Original

269
270

MEMORANDUM:

Re: Eighty-Acre Spacing -
Denton Pool, Lea County,
New Mexico

1. The Nature of this Hearing.

Neither the original application for 80-acre spacing in the Denton Pool nor the rehearing of that application now being considered should be looked upon as a contest between those in favor of 80-acre spacing and those opposed to 80-acre spacing. This proceeding should be regarded as a conference represented by the oil and gas industry of the State, on the one hand, and the Oil Conservation Commission as the regulatory authority of the State of New Mexico, on the other hand, meeting in an effort to work out the problem of how to get more oil and gas from a pool for less money and with the use of less steel and by the drilling of fewer wells.

2. The Role of the Operator.

No one operator in a pool or field should be permitted to set a spacing pattern in the field best suited to his individual needs or desires. The best interests of all the operators, of all the royalty owners, including the State of New Mexico as a royalty owner, and of the public must be the criteria for determining a spacing pattern in any field. The producer is the man who takes the stockholder's dollar and digs an oil well with it. He has the expectation of getting that dollar back, plus a profit. The producer acts in a dual capacity. He is, in a sense a private and a public trustee. He is a private trustee in the sense that he must represent the best interests of his stockholders in seeing to it that the undertaking returns a profit. He is a public trustee in the sense that he must increase production at reduced cost in order to keep down the cost of the product to the ultimate consumer. One need not be a technical man, such as an engineer or a geologist, to understand these facts.

The Role of the Royalty Owner.

The royalty owner is one to whom a portion of the production is payable, either in kind or value. His role should be the same as that of the operator, that is, a public and a private trustee. The royalty owner should be regarded as a private trustee to the extent only of seeing that the ultimate in the recovery of oil and gas from the pool is had. He has the same duties and the same obligations as the operator in his capacity as a public trustee in that he should not insist upon a program or a method of development of a field for its oil and gas content that leads to high cost of production which must be passed on by the operator to the consuming public.

alty Owner vs. Producer.

Every proceeding having for its purpose the obtaining of wider well spacing, the royalty owner is generally found arrayed against the producer. The royalty

owner generally feels that his best interest is served by closer well spacing. Nothing could be farther from the truth. If the royalty owner cannot profit by wider well spacing, neither can the producer. This fact is obvious, since any method of well spacing advocated by the producer which results in the loss of oil to the royalty owner results in a proportionately higher loss of oil to the producer. The self-interest of an operator would dictate that he not advocate a spacing pattern that would bring about a loss to himself or the royalty owner. It may therefore be reasonably assumed that when an operator advocates wider well spacing he is honest in his convictions about the matter and believes that wider spacing is to the best interests of himself and all others similarly situated, including the royalty owner.

5. Economic Factors or Desire.

The operator in a pool is usually guided in his efforts in the production of oil and gas, and in the fixing of a spacing pattern, by the economics of the case. An operator cannot drill wells and produce oil or gas at a loss. The adoption of any spacing pattern which inures to the economic benefit of the producer likewise inures to the economic benefit of the royalty owner. However, in most instances, the royalty owner is motivated by a desire for more and more royalty payments, and is less and less concerned with the science and the economics necessary to be applied by the producer to the orderly and proper development of a pool. The producer should not be permitted to dictate a course of action by the regulatory body that is inimical to the royalty owner. Every producer should recognize that the interest of himself and the royalty owner is mutual, and most producers do recognize this. Any action on the part of the royalty owner which increases the cost of production to the operator directly contravenes the provisions of the Statute of the State of New Mexico, Section 69-213, which will later be quoted. Such action necessarily increases the cost of the products of the oil and gas to the ultimate consumer. Likewise, any evidence of a selfish attitude on the part of the royalty owner by way of securing smaller spacing of wells requires the drilling of unnecessary wells, creates fire and other hazards conducive to waste, and this violates the provisions of the Statute. It is the duty of the regulatory authority to bring into proper focus all conflicting interests in a pool or field. This can best be done by considering the problem objectively and without regard to the desires or emotions of the parties.

It is the duty of the regulatory body to see that no producer profits at the expense of the royalty owner or the general public. And it is the duty of the regulatory body to see that no royalty owner profits at the expense of the producer or the general public. The interest of the royalty owner and the producer is mutual to the extent that they should seek the best methods by which a pool or field may be efficiently and economically drained and developed. This point is concerned with more than just the primary methods for the recovery of oil and gas.

6. Pressure Maintenance vs. Primary Recovery Methods.

Most producers regard pressure maintenance in the production of oil and gas as the long-range view, while the primary recovery method is regarded as the short-range view. Here again the interest of the royalty owner and the producer is mutual. At best, primary methods of recovery obtain only a small percentage of the oil in the pool - less than 30% in most instances. Pressure maintenance methods substantially increase this percentage of recovery of the recoverable oil. The application of pressure maintenance methods is directly related to well spacing; that is, it is now conceded that wider well spacing more readily lends itself to efficient pressure maintenance methods than does smaller well spacing. In deep pools such as the Denton Pool, and under the reservoir conditions which obtain in this pool, the recovery of oil by primary methods is shortlived. If the ultimate in recovery of oil and gas in this pool is to be obtained, pressure maintenance methods must be resorted to. Since well spacing is directly related to the best results to be obtained under pressure maintenance recovery methods, it is timely to consider the spacing pattern for the field. The field should not be allowed to be developed on 40-acre spacing under primary recovery methods with the expectation that the best results can be obtained in the application of pressure maintenance methods. If, for any reason, those who are advocating 80-acre spacing in the Denton Pool should be mistaken, this does not condemn the adoption of 80-acre spacing for the simple reason that resort to 40-acre spacing can always be had - if, as, and when it becomes evident that 80-acre spacing should not be the pattern in the field. On the other hand, if those who are advocating 40-acre spacing for the field - and there is only one producer in the area who is doing this - should for any reason be mistaken in their view, a resort to 40-acre spacing can never be had.

7. Eighty-Acre Spacing vs. Smaller Spacing.

No spacing pattern gets oil out of the ground. All that a spacing pattern does is to determine the distance between wells, based upon some reasonable hypothesis. Rule 104 (b) of the Rules of the Oil Conservation Commission of the State of New Mexico provides:

> "Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square in accordance with the legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot * * *."

This rule is of statewide application and applies only in the event the Commission does not fix a smaller or larger spacing pattern for the pool.

This statewide rule does not take precedence over the statutory provisions relating to well spacing. Section 69-213, New Mexico Statutes 1941, Annotated,

contains this provision:

> "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 pool may be fixed, such being the area which may be efficiently and economically drained and developed by one (1) 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."

While the rule fixes 40-acre spacing as a statewide spacing pattern, the Statute recognizes that conditions may exist which will require, in the protection of public and private interests, a wider spacing pattern. And, in order to implement the spacing pattern in a pool or field, the same section of the Statute quoted above further provides:

> "The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste; but in such case, the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in ratio of the area of such tract to the area of a full unit."

Every operator must recognize that there is no virtue in any spacing pattern as such. Spacing is only one of many factors to be used in regulating the production of oil and gas from a given pool. Some pools or fields more readily lend themselves to development on 40-acre spacing than on 80-acre spacing, and vice versa. The chief difficulty in fixing a spacing pattern for a pool is that it can rarely be determined with any degree of accuracy what the pattern should be until after the pool has been fully developed. The matter of determining well spacing, therefore, becomes largely a matter of policy. It is true that the proper spacing can be determined under any set of assumed

conditions. In the past in New Mexico, well spacing has been geared largely to production from shallow pools. A shallow pool is defined by Rule 55:

> "Shallow pool shall mean a pool which has a depth range from 0 to 5000 feet."

Production of oil from a deep pool in the State of New Mexico is of fairly recent origin. A deep pool is defined by Rule 18:

> "Deep pool shall mean a common source of supply which is situated 5000 feet or more below the surface."

It must be self-evident to any producer that the definitions of a shallow pool and a deep pool are more or less arbitrary. And, of course, as to the matter of well spacing it must be still more evident to a producer that the enforcement of a 40-acre spacing pattern in every pool would be arbitrary and without excuse or justification on any ground.

8. Temporary 80-Acre Spacing vs. Permanent 80-Acre Spacing.

The operators in the Denton Pool are not asking that the Commission adopt a permanent 80-acre spacing pattern for the field. Good faith requires that the spacing pattern be placed upon a temporary basis. In fact, there is no such thing as a permanent spacing pattern in an oil and gas field under the present regulatory setup. The Commission may, and in fact, it would be its duty to, if conditions required it, change the spacing pattern in any field or pool. But, in order that there may be no misunderstanding about the position of the operators in this pool, a specific request for 80-acre spacing for a temporary period of one year has been made. The temporary nature of the order requested meets the argument made by the operator opposed to 80-acre spacing that once 80-acre spacing is adopted, always 80-acre spacing. Nothing could be farther from the truth. The operators who are sponsoring 80-acre spacing in this field do not want it, if, in fact, it should not be adopted. But, as we have pointed out, the field will be completely developed before one gets that answer.

9. Steel Shortage vs. 40-Acre Spacing.

A National emergency has been declared by the President of the United States. With the declaration of a National emergency came a declaration of a shortage of certain critical materials. Steel is on this list. There is no doubt that there is a shortage of oil field tubular materials. This situation calls for conservation of steel and the adoption of practices in the oil fields that will implement the conservation of steel. One way to save steel is to adopt wider well spacing. Eighty-acre spacing requires the drilling of only one half as many wells as is required by 40-acre spacing. The adoption of

80-acre spacing for the Denton Pool has been requested on a temporary basis. If, at the end of the one-year temporary period requested, it can be demonstrated from additional information obtained in the development of the field that the reservoir conditions in the field are better adapted to 40-acre spacing than to 80-acre spacing, then the Commission can impose 40-acre spacing and no one will have been hurt, and, in the meantime, at least a temporary savings of steel will have been effected. On the contrary, if, at the end of the one-year temporary period, it is then the judgment of the Commission that 80-acre spacing should be continued for another temporary period or made permanent, then, to the extent that 80-acre spacing is perpetuated in the pool, a savings in steel will have been effected. If the deep pay in the Denton Pool proves to be as prolific as it is now thought to be, and if the National emergency should demand additional oil, then it will have been developed that the Denton Pool will be a good place to expend steel in satisfaction of meeting the additional requirements for oil for the National emergency.

10. Development of Future Reserves vs. 40-Acre Spacing.

When drilling is comparatively shallow, development costs are relatively low. On the other hand, costs tend toclimb with the development of deep reserves. It is shown in this record that the average cost for the drilling of four wells was $273,000. per well. This is a lot of money to put in a hole in the ground. It is true that these costs are determined on present-day inflated prices. It is likewise true that the relatively short term of payout is determined on the present-day inflated price which the producer receives for his product. It would be a short-range view to assume that present income can continue at the present inflated rates. In talking about development costs one is not just talking about the Denton Pool. On any basis deeper drilling will be expensive and the cost of developing a field is directly related to the spacing pattern. This is an obvious fact because the more wells an operator drills, the more money he must spend in drilling the wells. If, by enlarging the spacing pattern, the number of wells to be drilled to develop the field can be decreased, then drilling costs can be decreased. With a decrease in drilling costs will come a more rapid discovery of reserves. The best thought of the industry now is that future reserves will be found at increasing depths and, likewise, at increasing costs. Therefore, it is to the best interest of the State of New Mexico and of its people that drilling costs be held to a minimum in order to encourage the discovery of additional oil reserves at greater depths. The adoption of 80-acre spacing will do this. And, likewise, the adoption of 80-acre spacing will more quickly determine the outer limits of production of a pool after discovery of production.

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

April 3, 1951

Editor,
Hobbs Sun
Hobbs, New Mexico

Re: Notices of Publication
Cases 269 and 270

Dear Sir:

Please publish the enclosed notice one time immediately on receipt of this request. Please proofread the notice carefully and send a copy of the paper carrying such notice to this office.

Upon completion of the publication, send publisher's affidavit in duplicate.

For payment, please submit statement in duplicate, and sign and return the enclosed voucher.

PLEASE PUBLISH NOT LATER THAN APRIL 10, 1951.

Very truly yours,

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER,
Secretary-Director

RRS/ir
Enclosure

DOMESTIC SERVICE

Check the class of service desired; otherwise this message will be sent as a full rate telegram

FULL RATE TELEGRAM		SERIAL	
DAY LETTER		NIGHT LETTER	

WESTERN UNION

1206

W. P. MARSHALL, PRESIDENT

INTERNATIONAL SERVICE

Check the class of service desired; otherwise this message will be sent at the full rate

FULL RATE		LETTER TELEGRAM	
VICTORY LETTER		SHIP RADIOGRAM	

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			OIL CONSERVATION COMMISSION	

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

Case 269

APRIL 20 1951

MR GLENN STALEY
NEW MEXICO OIL AND GAS ENGINEERING COMMITTEE
HOBBS NEW MEXICO

PHILLIPS AGREED TO POSTPONE CASES 269 AND 270 UNTIL MAY 22 HEARING

R R SPURRIER

FILE

ACCTG

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one percent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: In cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Company, (a) within sixty days after the message is filed with the Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Labrador, Mexico, Newfoundland and St. Pierre & Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Company is authorized to vary the foregoing.

1-49

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

DAY LETTER (DL)

A deferred service at lower than the full rate.

SERIAL (SER)

Messages sent in sections during the same day.

NIGHT LETTER (NL)

Accepted up to 2 A. M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies.

VICTORY LETTER TELEGRAM (VLT)

Overnight plain language messages to armed forces overseas. Minimum charge for 10 words applies.

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

Jack

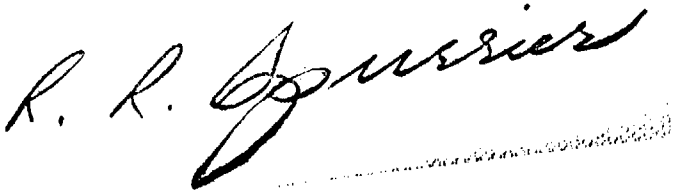
Called 4-20-51

notify on case 269-70

Ralph Lowe - Midland

Magnolia

Phillips Midland



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

April 24, 1951

COPY

RE: Case 269 - In the matter of the application of Phillips Petroleum Company for the establishment of proration units and providing for the allowables for the Siluro-Devonian common source of supply discovered in McAlester Fuel Company et al J. M. Denton No. 1-A, SW/4 SE/4 11-15S-37E, Lea County, known as the Denton field.

RE: Case 270 - In the matter of the application of Phillips Petroleum Company for the establishment of proration units and providing for the allowables for the Wolfcamp common source of supply discovered in Atlantic Refining Company, Bettie C. Dickinson No. 1-B, NW/4 SW/4 12-15S-R37E, Lea County, known as the Denton field.

Gentlemen:

An application for continuance of the two captioned cases before the Commission was received from Phillips Petroleum Company, dated April 22.

The Commission has met, and the case will be postponed until the regularly scheduled hearing for May 22.

Very truly yours,

OIL CONSERVATION COMMISSION

R. R. Spurrier

Secretary and Director

bpw

DOMESTIC SERVICE

Check the class of service desired; otherwise this message will be sent as a full rate telegram

FULL RATE TELEGRAM		SERIAL	
DAY LETTER	X	NIGHT LETTER	

WESTERN UNION

1208

W. P. MARSHALL, PRESIDENT

INTERNATIONAL SERVICE

Check the class of service desired; otherwise this message will be sent at the full rate

FULL RATE		LETTER TELEGRAM	
VICTORY LETTER		SHIP RADIOGRAM	

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			Oil Commission	

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

OI SANTA FE, N. M. APRIL 25, 1951

OIL CONSERVATION COMMISSION.
HOBBS, NEW MEXICO

ATTENTION: ROY O. YARBROUGH

PENDING HEARING TO BE HELD MAY 22 CASES 269 AND 270 WHICH IS APPLICATION OF PHILLIPS FOR 80 ACRE SPACING IN THE DENTON AREA, ALL APPLICATIONS (C-101) TO DRILL IN THIS AREA WILL BE FORWARDED TO THIS OFFICE FOR APPROVAL.

R. R. SPURRIER

cc: Carl Jones, Phillips, Midland
Glenn Staley, Hobbs
Jack Campbell, Roswell

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one percent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: In cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Company, (a) within sixty days after the message is filed with the Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Labrador, Mexico, Newfoundland and St. Pierre & Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

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1-49

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

LETTER (DL)

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sections during the same day.

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for ery not earlier than the following morning at rates ill rate ram or day letter rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies.

VICTORY LETTER TELEGRAM (VLT)

Overnight plain language messages to armed forces overseas. Minimum charge for 10 words applies.

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

CLASS OF SERVICE

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

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1220

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=Int'l Letter Telegram
VLT=Int'l Victory Ltr.

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

CA48 SSE293

HBA090 PD=LOVINGTON NMEX 21 300P=

1951 MAY 21 PM 4 16

NEW MEXICO OIL CONSERVATION COMMISSION=

CARE GUY SHEPHERD LAND COMMISSIONER=

Case 269
270.

UNDERSIGNED ROYALTY OWNERS IN AREA DENTON POOL LEA COUNTY WISH TO GO ON RECORD AS OPPOSING EIGHTY ACRE SPACING= WHEN ORIGINAL LEASES WERE EXECUTED IN THIS AREA FORTY ACRE DRILLING WAS CUTOMARY AND IMPLIED= DEVELOPMENT TO DATE I THIS FIELD PROVIDED FOR FORTY ACRE SPACING AND UNDERSIGNED BELIEVE SHOULD CONTINUE= EIGHTY ACRE SPACING WILL FORCE COMPULSORY POOLING OF ROYALTY OWNERS INTERESTS AND CAUSE INJUSTICE IN EDGE WELLS= EIGHTY ACRE SPACING DISAPPOINTING TO ROYALTY OWNERS SAWYER POOL AND ROYALTY CHECKS DECREASING AT SERIOUS RATE AMARADA HAMILTON POOL UNDER EIGHTY ACRE SPACING= YOUR CONSIDERATION APPRECIATED =

J M DENTON, J L REED, GRANVILLE DICKINSON TRUSTEE FOR CANDACE DICKINSON, WALTER E DICKINSON AND W GORDN DICKINSON, BERNICE DICKINSON, MRS JOHNNIE FORT, J E SIMMONS, JEAN SIMMONS FELFE, W W CARTER, SYLVESTER P HOOPER, BETTY LOU POPE BY FONZO E FORT GAURDIAN, AUDIE POPE, JOHNNIE FORT RUTHERFORD, FANNIE MAE GARDNER, CLAUDE A FORT, EDD FORT=

Guy stated that the mail with the above Case 269

April 26, 1951

TO ALL MEMBERS NEW MEXICO OIL AND GAS ENGINEERING COMMITTEE:

Gentlemen:

A telegram has been received from Mr. R. R. Spurrier stating that Phillips agreed to postpone Cases 269 and 270 until May 22 hearing. These cases were originally schedule for a May 1 hearing.

GLENN STALEY

RS

N. M. OIL & GAS ENGINEERING COMMITTEE
HOBBS, NEW MEXICO
April 26, 1951

Ma...

Box 210, ...

Box 89', Midland

Box 1667, Hobbs & 787, Box

Box 832, Midland

KRS—

Call + ask for two more copies

MEMORANDUM

From: R. R. SPURRIER

To: George

See applications for probable pool limits — also plats. It is apparent that there is no extension of the Denton-Ver. but the Denton-Wolf

MEMORANDUM

From: R. R. SPURRIER

To: _____

should not be more than the 4 original sections (11, 12, 13, 14)

INTER-OFFICE TRANSMITTAL SLIP

TO Dick Spencer

FROM J L Mechem

( ) For Approval

( ) For Signature

( ) Note and Advise

( ) Note and Return

( ) For Your Files

(X For Your Handling

Remarks:

The Phillips case seems clear to me. They did not submit any evidence on condition of the reservoir nor on the necessity for changing to 80 acres. All they talked about was a basic policy for oil fields. How will it affect Cromwell?

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

May 14, 1951

COPY

Heidel & Swarthout
Lea County State Bank Building
Lovington, New Mexico

RE: Applications in Cases 249 and 269

e r
Gentlemen:

We are enclosing copies of applications in the two captioned cases. When these have served your purpose, we would appreciate your returning them for our permanent record.

Please pardon the delay in forwarding these to you.

Very truly yours,

bpw

Secretary and Director

LAW OFFICES OF
HEIDEL & SWARTHOUT
LEA COUNTY STATE BANK BUILDING
LOVINGTON, NEW MEXICO

F. L. HEIDEL
A. M. SWARTHOUT

May 16, 1951

Mr. R. R. Spurrier
Secretary and Director
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Applications in Cases 249 and 269

Dear Mr. Spurrier:

We wish to thank you for forwarding copies of the Applications in the above captioned cases. We have made copies of same for our files, and are returning herewith your copies.

Sincerely yours,

of Heidel & Swarthout

AMS:ma

TIDE WATER ASSOCIATED OIL COMPANY

MID-CONTINENT DIVISION

MELLIE ESPERSON BLDG. POST OFFICE BOX 1404

HOUSTON 1, TEXAS

May 31, 1951

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

Dear Dick:

It seemed to me you were surprised at the amount of allowable production Shell Oil Company was receiving for its dually completed wells in the Jordan Connell sand and Ellenberger fields in Ector County, and the Bedford Devonian and Ellenberger fields in Andrews County, when I mentioned it at our hearing May 22nd.

I did not have copies of the allowable schedules at the time to offer as exhibits, and do not ask now that same be made a part of the official record. For your own information, however, I would like for you to see what I was talking about. You will note that Shell dually completed its University "D" wells Nos. 9, 10 and 13 to produce from the Connell Sand and from the Ellenberger, and allowables are 122 B/D for each horizon.

In the Bedford Devonian and Ellenberger fields, Shell and The Texas Company, as a joint operation, have dually completed their Ratliff Bedford wells Nos. 1, 2, 4 and 5. For these they are allocated 325 B/D for each of the Ellenberger completions and as high as 250 B/D for their No. 1 well in the Devonian, which produces through the casing. Further, this field was discovered by them; they own all the wells.

I believe your inference of my thoughts in this matter will be more than adequate and need no additional comment.

Hope to see you June 21st at your next hearing and again enjoy that Santa Fe mountain air.

Yours very truly,

J. B. Holloway

JBH/pb

EXHIBIT "A" PRORATION SCHEDULES LISTED BELOW ARE EFFECTIVE MARCH 1, 1951, 7 A. M., UNTIL FURTHER ORDERED

(8-207) JORDAN 4500' FIELD, CRANE COUNTY
Approx. Depth 4660' Disc. 8-18-47

Allocation: Per Well
Ratio: 2000-1

OPERATOR AND LEASE	WELL NO	GOR MCF-1	POTE	WELL ALLOW	LEASE ALLOW
THE TEXAS COMPANY					
Connell, W. E.	31		79	31 #	
	32		3	3 M	
	35		89	15 #	49
H.E. & W. E. Connell et al Unit					
	1		70	45 #	45
Jeenie Ann McKnight	1		258	55 #	
	2		153	55 #	110
FIELD TOTAL:	6		652	204	204

(8-233) JORDAN CONNELL SAND FIELD, ECTOR COUNTY
Disc. 4-28-48 Depth 8830'

OPERATOR AND LEASE	WELL NO	POTE	GOR MCF-1	WELL ALLOW	LEASE ALLOW
GULF OIL CORPORATION					
W. E. Connell "B"	20-C	233		105 #	
	22	305		105 #	
	25	202		105 #	
	27	138		105 #	420
University Fogelson	2-C	137		65 #	65
University Fogelson "A"	1-C	202		75	
	2-C	128		122	197
SHELL OIL COMPANY					
Connell "C"	2	70		70 #	70
University "E"	9	515		122	122
University "D"	9	339		122	
	10-T	325		122	
	13-T	157		122	366
SINCLAIR OIL & GAS COMPANY					
W. E. Connell	4	487		122	122
THE TEXAS COMPANY					
W. E. Connell NCT-7	36-C	287		122	
	39-C	145		122	244
W. E. Connell NCT-8	33	589		122	122
Ida McDonald	11-C	254		122	
	15-C	132		122	
	17-C	182		122	
	19-T	138		122	488
FIELD TOTAL:	20			2216	2216

JORDAN 4500' AND JORDAN CONNELL SAND FIELDS
DISTRICT NO. 8
PAGE 277
3-1-51
lbr

EXHIBIT "A" PRORATION SCHEDULE LISTED BELOW IS EFFECTIVE MARCH 1, 1951, 7 A. M., UNTIL FURTHER ORDERED

(8-191) JORDAN ELLENBERGER FIELD, ECTOR COUNTY
Disc. 2-21-47 Approx. Depth 8914'

OPERATOR AND LEASE	WELL NO	POTE	GOR MCF-1	WELL ALLOW	LEASE ALLOW
AMERADA PETROLEUM COMPANY					
Connell, Hattie E.	1	328		122	
	2	394		122	
	3	324		122	
	4	135		122	488
GULF OIL CORPORATION					
W. E. Connell "A"	5-E	173		122	
	6-E	181		122	
	7-E	173		122	366
W. E. Connell "B"	20	201		122	
	22	247		0	
	25	210		122	
	27	181		122	
	28-E	187		122	488
Connell Estate et al	7-E	563		122	122
University Fogelson	2-E	124		10 #	10
University Fogelson "A"	1	154		70#	
	2	185		122	192
SHELL OIL COMPANY					
University "D"	9	340		122	
	10-C	635		122	
	13	173		122	366
Connell "C"	1	179		122	
	2	333		122	244
SINCLAIR OIL & GAS COMPANY					
W. E Connell	4	412		122	
W. E Connell Tract "C"	5	234		122	122
THE TEXAS COMPANY					
W. E Connell NCT-1	40	196		122	
	41	127		122	
	43	141		122	
	46	175		122	488
W. E. Connell NCT-3	45	141		122	
	48	217		122	
	49	223		122	366
W. E. Connell NCT-5	42	140		122	122
W. E. Connell NCT-7	36-T	187		122	
	39-T	236		122	244
Ida McDonald	10	138		122	
	11	603		122	
	14	723		122	
	17-T	138		122	
	19-C	562		122	
	20	132		122	732
FIELD TOTAL: JORDAN ELLENBERGER FIELD DISTRICT NO. 8	39			4472	4472

EXHIBIT "A" PRORATION SCHEDULES LISTED BELOW ARE EFFECTIVE MARCH 1, 1951, 7 A. M., UNTIL FURTHER ORDERED

(8-151) BEDFORD DEVONIAN FIELD, ANDREWS COUNTY
Approx. Depth 8777' Disc. 9-17-45

Permissible GOR: 2000-1
Allocation: 75% Acreage 25% Per Well
Acreage Factor: 4.70 Per Well 62 barrels

OPERATOR AND LEASE	WELL NO	ACRG	GOR MCF-1	POTE	ACRG ALLOW	PER WELL ALLOW	TOTAL WELL ALLOW	LEASE ALLOW
SHELL OIL COMPANY AND THE TEXAS COMPANY								
Ratliff Bedford	1-C	40		1105	188	62	250	
	2-C	40		243			227 #	
	3	40		217			217 #	
	4-C	40		313			184 #	
	5-T	40		181			181 #	
	7	40		262			150 #	
	11	40		454			109 #	1318
FIELD TOTAL:	7	280		2775	188	62 (1068)	1318	1318

(8-153) BEDFORD ELLENBERGER FIELD, ANDREWS COUNTY
Approx. Depth 11018' Disc.10-26-50

OPERATOR AND LEASE	WELL NO	ACRG	POTE	GOR MCF-1	DAILY WELL ALLOW	DAILY LEASE ALLOW
SHELL OIL COMPANY AND THE TEXAS COMPANY						
Ratliff Bedford	1-T		1214		325	
	2-T		580		325	
	4-T		639		325	
	5-T		358		325	
	6-T		623		325	
	8		165		33 #	
	9		289		325	1983
FIELD TOTAL:	7		3868		1983	1983

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

July 19, 1951

COPY

Mr. Emmett D. White
Leonard Oil Company
Roswell, New Mexico

Dear Mr. White:

This will acknowledge your letter of June 29 relative to Case 269 and 270 of the Oil Conservation Commission. This is to advise that your comments have been included in the files of Cases 269 and 270. Thank you for your opinions.

Very truly yours,

R. R. Spurrier
Secretary - Director

RRS:nr

Case 269 (and 270)

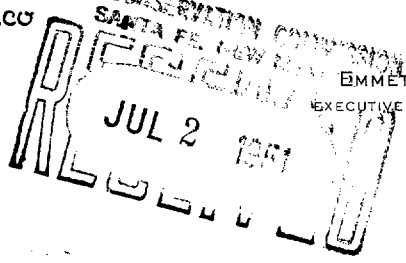
Leonard Oil Company

Roswell, New Mexico

ROBERT J. LEONARD
PRESIDENT

June 29, 1951

EMMETT D. WHITE
EXECUTIVE VICE PRESIDENT



Mr. R. R. Spurrier
Secretary and Member
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: Case 269, Phillips' Application - 80-acre Spacing
Denton-Devonian Field
Case 270, Phillips' Application - 80-acre Spacing
Wolfcamp Field.

Dear Mr. Spurrier:

Reference is made to the above cases which were heard before the Oil Conservation Commission May 22, 1951, and to Orders 74 and 75 which were handed down by the Commission June 5, 1951, in which the application of Phillips Petroleum Company for an order to establish 80-acre proration units and well spacing in the above field was denied.

We have seen a copy of Phillips' application for a re-hearing and note that Judge Wright has been added to Phillips' legal staff and that he has requested the Commission to deny approval of new well locations not on pattern suggested by Phillips pending such re-hearing and final disposition of the case.

Leonard Oil Company made an appearance before the Commission in both of these cases and protested the application filed by Phillips Petroleum Company. We are convinced that the applicant failed to present evidence which would justify a departure from our statewide spacing rules, and we believe the Commission was fully justified in its conclusions presented in the June 5th orders.

The typographical error as to the description of the lands involved is of no consequence since the transcript of the testimony correctly sets forth the proper lands and can be corrected by issuing an amended order. The applicant's objection to different allowables in the northern part of the pool is well taken. However, it has nothing to do with 80-acre spacing, and since the discrepancy in allowables grew out of a stenographic error in issuing the June 5th orders, it could certainly be corrected without bringing up again the spacing controversy.

While the shortage of steel may temporarily delay the orderly development of the pool on 40-acre spacing, the pool would ultimately be

drilled up and would result in each royalty owner securing his just proportion of the oil. During the process of developing the field, an operator may postpone drilling due to pipe shortage by either agreement with the royalty owner or by payment of compensatory royalty.

The applicant in this case is asking the Commission to authorize well spacing which could easily cause unfair withdrawal of oil from the reservoir, which would amount to confiscation of property rights of some owners whose oil would be taken without just compensation. The applicant has failed to present a formula for protecting the correlative rights of royalty owners, and the end result would be that the undrilled 40-acre tracts would be valued by testimony as to their probable value rather than by drilling.

We know of no science or technique which can determine the productive limits of an oil field in advance of the drill, and we doubt very much if any science can positively state that a well will or will not drain any given acreage.

Respectfully yours,

LEONARD OIL COMPANY

By Emmett D. White
Emmett D. White
Executive Vice President

EDW:R

cc to Honorable Edwin L. Mechem, Governor of New Mexico,
Mr. Guy Shepard, State Land Commission,
Mr. L. C. White, Attorney at Law,
Mr. George Graham, State Land Attorney.

June 29 - 1951 10 am

RRS: Re this letter: Miss Hawkins just called, said that the Governor had a copy of it and that he had made a personal notation to you saying "OK with me." She's retaining the copy for her files, but passed his comment along verbally. If you need it, she advises, you may obtain the written note....

MP

JEFF D. ATWOOD
ROSS L. MALONE, JR.
JACK M. CAMPBELL

CHARLES F. MALONE

ATWOOD, MALONE & CAMPBELL

LAWYERS

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

June 26, 1951

Case 269

Mr. E. S. Spurrier,
Secretary and Member
Oil Conservation Commission,
Santa Fe, New Mexico.

Dear Mr. Spurrier:

Mr. E. R. Wright, attorney for Phillips Petroleum Company, has furnished us with copies of Motions for Re-hearing in Cases Nos. 269 and 270 before the Oil Conservation Commission. We represent McAlester Fuel Company which appeared as an interested party in Case No. 269 only. Our sole interest in this matter is in Case No. 269.

In view of the fact that the present rules of the Commission do not provide for a procedure by which interested parties who have appeared in the original hearing may file responsive pleadings to motions for re-hearing, we are writing this letter to the Commission with copies to the attorney for Phillips Petroleum Company. We have no objection to this letter being made a part of the record in Case No. 269.

We consider the point in the Motion with reference to the description of the limits of the Siluro-Devonian common source of supply to be well taken. The orders in the cases apparently reverse the descriptions. This is a matter of clerical error and could be corrected, in our opinion, by a supplemental order without the necessity of a re-hearing upon the matter. The transcripts in the cases will clearly disclose the descriptions and the error which was made in the preparation of the orders.

We cannot see in the Motion any indication of any new evidence with reference to spacing or any new arguments which were not presented to the Commission at the original hearing. We see no advantage to be gained by a re-hearing in this case.

We have noted that the Commission has been requested, until final determination of this matter, not to approve any standard 40 acre drilling location except

upon a certain pattern in the NW¼ and the SE¼ of each quarter section. We strenuously object to this portion of the Motion. The Commission has entered its order denying an exception to the state-wide spacing pattern. Section 19 (c) of the Conservation statute specifically provides that the pendency of proceedings to review shall not suspend operation of the order but after the matter is in the District Court the Court may suspend operation of the order and in so doing may require the furnishing of bond by the parties seeking a suspension of the order. By seeking to have the Commission restrict drilling locations even prior to a hearing on this Motion, it appears to us that Phillips Petroleum Company is undertaking to supersede the statutory provision. We do not know at this time whether our client desires to make locations differing from the pattern suggested, but if it does then we must certainly take the position that the Commission should approve these drilling locations until such time as a Court properly suspends the existing order.

We make these comments since the Motion seeks affirmative action by the Commission even prior to a hearing on the Motion itself.

Respectfully yours,

Jack M. Campbell

for ATWOOD, MALONE & CAMPBELL

JMC:nl

cc. Gov. E. L. Mechem,
Mr. Guy Shepard, Land Commissioner,
Mr. L. C. White, Attorney at Law,
Mr. E. R. Wright, Attorney at Law,
Mr. George Graham, Attorney, Commissioner of Public Lands.