

May Regular

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR A TEMPORARY ORDER ESTABLISH-
ING 80 ACRE DRILLING UNITS, AND
PROMULGATING SPECIAL RULES AND
REGULATIONS FOR RANGER LAKE -
PENNSYLVANIAN POOL IN LEA COUNTY,
NEW MEXICO.

No. 1069

A P P L I C A T I O N

Comes now Phillips Petroleum Company and makes this Application for a temporary order promulgating special rules and regulations establishing 80 acre drilling units in the Ranger Lake - Pennsylvanian Pool, Lea County, New Mexico, and in support of the Application states:

I

According to the Commission's Southeast Pool Nomenclature, the Ranger Lake - Pennsylvanian Pool is presently described horizontally as the E/2 and E/2 of NW/4 of Section 23, the NW/4 of NW/4 of Section 25, and the N/2 of NE/4 of Section 26, Township 12 South, Range 34 East, N.M.P.M., Lea County, New Mexico, said designation having been established by this Commission by its Orders R-928, R-1042, and R-1118.

II

Applicant is the owner (with Texas Pacific Coal and Oil Company) and is the operator of four wells recently completed and producing from the Pennsylvanian formation in and in the vicinity of the Ranger Lake - Pennsylvanian Pool as presently described and located in said Township and Range as follows:

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- (1) SE/4 of SE/4 of Section 23, being the discovery well in said pool known as the Phillips-Texas Pacific No. 1 West Ranger Unit Well, completed through casing perforation from 10,312 to 10,351 feet.
- (2) NW/4 of SE/4 of Section 23.
- (3) SE/4 of NW/4 of Section 23.
- (4) NW/4 of NW/4 of Section 25.

III

Two other wells have been drilled into the Pennsylvanian formation in, and in the vicinity of, the Ranger Lake - Pennsylvanian Pool as presently described, one being a producing oil well located in the SW/4 of SW/4 of Section 24 of said Township and Range, and the other being a non-commercial and plugged and abandoned well located in the NW/4 of SW/4 of said Section 24, both drilled by Gordon M. Cone.

IV.

It now appears from the information obtained from the drilling, completion and production of the aforesaid wells that the Pennsylvanian formation will probably be productive of oil in at least the W/2 of W/2 of Section 13; all of Sections 14, 15, 22, 23, 26 and 27; W/2 of NW/4 and SW/4 of SW/4 of Section 24; and W/2 of W/2 of Section 25 of Township 12 South, Range 34 East, Lea County, New Mexico.

V.

Of the area hereinabove stated to be probably productive of oil in the Pennsylvanian formation the following is State Land subject to control of the Commissioner of Public Lands of the State of New Mexico and is designated as the West Ranger Unit Area:

All of Section 23;
W/2 of NW/4 of Section 24;
NW/4 of Section 25;
All of Section 26.

Applicant is the operator and Texas Pacific Coal and Oil Company is the sole non-operating interest owner of said West Ranger Unit Area. The West Ranger Unit Agreement was approved by this Commission by its Order No. R-797 in Case No. 1057, dated April 27, 1956, and by the Commissioner of Public Lands on May 2, 1956.

VI.

That a well density of no more than one well to each 80 acres has heretofore been maintained in the development of the above Pool.

VII.

That, according to the belief of Applicant and based upon information now available, one well can efficiently and economically drain 80 acres in said Pool; that temporary rules and regulations to be effective for a period of one year or until further order of the Commission, should be entered establishing 80 acre drilling units for said Pool and in the area above described, each unit to be half of a quarter section of the United States Land Surveys and the well thereon to be located in the center of one of the two 40-acre quarter quarter sections comprising the unit, with a tolerance allowance of up to 150 feet in any direction from the center of the quarter quarter section when such tolerance is necessary in order to avoid structures or natural obstructions rendering drilling impossible or impracticable.

VIII.

Such spacing of wells as herein requested will insure orderly development of said Pool, protect correlative rights, prevent possible waste, and prevent the economic loss caused by the drilling of unnecessary wells.

IX.

Applicant further requests that the Commission enter such other Special Rules and Regulations for the Ranger Lake - Pennsylvanian Pool as it shall deem proper and justified in view of the evidence presented at the hearing herein requested, including provisions for the taking and reporting of proper gas-oil ratios and bottom-hole pressure tests.

X.

That any order granting such temporary rules and regulations can cause no injury to any party interested in said Pool or to the reservoir itself because if additional development and reservoir information indicates that 80-acre spacing is not desirable for said Pool, additional wells can always be drilled later and the Pool developed to a density of 40-acres. On the other hand, if temporary 80-acre spacing is not adopted, wells drilled on 40-acre locations will establish the pattern for the field so that it will be impossible as a practical matter to adopt 80-acre spacing later if additional reservoir information shows that lesser spacing is not required to drain the reservoir and would cause waste and the drilling of unnecessary wells. Applicant respectfully suggests that the Commission should at least temporarily apply for this Pool the truism that "fill-in" wells can always be drilled later if closer spacing is deemed desirable, but that unnecessary and wasteful wells (in this Pool costing \$200,000 each) can never be "undrilled".

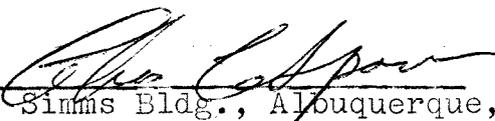
XI.

The other operators owning interests in the Ranger Lake-Pennsylvanian Pool (and in the areas to be affected by the temporary order herein sought), so far as are known to applicant, are as listed on Exhibit A attached.

WHEREFORE, Phillips Petroleum Company, the applicant herein, prays the Commission to set this application for a public hearing before an Examiner at such time and place as the Commission may designate, and that notices be issued according to law, and that after such hearing this application be in all things granted. Pursuant to Rule 1203 of the Rules and Regulations of this Commission, applicant states that it prefers that the hearing be held at as early a date as may be convenient for the Commission and at such place as will allow the earliest possible setting.

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 1668
Order No. R-1418

APPLICATION OF PHILLIPS
PETROLEUM COMPANY FOR
AN ORDER ESTABLISHING
TEMPORARY SPECIAL RULES
AND REGULATIONS FOR THE
RANGER LAKE-PENNSYLVANIAN
POOL, LEA COUNTY, NEW
MEXICO, TO PROVIDE FOR
80-ACRE PRORATION UNITS

APPLICATION FOR REHEARING

Comes now Phillips Petroleum Company, Applicant herein, and shows that on June 5, 1959, the Oil Conservation Commission entered its Order in the above styled case after due notice and hearing held on May 13, 1959, which said Order denied the Application heretofore filed for an order establishing temporary special rules and regulations for the Ranger Lake-Pennsylvanian Pool, Lea County, New Mexico, to provide for 80 acre proration units.

The Applicant believes said Order and decision to be erroneous in the following respects, to-wit:

1. That under Rule 1212 of the Commission's Rules and Regulation, being entitled "Rules of Evidence", it is provided among other things that the Rules of Evidence applicable in a trial before a Court without a jury shall apply to Commission

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hearings; that "No order shall be made which is not supported by competent legal evidence"; that our New Mexico Supreme Court in various decisions has established the following rules of evidence as being applicable to trial before a court without a jury and to hearings by administrative tribunals, to-wit:

- a. Findings of fact can not be based upon surmise, speculation or conjecture;
- b. Before a finding of fact will be sustained, there must be some evidence in the record of a tangible nature to support such finding;
- c. A Court may not arbitrarily reject uncontradicted testimony or evidence;
- d. Rules relating to weight, applicability or materiality of evidence may not be limited or relaxed by an administrative tribunal.
- e. A finding of fact which is not supported by evidence of a probitive character is arbitrary and can not be sustained.
- f. An order of an administrative body which is not based upon substantial evidence may properly be described as conjectural, speculative, unlawful, unreasonable, arbitrary and capricious and can not be sustained.

2. That the Order heretofore entered was not supported by competent legal evidence and was otherwise issued in violation of the above described rules, in this:

a. The uncontradicted testimony and evidence in the record established that one well would efficiently and economically drain in excess of 80 acres in the Ranger Lake-Pennsylvanian Pool. This evidence was substantial. There was no competent legal evidence to the contrary.

The Commission erred in arbitrarily rejecting this uncontradicted testimony and in making their Finding of Fact No. 3.

b. The uncontradicted testimony and evidence established that it would be uneconomic and unnecessary to drill wells on 40 acre proration units in the Ranger Lake-Pennsylvanian Pool.

It was further established that with temporary 80 acre spacing, the exploration and development of the Field would be enhanced and encouraged; that if closer spacing was later indicated additional wells could be drilled, but that unnecessary and wasteful wells (in this Pool costing \$200,000.00) could never be "undrilled".

The Commission erred in arbitrarily rejecting this uncontradicted evidence and making their Finding of Fact No. 4.

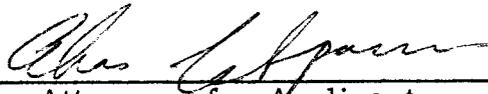
3. That the Commission's Order and Finding of Fact No. 4 thereof was made and entered in violation of Sec. 65-3-14(b), N.M.S.A., 1953, in that the Commission failed to consider the economic loss to Applicant caused by the drilling of unnecessary wells, which said economic loss was established by the uncontradicted evidence in the record.

4. Applicant shows that no adverse party entered an appearance herein (except Gordon M. Cone who later withdrew objection and consented to the application) and therefore service of this Application for Rehearing under Rule 1208 is not required.

WHEREFORE Applicant requests a rehearing be granted so that Applicant may submit a brief and argument on the legal propositions herein set forth and their application to the facts, and that thereafter the Commission enter its order granting the application.

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