

Case Number

4306

Application
Transcripts.

Small Exhibits

ETC.

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 18, 1970

REGULAR HEARING

-----)
)
IN THE MATTER OF:)
)

Application of Cities Service Oil) Case No. 4306
Company for a non-standard gas pro-)
ration unit and unorthodox gas well)
location, Eddy County, New Mexico.)
)
-----)

BEFORE: A. L. Porter, Examiner.

TRANSCRIPT OF HEARING

MR. PORTER: The hearing will come to order, please. We will proceed with Case 4306.

MR. HATCH: Case 4306. Application of Cities Service Oil Company for a non-standard gas proration unit and unorthodox gas well location, Eddy County, New Mexico.

MR. KELLAHIN: If the Commission please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for the Applicant. I have one witness.

MR. PORTER: Please have the witness stand and be sworn, please.

(Witness sworn).

MR. PORTER: Mr. Cox, would you like to have your witness sworn?

MR. COX: Yes, sir. If the Commission please, Louis Cox of Hinkle, Bonduant and Christy, Roswell, representing Continental Oil Company protesting this application.

We will swear two witnesses, but probably won't use but one, Mr. V. T. Lyon and Mr. Nance Creager.

(Witnesses sworn).

(Whereupon, Applicant's Exhibits (Cities Service) 1 and 2 were marked for identification).

(Whereupon, Applicant's Exhibit 1 (Continental Oil) was marked for identification).

MR. PORTER: Mr. Kellahin.

E. E. TAYLOR

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A E. E. Taylor.

Q By whom are you employed and in what position, Mr. Taylor?

A I am employed by Cities Service Oil Company. I am the region development geologist for the Southwest Region.

Q Where are you located?

A Midland, Texas.

Q In connection with your work as regional geologist, do you have charge of the region involved in the application in Case 4306?

A Yes, sir.

Q Have you testified before the Oil Conservation Commission and made your qualifications as a geologist a

matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. PORTER: Yes, sir.

Q (By Mr. Kellahin) Mr. Taylor, are you familiar with the application of Cities Service Oil Company in Case 4306?

A Yes, sir.

Q Briefly, what is proposed by Cities Service in this application?

A Cities Service proposes to drill a number four Springs Unit at an unorthodox location, one thousand feet from the north line, six hundred sixty feet from the east line of Section 3, Township 21 - 25.

Q Now, in connection with the docket of this case, were the lots correctly listed?

A No, sir. They were in the written application, but by transmittal by telephone we designated two lots wrong.

Q The proper description would be the east half of the -- north two-thirds of the east half of the section; is that correct?

A Yes, sir.

Q That would be lots one, two, eight, nine, fifteen, sixteen, seventeen and eighteen?

A Yes, sir.

Q And tract thirty-seven?

A Yes, sir.

Q Is that a correct description?

A Yes.

Q Could you give a brief history of the situation brought about this application?

A Yes, sir. On March the 20th, 1969, Gulf, the operator of the Springs Unit, sent out a letter to all the partners with an AFE proposing the drilling of number four Springs Unit at the location which we now propose to drill the well and on April 21, 1969, Cities Service notified Gulf by letter that we approved of the drilling of the well and in the latter part of August, 1969, we received a letter from Gulf withdrawing the proposal to drill the subject well, and in the letter they stated their reasons, two reasons; they weren't able to obtain one hundred percent consent in the drilling of the well from the various partners and also they stated there had been no demand and the situation was --

had not changed, so they, therefore, withdrew their proposal and then on March -- I mean December 22, 1969, the U. S. G. S. wrote Gulf a demand letter and I would like to read from part of that letter.

It started by saying, "the third revision to the Cisco participating area for the Springs Unit agreement was approved on September 22, 1969, effective as of December 1st, 1968." And then they described the revision.

"It included lots five, six, eleven, twelve thirteen and fourteen, Section 2 and lots eight, nine and sixteen, Section 3, Township 21 South, Range 25 East." And they further said, "that the portion of the unit area described as lots one, eight, nine and sixteen of Section 3 is subject to drainage by the Levers Federal Number One."

Farther into the letter they said "our records indicate representatives of Gulf Oil Corporation conferred with this office on April 8 and August 4, 1969, concerning the drilling of a protective well in lot eight, Section 2, Township 21 South, Range 25 East in communitizing the unit in non-unit acreage, which would be included in the spacing unit for such well."

They finished by saying "as the well has not yet been commenced, you are hereby requested to commence the

drilling of the well to protect the unit land from drainage within thirty days from the receipt of this letter. If you are unable to commence the well within the thirty-day period herein provided, compensatory royalty based on 33.374 percent of the value of the oil and gas produced from the Number One Levers Federal Well will be assessed."

The effective date for the commencement of payments of this compensatory royalty was February 1, 1970. Gulf, after the receipt of this letter, wrote to the various members -- partners in the unit and proposed the idea of farming out and we wrote back and told Gulf that we were still ready to participate with whoever drilled the well and there upon Gulf asked us if we would be interested in a farm-out from the rest of the partners and we have taken the farm-out and propose the well at the unorthodox location.

Q Are you paying compensatory royalty at this time?

A Yes, sir.

Q Now, referring to what has been marked as the Applicant's Exhibit No. 1, would you identify that exhibit?

A Exhibit No. 1 is a location plat which shows the various proration units dedicated to the three producing wells in the Springs Unit Upper Penn Field. Also outlined in green is the proposed unit dedicated to the proposed well,

the Cities Service Number Four Springs Unit.

Q That comprises approximately 290 acres?

A Yes, sir.

Q Now, are the offsetting wells shown on that exhibit?

A Yes, sir.

Q Is the well to which you refer, the Levers Federal Number One, shown on the exhibit?

A Yes, sir.

Q That is the Continental Oil Company Well?

A Continental Oil Company.

Q What is the location of that well?

A The well is 1594 from the north line and 660 from the east line of Section 2.

Q Is that an orthodox well location?

A No, sir.

Q Now, referring to what has been marked as Exhibit No. 2, would you identify that exhibit?

A This is a Cisco Canyon structure map of the Springs Upper Penn Field; contour interval of one hundred feet.

Q Does that indicate that all the acreage you propose to dedicate to the Cities Service Well is productive

of gas from the Cisco Formation?

A Yes, sir.

Q In your opinion, it is?

A It is.

Q Now, have you had any production history on the wells in this pool?

A Yes, sir. This is the accumulative production to 12-1-69. Gulf's Number One Spring Unit is 3.449 billion cubic feet of gas; 107,812 barrels of condensate; 17,033 barrels of water.

Gulf Number Three Spring Unit, 2.545 billion cubic feet of gas; 94,350 barrels of condensate; 189,902 barrels of water. Continental Number One Levers Federal, .9158 billion cubic feet of gas; 34,793 barrels of condensate and 2,400 barrels of water.

Q How long have these wells been producing, Mr. Taylor?

A Gulf's Spring Unit Wells have been producing as of 12-1-69, approximately thirty months and Continental's well as of 12-1 had been producing, I'm not for sure; it's either seven or eight months.

Q Is this pool prorated?

A No, sir.

Q Do you know who purchases the gas?

A Delhi.

Q Is that purchases from all three of the wells?

A Yes, sir.

Q Do you know whether there has been any kind of pipe line proration in effect or anything of that kind?

A None that I am aware of.

Q Now, on the basis of the information you have, the Exhibit No. 2 showing the structure and your productive history, in your opinion, has the tract held by Cities Service been drained?

A I would say that part of it has.

Q In your opinion, is it presently suffering drainage from offsetting wells?

A Yes, sir.

Q Primarily from what well?

A Primarily from Continental's Number One Levers Federal.

Q In order to protect the owners under the Cities Service tract, what do you recommend?

A I recommend that we be granted the right to drill at an unorthodox location, one thousand feet from the north line, six hundred sixty feet from the east line

of Section 3?

Q What would be an orthodox location in this pool?

A An orthodox location would be 1980 feet from the north line, 660 from the east line.

Q In your opinion, would a well drilled at that location be productive of gas?

A Yes, sir.

Q Why do you want to move it to the north, your well location?

A Because of the structural position that we would anticipate the top of the Cisco at this standard location is, I believe, that a well drilled here would not be able to recover an equitable share of the gas underlying our unit because of the rather rapid withdrawal rates in this field.

I think a well here would water out before we could -- long before a well located at the non-standard unorthodox location.

Q In other words, are you saying that, in your opinion, it is necessary to drill a well at the proposed location in order to recover the just and equitable share of the pool reserves underlying this tract?

A Yes, sir.

Q Would you be able to recover those reserves at an orthodox location, in your opinion?

A At an orthodox location, I don't believe we would be able to recover those reserves.

Q Is the proposed well location structurally higher than the location of the Continental Oil Well?

A I would estimate it to be approximately equivalent structural position to the Continental Number One Levers Federal.

Q Is that one of the reasons you picked that particular site so you would have an equal structural position?

A Yes, sir.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A Exhibit 2 was prepared by me. Exhibit 1 was prepared by Gene Motter.

Q Have you examined the information shown on Exhibit 1 and do you believe it to be correct?

A Yes, sir.

MR. KELLAHIN: At this time, I would like to offer in evidence Exhibits 1 and 2.

MR. PORTER: Mr. Kellahin, at this point Commissioner Armijo has to make a telephone call and it has to be made promptly at this time. He has to get authority on the radio, so we will delay the hearing until he returns.

(Whereupon, a short recess was taken).

MR. PORTER: The hearing will come to order, please. Mr. Kellahin, you may proceed with your examination of the witness.

MR. KELLAHIN: Just before the recess, I offered Exhibits 1 and 2 in evidence. I don't think you ruled on the offer.

MR. PORTER: No, we hadn't. I probably didn't even hear you. If there are no objections, the Applicant's Exhibits 1 and 2 will be admitted to the record.

MR. KELLAHIN: Do you know the current rate of production on the wells in this pool?

THE WITNESS: The latest rates that I had information on was during the month of November and during the month of November the daily rates on the Number One Spring Unit averaged 7.5 million cubic feet of gas per day, 193 barrels of condensate and 748 barrels of water. Excuse

me, 44 barrels of water.

The Number Three Spring Unit, Gulf's, averaged 4.4 million cubic feet of gas per day, 164 barrels of condensate, 748 barrels of water. Continental's Number One Levers Federal averaged 4.5 million cubic feet of gas per day, 164 barrels of condensate and 80 barrels of water.

Q (By Mr. Kellahin) Is that the rates you had reference to when you said a well should be drilled at the location proposed because of the producing rates in the pool?

A Yes, sir.

MR. PORTER: Pardon me. I didn't get your amount of condensate from the Gulf Spring Number One.

THE WITNESS: Gulf Spring Number One was 7.5 million per day.

Q (By Mr. Kellahin) Condensate?

A Oh, condensate: 193 barrels per day.

MR. PORTER: The liquid content is pretty consistent in all three wells?

THE WITNESS: Yes, sir.

MR. KELLAHIN: That completes the direct examination of the witness, Mr. Porter.

MR. PORTER: Mr. Cox, do you have questions of the witness?

MR. COX: Yes, Mr. Porter.

CROSS EXAMINATION

BY MR. COX:

Q Mr. Taylor, was this demand for compensatory royalty by the U. S. G. S. contested at all?

A Not that I know of.

Q No objection was raised; you just started paying?

A It was covered by Section 17 of the Springs Unit agreement that set it out rather clearly as to what -- as to how it was to be done.

Q The operator did not contest the demand by the U. S. G. S. at all as to the validity of their demand?

A If they did, I am not aware of it.

Q Has a communitization agreement been executed for your proposed well?

A I don't believe that it has.

Q On what was your structure map, reflected in Exhibit 2, based, Mr. Taylor?

A On what was it based?

Q Yes. Your contour line?

A Based on the top of the Cisco Canyon structure.

Q Is that a matter of interpretation by the person preparing the map?

A The picking of the top or the contouring of the map?

Q The contouring of the map.

A It's always to a certain extent.

Q In the event that your proposed location at a point one thousand feet from the north line of the section is higher structurally than the Number One Levers Federal, the producing formation is higher structurally than the Number One Levers Federal, what would the effect on the Number One Levers Federal?

A I suppose it would be about the same effect as from the two Gulf Wells which are also higher.

Q How far away are the two Gulf Wells?

A How far away from the Continental Levers Federal?

Q Yes, sir.

A Oh, one is approximately three-quarters of a mile, it appears.

Q Is that the Number One or Number Three?

A Number Three. I am just eyeballing this. I don't -- that's the closest --

Q They are considerably further away than your proposed location; is that correct?

A Yes, sir.

Q What is the nature of the formation, producing formation, in this area, the area of your proposed location?

A It's dolomite.

Q Is it tight, loose, fractured, fragmented?

A It's got very good permeability.

Q Is it your opinion that the proposed well would have no different affect on the Number One Levers Federal than the Number Three Springs Unit Well? Is that what you said?

A I don't think it would.

Q Mr. Taylor, in referring to your Exhibit 1, what is the approximate location of the Number One Levers Federal with regard to the boundaries of lot five of Section 2?

A It appears to be in approximately the center of lot five.

Q Now, with regard to the proposed location, which is the subject of this application, what is the approximate location with regard to the boundaries of lot eight of Section 3?

A The well is located, I believe, approximately something over fifty feet inside the north boundary of lot eight.

Q Can you state approximately how far from the north line the center of lot eight would be?

A Just looking at it, it appears it would be approximately sixteen hundred feet.

Q The figures you gave with regard to the water produced from the Levers Federal Well were based on what information, Mr. Taylor?

A Based on some information I got from one of your offices; unfortunately, I don't remember which one it was.

Q How long ago, Mr. Taylor?

A Oh, it was during January. Where I got the 80 barrels was I asked what the rate was for the gas condensate and water during November and this clerk or girl that I got the information from said, I believe it was twenty-four hundred barrels of water for that month; so, I just divided it by thirty.

MR. COX: I have no further questions.

MR. PORTER: Does anyone else have a question of Mr. Taylor?

MR. KELLAHIN: I would like to ask a couple more.

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Taylor, in connection with this letter from the United States Department of Interior, you mentioned Section 17 of the Springs Unit agreement. Would you please read the portion you had reference to from that letter?

A Yes, sir. Section 17 of the Springs Unit agreement price "the unit operators shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on the land not subject to this agreement or with prior consent of the director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the supervisor."

Q That was the basis of the demand by U. S. G. S.; is that correct?

A Yes, sir.

Q Now, in connection with some of the questions that were asked by Mr. Cox, I would like to ask you, would the well at the proposed location be closer or farther away from the Continental Well than a direct offset?

A At the proposed location, the well would be farther away from Continental's Well.

Q Do you know about how much farther away,

approximately?

A Approximately two hundred feet, I would guess.

Q Now, if you drilled a well at an orthodox location that is 1980 feet from the north line, would that be closer or farther away from the Levers Federal Well than the proposed location?

A It would be slightly closer.

Q So, actually, the effect of the application is to move farther away from the Continental Well; is that correct?

A Yes, sir.

MR. KELLAHIN: That's all I have.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused).

MR. KELLAHIN: That completes our presentation.

MR. PORTER: Mr. Cox, do you want to call your witnesses?

MR. COX: I would like to call Mr. Creager.

(Witness sworn).

NANCE G. CREAGER

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COX:

Q State your name, please, sir.

A Nance G. Creager.

Q What is your position, Mr. Creager?

A I am district geologist from Hobbs, New Mexico,
for the Continental Oil Company.

Q How long have you been so employed?

A Approximately ten years, sir.

Q Have you previously testified before this Commis-
sion?

A Yes, sir; about 1962.

MR. COX: Are the witness' qualifications acceptable?

MR. PORTER: Yes, sir.

Q (By Mr. Cox) Mr. Creager, you have before you
an instrument marked Continental Exhibit Number One. I ask you
to state whether or not you prepared that exhibit.

A Yes, sir.

Q And upon what was that exhibit based?

A This exhibit is based upon -- it is the structure
map of the Cisco Canyon Reef.

Q Now, what are your contour intervals as shown on
this map?

A My contour intervals are fifty-foot contour intervals.

Q From this exhibit, as shown by this exhibit, what is the location structurally of the proposed well with reference to the Levers Federal?

A The proposed non-standard location would be higher structurally.

Q About how much?

A Approximately twenty-five to thirty feet.

Q What is the nature of the formation, the Cisco Formation here?

A It is a reef type rock, dolomite mineralogy. It is extremely rugged and fractured in nature. This is based on my examination of the samples.

Q In your opinion, what would be the affect on the Levers Federal Number One of a well drilled to the proposed depth at the proposed location?

A The non-standard location?

Q Yes.

A I think it will cause watering out in both wells prematurely, due to coning in this highly fractured formation.

Q Which well will water out first?

A Very likely the lower structure.

Q Which would be the Levers Federal Number One?

A Yes, sir, by my interpretation.

MR. COX: No further questions.

MR. PORTER: Anyone have any questions of Mr. Creager? Mr. Kellahin.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Creager, you said that in your opinion a well drilled as proposed by Cities Service would cause both wells to water out prematurely because of coning.

A Yes, sir.

Q The coning of water into a well of this nature is due primarily to the rate of production, is it not?

A And the permeability, sir.

Q Both?

A Yes, sir.

Q And the wells in this pool have been produced at a higher rate of production, have they not?

A I guess so. I can't really say, sir. It would be a matter of comparison.

Q Is it the effect of your testimony, then, to say that production from point proposed by Cities Service would cause water encroachment; is that what you are saying?

A Water is encroaching now. I think it will cause faster water encroachment.

Q This would occur even if Cities Service drilled at an orthodox location, would it not?

A Yes.

Q And they would be watered out first in this instance, wouldn't they?

A Well, depending on which interpretation is finally correct. The lower well will.

Q Based on your interpretation --

A Yes, sir.

Q -- the lower well would water out first --

A Yes, sir.

Q -- and that would be the lower well --

A Yes.

Q -- based on your interpretation? Now, the total production from the Continental Well has been rather high, has it not, as compared to, say, prorated gas pools?

A From all the wells, I think it's been rather high, sir.

Q In your opinion, has part of this gas come from the tract now held by Cities Service?

A Yes, sir, I believe it --

MR. KELLAHIN: That's all I have.

MR. PORTER: Anyone else have a question? Mr.

Cox.

MR. COX: I have one more question, Mr. Porter,
of Mr. Creager.

REDIRECT EXAMINATION

BY MR. COX:

Q How does the Levers Federal Well compare
structurally with the Springs Unit Wells One and Three?

A Based on the top of the Cisco Canyon Reef, the
Levers Federal Number One is approximately twenty-five feet
low to the Number Three and about twenty-five feet low to the
Number One. These are eyeball approximations. The datums are
on the map.

Q Now, what affect would the coning that you mentioned
have on the One and Three Wells, Gulf's Springs One and Three
Wells?

A Because of the distance, a mile or three-quarters
of a mile that they are away, there would probably be no
immediate affect upon them. They were both producing water
before we drilled our well.

Q Should they, in your opinion, continue to produce

even after the Continental Levers Federal waters out?

A Yes, sir, they should.

MR. COX: Okay.

MR. PORTER: Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Creager, do you have an estimate on what the subsea datum of the water-gas contact is in this pool?

A I have it available in my brief case, sir, if you want an exact --

Q I think it would be pertinent.

A The original gas-water contact was based on the results of the Gulf Springs Unit Number Two and it was about a minus 4875; probably a little bit higher. I think 57 is what Gulf is using, 4857.

Q Gulf uses what?

A I believe 4857. This is from my memory, but --

Q Would you have an estimate of what the subsea datum would be of the location drilled in Section 3, 1594 from the north line and 660 from the east line; in other words, equivalent to your location, Levers location?

A Based on my Exhibit 1, the top of the reef would be approximately 4775, the Number One Levers.

Q Has the water rate increased in these wells in the last few months potentially?

A Securing water rates from Gulf, or from any other operator, is a little bit difficult on a monthly basis, but I know it has increased rapidly in ours.

Q What would be your opinion as to the producing rate? Are the wells producing too high for a water table pool?

A I'm not equipped to answer that, sir. I am a geologist and not a reservoir engineer.

MR. UTZ: That's all I have.

MR. PORTER: Mr. Kellahin.

RE CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Creager, on response to a question by Mr. Cox, you stated that the proposed location of Cities Service would be higher structurally. Do you know the perforated intervals of the various wells in this pool?

A The overall interval I have here, sir.

Q Could you give us the lowest perforations in the various wells?

A Be easiest to read them off, sir. Continental's was perforated from 47 -- minus 4779 to 95 overall perfs.

The Gulf Number Three Springs Unit was perforated overall from minus 4758 to minus 4821. The Gulf Springs Unit Number One was perforated overall from minus 4762 to a minus 4820.

Sum result being that Gulf's One and Three Springs Units are perforated higher and lower than our Number One Levers,

Q Actually, your Number One Levers is perforated about thirty feet higher than either one of the Gulf Wells; is that correct?

A No, sir.

Q On the bottom you are talking about. I mean the lowest perforations.

A The basis of our perforations are higher than theirs.

Q So, any effect you have on the structural position has been adjusted by your location of your perforations?

A The question is not clear.

Q You stated that you are structurally about thirty feet lower than the Gulf Wells.

A Yes.

Q So, your bottom-most perforations are at a difference of about thirty feet, also?

A Yes.

Q The difference has been adjusted by the perforations; is that correct?

A Yes. Structure has the most bearing, I think, upon this rather than distance.

Q Distance?

A Horizontal distance between wells. This gas column is very thin.

Q So, you would then agree with the testimony by Mr. Taylor that the effect of the Gulf Wells have been about the same on this tract as Continental's Well? In other words, they all drain the whole pool, is this what you mean?

A Yes. I think the best recovery for the state and the operators would be to stop drilling right here.

Q That would depend on the operator, wouldn't it?

A Yes. Very definitely.

MR. KELLAHIN: Thank you.

MR. PORTER: Might depend some on the royalty owner?

THE WITNESS: I think that's the biggest problem.

MR. PORTER: Does anyone else have a question of Mr. Creager? You may be excused.

(Witness excused).

MR. COX: Call Mr. Lyon.

(Witness sworn).

VICTOR T. LYON

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COX:

Q State your name, please, sir.

A Victor T. Lyon, L-y-o-n.

Q What is your position, Mr. Lyon?

A I am conservation coordinator for Continental Oil Company in the Hobbs Division office in Hobbs, New Mexico.

Q Have you previously testified and qualified as an expert before this Commission?

A Yes, I have.

MR. PORTER: Mr. Lyon qualifies about once a month. The Commission accepts his qualifications.

Q (By Mr. Cox) Mr. Lyon, would you give the Commission the current figures with regard to the water produced from the Levers Federal Number One and explain the discrepancy?

A When we first learned of this application, I spoke with Mr. Motter on the telephone and he called to my attention that we had not been reporting water on our well. This is due to the -- to our reporting system.

This lease is operated by contract pumper and our clerk, who prepares these reports, did not have a test on which she could base the volumes.

Consequently, we inadvertently failed to report the water production, but we have a fairly accurate measurement of the water production because it cost us in the neighborhood of thirty-five cents per barrel to truck it to a disposal well.

Our figures indicate that in November of 1969 we produced 1,620 barrels; in December, 3,176 barrels; in January, 2,487 barrels and I believe that the well was shut down during a portion of this month; at least our gas production was down and I'm advised that in February the well is producing approximately 150 barrels per day.

Incidentally, corrected C-115's have been filed with the Commission to properly apprise them of the water production.

Q Would you tell the Commission, Mr. Lyon, what, in your opinion, will be the effect on your Levers Federal

Number One if the application is granted to drill a proposed well at the proposed location?

A According to our geological interpretation of this reservoir, a well drilled at their proposed location will be twenty-five to thirty feet higher structurally than will our well.

The distance that it's moved north from our well amounts to approximately -- I believe it's 124 feet farther away than a standard location or a well drilled due west of our well.

According to Mr. Creager's interpretation of the reservoir rock in that the reservoir rock is highly fractured, I believe that interference between wells could hasten water intrusion into the wells due to the fact that the closer you get one well to another, the greater possibility there is of them using the same fractures and consequently causing the water to intrude more rapidly.

Q Now, would you state any other pertinent fact concerning this matter that I have not questioned you about?

A Well, I would like to explain some of the coloring which we have done on Exhibit One. The black line, which is indcribed in Section 34, constitutes the original participating area for the Springs Unit.

The heavy dashed black line is the outline of the Springs Unit Area. You will note that our Levers Federal Lease is partially within this unit area. However, this lease was not committed to the unit. Consequently, this is a one hundred percent -- well, fifty percent Continental, fifty percent Woods Petroleum Lease, which is not participating in the unit.

The blue line represents the first enlargement of the unit as a result of drilling Springs Unit Number Two. The green line or the green area, which consists of the east half of Section 33 and lot one of Section 3, lots 3 and 4 of Section 2, is the area of the second enlargement of the participating area.

The red outline, which consists of the remainder of our proration unit, which is lots five, six, eleven, twelve, thirteen and fourteen and lots -- that is in Section 2 and lots eight, nine and sixteen in Section 3, is the third enlargement of the participating area.

Even though our lease is within the participating area, it still does not participate because the lease is not committed to the unit. However, the unit acreage, which is within the proposed proration unit, is within the participating area and is, according to my understanding, participating in

the production from the two producing Springs Unit Wells.

Now, with our well being located down-structure from the two producing Springs Unit Wells, with the increase in water production, it appears that our producing life is going to be somewhat limited. It appears obvious to me that at least the Unit Well Number One will be producing after our well is plugged.

Consequently, there will be drainage from our lease at that time. Now, as to the location of the two wells, our well is an unorthodox location. This is due to the fact that lots one through four are non-standard. They are short in the north-south direction.

They are short to the extent that it is not possible to locate a well at an orthodox location because if you drill your well 1980 feet from the north line you are closer than 330 to the quarter quarter boundary. We attempted to drill our well in substantial compliance with the Commission's rules, which require that wells drilled to a Pennsylvanian reservoir be located 1980 feet from the end boundary and 660 feet from the side boundary and I think it is also obvious that the proposed location here is not a substantial compliance with the spacing rules at all.

Q If the application is granted and if, as you and Mr. Creager testify results in a premature plugging and abandonment of the levers Federal Number One will there be gas, otherwise produceable from the levers Federal Number One, that you will not be able to recover?

A Yes, sir, unless we drill another well, which I don't believe we can afford to do.

MR. COX: I have no further questions.

MR. PORTER: Mr. Kellahin.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Lyon, on the last question, this would be true regardless of where Cities Service drilled, would it not?

A I'm sorry.

Q Because of the additional production, as I gather you say, Continental would not be able to produce all of its reserves in the levers Federal?

A This is true. This has no bearing on Cities Service application. It's just the fact that when our well is watered out, we are somewhat down-structure from the highest point on our lease and there will be recoverable gas which we will not be able to recover.

Q And, as I understand your testimony further, any production on the Cities Service tract will increase the rate at which you will be watered out, would it not?

A This is our interpretation, yes, sir.

Q That would be regardless of where the well is located, would it not?

A Yes, sir.

Q Now, in regard to the location, you say it's not an orthodox location in any sense of the word, but anywhere a well is located on that tract, it would have to be at least 660 feet from the Continental Lease, would it not?

A Without an exception from the Commission, yes, sir.

Q Well, this application does not bring it any closer than 660, does it?

A No, sir, it does not.

Q It actually takes it farther away from your well.

A Well, Mr. Kellahin, there's more than one direction you can move away from our well.

Q Yes. It could move south.

A It could move south or you could move west, if you are concerned about locating too close to our well.

Q Well, Mr. Lyon, we are not concerned; we thought perhaps you were.

A We are.

Q But, the Commission's rules permit us to locate that close.

A Yes, sir.

Q Is that correct?

A That is correct.

Q I didn't quite understand your testimony in regard to the participating area, which I believe you outlined in a green or turquoise color.

Is that portion of the unit immediately north of your well participating in the unit; is that your testimony?

A I'm sorry. Would you ask your question again.

Q Well, you stated that that green area shown on your Exhibit Number One is in the participating are of the Springs Unit.

A Yes, sir.

Q It's participating with the Gulf Wells, is that --

A Yes, sir.

Q Do you know at what rate?

A No. It's on an acreage basis, I believe.

Q Is that acreage dedicated in anyway to your well?

A No, sir.

Q You don't have 198 acres, do you? How many acres do you have?

A I'm sorry. Which green area are you talking about?

Q I am talking about that green area or turquoise area immediately north of the Federal levers well.

A You mean lots three and four in Section 2?

Q Right.

A These lots do not participate in production from the Springs Unit because they are not committed to the Springs Unit agreement.

Q I misunderstood your testimony, then. Those lots are dedicated to the Federal levers well?

A Yes, sir.

Q And are participating in that production?

A Yes, sir. But lots one, eight, nine and sixteen are participating in the production from wells Number One and Three in the Springs Unit, as is the east half of Section 33. This is information which I gathered at the U. S. G. S. yesterday.

MR. KELLAHIN: Thank you, sir.

MR. PORTER: Does anyone else have a question of Mr. Cox?

MR. COX: One question on redirect, Mr. Porter.

REDIRECT EXAMINATION

BY MR. COX:

Q Mr. Lyon, is it your opinion that if the proposed application is granted that production will cease from your well sooner than it would if the location were granted at a point 1594 feet south of the north line of Section 32?

A I really don't think it would make any difference whether the well was located 1594 from the north line as compared to one thousand feet from the north line.

I don't think it would make a substantial difference because the distance between the two wells is increased by only -- I believe it is 124 feet and the point that we -- that I am trying to make is the fact that their well would be located structurally higher than ours so that they would not water out as soon as we would, and, consequently, when our well is watered out they will be draining our lease.

MR. COX: No further questions.

MR. PORTER: Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Lyon, you heard my questions to Mr. Creager regarding the rate of production from this water drive pool. Do you have an opinion on that?

A I haven't had the data that I believe would be necessary to reach a conclusion on that, Mr. Utz, but I would mention that Continental is concerned that our well not be produced at too great a rate and we have placed a positive choke in the well to make sure that the switcher does not open the well and allow it to produce at an excessive rate.

Q I would gather, then, that your 4.5 million a day, you would consider a reasonable rate for conditions?

A Yes. I think so.

MR. UTZ: That's all I have.

MR. PORTER: Any further questions? Mr. Lyon may be excused.

(Witness excused).

MR. PORTER: Does this conclude testimony?

MR. COX: Yes, sir.

MR. PORTER: Does anyone have a statement to make in the case?

MR. KELLAHIN: If the Commission please, I would, at this time, like to call Mr. Motter to explain the ownership of tract two, which Mr. Lyon has testified to.

MR. PORTER: Have Mr. Motter sworn, please.

(Witness sworn).

E. F. MOTTER

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A E. F. Motter, M-o-t-t-e-r.

Q By whom are you employed and in what position, Mr. Motter?

A Cities Service Oil Company, regional engineer, southwestern region in Midland, Texas.

Q In connection with your duties as regional engineer at Midland, Texas, did you have anything to do with the agreement that has been procured covering the

lands involved in this application?

A Yes. I have been involved. I would like to make one comment, though. In general, this is handled by our land department and maybe we are amiss by not having someone here, but I feel I have a pretty good knowledge of the proposal.

Q Insofar as the ownership of this tract is concerned, are you familiar with the terms of this agreement?

A Yes.

Q What will the ownership be in the event this well is drilled?

A If the well is drilled it will be one hundred percent Cities Service. It will be withdrawn from the unit area.

This has already been agreed to. Comment was made about the drainage and percentage of which you might incur. Cities Service, at present, has 1.24 percent of the entire Springs Area and naturally we will have one hundred percent of the proposed location and proration unit.

MR. KELLAHIN: That's all I have.

MR. PORTER: Anyone have a question of Mr. Motter?

MR. COX: We would like to offer Exhibit 1, Continental's Exhibit 1 into evidence, Mr. Porter.

MR. PORTER: If there are no objections, the exhibit will be admitted.

Do you have any questions of Mr. Motter?

MR. COX: No.

MR. PORTER: The witness may be excused.

(Witness excused).

MR. PORTER: Does that conclude the testimony of this witness?

MR. KELLAHIN: Yes, sir, it does. Would you desire to put on any further testimony?

MR. COX: No, sir.

MR. PORTER: Then, at this time, we will hear the closing statements, if you desire to make them.

MR. COX: I have just a brief statement I would like to make.

MR. PORTER: You may proceed.

MR. COX: If it please the Commission, the only comment that I would have to make deals with two points which are reflected by the statutes in Section 65-3-13 Sub-section C, Commission is charged with the responsibility in protecting correlative rights to prevent drainage between producing tracts in the pool, which is not equalized by counter drainage.

We contend that that's the position we will be placed in here once our well is drained by theirs, their well being structurally higher, there will be no counter drainage. The same situation applies with regard to the requirement of Section 65-3-14, which provide that the order of the Commission as far as practicable will afford the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in this case and without waste and that if this proposed location is granted, that it will hasten the demise of the Federal Levers Number One Continental Well and that we will not be able to protect -- to produce our equitable share of the gas in the pool.

Those are basically the points that we wanted to bring to the Commission's attention and the reason that we are here today.

MR. PORTER: Mr. Kellahin.

MR. KELLAHIN: If the Commission please, I believe I can be equally brief. Of course, correlative rights is an important factor in any matter of this nature coming from the Commission, but I would point out that the Continental Oil Company witness testified that in his opinion the Federal Levers Well is presently draining the

acreage Cities Service would dedicate to their well and we do need the opportunity to have offsetting drainage.

The section quoted in regard to the opportunity to produce the just and equitable share of the gas underlying the tract is exactly the basis of our application here and as our witness testified that a well located at a standard and orthodox well location would not be able to produce this just and equitable share of the gas underlying the tract for the reason that a well so located would water out before all the tract had been drained.

Continental Oil Company is in exactly the same position. They have moved -- of course, in their application on this case it was for the purpose of locating it approximately the center of the lot.

However, they are considerably north of the standard well location and they are faced with the same proposition that if they can produce from that location, they will produce more gas than they would have if the well had been 1980 feet from the north line.

Now, as to hastening the demise of the Continental Well. Their own witness testified that in his opinion the interference between wells would result in water encroachment and on cross examination he stated that it wouldn't

make any difference on the lack of the levers Federal Well whether the Cities Service Well was located a thousand feet or fifteen hundred from the north line, that the effect would be approximately the same and, therefore, in effect, he testified that in his opinion no drainage would result as result of granting of this application.

So, we base our application solely on the right to produce our gas.

MR. PORTER: I believe the Commission has received some communication by mail or telegram and ask Mr. Hatch, the Commission attorney, to make that available to us at this time.

MR. HATCH: The Commission has received a letter from Gulf Oil Corporation offering no objection to the location and has received a telegram from Woods Petroleum Corporation; I will read into the record.

Addressed to the Commission and dated February 17, 1970. Re: Case No. 4306. "Please be advised that Woods Petroleum Corporation is fifty percent owner of levers Federal Number One located in Section 2, Township 21 South, Range 25 East, Eddy County, New Mexico, and opposes the application of Cities Service for well at a

location one thousand feet from the north line and six hundred sixty feet from the east line of Section 3, Township 21 South, Range 25 East. It is our opinion that this well at this location will cause unnecessary waste and damage as result of abnormal water influx." Signed Lee Powell, Woods Petroleum Corporation.

MR. PORTER: Anything further to be offered in the case? We notice that the counselors here are looking at the same law, but from a little different angle or a different advantage point.

The Commission will take the case under advisement.
The hearing is adjourned.

(Whereupon, the hearing was adjourned).

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
E. E. TAYLOR	
Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Cox	15
Redirect Examination by Mr. Kellahin	19
NANCE G. CREAGER	
Direct Examination by Mr. Cox	21
Cross Examination by Mr. Kellahin	23
Redirect Examination by Mr. Cox	25
Cross Examination by Mr. Utz	26
Recross Examination by Mr. Kellahin	27
VICTOR T. LYON	
Direct Examination by Mr. Cox	30
Cross Examination by Mr. Kellahin	35
Redirect Examination by Mr. Cox	39
Cross Examination by Mr. Utz	40
E. F. MOTTER	
Direct Examination by Mr. Kellahin	41

E X H I B I T S

Applicant's Exhibits 1 & 2
(Cities Service)

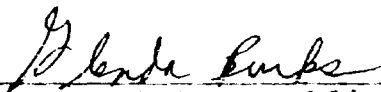
2

Applicant's Exhibit 1
(Continental)

3

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, GLENDA BURKS, Court Reporter in and for the
County of Bernalillo, State of New Mexico, do hereby
certify that the foregoing and Attached Transcript of
Hearing before the New Mexico Oil Conservation Commission
was reported by me; and that the same is a true and correct
record of the said proceedings to the best of my knowledge,
skill and ability.



Notary Public

My Commission Expires:

March 12, 1973

DOCKET: REGULAR HEARING - WEDNESDAY - FEBRUARY 18, 1970

OIL CONSERVATION COMMISSION - 9:00 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for March, 1970;
- (2) Consideration of the allowable production of gas for March, 1970, from fifteen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for March, 1970.

CASE 4305: Application of Cactus Drilling Corporation for a non-standard location and pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete an oil well at an unorthodox location 330 feet from the South line and 1651 feet from the West line of Section 17, Township 13 South, Range 33 East, North Baum-Upper Pennsylvanian Pool, Lea County, New Mexico.

CASE 4306: Application of Cities Service Oil Company for a non-standard gas proration unit and unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 298-acre non-standard gas proration unit comprising Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Section 3, Township 21 South, Range 25 East, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to its Springs Unit Well No. 4 at an unorthodox location 1000 feet from the North line and 660 feet from the East line of said Section 3.

CASE 4307: Southeastern New Mexico nomenclature case calling for an order for the creation, extension and abolishment of certain pools in Eddy, Chaves and Lea Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the South Carlsbad-Strawn Gas Pool. The discovery well is the Superior Oil Company's Collatt Estate Com No. 1 located in Unit J of Section 1, Township 23 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
SECTION 1: E/2

(Case 4307 continued)

(b) Create a new pool in Chaves County, New Mexico, classified as an oil pool for Queen production and designated as the Round Tank-Queen Pool. The discovery well is Elk Oil Company's J. W. State Well No. 1 located in Unit K of Section 30, Township 15 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 30: NE/4 SW/4

(c) Abolish the Forest-San Andres Pool in Eddy County, New Mexico, described as:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
SECTION 26: S/2
SECTION 27: S/2
SECTION 34: All
SECTION 35: W/2 and SW/4 SE/4

(d) Extend the Square Lake Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
SECTION 27: S/2 SE/4
SECTION 34: All
SECTION 35: W/2 and SW/4 SE/4

(e) Extend the Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 8: NE/4

(f) Extend the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
SECTION 6: SE/4

(g) Extend the Cerca-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
SECTION 8: SE/4

(h) Extend the Lusk-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
SECTION 28: SW/4

(i) Extend the Shugart Yates Seven Rivers Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
SECTION 24: SE/4 SW/4

(j) Extend the Spencer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
SECTION 24: SW/4 SW/4



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

March 2, 1970

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4306
Order No. R-3926
Applicant:
Cities Service Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Mr. Lewis C. Cox, Hinkle, Bondurant & Christy, Roswell, N.M.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4306
Order No. R-3926

APPLICATION OF CITIES SERVICE OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT AND
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 18, 1970, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of March, 1970, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Cities Service Oil Company, seeks authority to drill its Springs Unit Well No. 4 at an unorthodox location 1000 feet from the North line and 660 feet from the East line of Section 3, Township 21 South, Range 25 East, NMPM, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) That the applicant also seeks approval of a 298-acre non-standard gas proration unit in the Springs-Upper Pennsylvanian Gas Pool comprising Lots 1, 2, 8, 9, 15, 16, 17, and 18 and Tract 37 of said Section 3 to be dedicated to the subject well.

(4) That the unorthodox size and shape of the proposed non-standard unit is due to variations in the United States Public Land Surveys.

(5) That due to the unorthodox size and shape of the proposed non-standard unit a well cannot be drilled at a standard location in the NE/4 of said unit.

(6) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the subject well.

(7) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Springs-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

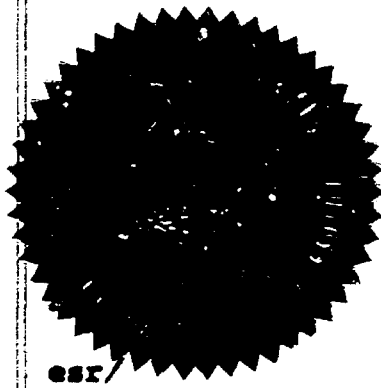
IT IS THEREFORE ORDERED:

(1) That an unorthodox location is hereby approved for the Cities Service Oil Company Springs Unit Well No. 4 to be drilled 1000 feet from the North line and 660 feet from the East line of Section 3, Township 21 South, Range 25 East, NMPM, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

(2) That a 298-acre non-standard gas proration unit in the Springs-Upper Pennsylvanian Gas Pool comprising Lots 1, 2, 8, 9, 15, 16, 17, and 18 and Tract 37 of Section 3, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to the Cities Service Oil Company Springs Unit Well No. 4.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

David E. Cargo
DAVID E. CARGO, Chairman

Alex J. Samijo
ALEX J. SAMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

8 26
FEB 18 1970
Gulf Oil Company - U.S.

EXPLORATION AND PRODUCTION DEPARTMENT
ROSWELL DISTRICT

P. O. Drawer 1938
Roswell, New Mexico 88201

T. W. Kidd
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
P. E. Wyche
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

February 13, 1970

*Jim
file -
Case
4306*

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Unorthodox Gas Well Location and
Non-Standard Proration Unit (Case 4306)

Gentlemen:

Please be advised that the undersigned has no
objection to the unorthodox gas well location and non-standard
proration unit as requested by Cities Service Oil Company in
the Springs Upper Pennsylvanian Gas Pool.

Yours very truly,

GULF OIL CORPORATION

M. I. Taylor
M. I. Taylor

JLH:bc

cc: Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701



A DIVISION OF GULF OIL CORPORATION



Telegram

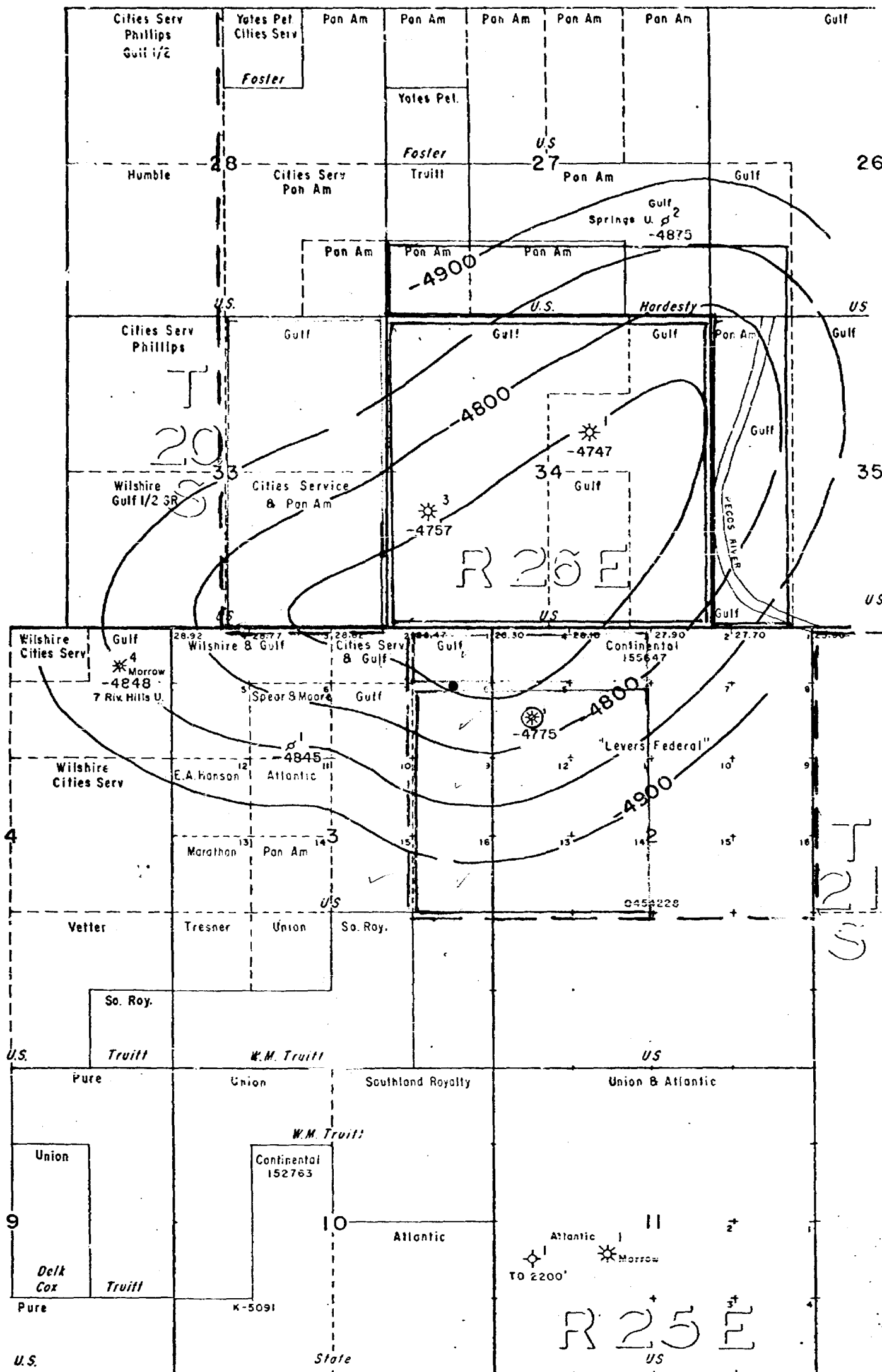
KA184 LA445 KD187

(303).

K OCB199 SN PDB 3 EXTRA=FAX OKLAHOMA CITY OKLA 17 253P CST
=NEW MEXICO OIL CONSERVATION COMMISSION= 1970 FEB 17 PM 2 40
STATE LAND OFFICE BLDG SANTA FE NMEX= *DM*

RE: CASE NO 4306=

PLEASE BE ADVISED THAT WOODS PETROLEUM CORP IS 50 O/O
OWNER IN THE LEAVERS FEDERAL #1 LOCATED IN SEC
2-T21S-R25E, EDDY COUNTY, NEW MEXICO AND OPPOSES THE
APPLICATION OF CITIES SERVICE FOR A WELL AT LOCATION
1000' FNL, 660' FEL SEC 3-T21S-R25E. IT IS OUR OPINION
THAT THIS WELL AT THIS LOCATION WILL CAUSE UNNECESSARY
WASTE AND DAMAGE AS A RESULT OF ABNORMAL WATER INFLUX=
LEE POWELL WOODS PETROLEUM CORP OKLAHOMA CITY, OKLA=



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Continental Exhibit No. 1

Case No. 4301

Cont. Ex. #1

CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT—HOBBS DIVISION

SPRING UPPER PENN GAS POOL

Eddy County, New Mexico

REEF STRUCTURE

CI-50'

SCALE

0 1000 2000'

6-9-65 R.L.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

January 30, 1970

TELEPHONE 982-4315
AREA CODE 505

70 FEB 2 AM 8 17

Oil Conservation Commission of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Re: Cities Service Oil Company

Gentlemen:

Enclosed you will find the original and two copies of
an application of Cities Service Oil Company for
approval of an Unorthodox well location and a non-standard
unit, in the Springs-Upper Pennsylvanian Gas Pool, in
Eddy County, New Mexico.

Please advise this office of the date set for hearing.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

jwk;jh

Encls. as stated.

DOCKET MARKED

Date 2-5-70

RECEIVED
FEB 2 AM 8

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY FOR
APPROVAL OF AN UNORTHODOX WELL
LOCATION AND A NON-STANDARD UNIT,
SPRINGS-UPPER PENNSYLVANIAN GAS
POOL, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Cities Service Oil Company and applies to the Oil Conservation Commission of New Mexico for approval of an unorthodox well location and creation of a non-standard drilling and proration unit in the Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to drill its Springs Unit Well No. 4 at a location 1,000 feet from the North line and 660 feet from the East line of Section 3, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and to dedicate to said well, the East Half, North Two-Thirds ($E\frac{1}{2}N\frac{2}{3}$), Section 3, composed of Lots 1, 2, 8, 9, 15, 16, 17, 18 and Tract 37, according to the Bureau of Land Management survey dated April 15, 1953, containing 298 acres, more or less.
2. Section 3, Township 21 South, Range 25 East is a correction section, and a standard unit of 320 acres is not available for dedication to said well, as required by the state-wide drilling and spacing rules of the Commission, there being no field rules for the Springs-Upper Pennsylvanian Gas Pool.
3. Approval of the proposed well location and dedication of said acreage to the proposed well will permit applicant and other interested parties to recover their just and equitable share of the gas underlying the tract to be

dedicated to the well, will prevent waste, and correlative rights of others will not be impaired.

WHEREFORE applicant prays that this matter be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving the unorthodox well location and non-standard unit as prayed for.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

BY Jason W. Kellahin
KEDLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4306

ORDER NO. R-3926

APPLICATION OF CITIES SERVICE OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT AND
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 18, 1970,
at Santa Fe, New Mexico, before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of February, 1970, the Commission, a
quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Cities Service Oil Company, seeks
authority to drill
~~approval of an unorthodox location for~~ its Springs Unit Well
at an unorthodox location
No. 4 ~~to be drilled~~ 1000 feet from the North line and 660 feet
from the East line of Section 3, Township 21 South, Range 25
East, NMPM, Springs-Upper Pennsylvanian Gas Pool, Eddy County,
New Mexico.

(3) That the applicant also seeks approval of a 298-acre
non-standard gas proration unit in the Springs-Upper Pennsylvanian
Gas Pool comprising Lots 1, 2, ~~7~~, 8, 9, ~~10~~, 15, and 16, ^{17, 18 and 19} of said
Section 3 to be dedicated to the subject well.

(4) That the unorthodox size and shape of the proposed non-standard unit is due to variations in the United States Public Land Surveys.

(5) That due to the unorthodox size and shape of the proposed non-standard unit a well cannot be drilled at a standard location ^{in the NE 1/4 of said unit.} on said unit.

That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the subject well.

(7) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Springs-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox location is hereby approved for the Cities Service Oil Company Springs Unit Well No. 4 to be drilled 1000 feet from the North line and 660 feet from the East line of Section 3, Township 21 South, Range 25 East, NMPM, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

(2) That a 298-acre non-standard gas proration unit in the Springs-Upper Pennsylvanian Gas Pool comprising Lots 1, 2, 7, 8, 9, 10, 15, and 16, ^{17, 18 and Tract 37} of Section 3, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, is hereby established and dedicated to the Cities Service Oil Company Springs Unit Well No. 4.

(3)

(3) June -

Cities Service Oil Company

NSL

Springs Unit Well No. 4

Springs Upper Perm Gas Pool
Eddy Co.

1000 FNL 660 FEL

Sec 3, 21S - 25E

^{and} 1, 8, 9, 16 - Sec 3

Dedicate - Lots ~~1, 2, 7, 8, 9~~ Sec 3

298 Acres -

