself
14 for the record by giving your name, occupation, and address?

15 A I am J. C. Williamson, Midland, Texas, and
16 I am a geologist. I came to Midland on Juneteenth, 1937,
17 and have been a geologist almost every day since that time.

18 Q Have you previously testified before the
19 New Mexico Oil Conservation Division and have your creden-
20 tials been made a matter of record?

21 A Yes, sir.

22 MR. HUNKER: Mr. Nutter, are Mr. William-
23 son's qualifications satisfactory?

24 MR. NUTTER: Yes, Mr. Williamson is
25 qualified.

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1 Q Are you familiar with Estoril's application
2 filed in connection with this matter, Mr. Williamson?

3 A Yes.

4 Q Is Estoril Producing Corporation the de-
5 signated operator of the spacing unit in question?

6 A Yes, sir.

7 Q Are you interested in the drilling of the
8 well?

9 A I own a part interest, yes, sir.

10 Q What does Estoril propose to do in connection
11 with this case?

12 A Well, they propose to drill a well 660
13 from the north and east, and commit the whole north half of
14 Section 22 to the unit.

15 Q Is that demonstrated on the exhibits that
16 you have in front of you?

17 A Yes, sir, it is, right here.

18 Q Are these Exhibits Numbers Two and Three?

19 A This is Exhibit Number Two and I think
20 this is Exhibit Number Three. No, this is Three and --

21 MR. NUTTER: No, Three and Four.

22 MR. HUNKER: Three and Four?

23 A Three and Four, yes. And this is Four
24 here.

25 Q Did you prepare these plats or were they

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1 prepared under your direction and supervision?

2 A These were prepared in my office, yes.

3 Q Referring to Exhibit Number Three, I be-
4 lieve it's the Devonian structure map, is that correct?

5 A Yes, uh-huh.

6 Q And does the Examiner have before him a
7 reduced version of this particular exhibit?

8 MR. NUTTER: Yes, we have Exhibit Three.

9 Q Will you explain what that map shows?

10 A Well, this map is on the Devonian with
11 the points that are available, and with considerable shooting
12 in the area, and it reveals the -- more or less, the Devonian
13 structure.

14 Now, a series of faults, which the Devon-
15 ian lies up against it, with a back direction like this.
16 This fault is approximately 800 feet and this one about 1000.
17 This one has nothing to do with this present proposal.

18 This area here is definitely a Devonian
19 high.

20 Q You're referring to the area to the east,
21 is that correct?

22 A To the east, the east fold, let's put it
23 that way. And it's producing from the Devonian in several
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25 gas from the Devonian, lost when they tried to dual.

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1 We ourselves expected to drill some De-
2 vonian tests on the west side of the section in the near
3 future, and maybe in the section north of it.

4 Q Explain your prognosis for the drilling
5 of this Pennsylvanian test by Estoril. Why have you selected
6 this particular location, Mr. Williamson?

7 A Well, now there are numerous pays up here
8 and -- about ten in the field -- but the real best one, let's
9 put it this way, the one that makes the most money, is the
10 Morrow, and in that Morrow there are approximately four sands.
11 The fourth sand is the one that makes the big production,
12 and that fourth sand is, now more or less, it's a -- probably
13 something like Padre Island, lying around these gentle folds
14 where the sand was laid down coming in from the north, and
15 these gentle areas enabled the waves to sort this sand out,
16 and it is best on the side, lying just kind of piggyback on
17 the back of these -- these folds.

18 This, going to this exhibit, --

19 Q Number -- you're referring to Number Four?

20 A I'm referring to Number Four, and we have
21 this in pink. The best part -- now these sands are present
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25 Well, which is in it. Now it goes on over here, the Shell

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1 dry hole has it in it but it's not as well developed even that
2 far over. I'm talking about the Shell dry hole is here; not
3 as well developed as it is in this area.

4 Now when you get over here, it's gone again.

5 Q That's the area to the extreme east, is
6 that correct?

7 A Yes, yes, the northeast, it's low and
8 probably will have water over there and it's not as well
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10 down, washed down on their way traveling towards the central
11 basin, and when you find these gentle folds, why, there was
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14 just a little better place to drill a well to move over to
15 the east a little and get in those -- the pink.

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17 they draw from a long direction. And our purpose of this
18 thing is, from a geological standpoint, and other the -- the
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20 bit better into the porosity of these sands. For example,
21 the porosity of that well is not as good, though it might
22 have produced --

23 Q What well are you referring to?

24 A The Shell Well drilled in this -- Shell
25 Antelope Ridge, the well drilled in Section 22 -- is not as

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1 good as it is in the Natomas Well, which is in Section 20 --
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 3 just to be frank with you, we want to move a little bit into
 4 the more porous sand.

5 Q You heard Mr. Curry's testimony with re-
 6 gard to well costs.

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19 A Yes, this would be the best location we
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1 cement job on it, and came back to some of the upper sands
2 in the Atoka. But we feel like that this is the best location
3 on that. We feel like we will drill other locations to the
4 other sands later. We will get a Devonian deal, which we
5 will certainly want to drill over as far to the west as pos-
6 sible and observe these expensive wells. We would like to
7 get into the best possible location that we could.

8 Now the other wells will be different,
9 but we're aiming principally at the offset production, which
10 is what we call our number four Morrow sand.

11 Q Mr. Williamson, in your opinion will the
12 approval of Estoril's application afford the applicant the
13 opportunity to produce its just and equitable share of the
14 gas in the pool --

15 A Yes, sir, especially --

16 Q -- prevent economic loss caused by the
17 drilling of unnecessary wells, and avoid the augmentation of
18 risk arising from the drilling of an excessive number of
19 wells, and otherwise prevent waste and protect correlative
20 rights?

21 A Yes. Now, as I say, there will probably
22 be many other wells drilled on this section, or this loca-
23 tion, but to get at this zone we need to drill as far east
24 as possible to get -- it's a matter of porosity. Now, if
25 we could get the porosity anywhere in here, well, perhaps

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1 it would do, because of this being a gas zone, but it wasn't
2 as good in the Shell Well; there has been a great deal of
3 damage to the Shell Well due to the drilling practices. We
4 need to move away from that and if you're going to move away
5 from that, you just need to go a little bit farther east to
6 improve your position in that formation alone.

7 MR. NUTTER: So your answer to the ques-
8 tion is yes?

9 A Yes, sir.

10 Q Mr. Nutter, we are -- I beg your pardon.
11 I want to ask him one other question.

12 Does Mr. Nutter have before him a reduced
13 scale copy of the large map which you've been talking from
14 that is Exhibit Number Four?

15 A Yes.

16 MR. HUNKER: Mr. Nutter, we'd offer in
17 evidence at this time Exhibits Numbers Three and Four.

18 MR. NUTTER: Estoril Exhibits Three and
19 Four will be admitted in evidence.

20 MR. HUNKER: We have no further testimony.
21 Do you have any further questions for Mr. Williamson?

22 MR. NUTTER: Are there any questions of
23 Mr. Williamson? He may be excused.

24 Do you have anything further, Mr. Hunker?

25 MR. HUNKER: No.

1 MR. HUTTER: Does anyone have anything they
2 wish to offer in Case Number 6908?

3 We'll take the case under advisement.
4

5 (Hearing concluded.)
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C E R T I F I C A T E

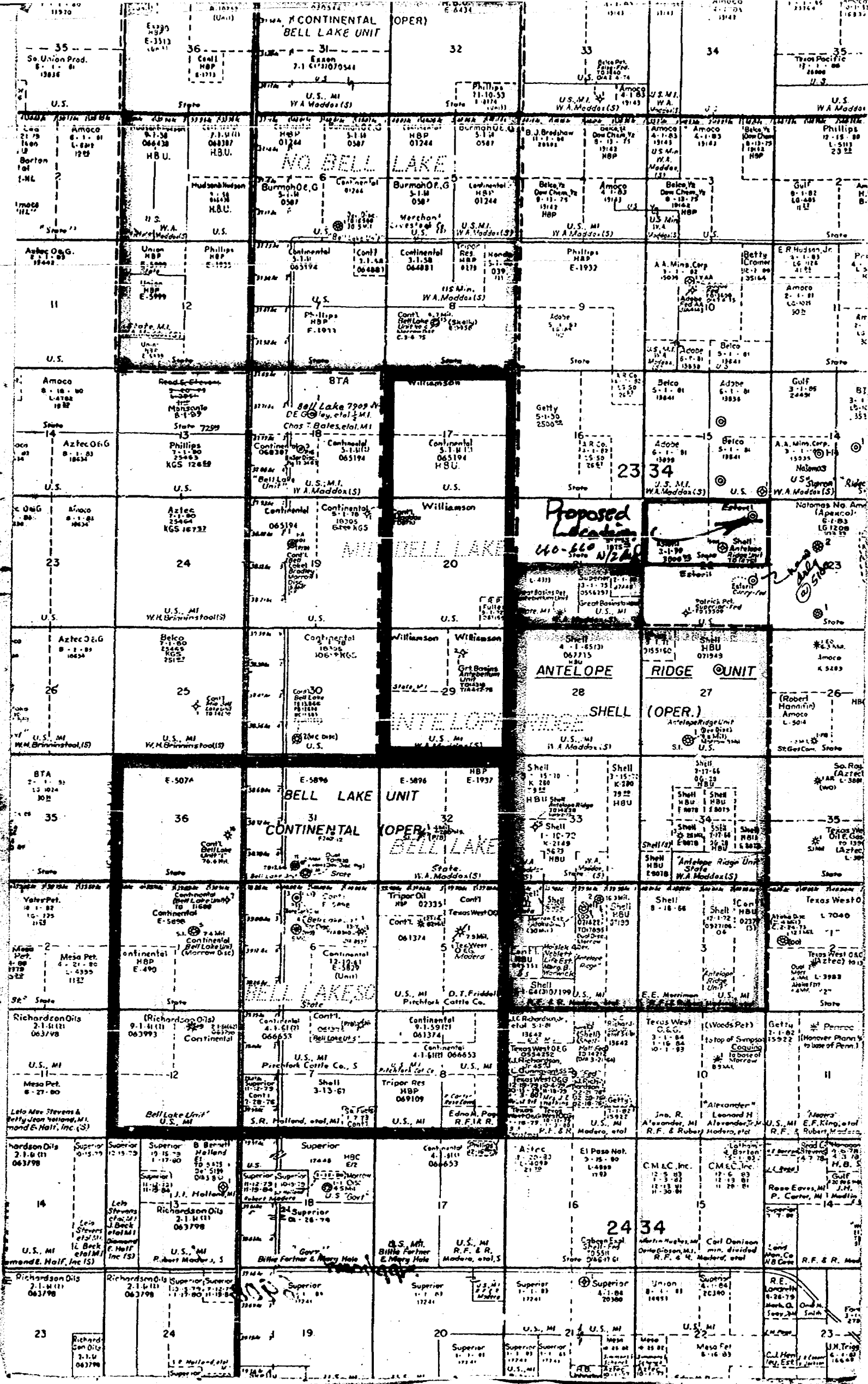
I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6908
heard by me on 6/4 1980.

 Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6908
Order No. R-6374

APPLICATION OF ESTORIL PRODUCING
CORPORATION FOR AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of June, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Estoril Producing Corporation, seeks approval of an unorthodox gas well location of its Curry State Well No. 1 to be drilled 660 feet from the North line and 660 feet from the East line of Section 22, Township 23 South, Range 34 East, NMPM, to test the Pennsylvanian formation, Antelope Ridge Field, Lea County, New Mexico.

(3) That the N/2 of said Section 22 is to be dedicated to the well.

(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

-2-

Case No. 6908

Order No. R-6374

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Pennsylvanian formation is hereby approved for the Estoril Producing Corporation Curry State Well No. 1 to be located at a point 660 feet from the North line and 660 feet from the East line of Section 22, Township 23 South, Range 34 East, NMPM, Antelope Ridge Field, Lea County, New Mexico.

(2) That the N/2 of said Section 22 shall be dedicated to the above-described well.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E A L

dr/

Docket No. 17-80

Dockets Nos. 19-80 and 20-80 are tentatively set for June 25 and July 9, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 5, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6927: Application of Doyle Hartman for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and West lines of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6928: Application of ARCO Oil and Gas Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 24, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 16-80

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 4, 1980

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

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

CASE 6803: (Continued from April 23, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit EPROC Associates, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why its Monsanto State B Well No. 1 located in Unit E of Section 2, Township 30 North, Range 16 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6906: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Mattix Unit Well No. 39 located in Unit G of Section 15, Township 24 South, Range 37 East, to produce oil from the Fowler-Upper Yaso and Fowler-Drinkard Pools thru parallel strings of tubing.

CASE 6907: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Myers B Federal Well No. 28 located in Unit M of Section 9, Township 24 South, Range 37 East, to produce gas from the Jalmat and Langlie Mattix Pools thru parallel strings of tubing.

CASE 6908: Application of Estoril Producing Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Curry State Well No. 1, a Pennsylvanian test to be drilled 660 feet from the North and East lines of Section 22, Township 23 South, Range 34 East, Antelope Ridge Field, the N/2 of said Section 22 to be dedicated to the well.

CASE 6909: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Largo-Gallup production in the wellbore of its Rincon Unit Well No. 164 located in Unit L of Section 2, Township 26 North, Range 7 West.

CASE 6886: (Continued from May 21, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6910: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying four 40-acre proration units, being the SE/4 NE/4, the SE/4 NW/4, and the NW/4 NW/4 of Section 28, and the SW/4 SE/4 of Section 29, all in Township 24 North, Range 7 West, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6911: Application of Grace Petroleum Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying the NE/4 NW/4 of Section 11, Township 23 North, Range 7 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6912: Application of Southland Royalty Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State "14" Comm. Well No. 1 located in Unit E of Section 14, Township 19 South, Range 29 East, Turkey Track Field, to produce gas from the Morrow and Atoka formations thru tubing and the casing-tubing annulus, respectively

CASE 6913: Application of Kerr-McGee Corporation for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State F Well No. 14 to be drilled 1310 feet from the North line and 1330 feet from the West line of Section 2, Township 8 South, Range 33 East, Chaveroo-San Andres Pool.

CASE 6914: Application of Wilson Oil Company for a non-standard proration unit and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 29, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to its State JD Well No. 1 at an unorthodox location 1650 feet from the South line and 1980 feet from the West line of said Section 29.

CASE 6915: Application of Jake L. Hamon for a non-standard gas proration unit and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the S/2 of Section 8, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 8.

CASE 6916: Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinbry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East.

CASE 6917: Application of Yates Petroleum Corporation for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Comm. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

CASE 6918: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Upper Penn and Morrow gas production in the wellbore of its Kennedy "JQ" Comm. Well No. 1 located in Unit H of Section 33, Township 17 South, Range 26 East, Kennedy Farms Field.

CASE 6919: Application of Yates Petroleum Corporation for downhole commingling or consolidation of two pools, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wolfcamp and Penn gas production in the wellbore of its Anderson State "CS" Comm. Well No. 1-Y located in Unit G of Section 14, and its Fordinkus State "HZ" Comm. Well No. 1 located in Unit G of Section 22, both in Township 18 South, Range 24 East, or, in the alternative, the consolidation of the Fordinkus-Cisco Gas Pool and the Penasco Draw Permo-Penn Gas Pool into one Permo-Penn gas pool to include the above-described wells.

CASE 6920: Application of Yates Petroleum Corporation for a dual completion and unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its 5 Mile Draw Federal Well No. 1 to produce from the Pennsylvanian and Abo formations thru the tubing and casing-tubing annulus, respectively; applicant also seeks approval for the unorthodox location of said well in the Abo formation 800 feet from the South line and 2100 feet from the East line of Section 34, Township 6 South, Range 25 East, the SE/4 of the section to be dedicated to the well.

CASE 6903: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.

CASE 6904: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.

CASE 6921: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Mississippian formations underlying the S/2 of Section 33, Township 13 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and East lines of Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6922: Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the E/2 of Section 24, Township 18 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6923: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cayton-Austin Unit Area, comprising 960 acres, more or less, of State and fee lands in Township 14 South, Range 36 East.

CASE 6924: Application of Caribou Four Corners, Inc. for two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of two wells to be drilled, the first being 860 feet from the North line and 2090 feet from the West line, and the second being 910 feet from the North line and 395 feet from the West line, both in Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Oil Pool, the E/2 and the W/2, respectively, of the NW/4 of said Section 13 to be dedicated to the wells.

CASE 6925: Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kiriland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

CASE 6889: (Readvertised)

Application of Belco Petroleum Corporation for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill a well, the surface location of which is 1980 feet from the North line and 920 feet from the West line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom it at an unorthodox location within 660 feet of a point 1320 feet from the North line and 2640 feet from the West line of said Section 36 in the Morrow formation, the N/2 of said Section 36 to be dedicated to the well.

CASE 6896: (Continued from May 21, 1980, Examiner Hearing)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

CASE 6926: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting vertical limits, and extending horizontal limits of certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the Arkansas Junction-Pennsylvanian Pool. The discovery well is Rex Alcorn Bobbi Well No. 1Y located in Unit J of Section 20, Township 18 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Avalon-Delaware Pool. The discovery well is MWJ Producing Company State GW Well No. 1 located in Unit K of Section 36, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the East Burton-Delaware Pool. The discovery well is J. C. Williamson TOG Federal Well No. 1 located in Unit F of Section 16, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 16: NW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Dog Canyon-Strawn Gas Pool. The discovery well is Harvey E. Yates Company Gates Federal Deep Well No. 1 located in Unit P of Section 6, Township 17 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 6: S/2

(e) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the South Double L-San Andres Pool. The discovery well is McClellan Oil Corporation Mark Federal Well No. 1 located in Unit I of Section 30, Township 15 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 30: SE/4

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production and designated as the Empire-Grayburg Gas Pool. The discovery well is Carl A. Schellinger West Federal Well No. 1 located in Unit G of Section 14, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 14: NE/4

(g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Hume-Morrow Gas Pool. The discovery well is Bass Enterprises Production Company Bass 36 State Well No. 1 located in Unit E of Section 36, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 36: W/2

(h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Lusk-Atoka Gas Pool. The discovery well is Phillips Petroleum Company Lusk Deep Unit A Com Well No. 13 located in Unit K of Section 18, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 18: S/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Milepost-Morrow Gas Pool. The discovery well is Exxon Corporation Scheidt Federal Well No. 1 located in Unit L of Section 30, Township 26 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 25 EAST, NMPM
Section 36: N/2 N/2 and Lots 1, 2,
3, and 4

TOWNSHIP 26 SOUTH, RANGE 26 EAST, NMPM
Section 30: S/2
Section 31: N/2 NW/4 and Lots 3 and 4

(j) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Turkey Track-Atoka Gas Pool. The discovery well is Tenneco Oil Company State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 10: E/2
Section 11: S/2

(k) CONTRACT the vertical limits of the East Grama Ridge-Bone Springs Pool to the interval from 10,472 feet to 10,900 feet as found on the type log for the Getty Oil Company State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, NMPM, and redesignate said pool as the East Grama Ridge-Lower Bone Springs Pool.

(l) EXTEND the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: W/2 SW/4
Section 26: SE/4

(m) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 26 EAST, NMPM
Section 33: NW/4 and N/2 S/2

(n) EXTEND the Brunson-Fusselman Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 8: SE/4

(o) EXTEND the Buckeye-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 9: NW/4

(p) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 13: W/2
Section 14: E/2

(q) EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Section 2: Lots 1 through 8

(r) EXTEND the Chaverro-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 34: NE/4

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: SW/4

- (s) EXTEND the Cinto Raja-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM
Section 4: All

- (t) EXTEND the South Corbin-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 29: N/2
Section 30: N/2

- (u) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 28: W/2

- (v) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 8: S/2

- (w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 17: All

- (x) EXTEND the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 12: W/2

- (y) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: W/2

- (z) EXTEND the Henshaw Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 11: SW/4 SW/4
Section 14: S/2 and W/2 NW/4
Section 15: E/2 SE/4

- (aa) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 4: SE/4

- (bb) EXTEND the Indian Flats-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 2: N/2 NE/4

- (cc) EXTEND the South Keanitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 29: W/2

- (dd) EXTEND the Logan Draw-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 19: N/2 NE/4 and SE/4 NE/4

- (ee) EXTEND the Middle Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 21: E/2 SW/4

(ff) EXTEND the Penasco Draw San Andres-Yeso Associated Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 31: SW/4

(gg) EXTEND the East Red Lake Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 25: S/2 S/2
Section 26: S/2 SE/4 and SE/4 SW/4
Section 36: N/2 NW/4

(hh) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2

(ii) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 25: SE/4

(jj) EXTEND the Turkey Track Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 9: E/2 NE/4

(kk) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 17: NW/4

(ll) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 3: All

(mm) EXTEND the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 30: W/2

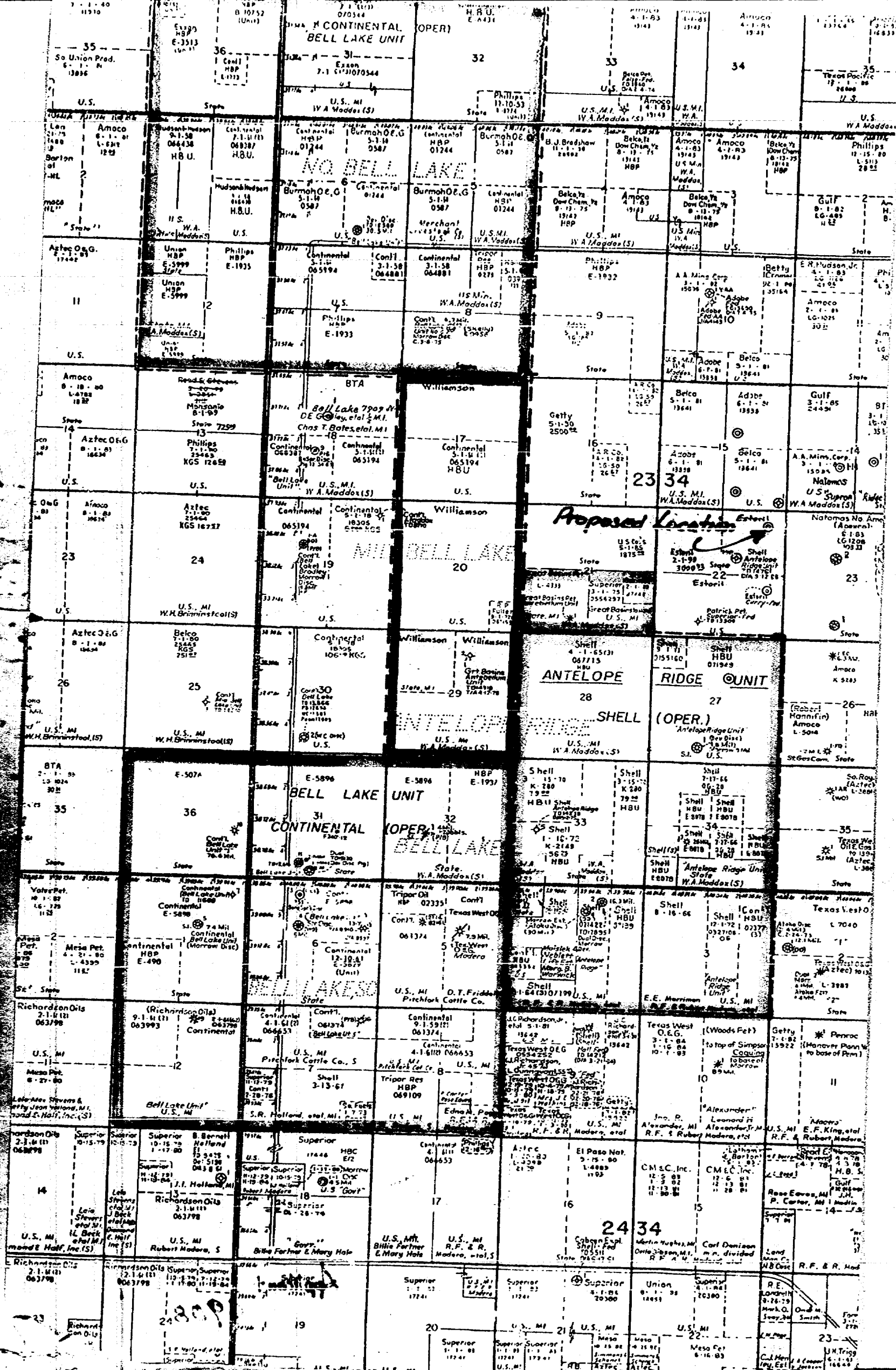
Docket No. 18-80

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 19, 1980

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

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

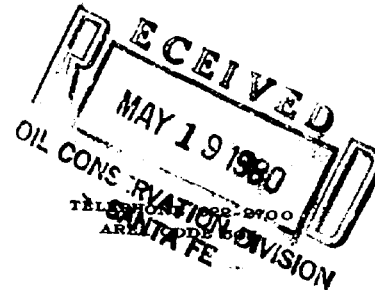
- ALLOWABLE:
- (1) Consideration of the allowable production of gas for July, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for July, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.



LAW OFFICES OF
HUNKER-FEDRIC, P. A.
SUITE 210, HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.
DON M. FEDRIC

May 16, 1980



Mr. Joe D. Ramey,
Secretary-Director
New Mexico Oil Conservation Division
New Mexico Department of Energy
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Estoril Producing Corporation
Unorthodox Gas Well Location
T. 23S, R. 34E
Sec. 22: N½
Lea County, New Mexico

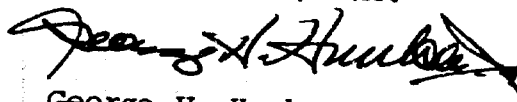
Dear Mr. Ramey:

We hand you herewith the original and two copies of Estoril Producing Corporation's Application for Unorthodox Gas Well Location, Lea County, New Mexico, which said Application is self-explanatory. We would like very much for you to put this case on the docket of the Examiner's cases to be heard on June 4, 1980.

Your assistance in this regard will be appreciated.

Sincerely yours,

HUNKER-FEDRIC, P.A.


George H. Hunker, Jr.

GHH:dd
Enc.

- xc: Mr. Flint Chancellor
Estoril Producing Corp.
1120 Vaughn Bldg.
Midland, Texas 79701, w/enc.
- xc: Mr. Max E. Curry
P.O. Box 5596
Midland, Texas 79701, w/enc.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED
MAY 19 1980
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6908

APPLICATION OF ESTORIL PRODUCING
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, LEA COUNTY,
NEW MEXICO.

Estoril Producing Corporation, Suite 1120 Vaughn Building,
Midland, Texas 79701, hereby makes application for Division approval
of an unorthodox gas well location and in support thereof, shows:

1. That Applicant, Estoril Producing Corporation, seeks
approval of an unorthodox gas well location for its Curry State #1
to be drilled 660 feet from the North line and 660 feet from the
East line of Section 22, Township 23 South, Range 34 East, N.M.P.M.,
to test the Morrow formation at 13,900 feet, Antelope Ridge Morrow Gas
Pool, Lea County, New Mexico.
2. That Applicant proposes to dedicate the N $\frac{1}{2}$ of said Section 22,
Township 23 South, Range 34 East, to the said well.
3. That a well at said unorthodox location will better enable
Applicant to produce the gas and associated hydrocarbons underlying
the proration unit.
4. That the approval of the subject application will afford
the Applicant the opportunity to produce its just and equitable share
of the gas and oil in the Antelope Ridge Morrow Gas Pool, will prevent
the economic loss caused by drilling of unnecessary wells, avoid the
augmentation of risk arising from the drilling of an excessive number
of wells, and will otherwise prevent waste and protect correlative
rights.

Applicant requests a hearing before an Examiner at an early date,
and prays that its application for an unorthodox gas well spacing unit
above described be approved.

Respectfully submitted,

HUNKER-FEDRIC, P.A.

By 

George H. Hunker, Jr.
Attorneys for Applicant,
Estoril Producing Corporation
P.O. Box 1837
Roswell, New Mexico 88201
(505) 622-2700

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED
MAY 19 1980
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE HEARING
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APPLICATION OF ESTORIL PRODUCING
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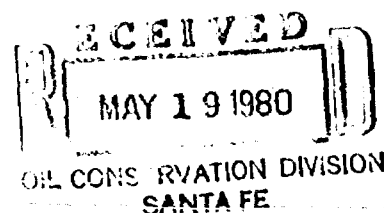
1. That Applicant, Estoril Producing Corporation, seeks approval of an unorthodox gas well location for its Curry State #1 to be drilled 660 feet from the North line and 660 feet from the East line of Section 22, Township 23 South, Range 34 East, N.M.P.M., to test the Morrow formation at 13,900 feet, Antelope Ridge Morrow Gas Pool, Lea County, New Mexico.
2. That Applicant proposes to dedicate the N $\frac{1}{2}$ of said Section 22, Township 23 South, Range 34 East, to the said well.
3. That a well at said unorthodox location will better enable Applicant to produce the gas and associated hydrocarbons underlying the proration unit.
4. That the approval of the subject application will afford the Applicant the opportunity to produce its just and equitable share of the gas and oil in the Antelope Ridge Morrow Gas Pool, will prevent the economic loss caused by drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

Applicant requests a hearing before an Examiner at an early date, and prays that its application for an unorthodox gas well spacing unit above described be approved.

Respectfully submitted,
HUNKER-FEDRIC, P.A.

By George H. Hunker, Jr.
George H. Hunker, Jr.
Attorneys for Applicant,
Estoril Producing Corporation
P.O. Box 1837
Roswell, New Mexico 88201
(505) 622-2700

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6908

APPLICATION OF ESTORIL PRODUCING
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, LEA COUNTY,
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Estoril Producing Corporation, Suite 1120 Vaughn Building,
Midland, Texas 79701, hereby makes application for Division approval
of an unorthodox gas well location and in support thereof, shows:

1. That Applicant, Estoril Producing Corporation, seeks approval of an unorthodox gas well location for its Curry State #1 to be drilled 660 feet from the North line and 660 feet from the East line of Section 22, Township 23 South, Range 34 East, N.M.P.M., to test the Morrow formation at 13,900 feet, Antelope Ridge Morrow Gas Pool, Lea County, New Mexico.
2. That Applicant proposes to dedicate the N $\frac{1}{4}$ of said Section 22, Township 23 South, Range 34 East, to the said well.
3. That a well at said unorthodox location will better enable Applicant to produce the gas and associated hydrocarbons underlying the proration unit.
4. That the approval of the subject application will afford the Applicant the opportunity to produce its just and equitable share of the gas and oil in the Antelope Ridge Morrow Gas Pool, will prevent the economic loss caused by drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

Applicant requests a hearing before an Examiner at an early date, and prays that its application for an unorthodox gas well spacing unit above described be approved.

Respectfully submitted,
HUNKER-FEDRIC, P.A.

By George H. Hunker, Jr.
Attorneys for Applicant,
Estoril Producing Corporation
P.O. Box 1837
Roswell, New Mexico 88201
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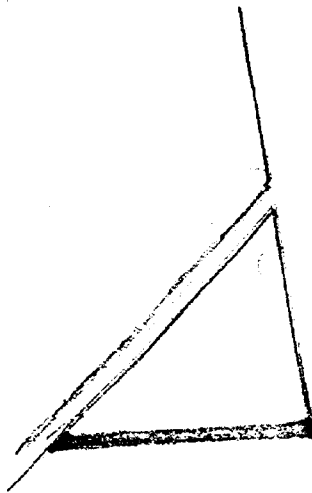
Mrs. Hunter

Estoril Producing Corp
Cin or Ohio of gas well loc.
Pennsylvania for
Corry St #1

660 FNL

660 FEL

22-235-34 E Lea
Antelope Ridge ~~loc~~ Field
N/2 to be dedicated



40 ac SA loc

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6908

ORDER NO. R- 6374

APPLICATION OF ESTORIL PRODUCING CORPORATION

FOR AN UNORTHODOX GAS WELL LOCATION,

LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4,
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this day of June, 19⁸⁰, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Estoril Producing Corporation,
of its Curry State Well No. 1 to be drilled
seeks approval of an unorthodox gas well location / 660
feet from the North line and 660 feet from the
East line of Section 22, Township 23 South
Range 34 East, NMPM, to test the Pennsylvanian
formation, Antelope Ridge Field ~~xxxxx~~ Pool, Lea
County, New Mexico.

(3) That the N/2 of said Section 22 is to be
dedicated to the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____
Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Pennsylvanian the Estoril Producing Corporation ~~Curry State~~ Well No. 1 formation is hereby approved for ~~XXXX~~ to be located at a point 660 feet from the North line and 660 feet from the East line of Section 22, Township 23 South, Range 34 East NMPM, Antelope Ridge Field ~~xxxxxx~~ Pool, Lea County, New Mexico.

(2) That the N/2 of said Section 22 shall be dedicated to the above-described well.

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

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