BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF AMERADA PETROLEUM CORPORATION FOR THE ESTABLISHMENT OF PRORATION UNITS AND UNIFORM SPACING OF WELLS FOR THE COMMON SOURCE OF SUPPLY DISCOVERED IN AMERADA-STATE BTA NO. 1 WELL, NW/4 SE/4 SEC. 2, TOWNSHIP 12 SOUTH, RANGE 33 EAST, LEA COUNTY, NEW MEXICO	CASE NO. 191

MEMORANDUM BRIEF

This is the application of Amerada Petroleum Corporation for eighty-acre proration units and uniform spacing of wells in the Bagley Siluro-Devonian Pool in part of Townships 11 and 12 South, Range 33 East, Lea County, New Mexico.

There are two principal questions in this case. (1) First is whether eighty-acre proration units and the well spacing pattern proposed by Amerada is justified from the standpoint of reservoir performance. (2) The second main question is whether the proposed order requested by Amerada will protect the correlative rights of all persons owning an interest in this pool, so that they may recover their just and fair share of the

oil and gas recoverable from the pool in accordance with their property ownership.

Amerada's technical witnesses presented testimony as to the type and quality of the subject reservoir and as to its predicted performance or production based on modern engineering concepts of reservoir performance and on the actual performance of other known reservoirs of similar characteristics. This testimony establishes that:

1. One well will adequately drain at least 80 acres, and

2. The correlative rights of all interested parties will be protected by the well spacing and production allocation order proposed by Amerada.

The Texas Pacific Coal and Oil Company, appearing in opposition to the proposed order, presented much evidence having nothing to do with the two essential points involved in this hearing, and practically no concrete or abstract evidence on these two essential points.

If the opposition made any clear point it was that they want a spacing and allocation formula which will permit them to gain the greatest amount of production for themselves without

regard to the ultimate recovery from the reservoir as a whole and without regard to the correlative rights of all interested parties.

Applicant is asking for the establishment of eighty-acre units, each of which (except certain exceptions referred to below to avoid pooling of separately owned tracts) shall comprise the East Half and the West Half of each governmental quarter section within the probable productive limits of the pool, as delineated on the map introduced as applicant's "Exhibit 1". The well spacing pattern proposed by applicant is that all wells be located in the center of the Northwest Quarter and the Southeast Quarters of each governmental quarter section. The map introduced as applicant's "Exhibit 1" shows the location of all drilled and drilling wells in this pool and shows the proposed location of all wells that may be drilled according to the spacing pattern by cross marks. The map also shows lease and royalty ownership but does not specifically set out each proration unit. Only the proration units which are exceptions to the general plan are shown on the map by dotted lines. For your convenience we are enclosing a copy of the map.

Pursuant to the request by the Commission, we are enclosing a draft of findings of fact and conclusions of law which we think should be entered in this case. We have

prepared the conclusions of law in the form of a proposed order, which we respectfully request the Commission to enter in this case.

ORDER PROPOSED BY AMERADA PETROLEUM CORPORATION

In substance, applicant's proposed order provides for the creation of eighty-acre proration units to be arranged as described above. All wells are then to be located according to the uniform spacing pattern as set out above, with a tolerance of 150 feet in any direction to avoid surface obstructions. The proposed order further provides that the Commission shall have the power and authority for good cause shown to permit an exception to the well spacing pattern herein proposed, after notice and hearing, but in the event such exception is granted that the allowable shall thereupon be reduced in an amount to be determined by the Commission in their discretion according to the evidence submitted at the hearing. The proposed order requested by applicant further provides that the allowable for each proration unit shall be computed as a forty-acre proration unit with the deep pool adaptation provided for in the general rules and regulations, with a provision that the Commission reserves the right at some future time, upon

west to south by east, with a rather sharp dip off the the southwest. However, because of the location of the wells, they give a rather limited geological control and very little is known as to the exact dip of the formation outside of the limited area approximating a line between the various wells. (R. 67;77)

It was also undisputed that the energy of this pool is water drive. Mr. R. S. Christie and Mr. C. V. Millikan, both petroleum engineers for Amerada Petroleum Corporation, testified that this pool has an effective water drive. (R. 16; 51; 97-98) This was not denied by either of the witnesses for the Texas Pacific Coal and Oil Company (hereinafter called protestant) and was in fact substantially admitted by them and their entire hypothetical testimony and exhibit are based on an assumed water drive reservoir (R. 93).

It was further undisputed that the Bagley Pool is a reservoir of at least average, and probably better than average, porosity and permeability for Devonian formation pools. Mr. Veeder, geologist for Amerada, testified that "This pool has good porosity and apparently permeability." (R. 13) And he further testified that it has continuous, although not uniform, porosity and permeability. (R. 25;31; 39; 44-45) Mr. Carter, geologist for protestant, testified that this pool has a porosity

proper application and after notice and hearing, to increase the allowable if the evidence so justifies.

A detailed analysis of the essential testimony presented at this hearing is given below, which we believe supports the above conclusions and justifies the proposed order.

(The letter "R" as used herein refers to the Record followed by the page number.)

1. ONE WELL WILL EFFECTIVELY DRAIN AT LEAST EIGHTY ACRES

The first question requires a brief look at the facts with reference to the character of this pool.

It is undisputed that the Bagley Siluro-Devonian Pool (which we shall for convenience call the "Bagley Pool") is producing from the Devonian formation at a depth of approximately 11,000 feet below the surface. (R. 10-11) In the BTA No. 1 Well, the top of the Devonian pay section was 10,790 (R. 11) and the base of the pay section is approximately 10,980 (R. 11). The well is producing through perforations from 10,950 to 10,965. (R.11) Other wells show that the formation dips rather steeply toward the southwest. (R. 12; 22-23) It will be noted that the wells drilled in this pool run in a line from southwest to northeast, except for Amerada-State BTC. This well is the highest well in the Bagley Pool. (R. 22) It is indicated by the completed wells that this pool has an axis running, roughly, north by

which is average and in some places superior or better than most Devonian pools. (R. 71;82) His direct testimony was as follows:

> "Mr. McCormick: How does that compare with other pools?
>
> "The Witness: Well, I am --
>
> "Mr. McCormick (interrupting): I mean, is it good or bad or medium, or what, so far as porosity is concerned?
>
> "The Witness: I would say it is approximately average in the type of reservoir that we have here.
>
> "Mr. McCormick: Approximately what?
>
> "The Witness: Approximately average for the type of reservoir that we have here. It might be a little higher than average.
>
> "Mr. McCormick: That is the porosity?
>
> "The Witness: Yes.
>
> "Mr. McCormick: And the permeability, is that higher, higher than the average?
>
> "The Witness: Well, I am not in a position to give those - I just don't know."

Based upon this evidence that this Bagley Pool has an effective water drive, and has at least an average, if not better porosity, as compared with other Devonian pools, and has a continuous permeability, it was concluded by both Mr. Millikan and Mr. Christie that one well would efficiently and effectively drain an area of at least eighty acres. This conclusion was based upon the further information obtained by

comparison with analogous Devonian pools of Hightower, Knowles, Crossroads and Jones Ranch, and further supported by the comparable bottom-hole pressure information obtained from the wells drilled in this Bagley Pool as compared with the bottom-hole pressure information in the wells in the analogous Devonian pools in the area, which are being developed on eighty-acre spacing. (R. 19; 97-98) The fact that there has been very little decline in pressure in the analogous pools and in this pool confirms this conclusion. The real test of drainage is the performance of the wells. The production from the wells drilled in the analogous pools on eighty-acre spacing shows that they are effectively draining the reservoir.

Mr. Milliken summed up the point, as follows: (R. 97-98)

"Q (by Mr. Kellough): Mr. Milliken, in your opinion on this Bagley Reservoir, will one well adequately and efficiently drain an area of at least 80 acres?

"A I believe it will.

"Q Would you care to make any statement to the Commission in explanation of your conclusion?

"A I think we have several points that indicate that it is a good water drive reservoir. I don't believe there has been any controversy of the testimony that it is a rather - that it is permeable, I would say more-than-average permeable reservoir. As a general rule, we find that low gas-oil ratios are present where we do have a good water drive, that in itself not being conclusive, however, but as a general rule that condition does exist.

"We have a pressure there that is about equal to hydrostatic head and about normal for that depth of reservoir. We have found a good quantity of water to the side and below the oil reservoir itself. The indications, I believe, are fairly good that we have a large aquafer, although we don't have sufficient control to demonstrate it definitely. We have, also, some other pools established in that same stratigraphic position that is the top of the Devonian in this general area, and on two of those I think we have evidence of a good water drive. One of those is Crossroads. I am not familiar too much with the detail of that, but it is my understanding there has been no declining pressure in the approximate year and a half that those wells have been in. I believe two of them are producing some water and the dry holes that have been drilled around them have shown evidence of an ample quantity of water. That also has a low gas-oil ratio, but not as low as is present in these Bagley wells.

"This field on which we have more history is just across the state line in Texas, in which there are eight wells in the field, which has been developed on eighty-acre spacing, and that pressure under an allowed of 240 barrels a day on the 31 a day allowed, did have a little decline in pressure; earlier this year when the production was reduced we had an increase in pressure, during the first eight months of this year. I think, combining all of that gives very good evidence that it is quite reasonable to expect a good water drive in the Bagley."

Now let us look at what protestants have offered in opposition to the conclusion that one well in this pool will effectively drain an area of at least eighty acres.

There is only one direct statement that one well will not effectively drain an area of eighty acres. It is Mr. Schoehle's answer to the following rather ambiguous question: (R. 95)

"Q Do you think - in your opinion, do you believe that one well to 80 acres as proposed here will effectively drain all recoverable oil under the 80-acre tract, or under 80 acres of oil if you want to put it on that basis, in attempting to get away from correlative rights and move - say you got Jim Doe's oil, some of his oil, and he got some of yours. In any event, one well, regardless of how it is located, will not, in your opinion, regain effectively all recoverable oil under 80 acres?

"A No, it won't. It will not."

This conclusion is wholly unexplained and unsupported. Furthermore, it is actually contrary to the rest of his entire testimony which assumed an effective water drive reservoir wherein one well would drain an area of 80 acres. His Exhibit "Q", prepared to show the drainage of a mythical water drive pool, assumed a drainage area of 80 acres per well. If his statement quoted above is correct then the rest of his testimony and his exhibit are wholly irrelevant.

Also Mr. Carter, protestants' geologist, stated that this pool is of equal or better porosity than the average Devonian pool and the undisputed evidence is that it has an effective water drive. Thus it must be Mr. Schaehle's opinion that an average Devonian pool with an effective water drive cannot be effectively developed by one well to 80 acres. This is contrary to the actual experience in cases of other similar Devonian pools in the area which are being developed on 80-acre

units under orders of this Commission.

It is therefore difficult to believe that Mr. Schaehle was serious in his flat assertion that one well will not drain 80 acres in the Bagley pool.

The only other effort of protestants on this point was the testimony of Mr. Carter with reference to the core analyses in the defendant's one well. Mr. Carter testified that there were dense sections in the well. However, he did admit that there was good porosity and although varied in character, as stated above, that the pool was of average or better porosity than generally is found in Devonian pools. He did not testify that this so-called dense area would prevent one well from effectively draining eighty acres. On this point Mr. Millikan testified as follows: (R. 98-99)

> "Q Mr. Millikan, do you have any comment which you wish to make to the Commission with reference to the testimony regarding the dense areas which appeared in the core analysis introduced by the Texas Pacific Coal Company?
>
> "A Well, those dense areas are, I think, as they stated, not anything unusual in these Devonian reservoirs, or for that matter in lime reservoirs, or for that matter, in any reservoirs. We have areas or intervals or strata of varying permeability, and very often the strata are of greater or lesser thickness that might not even show any presence of oil, which I believe in our examination of samples have rather consistently shown oil and I think the permeabilities have been, perhaps, too low to get any appreciable amount of oil, I think probably some of the testimony might be a little misleading regarding continuous

or discontinuous, or uniform porosity and permeability. I think, it seems to me, in summing it up that there was not a clear distinction between vertical permeability and horizontal permeability.

"Now, it is quite true, as was testified, I believe, by Mr. Schaehle, or Mr. Carter, or perhaps both, that where we run into these dense areas, we probably do not have vertical permeability through those. In other words, this water that exists apparently entirely under this structure - the water movement is not directly vertical. I don't believe the point was made clear, but I think that we do have lateral permeability through this reservoir. In the first place, that is a common thing to expect in reservoirs. We have that in all reservoirs, and I think the concrete evidence of that is the fact that we do have an accumulation of oil above water, with such evidence as we have being that it is a relatively flat or level water table. And if we didn't have a continuous permeability through here, then how did the oil all get up there just in this, as someone referred to this morning, equivalent of a bowl turned upside down. And if we are going to have a water drive, which I think all have indicated probably exists - and if you are going to have a water drive, you have got to have that continuity of permeability throughout the reservoir."

To summarize, we think the conclusion that one well will effectively drain at least 80 acres is supported by the following evidence:

(1) That the Bagley pool has an effective water drive. This is not disputed.

(2) That the reservoir is of average or better porosity than most Devonian pools and has continuous porosity and permeability. This is admitted by protestants' own witnesses.

(3) That the experience in comparable pools in

the area supports the conclusion that one well will effectively drain an area of at least 80 acres. The actual experience at Crossroads and Jones Ranch supports this conclusion and it is also indicated by performance to date in the Hightower and Knowles pools.

The only evidence to the contrary is Mr. Schaehle's flat statement quoted above, which is wholly unsupported by the facts and actually contrary to protestants' own testimony on the issue of correlative rights.

If one well on each eighty-acre proration unit will effectively drain the pool, then an additional well on each eighty-acre unit, under any kind of a forty-acre pattern, would be an unnecessary well.

Section 69-213 of the New Mexico Statutes (1941 Ann.) provides in part as follows:

> "No owner of a property in a pool should be required by the Commission directly, or indirectly, to drill more wells than are reasonably necessary to secure his proportionate part of the production. To avoid the drilling of unnecessary wells a proration unit for each well may be fixed, such being the area which may be efficiently and economically drained and developed by one well. The drilling of unnecessary wells creates fire and other hazards conducive to waste and unnecessarily increases the production cost of oil and gas to the operator and thus also unnecessarily increases the cost of the products to the ultimate consumer."

It was suggested by Mr. Anderson, representing the Malco Refining Company (which company has no interest whatsoever

in this pool), that applicants have failed to prove that one well drilled to a density of forty acres would not recover the drilling, equipping and operation costs, and he stated that it was his opinion that if the oil recoverable by one well to forty acres would be sufficient to pay for the well, such well should be drilled on that basis. (R. 62 and argument not reported) This statement overlooks two basic facts. It first overlooks the fact that under the evidence in this case there would be no additional oil recovered by the extra well and, therefore, the additional recovery would not pay for the extra well. It further overlooks the New Mexico law quoted above, which seeks to prevent the drilling of unnecessary wells. If one well can effectively recover the oil from an area of eighty acres, under the New Mexico law the operator is not required to drill an additional unnecessary well even though the aggregate oil recovery would be sufficient to pay the cost of drilling, equipping and operating both wells. It would still be an unnecessary well even though it was a paying well. Therefore, whether the additional well required by forty-acre spacing would result in a paying well is not a proper or material issue in this case. The material question is whether such well would be an unnecessary well.

2. SPACING PATTERN PROPOSED BY AMERADA PETROLEUM CORPORATION PROTECTS CORRELATIVE RIGHTS OF ALL PARTIES

We now come to the second main question in the case,

which is whether the proposed spacing pattern protects the correlative rights of the owners of this pool so as to assure each owner of recovering the oil from this common pool to which, by reason of his ownership, he is justly entitled. It is important to bear in mind at the very outset that the doctrine of correlative rights does not mean that every owner of an interest in an oil pool is entitled to an equal amount of oil. In any pool there are relatively good leases and poor leases located favorably and unfavorably on the structure. The owner of the good lease is entitled to a greater recovery than the owner of the poorly located lease. The doctrine of correlative rights simply insures that each owner will recover proportionately the amount of oil and gas which is justified by reason of his ownership, depending upon the location of his property structurally in the pool. This can best be accomplished by uniform spacing of wells throughout the pool. The protestants' position is that there should be no uniform spacing of wells so that each property owner may locate a well anywhere upon his lease, which he considers the best position for himself, in disregard of his neighbor.

Protestants first contend that the creation of eighty-acre proration units with the well spacing pattern as recommended, will result in certain units around the edge of the pool having included therein some nonproductive acreage. However, their own geologist, Mr. Carter, on cross-examination admitted that this fact would be

the same on forty-acre spacing, or any other spacing for that matter, since there will always be units around the edge of any oil pool which will contain some nonproductive acreage. (R. 87) Therefore, this is not an argument against the well spacing pattern proposed by applicant. In fact, the order requested by applicant contains a provision where an exception could be granted in such case if the limits of the pool were known, so that the well could be located on the productive part of the unit and the allowable reduced to eliminate the non-productive acreage. This, of course, would be necessary to protect the correlative rights of the parties, since the unit at least as to productive acreage would be smaller than the normal productive unit.

It is next contended that a well drilled according to the well spacing pattern proposed by applicants will drain oil from under an adjoining owner's lease, and certain exhibits were prepared to illustrate this point. However, under protestants' own theory of well spacing which they propose the result would be no better. The illustration used by protestants assumed area of drainage comprising 80 acres around the Amerada B.T.D. well. Under protestants' theory a well might be drilled in the corner of NE of NW of Section 2, 330 feet from each lease line. If, as they apparently contend, one well will drain 40 acres, then such well would drain from under

the adjoining owner's lease to the same extent as in protestants' illustration. Mr. Carter admitted that this objection would not be corrected by applying protestants' theory of well spacing. (R. 83)

Protestants also contend in respect to the question of correlative rights that the wells under its theory should be located as high upon the structure as possible since this is an effective water drive pool and the water drive will force the oil up structure. In this way they argue that the owner of a particular lease will be able to recover more of the oil which underlies his particular lease. Mr. Schaehle prepared fictitious and hypothetical "Exhibit Q" presumably to illustrate this point. However, as stated at the very outset, this overlooks the fact that the doctrine of correlative rights is not and cannot, as a practical matter, be based upon each owner recovering every drop of recoverable oil from under his own lease, since this is a physical impossibility. Therefore, if one were to permit the location of wells at the top of the structure on each lease, the result may be decidedly inequitable to the owners of the leases on top of the structure. The owners of the top leases may by the very nature of the reservoir have a more valuable property right than the owner of a lease at the bottom of the structure in a water drive pool. Therefore,

the owners of the best leases under the doctrine of correlative rights are entitled to a greater recovery of the oil from the reservoir. The result of protestants' contention in this respect is that the location of the wells in the manner which they recommend will tend to equalize recovery. The doctrine of correlative rights is not intended to equalize recovery. The correlative rights of the parties are not protected by giving the owner of a poor lease a greater share of oil than he is entitled to recover at the expense of the owner of the better lease.

Protestants' last contention in this respect is that eighty-acre spacing will result in the drilling of more dry holes than will be drilled on forty acres. Protestants' concern for the operator in this instance is either feigned or misplaced. On cross-examination Mr. Veeder, geologist for Amerada, was asked an assumed question with respect to the Hightower Pool. (R. 35-37) In that pool the Amerada B.T.B. Well is a producing well, located in the middle of a forty-acre tract. Amerada on an eighty-acre spacing pattern then drilled a dry hole known as the "Roach Well" in the center of a forty-acre tract once removed to the south. The question was proposed that had the well been drilled in the center of the forty-acre tract immediately to the south of the B.T.B. Well, and assuming that it was a producing well, then Amerada would not have drilled the

dry hole in the Roach Well located in the center of the next forty-acre tract to the south. (R. 37) However, upcn redirect examination (R. 45-46) Mr. Veeder exploded this misleading theory by pointing out that had Amerada drilled a well in the center of the forty-acre tract immediately south of the B.T.B. Well, it would then have been obligated, or Mr. Veeder as a geologist would have recommended, that his company then drill a third well in the center of the forty-acre tract still farther to the south which is the location of the Roach Well, and the result would be that instead of one well and one dry hole, Amerada would have drilled an extra unnecessary well at the cost of $225,000.00 and would still have drilled the dry hole. Therefore, under this theory advanced by protestants in the interest of economy the operator, instead of losing $225,000.00 by the dry hole, would have lost approximately a half million dollars by drilling an unnecessary well and a dry hole.

Mr. Millikan summed up the matter of correlative rights as follows:

"Q I have one further question, Mr. Millikan. Do you have any comments which you care to make as to whether the 80-acre spacing pattern, which has been proposed by Amerada, will result in a disruption of the correlative rights of the parties in the pool, which could be remedied by any other spacing program?

"A I do not see that 80-acre spacing, or 160-acre spacing, or 40-acre spacing, or 10-acre spacing, changes that picture at all.

"Certainly we have - in any oil pool, we reach the edge of the pool, and we find certain parts, whatever the spacing unit may be, that probably lie beyond the limits of oil production or beyond the limits of economic oil production. There may be some oil there, but it is not economic to drill. Then, that is, for all practical purposes, it becomes the limit of the pool. And there were no land lines there when that oil pool was formed. They have been put there subsequently, and they, as a general rule, are curve lines, as has been indicated in the testimony here; and regardless of the spacing, I think that those same conditions will exist. And the fact that we cannot recover all of the oil by 80-acre spacing, I don't see that it introduces any problems that wouldn't exist under any other spacing unit.

"Q Then, in your opinion, the spacing pattern which we have presented here will not prevent any of the owners in that reservoir from obtaining their fair and equitable share of the oil in the reservoir?

"A I think that under the recommendations that we have made here as to spacing and allocation, they will provide each operator, each landowner, each royalty owner, the opportunity to obtain his fair and equitable share of the oil from the reservoir.

PROTESTANTS' IRRELEVANT EXHIBITS

In order to dispel the thought that the length or size of the opposition is any measure of its quality, we have listed below all of protestants' exhibits to point out their utter irrelevancy to the questions involved in this case.

EXHIBITS:

"A" and "B" Farmout contract between T.P. and Amerada and copies of T.P.'s oil and gas leases. No title question is involved.

"C" and "D"	Colored maps showing mineral and royalty ownership. This was already shown by applicants' Exhibit "A" previously introduced into evidence.
"E" and "F"	Contour map of Glorietta Sand and of Pennsylvanian formation. Mr. Carter admitted neither of these maps had anything to do with this proceeding. (R. 81-82)
"G"	Contour map of Bagley Pool. Mr. Carter admitted it was not an accurate representation of the actual structure. (R. 67-77)
"H"	Schlumberger of protestants' well. This shows nothing inconsistent with applicant's theory.
"I", "J", "K", "M", "N"	Core information on protestants' well. Protestants' witnesses did not contend that the density is sufficient to prevent effective drainage of 80 acres by one well.
"O"	Celluloid copy of Exhibit "G"
"P"	Hypothetical cross-section. The purpose of this exhibit was not disclosed by the witness. (R. 78-81)
"Q"	Hypothetical cross-section of mythical water drive reservoir.

INCIDENTAL LEGAL QUESTIONS REGARDING FORCED POOLING OF SEPARATELY OWNED TRACTS

Some wholly extraneous issues have been injected into the case.

1. Protestants proved that they owned a lease, forty acres of which is located in this Bagley Pool and the balance located some place outside. (R. 65) They argued that if

eighty-acre proration units were adopted it would require the pooling of this forty acres with an adjoining forty-acre tract owned by applicant, and the result would be that the well on protestants' forty-acre tract would not hold the outside acreage beyond the primary term of the lease. This is not a correct conclusion of the law, but first let us point out that the spacing pattern whether it be 160 acres, 80 acres, 40 acres, 20 acres or 10 acres, does not change the legal problem involved. The same question would be involved if two twenty-acre tracts were pooled into one forty-acre unit, or two ten-acre tracts into a twenty-acre unit, or what have you. The second point is that well spacing is a matter of conservation and it is of no proper concern to this Commission whether a lease outside of an existing oil pool will or will not be held beyond the primary term by a well located on that part of the lease within the oil pool. The law with reference to the implied covenants of oil and gas leases dictates the development which will be required of any operator. However, in any event, the question is settled in the case of State ex rel Shell Corp. v. Worden, Commissioner of Public Lands (1940), 44 N.M. 400; 103 P.(2d) 124, where it was held that in a state lease in New Mexico where a separate portion of the lease has been assigned and oil discovered on the separately assigned portion, such well will hold the entire lease beyond the primary term. The effect of

pooling is an assignment by each to the other of part of his lease rights in the pooled reservoir.

2. The question was asked whether the situation would have been the same if the well was located on that part of the unit not covered by the lease having the outside acreage. This is an open question in New Mexico, but has been decided by the Supreme Court of Louisiana in the case of Hunter Company v. Shell Oil Company (1947) 211 La. 893; 31 So. (2d) 10, which holds that a well on a forced unit in Louisiana holds each and every lease, part of which is in the unit, as to all acreage including the outside acreage. See Section 8-1138, New Mexico Statutes, 1941 Anno. and Sec. 69-213, New Mexico Stat. 1941 Anno.

However, again we wish to point out that this problem exists regardless of the size of proration units or the spacing of wells. It can apply, as stated above, with equal force to two twenty-acre tracts in a forty-acre unit, as well as it can to two forty-acre tracts in an eighty-acre unit.

3. It also was suggested that the Commission may have no authority to enter a pooling order applicable to state leases. This contention is answered by Sec. 69-213 and Sec. 8-1138, New Mexico Statutes Anno., referred to above. There is no question but that the statutory authority exists. The only reason for the exceptions to the location of the proration units recommended by applicant was an effort to avoid the necessity of pooling agreements or forced pooling applications

where, without disturbing in any manner the well spacing pattern, single ownerships could be combined. This, of course, is a matter for the discretion of the Commission. The insinuation at the trial that these exceptions were made by Amerada in order to include its poor acreage with the good acreage of the Texas Pacific Coal & Oil Co. is unwarranted, malicious and wholly unfounded in fact and designed only to prejudice the Commission. (R. 105-106)

CONCLUSION

When the entire matter is carefully considered, it appears that protestants' position boils down to the proposition that well spacing should be established according to lease ownership, and by that they mean protestants' lease ownership. They asked that they be permitted to drill anywhere upon their lease in order to crowd their neighbor and get all of the oil they can for themselves. Viewed from the purely selfish standpoint of protestants' own company, this may appear to be a laudable motive; however, it is not one which the other operators in the field think should be accomplished at their expense.

The operators in this field are Amerada Petroleum Corporation, Mid-Continent Oil and Gas Company, Phillips Petroleum Company, Gulf Oil Corporation and Texas Pacific

Coal and Oil Company. Out of all of these operators it is significant to note that the only company objecting to the application for a uniform spacing and eighty-acre proration units in this Bagley Pool is the protestant.

We respectfully submit that the proposed order herein submitted should be granted by the Commission.

SETH AND MONTGOMEY

By _____
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