

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

New Mexico

OIL CONSERVATION COMMISSION

LAND COMMISSIONER, MURRAY E. MORGAN
MEMBER

STATE GEOLOGIST, A.L. PORTER JR.
SECRETARY DIRECTOR



P. O. Box 871
Santa Fe, New Mexico

July 8, 1958

MEMORANDUM

TO: Governor Edwin L. Mechem
Land Commissioner Murray E. Morgan

FROM: A. L. Porter, Jr., Secretary - Director

SUBJECT: Case No. 1461, Order No. R-1212

The attached order is submitted for your consideration.

The subject wells were drilled prior to the establishment of 160-acre gas well spacing in the San Juan Basin and it is not now possible to dedicate 160 acres to those wells due to the dense drilling pattern in the area. With the low acreage factors, these wells are not given enough allowable under the regular proration formula to warrant their continued operation. If no relief is granted the wells will be plugged and the gas which they would have recovered will be wasted.

Provision is made for just such a situation in Section 65-3-14 (d) which authorizes for minimum allowables for wells to prevent their premature abandonment. Even though there is an express statutory provision for minimum allowables, there is considerable opposition in the industry to the granting of the same. The gas pipelines seem to be especially fearful. I believe they are afraid we might require them to take the minimum if one is established. Despite this opposition, I believe that these operators have proved their case and that the subject wells should be granted the allowables provided for in the order.

ALP:bp

BEFORE THE OIL CONSERVATION COMMISSION OF
THE STATE OF NEW MEXICO

IN THE MATTER OF: Application of A. A. Greer,)
Geo. H. Krause, BMNS Co., a Mining Partnership,)
consisting of E. D. Brown, L. M. Mecham, E. J.)
Brown and Leo Stearns; and MSBW Co., a Mining)
Partnership consisting of Robert L. Maddox, Carl)
E. Seivert, Charles E. Whale, W. Earl Bates and)
Dr. Geo. C. Widney, for an Order permitting)
Applicants to produce certain gas wells in the)
Pictured Cliffs formation of San Juan County, New)
Mexico, at a rate sufficient to prevent premature)
abandonment thereof.)

COME NOW Applicants and state:

1. That Applicants are the owners and operators of the following described gas wells located in the Pictured Cliffs formation within San Juan County, New Mexico, to-wit:

<u>Owner & Operator</u>	<u>Well Name & Location</u>	<u>Pool</u>	<u>Acres</u>
→ Greer, A. A.	Thompson No. 1 - SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 10, T. 30 N., R. 11 W.	Aztec P.C.	1540
? → BMNS Co.	2607 Brown No. 1 - NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 30, T. 30 N., R. 12 W.	Fulcher-Kutz	1820
→ BMNS Co.	Brown No. 2 - SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 29, T. 30 N., R. 12 W.	" "	
→ BMNS Co.	Copp No. 1 - SW$\frac{1}{4}$NW$\frac{1}{4}$ Sec. 29, T. 30 N., R. 12 W.	" "	
→ BMNS Co.	Wyper No. 2 - SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 29, T. 30 N., R. 12 W.	" "	2850
→ Krause, Geo. H.	Krause Beck No. 1 - NW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 10, T. 29 N., R. 12 W.	" "	1040
→ MSBW Co.	McCarty No. 1 - SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 28, T. 30 N., R. 12 W.	" "	1856
→ MSBW Co.	Montano No. 1 - SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 28, T. 30 N., R. 12 W.	" "	2800
→ MSBW Co.	Palmer No. 1 - SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 30, T. 30 N., R. 12 W.	" "	3760

2. That all of such wells were drilled prior to Order No. 748, promulgated on the 22nd day of June, 1948, which Order established drilling and spacing units of 160 acres; that subsequent to the promulgation of said Order at the time stated and on the 23rd day of December, 1954, the Oil Conservation Commission promulgated Order No. R-565, which established field rules for all of the pools in which the above described wells are located, and such order provided a formula which gave 25% weight to an acreage factor arrived at by dividing 160 into the number of acres dedicated to each well; and that

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such order disregarded the fact that the above described wells had been drilled prior to the promulgation of the original 160-acre spacing order and at a time when it was legal for such wells to be drilled upon 40-acre tracts.

3. That the Commission's order cannot validly penalize the owners of the above described wells by virtue of an acreage attribution factor when such wells were drilled prior to the promulgation of the original Order No. 748, establishing 160-acre spacing, and at a time when it was proper to drill upon a 40-acre tract.

4. That these applicants and all individuals or corporations similarly situated are entitled to an order creating an exception to that portion of Order No. R-565, which places upon them an acreage attribution factor of less than one, and providing that they be granted an acreage attribution factor of one on all of said wells

WHEREFORE, Applicants pray that this application be set down for hearing; that due notice thereof be given in accord with the laws of the State of New Mexico and the Rules and Regulations of the Commission, and that upon this hearing, from the evidence adduced, Applicants be granted an exception to the acreage attribution portion of Order No. R-565, and be granted an acreage attribution factor of one on each of said wells.


Gec. L. Verity
Attorney for Applicants

Case # 14-1

nji

GEO. L. VERITY
ATTORNEY AT LAW

*Ref hearing
May*

ONE RADIO PLAZA
TELEPHONE 3-4833
SANTA FE, NEW MEXICO

Farmington, New Mexico
April 30, 1958

211 EAST BROADWAY
TELEPHONE DAVIS 5-2265
FARMINGTON, NEW MEXICO

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

Gentlemen:

Enclosed herewith is application of A. A. Greer et al asking for an order creating an exception to the acreage attribution factor of Order No. R-565 establishing field rules for the Pictured Cliffs formation in San Juan County, for all those wells which were drilled on 40-acre spacing prior to the promulgation of the Order No. 748 which established 160 drilling and spacing units.

We would appreciate your setting this application down for hearing.

Very truly yours,


Geo. L. Verity

GLV:am

cc: Mr. Emery Arnold
Oil Conservation Commission
Aztec, New Mexico

Mr. W. J. Cooley
Oil Conservation Commission
Santa Fe, New Mexico