Case # 270

My name is Emmett D. White and I am Vice President of Leonard
Oil Company of Roswell, New Mexico.

Leonard Oil Company owns minerals in Sections 3 and 4, Township
15 South, Range 37 East, Lea County, New Mexico. This area is not
within the presently defined limits of the Denton Oil pool, but its
location on the western edge of the north portion of this pool makes
any well spacing program of importance to our company.

We wish to protest the establishment of 80 acre proration units
in this pool as requested by Phillips Petroleum Company in Case #269
involving the Siluro-Devonian zone of production and in Case #270
involving the Wolfcamp zone of production.

As the Commission knows, and as it has confirmed by its state-
wide rules and regulations for the purpose of conserving our natural
resources, the drilling and proration unit for New Mexico for many
years has been 40 acres. Minerals and leases have been bought and sold
with this program in mind.

Our objections to the proposed 80 acre spacing in the Denton
field are based upon the following:

1. This pool has been developed to date under the statewide
rules providing for 40 acre drilling and proration units. There are
approximately 20 wells, drilling wells, or locations in the field at
present, and with a possible few exceptions, these have been located
upon the assumption that the statewide rules would apply. A spacing
pattern, we believe, should be as uniform as possible in order to
provide maximum efficient use of the reservoir energy. The proposal
of the applicant in this case makes such uniformity impossible.

2. The establishment of 80 acre proration units and double
allowables would in our opinion have a serious effect upon the ultimate
recovery of oil and would particularly affect the wells on the edge
of the pool. It is apparent that the area under which we own an
interest may be on the edge of the structure. Production of wells
up-structure at an excessive rate would tend to wash out the edge
properties prematurely.

3. Under an 80 acre spacing program it is quite possible for a
productive 40 acre unit to be forced to share its oil with an
adjoining 40 acre unit which may subsequently be proved non-productive.

While we recognize that this condition may exist in any spacing program, we feel that the wider the spacing the more aggravated the situation becomes and the more adverse will be the effect upon correlative rights.

4. The establishment of 80 acre proration units, it seems to us, is but the first step to compulsory pooling of interests as it would appear to be wholly impractical to adjust the units in such a manner that royalty ownership under each of the 80 acre tracts would be common. The Commission, we feel, should consider the ultimate effects of the establishment of 80 acre proration units upon the rights of royalty owners who have acquired their property upon the reasonable assumption that statewide 40 acre spacing rules would apply. We are inclined to consider the long-standing practice of 40 acre spacing in New Mexico as approaching the nature of an implied covenant in our leases.

5. The Denton pool appears to be one of the most potentially prolific oil pools discovered to date in New Mexico. It seems to us that from the point of view of national defense and the proper use of critical materials that there could be no better place to drill than in such a pool. One well on an 80 acre proration unit produced at twice the rate of a 40 acre spaced well has little to offer in the event of an emergency. Two wells upon an 80 acre tract produced at half the rate offer possibilities of increased production in the event of a national emergency. There is little doubt as to the economics of the matter since these wells will pay out within a relatively short time, and we believe that this field offers a profitable place for the investment of money and critical materials.

We respectfully submit our views to the Commission as royalty owners in the Denton area.

Very truly yours,

LEONARD OIL COMPANY

By Emmett D. White

Emmett D. White
Executive Vice President