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ALBUQUERQUE, NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

IN THE MATTER OF:	)
Application of Hondo Oil & Gas	)
Company for permission to direc-	)
tionally drill, Eddy County,	)
New Mexico.	)

CASE NO. 2394

TRANSCRIPT OF HEARING

OCTOBER 4, 1961



BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

October 4, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Hondo Oil & Gas Company  
for permission to directionally drill,  
Eddy County, New Mexico. Applicant, in  
the above-styled cause, seeks permission  
to directionally drill a well to be lo-  
cated 2310 feet from the North line and  
1980 feet from the East line of Section 26,  
Township 17 South, Range 28 East, Eddy County,  
New Mexico.

CASE NO. 2394

TRANSCRIPT OF HEARING

BEFORE:

Elvis A. Utz, Examiner

EXAMINER UTZ: We will call Case No. 2394.

MR. MORRIS: Application of Hondo Oil & Gas Company  
for permission to directionally drill, Eddy County, New Mexico.

MR. CAVIN: S. H. Cavin, employed by Hondo in Roswell  
appearing for Hondo in this case. Hondo is seeking an order  
granting us permission to directionally drill a well to be lo-  
cated 1980 feet from the East line of Section 26 and 2310 feet  
from the North line, Section 26, Township 17 South, Range 28  
East, NMPM, Eddy County, New Mexico. Our only witness will be

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J. R. McMinn.

EXAMINER UTZ: Are there any other appearances in this case?

MR. BUELL: Guy Buell representing Pan American Petroleum Company. Mr. Examiner, I will have a preliminary motion to make when all of the appearances are in.

EXAMINER UTZ: Are there any other appearances in this case?

MR. ANDERSON: R. M. Anderson, representing Sinclair Oil.

EXAMINER UTZ: Are there other appearances?

Let the record show there are none.

MR. BUELL: May it please the examiner, we have been informally advised that the actual objective of this hearing is to bottom the well which is the subject matter of this hearing at what will be an unorthodox location. If that informal advice is actually the case, I will have a motion I would like to make. I think in all fairness to the applicant, I should make the motion before he puts any of his testimony or exhibits in, so in view of that, I wonder if it would be proper if I could inquire at this time if that is the objective of the application, to bottom the subject well at what would be an unorthodox location.

EXAMINER UTZ: I am sure you can. As a matter of fact, I't like to know myself.

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MR. CAVIN: Hondo has no objection. That is correct. We are applying to bottom the well approximately 100 feet north of the south line of the spacing unit on which the well is drilled.

EXAMINER UTZ: How far from any side lines?

MR. CAVIN: No more than 100 feet closer to any line.

EXAMINER UTZ: Any line of the forty-acre tract?

MR. CAVIN: Right

EXAMINER UTZ: Does that answer your question, Mr. Buell?

MR. BUELL: Yes, Mr. Examiner. In view of the statement by Hondo to the effect that their intention is to locate this well, bottom the well at an unorthodox location, in view of that, on behalf of Pan American I would like to move that this subject case be dismissed in that the Notice of Hearing is completely insufficient to give the Commission jurisdiction to approve bottoming this well at an unorthodox location.

Notice is completely silent with respect to any aspect of the bottom hole location being in an unorthodox location. For that reason, Pan American would like to move this subject case be dismissed and if the applicant wants, proper application and a proper notice should issue to cover the real objective of the applicant.

MR. ANDERSON: Sinclair concurs with Pan American in that motion.

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MR. MORRIS: Before ruling upon this motion, I think that a telegram should be read into the record from the Humble Oil & Refining Company, signed by Henry E. Meadows, addressed to Mr. A. L. Porter, Jr., New Mexico Oil Conservation Commission, State Land Office Building, Santa Fe.

It reads as follows: "In regard to Case 2394 set for hearing on October 4, it has just come to Humble's attention that the proposed location of the directional well will be less than 330 feet from the lease line. In order that the effect of this proposal on other Empire Abo producers may be evaluated, it is requested that hearing on this case be deferred approximately thirty days."

Mr. Examiner, I interpret this as being a request for the continuance of this case and it should be considered in the event you rule unfavorably upon Mr. Buell's motion to dismiss. If you should rule upon Mr. Buell's motion in his favor, then it would not be necessary to rule upon Humble's request for a continuance.

EXAMINER UTZ: Mr. Cavin, do you have anything to say before I rule?

MR. CAVIN: I think Hondo would like to state unless the parties making the objection are offset owners or directly can show some direct damage, that they might sustain from the granting of this application, that the application in itself stated the location of the well. I don't think that there



would be any question that what the Commission would require the well be bottomed on this particular spacing unit. In view of that, I would like to see this case heard at the present time.

MR. BUELL: Whether or not Pan American or Sinclair are offset operators cannot, in my opinion, cure a defective notice. I don't see how any reasonably minded person, be he lawyer or layman, reading this notice, would infer, would get directly from that notice that this will be an orthodox location. Such is not the case.

The notice is completely silent on that aspect. In my opinion, the Commission, if it hears the case, will have no jurisdiction to issue any kind of valid order granting an unorthodox location. Offset operator or not, that has no bearing.

EXAMINER UTZ: Is Pan American an offset operator?

MR. BUELL: I don't think so. We are a substantial operator in the field. I don't believe we directly offset this particular tract.

EXAMINER UTZ: Who are your offset operators?

MR. CAVIN: Hondo Western Yates, which is the working interest owner in this spacing unit owns all of the units surrounding this one on which the well is to be drilled.

EXAMINER UTZ: Your argument is that since you have an interest in the field --

MR. BUELL: Pan American is a substantial operator in the field and anything of an unorthodox nature that occurs



in the pool can have a significant and a substantial effect on Pan American.

EXAMINER UTZ: In what manner, allowables?

MR. BUELL: In that this is a continuous reservoir, Mr. Examiner, and anything that affects part of it is eventually going to affect all of us, whether right up next to the well or a mile from that well.

EXAMINER UTZ: Mr. Buell, the application was for permission to directionally drill but is actually a non-standard location and the application is completely silent as to where you intend to bottom this well. The case was advertised as a directionally drilled hole, in which case you would have to have a hearing. I believe that this case is improperly advertised. It does not cover both sides of the case and I will recommend to the Commission that they dismiss the case and re-advertise it if you so desire.

MR. CAVIN: We will accept that ruling.

MR. BUELL: Thank you, Mr. Examiner.

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STATE OF NEW MEXICO )  
                                  ) ss.  
COUNTY OF SAN JUAN )

I, THOMAS F. HORNE, Notary Public in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in Stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 29 day of October, 1961, in the City of Farmington, County of San Juan, State of New Mexico.

Thomas F. Horne  
Notary Public

My commission expires:

10-2-65

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2394, heard by me on Oct. 4, 1961.

Thomas F. Horne Examiner  
New Mexico Oil Conservation Commission

