

Case Number

4316

Application
Transcripts.

Small Exhibits

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 4, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Pan American
Petroleum Corporation for an
unorthodox gas well location,
Eddy County, New Mexico.

Case No. 4316

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

RECEIVED

THE UNITED STATES DEPARTMENT OF JUSTICE

AT WASHINGTON, DISTRICT OF COLUMBIA, THIS 14TH DAY OF MARCH, 1964

BEFORE ME, the undersigned authority, on this day personally appeared

JOHN W. BROWN, known to me to be the person whose name is subscribed to the foregoing

instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

I have signed this instrument as a true and correct copy of the original.

WITNESSES my hand and the seal of the Department of Justice at Washington, District of Columbia, this 14th day of March, 1964.

APPROVED AND FORWARDED: [Signature]

JOHN W. BROWN, [Signature]

JOHN W. BROWN, [Signature]

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JOHN W. BROWN, [Signature]

MR. NUTTER: Do you want to get this qualified right now?

MR. BUELL: No, sir.

Eddy County, New Mexico; I'm sorry.

At this location that I have mentioned, 330 from the north and east line, was the only location in the northeast of the northeast that would need marginal safety requirements. And this morning Mr. Owen Lopez who represents the Graces who are partners in this unit, found out from the FAA in Albuquerque that the possibility exists that we could move back a distance of five hundred feet from the north line and east line and still have a margin of safety.

So, I would like at this time to amend our application from the 330 that we requested to, I am going to have to say approximately five hundred, because according to the FAA in Albuquerque, it will be between 330 and 500 and a lot closer to 500 than to 330; and still have our margin of safety.

MR. NUTTER: You want to amend it to approximately five hundred?

MR. BUELL: Yes, sir. And they will let us know a precise figure within the next day or two which I

would like to leave to furnish you, Mr. Examiner, as well as counsel in this case.

MR. NUTTER: Is there objection to Pan American's amendment of its application to designate that the well would be drilled approximately five hundred feet from the north line and five hundred feet from the east line of Section 11, Township 23 South, Range 26 East, rather than three hundred thirty feet from the north and east line as was advertised?

If there is no objection, the application will be so amended and you may proceed, Mr. Buell.

MR. BUELL: Mr. Hosford, have you been sworn?

MR. HOSFORD: No, I have not.

(Witness sworn.)

PATRICK E. HOSFORD

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your complete name and by whom you are employed and what capacity and what location?

A Patrick E. Hosford, staff engineer with Pan American Petroleum Corporation in Fort Worth, Texas.

Q Would you briefly review your educational background in petroleum engineering?

A I received a B.S. degree in petroleum engineering from the University of Oklahoma in 1958, and I have since been employed by Pan American Petroleum Corporation in various engineering capacities and currently am involved in proration work.

Q All right, sir. In connection with your present work with Pan American does the area in question here in Eddy County come under your jurisdiction and supervision?

A Yes, sir. It does.

MR. BUELL: Any questions as to his qualifications, Mr. Examiner?

MR. NUTTER: No; the witness is qualified.

Q (By Mr. Buell) Would you refer to what has been identified as Pan American Exhibit Number One, Mr. Hosford? What is that exhibit?

A Exhibit Number One is a plat of the general area, south Carlsbad area, reflecting two completed wells and one proposed location.

Q All right, sir. With respect to the two completed wells; would you locate them and state for the

record what pool they are completed in, or pools?

A There is a well in the northwest of the southeast of Section 1, the Superior Colette. This is identified as the South Carlsbad-Strawn pool well. It is a Strawn gas well.

There is also a dual completion, the USA Pennzoil in the northwest of the northeast of Section 12. And this is a completed well, and the South Carlsbad-Atoka and the South Carlsbad-Morrow Pool. It is identified by a yellow and blue dot where the Strawn is identified by an orange -- I mean, excuse me, a green dot.

Q Now, our application here today covers all three of these pools?

A Yes, sir; it does.

Q All right, sir. Are there any special pool rules for this area for any of these three gas pools?

A No. The -- To my knowledge the three pools are operating under statewide gas rules for deep well drilling, namely 320-acre drilling units with locations -- orthodox locations, being 660 from the side boundaries and 1980 from the end boundaries.

Q All right, sir. Now, I believe we have already point out that this is in the immediate area of the City of Carlsbad Airport. Would you comment on that, please, and more particularly for the record locate the airport itself?

A The Carlsbad Airport runways are actually located in Section 2, Township 23 South, Range 26 East. However, there are also -- excuse me. These runways are identified by black lines underlying the pink shaded area in Section 2.

In addition to the runways there are FAA approach areas which I would like to comment on. The pink approach area is considered the -- an approach surface where the green is considered a transitional surface. And this is designed to provide safety in aircraft landing at the City of Carlsbad Airport.

Q All right, sir. You mentioned that the green is a transitional area for obstruction a hundred and twenty-five in elevation. Where does the hundred and twenty-five feet in elevation come from?

A Well actually, I didn't mention the hundred and twenty-five feet; but this is a point that we anticipate a drilling rig would extend -- in drilling a

deep well of this nature, probably a hundred and twenty-five feet into the air; and this outer boundary of the green area reflects where a horizontal plane a hundred and twenty-five feet in the air would intersect this transitional surface.

Q All right, sir. Now, as I recall the FAA regulations provide that even within the green area and the pink area, they provide for a hearing and exception to their safety rules and regulations; is that correct?

A That is correct.

Q Did Pan American apply for such an exception?

A No, sir; we didn't. We had no intention of desiring to drill within this area primarily from the standpoint of air safety.

Q All right, sir. Let me ask you this:

Even at the location that we are requesting in the northeast of the northeast -- I guess that would be the best way to refer to it now instead of saying approximately five hundred feet every time -- will the FAA do anything to warn aircraft?

A Yes; they have indicated to us that they

will send out advisories after approval of this; send advisories out to all pilots who might have opportunity or chance to land at Carlsbad Airport.

MR. PATMAN: Mr. Examiner, I will apologize for interrupting at this point. Philip Patman representing Superior Oil Company.

I don't have any objection to the testimony that's been offered by the witness, and indeed, by counsel for Pan American with respect to the FAA regulations. I think it will be useful to the Commission to hear their views on these matters.

But I would like to protect the rights of my client by pointing out that, in my opinion, the regulations would have to be the best evidence. And while Mr. Hosford is, I believe, fully qualified as a petroleum engineer, I am not aware that he is qualified as an expert on civil aviation regulations nor is he an official of the Federal Aviation Agency.

I would like for this testimony to be received subject to my comments and subject to the availability of, perhaps in the future, the actual text of FAA regulations where they may become pertinent

to this question.

MR. NUTTER: Do you have the regulations available to us, Mr. Buell?

MR. BUELL: Yes, sir.

MR. NUTTER: Covering the drilling of oil wells or the construction of obstructions?

MR. BUELL: Yes, sir; we do. It is not a clean copy in that some notes have been made on it, but I would be more than happy to submit it in the record.

MR. NUTTER: If you will put it in as part of the record perhaps Mr. Patman's objection would be somewhat- -

MR. PATMAN: I wouldn't want to disagree with you, Mr. Examiner; but I don't believe that those copies of the regulations that he has there will -- that you will find in those regulations -- I haven't examined, but from what I can see looking over his shoulder -- I don't believe you will find in there any reference to any pink area or green area on this map. And the point that I wanted to make is that the testimony with respect to pink and green areas is opinion testimony of the petroleum engineering witness, and does not represent,

as far as I am aware, the official position of the Federal Aviation Agency with respect to these matters.

MR. BUELL: Counsel is right as far as these rules referring to pink or green. This is simply what we thought a simple method of showing the Commission and everyone that's here at least, how we interpret it, the FAA regulations, and to give us a visual reference to see.

Actually, Mr. Examiner, the FAA regulations are not critical to our case. They are confusing and a conflicting element in the case; but I would like to offer these regulations as our Exhibit Number Two.

I think we are about through with the FAA, aren't we? I hope so.

MR. RAMEY: Is the FAA man going to tell you where you can stake this location at the closest possible point?

MR. BUELL: Did he tell us what?

MR. RAMEY: Is he going to tell you- -

MR. BUELL: Yes, he will work out what we have worked out. I am guessing that Mr. Patman may want to object. He will work out what we have worked out here and then he will see how close we can get to this

outermost boundary. He guessed this morning five hundred feet.

MR. PATMAN: The only clarification that I would appreciate your getting if you feel that you are in a position to do so, Mr. Buell is -- are you advising the Commission that under the FAA regulations you have submitted as your Exhibit Number Two, a person is prohibited from drilling an oil well inside the area that is colored green on your Exhibit Number One?

MR. BUELL: No, sir. You weren't listening.

We covered the fact that these rules provide for a hearing and possible exception. We further stated we had not applied. Actually, if we could go on, we have an orthodox location under Commission rules and FAA rules in the northeast quarter of this section. We could drill right there, Mr. Patman, without any exception to the Commission or FAA or anybody else.

That's why I say FAA Rules and Regulations are not too critical to our case because we do have this one possible, or probable, orthodox location.

MR. NUTTER: Why don't you proceed with your examination of your witness, Mr. Buell? We will see how the case develops.

MR. BUELL: All right, sir.

Q (By Mr. Buell) How deep are these wells that have already been drilled, Mr. Hosford?

A The well in Section 1, the Superior Colette, according to my information, has a TD of eleven thousand nine hundred and fifty feet.

The USA Pennzoil indicated in Section 12 has a TD of twelve thousand seven hundred and thirty-five feet.

These wells are rather deep.

Q What would you estimate a well to these depths would cost in the northeast of the northeast of Section 11?

A I would estimate that it would cost in the range of three hundred thousand dollars.

Q All right, sir. I noticed also on Exhibit Number One are some contour lines. What do these represent?

A These represent a very poor contour control on a Strawn correlative marker with only two control points in the immediate area of the field. The contour lines do reflect the regional geology to the best of our information. They are by no sense accurate beyond the

two control points.

Q Do you have data available to you at this time that will let you form an opinion as to whether or not the entirety of the north half of Section 11 is productive or that any of it is non-productive?

A No, sir; I don't. Actually, at this point acreage up there could very well be productive or could very well be non-productive.

Q What about the location in the northeast of the northeast?

A This could also turn out to be a dry hole. Hopefully not, but it very well could be.

Q Has it been general experience in southeast New Mexico with regard to these three formations that sometimes they are quite elusive and that you miss them even over short distances?

A Yes, sir; very much so. And this creates an extreme element of risk in any drilling for these particular formations.

Q Why is Pan American asking for this unorthodox location in the northeast of the northeast?

A Very frankly, we are asking for this unorthodox location to crowd in as close to proven

production as possible. Considering the cost of -- the extreme cost of drilling wells and the risk involved in drilling for these particular formations.

Q Under the present units that are assigned to the two producing wells, as you understand those units are assigned, let me ask you this: What acres are assigned to the unit to the Pennzoil well in the northeast of Section 12?

A As I understand the acreage assigned to that particular well is the north half of Section 12.

Q All right, sir. Do you know what unit is assigned to the Superior well in the east half of Section 1?

A To the best of my knowledge, it is the east half of Section 1.

Q And under that particular acreage assignment, is it not possible that wells drilled at an orthodox location will be closer to these two existing wells than will the unorthodox location we are requesting in the northeast of the northeast?

A This is especially true in Section 1; yes, sir.

Q Where would be a permitted location, orthodox location, for a well in the west half of Section 1?

A A permitted location would be 1980 from the south line and 1980 from the west line, being approximately 1320 feet west of the Superior Colette well.

Q Is it your understanding that a well has been staked at that location?

A It is my understanding that this has -- a well has been staked at this location.

Q Approximately how far is our unorthodox location request in the northeast of the northeast of 11 from the two existing wells?

A Our particular location is in excess of one half mile from the USA Pennzoil in Section 12 and approximately three-quarters of a mile from the Superior Colette.

Q All right, sir. Now, you know the rules of the New Mexico Conservation Commission provide that any time they grant an unorthodox location that they are to make an adjustment for any drainage advantage that the unorthodox

location might receive. Were you aware of that rule?

A Yes, sir; and I think it's a very fine rule.

Q How would you recommend to the Commission here today that they could make an adjustment that would compensate for any unfair drainage advantage we might achieve?

A I would recommend to the Commission that a well located approximately five hundred feet from the north line and five hundred feet from the east line of Section 11 would be penalized, or receive a penalty of thirty-five percent on any gas production from the well.

Q All right, sir. Do you base that recommendation on anything scientific like sixty-five percent of our proposed unit is productive and thirty-five percent non-productive?

A No, sir. There isn't any scientific basis for it because we do not know in the north half of Section 11 how much might be productive.

Q Now, do you feel that that would be a reasonable allowable adjustment until further data are required to set probably what might be more realistic

penalty?

A Yes, very definitely so.

Q Do you feel that subsequent data could show that thirty-five percent should be increased to adequately compensate for an unfair drainage advantage?

A Subsequent data, additional wells, performance in the area might reflect a thirty-five percent penalty is not enough to prevent or compensate for drainage, or it may indicate that a thirty-five percent penalty is too severe to prevent uncompensated drainage. And this is something that will have to be determined in the future.

Q All right, sir. Now, a little earlier we were talking about orthodox locations. You might point out for the record where orthodox locations now exist in our proposed unit both under the Commission rules and the FAA rules and regulations as we understand them.

A With respect to the north half of Section 11, orthodox locations would be 1980 feet from the west line and 660 feet from the north line.

Q That would fall outside of our shaded green

area on the Grace State Lease; would it not?

A Yes, it would.

Q Are all the -- all the acreage in this unit state leases?

A Yes, to my knowledge they are.

Q That's one, now is there another one over there?

A On the -- again in the northwest quarter of Section 11 there is a location, 1980 from the north and 1980 from the west which would be an orthodox location under statewide rule.

Q It would be 1980 from the west and 660 from the south?

A Six sixty from the south would be fine; yes, sir.

Q It would be orthodox?

All right. Now, let's come over--

MR. NUTTER: Six sixty from the south?

THE WITNESS: South of the north half.

MR. NUTTER: South of the north half?

THE WITNESS: Yes.

Q (By Mr. Buell) All right, sir. Let's

move over to the east half of our unit around the northeast quarter of Section 11.

A In the northeast quarter is a probable orthodox location being located 1980 from the east line and 660 from the south line of the north half of Section 11. However, this would have to be determined through detailed survey to the best of our knowledge.

Q All right, sir. Let's assume for the purpose of this Commission that such an orthodox location exists; would Pan American be willing to drill a well there?

A As far as I am concerned, our company would not be willing to drill a well there.

Q Would you recommend to your company that they drill a well there?

A I could not recommend so.

Q So really then, Mr. Hosford, the FAA regulations become loose except for the distance that we could locate our unorthodox location in the northeast of the northeast of Section 11?

A Yes, sir.

Q Because we do have an orthodox location in the east half of Section 11 as well as two in the west

half?

A Yes, sir.

Q Can you think of anything else you would like to add at this time?

A No, sir; I can't.

MR. BUELL: May it please the Examiner, that's all we have to offer by way of direct. I would like to formally offer our Exhibits One and Two.

MR. NUTTER: Pan American's Exhibits Numbers One and Two will be admitted in evidence.

(Whereupon, Pan American's Exhibits Numbers One and Two were admitted in evidence.)

MR. NUTTER: Does anyone have any questions of Mr. Hosford?

MR. PATMAN: I do, Mr. Examiner.

Does counsel for Pennzoil have anything they want to- -

MR. DURRETT: Go ahead.

MR. PATMAN: Mr. Buell, is this your only witness?

MR. BUELL: Yes, sir.

MR. PATMAN: All right, sir. Thank you.

CROSS EXAMINATION

BY MR. PATMAN:

Q Mr. Hosford, I believe I recall your direct testimony correctly; you testified that, I think you put it sort of, "In all honesty we want to crowd in as close to proven production as we can." I may not have those words exactly correct; but was that the substance of the reason that you gave for why Pan American is before the Oil Conservation Commission today seeking this non-standard location?

A Yes, sir. From the standpoint of protection of correlative rights for the royalty owners in the north half of Section 11, we very strongly believe that a well should be located as far to the east as possible to allow recovery of reserves that we feel could or could not be present in this portion.

There is a serious question as to the northwest quarter, and for this reason, we feel like it's necessary to protect correlative rights.

Q I can understand your concern for the correlative rights of the royalty owners under your lease there.

Have you considered the correlative rights of the royalty owners under the off-set leases?

A Yes, sir.

Q And off-set units?

A In considering the correlative rights, we have recommended a thirty-five percent reduction in gas takes.

Q Let me ask you this: Mr. Hosford, you have said that you would not recommend to your company the drilling of a regular location that may or may not be available to you in the north -- I guess it's the southeast -- southeast portion -- the southeast quarter of your unit. Have I- -

A Excuse me, I'm lost.

Q I understood Mr. Hosford to say, and maybe I will just ask it this way.

You stated that there were two orthodox locations available in the western half of the proposed unit and there might be a possible orthodox location available to you in the east half of your unit. Did I understand that correctly?

A Yes, sir.

Q All right. Now, I believe you said that

that possible location was in the southeast half of your unit. Didn't I understand that correctly?

You are contending that there is, as I understand it, no standard location available to you in the northeast quarter of your unit because of FAA regulations?

A No, sir. You are not right.

Q Would you correct me, please?

A In the northeast quarter of Section 11 there is a probable orthodox location being located 1980 feet from the east line and 660 feet from the south line of the north half of Section 11.

Q I think that our problem is that I, in my questions, was referring to your unit which constitutes only the north half and you, in your answers, was referring to the entire section.

We can, if you would, please, Mr. Hosford, only your unit; that is to say the north half of the section. You are prepared -- excuse me. You have testified that there is a probable orthodox location in the southeastern part of your unit; is that correct?

A Well- -

MR. BUELL: Why don't we refer to where it

actually is, which is the southwest of the northeast of Section 11. All of us know where it is that way.

MR. PATMAN: All right.

Q (By Mr. Patman) You have stated that wherever this location is that is probable, that you would not be willing to drill there or recommend to your company that you drill there?

A No, sir; not considering the nature of these pays and the risk involved.

Q All right. Now, in other words, you believe that a well located at that regular location would not recover hydrocarbons that would be recovered by a well located at the location -- the special location that you are recommending to the Commission?

A I didn't say that. I did say that as far as I was concerned, the north half of Section 11 being the drilling unit could or could not be productive. We do not know.

Q Well, I am asking you for your opinion now, Mr. Hosford. Do you believe that this special location that you have recommended this morning will recover hydrocarbons that would not otherwise be recovered by a well drilled at one of the regular locations on your

unit?

A It very possibly could. It also could be a dry hole.

Q Yet you believe that it's possible in your judgment that this special location would recover hydrocarbons that would not otherwise be recovered by any of the regular locations; is that right?

A If a well were drilled at a regular location in the southwest of the northeast quarter of Section 11, it might very possibly be a marginal well or it could be a good well or it could be a dry hole. If it were marginal and if it were a dry hole, then there could very possibly be reserves unrecovered by this well that would be within the drilling unit.

Q Now, where would those reserves come from, Mr. Hosford? Would they be located under your unit or located under an off-set unit?

A The reserves that we would recover that I am speaking of would be under our unit.

Q In other words, your testimony is that a well located at a regular location would not effectively drain your unit?

A At this point, it's impossible to say. There is high risk that it may be dry; it may be productive. But in considering the cost of a well and the risk involved here, it is just too risky a venture at this point for me to recommend to my company.

Q Now, let me ask you this, Mr. Hosford. What reason in your judgment -- and you are an experienced man in the oil business. For what reason are spacing rules generally adopted be they statewide rules or field rules?

A I would say the primary reason for statewide rules would be for the protection of correlative rights and also to allow or provide for orderly development, and also to prevent waste.

Q All right, sir.

Now, will this -- explain to me how this special location will better serve those functions than a regular location on your unit.

A Well, let's first consider the aspect of waste. I cannot see where drilling a three hundred thousand dollar dry hole is an aspect of waste in anybody's mind.

The State of New Mexico, Pan American

Petroleum Corporation and all people involved are badly in need of establishing and proving up producing gas reserves. Consequently, considering the risk involved, I would have to say that there is a lot less risk involved in drilling the proposed location than any other location in the northwest of Section 11.

Considering the standpoint of protection of correlative rights, we feel like that we have offered protection of correlative rights by recommending to the Commission that a penalty be assessed on the producing rate of this well.

Q And you believe that your well would still be economically remunerative to your company even with that thirty-five percent penalty that you recommended?

A Yes, sir; I do.

Q Now, Mr. Hosford, how would you suggest to the Commission that that penalty be enforced? Have you studied that matter?

A There are several ways that it can be enforced and I'm not going to presume how the Commission would enforce this penalty.

Q Are you aware of whether in other instances

the Oil Conservation Commission has enforced a penalty of this nature in a reservoir which has not been made subject to proration?

A To my -- I recall that there is a -- one particular field, West Ranger Lake, and the Commission can correct me if this is wrong -- but this is one field that is not prorated from the standpoint of having pool rules with an allocation formula and yet there are penalties assessed and these are governed by pipeline takes. This is a self-imposed penalty by the purchaser.

Q And it's -- you are telling -- your testimony to the Commission that they have authority to do this; that they could do it if they wanted to?

A I don't- -

MR. BUELL: I am going to restrict Mr. Hosford, his qualifications, now. He's not a lawyer.

Let me state this for the record, Mr. Patman, the penalty we are recommending is not a gimmick penalty. We want it to be an effective penalty. We also want this record to be clear; if later data shows it should be changed upward, it should be changed upward. If later data shows it should be adjusted downward, we

want it adjusted downward.

But we do want it to be an effective penalty. Normally the only effective way the Commission can enforce a reliable penalty is in a prorated pool. It's a very simple matter to apply to have these three pools prorated. That's one way.

Mr. Hosford has advised in West Ranger Lake I think we have two or more -- three wells that have an allowable penalty. There is one purchaser and that purchaser is adjusting his take on the basis of the penalty.

We have one of the penalized wells.

MR. PATMAN: Okay. Thank you, counsel. That throws some light on that question, I think.

Q (By Mr. Patman) Let me ask you this, Mr. Hosford. Under a 320-acre spacing concept would it in your judgment be fair to say that that spacing concept or unit size concept is based on the theory that a well can effectively -- one well on that 320 acres can effectively drain all the 320 acres. Is that the normal situation in your understanding?

A Under statewide application, I would say this would be the presumption. However, subsequent

production performance may indicate that a well could not drain 320 acres.

Q Well, now, would you tell the Commission whether in your judgment a well at this special location would effectively drain the entire 320 acre unit that you are proposing to declare here and drill on it?

A If this turns out to be a productive well in a gas reservoir, I would say very probably it would.

Q Now, your testimony is that it would just as effectively drain the westernmost part of the unit as would a well at a regular location which would be substantially further to the west?

A I would say in a gas reservoir -- and again I qualify my answer -- that if it is the nature of the gas reservoir that we see indicated in the three completion zones here, I would say very definitely that it could. Gas is a very mobile fluid.

Q Okay. Now, if it would drain the farthest westernmost parts of this unit as you have testified, would it also drain the area to the east? That is to say, would it drain the tract, the unit on which the Pennzoil well is located as shown on your Exhibit Number One?

A Without penalty there would, in my mind, be uncompensated drainage. Yes, sir.

Q Would it drain effectively the unit in which the well -- I believe you testified -- is proposed to be drilled by Pennzoil and Gulf is intended to be located?

A I would say that it could drain a portion of that. Yes, sir.

Q Well, how much of it?

A Well, I can't- -

Q You testified that it would drain -- that it located five hundred feet from the easternmost boundary of your unit would drain all the way to the other end to the westernmost end of your unit. Now, would it also drain the same distance in a northeasterly direction?

A Mr. Patman, I would say this, that any well located -- for instance, the USA Pennzoil well in the north half of Section 12 is going to drain, to my way of thinking, a portion of the east half of Section 1. The question is uncompensated drainage and through the penalty that we have recommended I would say that this well would not result in uncompensated drainage; net uncompensated drainage.

Q And the point that you are making to the Commission, then, is that you are not -- excuse me. You are not recommending to the Commission that this special location be permitted on the grounds of any topographical obstacles on the surface of the land; is that correct?

A No, sir; that is not exactly correct. I would say that Pan American would probably have located this well 660, for instance, from the north and east lines in the absence of the Carlsbad runway here and the safety restrictions involved.

Q The 660, I believe, though, would not comply with the State rules.

A No, sir. It would be an unorthodox location.

Q You are telling me that in your judgment you would not recommend to your company that any, and I repeat -- any standard location be drilled on this unit?

A In the north half of Section 11? No, sir; I would not.

Q All right. Now, the only reason, then, that you have advanced for not drilling any of the standard locations is the desire to recover hydrocarbons

that you say would not be otherwise recovered; is that correct?

A Considering the risk aspect and the less risk involved in drilling to the east, this is correct.

Q All right. Now you -- let me just repeat my question, then; and ask you to bear with me and see if you can't answer it.

You are not recommending to the Commission that this special location be permitted as an exception from a regular location because of any topographic features, but on the other hand, because of reservoir features; is that correct?

A As I stated before, in the absence of the Carlsbad Airport, we would have drilled 660 which would have been not at the locations that we are recommending at this time. We are recommending -- the recommended location at this time is approximately five hundred feet.

Q But the reason that you have for asking the Commission for a variance from the requirements of the statewide rules of New Mexico with respect to regular location, whether it be at the location that you are now saying or some other location which would constitute a

special location, is not because of a topographic feature on the surface of the land; is that correct?

A I would have to say so; yes, sir.

Q All right.

MR. PATMAN: I believe that's all the questions I have.

MR. NUTTER: Are there any further questions of Mr. Hosford? Mr. Durrett?

MR. DURRETT: Yes, sir.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Hosford, do you know when the Pan American took their lease, what day approximately?

A No, sir; I do not. Which lease?

Q Well, on the north half of the lease -- the unit that would cover the north half of the lease.

A Actually, there are two leases involved, and I do not know the dates.

Q Well, do you know -- let me ask you this question now. Do you know if the Carlsbad Airport as it now exists was in existence at the time that Pan American took their lease?

A Well, I am not a native of New Mexico, but I

would say it probably was; yes, sir.

Q So that any of the problems that are caused by the runway, Pan American would have known they might have had some drilling problems because of the runway?

A Yes, sir; I would say so.

MR. DURRETT: That's all I have, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hosford, in as much as the statewide rules for gas wells that are on 160-acre tracts call for the locations to be 660, 660 out of the boundary, wouldn't it follow that perhaps, if your well was located 660, 660 as you say -- said it might have been in the absence of the airport, wouldn't it follow then that the allowable for a well at that location would be fifty percent of a standard allowable; and then, that the reduction would be more than fifty percent for a well located 500 or 330?

A I would say, Mr. Examiner, that -- maybe I -- let me make sure I follow you here. That if this field were being developed on 160's this would be a standard

location for say- -

Q Six sixty, 660 would be.

A Yes, sir. Less than 320 feet -- I mean less than the pen depth well. And in this case I would say that there would be some penalty involved in moving off this 660 location. A 160-acre unit, yes, would have something like one-half the allowable if 320-acre units were established.

The way I understand statewide rules of New Mexico, that less than this depth, the cutoff depth of the pen would require -- provide for 160-acre spacing where deeper depths do provide for 320's.

Q Yes and I think that 160-acre unit would require 660, 660 location.

A Yes, sir.

Q So, then, if you say that a 660, 660 location is located on a 320-acre unit, shouldn't it get half in length? Or the equivalent of a 160-acre unit?

A Actually, I have never faced the problem.

MR. BUELL: That's one way to look at it, Mr. Examiner. We admitted we had no scientific basis for our thirty-five percent. It was just a figure that appeared reasonable. If the Commission thinks fifty percent is

more reasonable, well, we will just have to look; and if such an order should be issued -- and hopefully we will get an order of some type -- we will just have to look at it then and make a decision then whether with the penalty involved the risk would be worth the gamble.

MR. NUTTER: I believe that's the only question I had.

Are there others who would care to ask any questions? You may be excused.

Do you have anything further, Mr. Buell?

MR. BUELL: No, sir. That's all, no redirect.

MR. NUTTER: Does anybody have any testimony to put on?

MR. DURRETT: I may have some. May I have a minute?

MR. NUTTER: Yes.

MR. LOPEZ: Mr. Examiner, at this time I would like to enter my appearance. I am Owen Lopez of the lawfirm of Mitchell, Mitchell and Alley, Santa Fe. I am here appearing on the behalf of Michael P. Grace who has an eighty acre interest in the north half of the

proposed unit of Pan Am. And at this time for the record, I wish to say that we support Pan Am's request for an unorthodox drilling location in this unit, especially considering the fact that my client is a substantial lease holder in Section 2 north of Section 11 and anticipates serious topographic problems there.

MR. NUTTER: Thank you.

MR. PATMAN: Mr. Examiner, at the conclusion of Pan American's case I would like to move that their application be dismissed, and I would like to state two grounds for that motion, Mr. Examiner.

On the first place, the letter of application for this hearing from Pan American Petroleum Corporation and is dated February 3, 1970, states, and I quote,

"We are requesting this location exception due to the effect of topographic conditions in the immediate area." period, unquote.

The letter goes on to discuss the matter of the Carlsbad City Airport and the question of Federal Aviation Agency requirements. We do not believe, therefore, that the other parties to the hearing have been sufficiently notified of the basis on which Pan Am actually has founded their request for this special

location.

And the second ground to which I would like to state in support of my motion is that the state-wide rules of New Mexico, when they referred to the question of non-standard location -- and I speak specifically of Section Roman II and Capital F found on Page 18 of the rules and regulations to which I am presently referring -- states, "The Secretary Director of the Commission shall have authority to grant an exception to the well location requirement based upon topographical condition or the recompletion of a well previously drilled to another horizon."

It's my judgment that Pan American case does not come within either of those two criteria and I would so urge this point.

I would like not to waive my opportunity to make a closing statement at the end of any further testimony that may be presented, but I wanted to raise these matters at this time, if the Examiner please.

MR. NUTTER: Thank you.

Mr. Buell.

MR. BUELL: Yes, sir. May I say this briefly by way of reply. With regard to our letter of

application, actually, we didn't have to set out anything in that as for non-standard location. So I don't see how Superior has been injured in any way there. As he so eloquently brought out on his cross examination, a portion of this request does involve topography and it -- that we would probably locate at 660 instead of the approximate 500 if the airport and the FAA rules and regulations were not involved.

With regard to his second point, I haven't had time to check this, but if memory serves me correctly, he is reading from the portion of the rules that relate to administrative approval of an unorthodox location. And this is a hearing matter.

MR. PATMAN: I don't wish to take up the time of the Commission and argue any further at this point, but I would like to correct what I feel to be a misstatement of my own position by the distinguished counsel for Pan Am. He said that my cross examination brought out the point that the location which they have proposed was in some manner based on topography. I think that's misleading, and I would like to simply say in that regard that the question which I put to the

witness for Pan Am and his answer, of course, speak for themselves; but in my judgment, the Pan Am witness made it quite clear that they would not be prepared to drill on any of the standard locations in their unit. And that the reasons for requesting a non-standard location, be it this location, the one he says in his letter or the one that he now urges orally, the reason for requesting a non-standard location simply and clearly in this case is not because of topographical features.

MR. BUELL: Mr. Hosford testified that he would not recommend that they drill a well on any of the orthodox locations available. He testified that he would recommend drilling a well 660, 660.

MR. NUTTER: I think we will deny the motion.

Go ahead, Mr. Durrett.

(Witness sworn.)

B. C. SINCLAIR

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

DIRECT EXAMINATION

BY MR. DURRETT:

Q Please state your name and position.

A B. C. Sinclair, petroleum engineer with Pennzoil United, Incorporated, Midland, Texas.

Q Mr. Sinclair, have you previously testified as an expert witness before this Commission and had your qualifications made a matter of record?

A Yes, sir. I have.

Q Will you please refer to what you have marked as Exhibit Number One and explain to the Commission what that represents?

A This Exhibit One is a map of the South Carlsbad area. In discussing this exhibit I will try not to repeat everything that Pan Am testified to, but I do want to point out a few things.

First of all, this map shows locations of the wells that have been drilled in the South Carlsbad area. They are the two wells pointed out in Pan Am's testimony. The Pennzoil well in the north half of Section 12 is the Mobil 12 Federal Number One well; and this well is completed in the Atoka and the Morrow Gas Pools of the South Carlsbad field. The well is a discovery well for these two pools.

The other well is the Superior Colette Number One in the east half of Section 1. This well is

the discovery well for the Carlsbad South-Strawn Gas Pool.

Also shown on this map is the location in the west half of Section 1 of the Pennzoil Gulf Federal Number One well. This location has been approved as a twelve thousand foot Morrow test and will be started within the next day or two.

The map also shows the spacing units for the wells that have been completed and the proposed spacing units for the location that has been staked.

The map also shows the lease ownership of the various leases in this area. It shows the leases held by Pennzoil, by Superior, by Gulf Oil Corporation, by Mobil Oil Corporation and others.

Also shown as a purple square in the north-east corner of Section Number 11, is the proposed unorthodox location of Pan Am. The location shown is 330 feet from the east line and 330 from the north line of the section and this has been changed by previous testimony.

I would like to point out that we feel that it's obvious that a well drilled at this location or at the approximately 500 foot location, that -- as it

now exists, would obviously result in severe and unjustified drainage of acreage held by Pennzoil and other operators in the field.

The map also shows the airport features of the Carlsbad Airport. It shows the runways and the approaches on to these runways.

Q Now, you have corrected that approach zone as it was shown on the printed copy; is that correct?

A Yes. The approach zone on the southeast side of the runway has been altered by pencil; and the approach zone shown in pencil is the correct approach zone that exists at this time as determined from conversations with the FAA in Albuquerque.

We would like to point out that the map shows four orthodox locations in the north half of Section 11 that are available to Pan American for drilling a well to develop this gas unit.

As shown on the map all four of these locations lie outside of this approach zone. We do recognize that the two westernmost locations could probably be drilled without any objection on the part of the FAA.

I say probably because we do not know the exact surface location, the surface elevation of these locations and the surface elevation of these locations is a factor in determining whether they would be acceptable to the FAA.

The southeastern location would probably require a more detailed and complete study by the FAA than would the other two locations before a determination could be made as to acceptability to the FAA.

The northeasternmost location probably would be not acceptable to the FAA.

We further determined from talking to Mr. Jenness, J-e-n-n-e-s-s, who is the air space officer for the Albuquerque area office of the Federal Aviation Agency Administration, that the local FAA office can approve a location if they determined that it is not a hazard to air navigation. But that they must submit any request for a location which is questionable to a higher authority for a determination, for further study and a determination as to its acceptability to the FAA.

Mr. Jenness stated that often times exceptions to the FAA rules were made for a temporary structure such

as a drilling rig. And that the only way to determine whether a location was acceptable was to have it submitted to the FAA and a determination made.

I would like to point out another solution to the problem of drilling an orthodox location in the north half of Section 11, would be to drill a directional hole from a location acceptable to the FAA. Now, we feel that this would solve any problems that Pan American might have with the FAA.

The penalty requested by Pan American for a well, if it is approved at an unorthodox location, in my judgment, is not adequate. A well drilled within 500 feet of the lease line when the statewide rules require it to be 1980 feet from that line, would not be adequately penalized with a thirty-five percent penalty. I think a basis for the penalty could be relative distance from the lease line of the well at the unorthodox location compared to its location if it were at an orthodox location.

In other words, if a 500 foot location is drilled, then a reasonable penalty would be 500 over 1980 times the allowable for an unpenalized well.

I believe that's all.

Q Now, Mr. Sinclair, we had some testimony by Mr. Buell's witness concerning the risk that would be involved in drilling a well in the northern half of Section 11.

What's your feeling about the risk that Pennzoil took on that discovery?

A Well, I think it's obvious that Pennzoil feels like the reservoirs that have been completed in in this area are justifiable risks for wildcat drilling in the State of New Mexico. We have drilled many wells, wildcat wells to these reservoirs and have made several discoveries in each of these reservoirs. And we feel like that our interest, our correlative rights would not be protected if, after we had taken the initial risk of drilling the discovery well, the wild well, if Pan Am was allowed to come in and crowd our location and drain it by uncompensated drainage.

Q One additional question. In your experience as a petroleum engineer, since we are talking about gas wells, is there any unusual engineering problems that are encountered in producing gas wells that have been directionally drilled?

A No, there are no problems gas wells that have

been -- producing gas wells that have been directionally drilled; there is no need for artificial lifts and this eliminates the common problem encountered in producing a directional hole.

Q So, it is your testimony that if this well was directionally drilled to bottom at a standard location, that it could be produced engineeringwise just as easily as it could if it was a straight hole?

A Yes.

MR. DURRETT: That's all I have, Mr.

Examiner.

MR. NUTTER: Are there any questions of the witness?

MR. BUELL: I have one or two, Mr.

Examiner.

CROSS EXAMINATION

BY MR. BUELL:

Q Excuse me, Mr. Sinclair, are you a reservoir engineer?

A Yes, I am.

Q And you said that if our well is allowed to be located 500 feet from the Pennzoil line that your correlative rights would be grossly violated?

A Yes, sir.

Q That our well would recover a lot of your gas?

A Yes, sir.

Q Five hundred feet from line?

A Yes, sir.

Q All right, sir. Let's go over and look at your well 660 feet from the Superior line.

Are you getting their gas?

A No, sir. They have a well 660 from our line also.

Q You better look at your map.

A I am looking at it.

Q Now, you say that the Superior well is 660 feet from your line?

A Yes.

Q I am talking about your well in the north half -- I can't see your section number on here. What section is that, you have got the section covered up?

A Twelve.

Q Let me get our map.

All right. I am referring to your Atoka-Morrow

completion in the north half of Section 12 in the north quarter. How far are you from Superior's line?

A We are 660 feet from there.

Q Are you grossly violating their correlative rights?

A No, we are not.

Q Gas will travel 500 feet but it won't travel 660 feet?

A No, we are within the statewide rules- -

Q I'm talking to you as a reservoir engineer not about rules.

A I am telling you that these rules are established on reservoir engineering- -

Q Well, then you and I are going to discuss it here.

Is it your testimony that our well 500 feet from your unit will drain your unit, but your well 660 feet from the Superior property won't drain their gas? Is that your testimony?

A We are going to recover some of their gas and they are going to recover some of our gas on other -- in other units.

Q How are they going to recover any of your gas in the north half of Section 12?

A I didn't say what -- the north half of Section 12.

Q Well, I am asking you. Are they?

A I don't think so.

Q Where are they going to get your gas?

A They could get some of our gas from the west half of Section 1.

Q So really when we get down to it, are we talking about uncompensated drainage?

A No, sir.

Q Isn't that the problem on correlative rights? You don't feel you are violating correlative rights of Superior?

A I feel like we are -- I know we are within the statewide rules. They are established to protect correlative rights and, therefore, I think those rules are adequate and that's all we need to say about it.

Q As a reservoir engineer, you know that reservoir doesn't pay any attention to manmade rules at the surface; do they?

A Well, what does that have to do with the

problem?

Q It has a lot to do with the problem. I can't understand why you are concerned about our well 500 feet from your line violating your correlative rights and you are not at all concerned about Superior's correlative rights when you are 660 feet from their line.

A Superior had every right to drill a well 660 feet from the south line. There was nothing to keep them from doing that. They chose to drill it at their location for reasons known only to them, I suppose. And they had the right to protect themselves and chose, probably for good reason, not to.

Q Well, Mr. Sinclair, you know- -

A They might think that they could make a better well and therefore get more gas from the location they drilled rather than a location 660 feet from the south line.

Q Would you explain to me how Superior drilled a well 660 feet from your line when the east half of Section 1 is prorationed?

A I didn't say that.

Q That's where Superior's properties are.

A We have part of the properties in the east

half of Section 1.

Q Superior acreage -- does Superior own acreage in the west half of Section 1?

A Not according to my map.

But we could have dedicated the south half of Section 1 to the well, to the Superior well, and that would have enabled them to have drilled on a 660 foot location.

Q As a reservoir engineer, do you recognize that an allowable penalty assessed by the Commission could prevent our well 500 feet from your line enjoying any uncompensated drainage?

A Yes, I do. The proper penalty could do that.

Q You don't think thirty-five is enough?

A That's correct.

MR. BUELL: That's all.

MR. NUTTER: Are there any other questions of Mr. Sinclair? You may be excused.

MR. PATMAN: One question, Mr. Examiner.

MR. NUTTER: All right.

MR. PATMAN: Mr. Sinclair, are the Superior

Colette wells and the Pennzoil well here in the north half of Section 12 producing from the same zone?

THE WITNESS: No, they are not.

MR. PATMAN: There isn't any drainage between those two wells, is there?

THE WITNESS: Not at the present time, no.

MR. PATMAN: Thank you.

MR. NUTTER: Are there any other questions of this witness?

MR. DURRETT: I don't believe I introduced my exhibit, Mr. Examiner.

Mr. Sinclair, was Exhibit Number One prepared by you or under your supervision?

THE WITNESS: Yes, it was.

MR. DURRETT: I now move the introduction of Pennzoil Exhibit Number One.

MR. NUTTER: Pennzoil's Exhibit Number One will be admitted in evidence.

(Whereupon, Pennzoil's Exhibit Number One was admitted in evidence.)

MR. NUTTER: If there are no further questions of the witness, he may be excused.

Does anyone have anything they wish to offer in Case 4316?

MR. BUELL: Mr. Examiner, in view of some of this testimony, I would like to recall Mr. Hosford

for some very brief redirect.

PATRICK E. HOSFORD

recalled as a witness, having been previously duly sworn, was examined and testified as follows:

REDIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Hosford, on Mr. Sinclair's direct he mentioned the possibility of directionally drilling from a surface unorthodox location or an orthodox subsurface location. Have you investigated that possibility in the north half of Section 11?

A Yes, we have. This would be an extremely risky thing to do in my way of thinking. We are looking at quite a bit of expense, probably in excess of fifty thousand dollars to directionally drill if it were at all possible to do so.

Q We all understand that directionally drilling except in a few selected pools in the country is quite hazardous.

Is there anything here that makes directionally drilling here more hazardous?

A There are definite indications of law circulation zones. I think that lone springs is a

hazard here. Also there is a pretty good salt section through here that must be cased off. And as I understand it, we are looking at -- to directionally drill, and in fact, any well out here an intermediate casing point somewhere in the range of eighty-seven hundred feet deep and to -- from eighty-seven hundred feet to any distance at all, to a TD of eleven thousand five hundred or twelve thousand feet is a pretty good feat in itself.

Q All right, sir. Do you have anything else you would care to add?

A No, sir.

MR. BUELL: That's all.

MR. PATMAN: Well, as long as he has been recalled, Mr. Examiner, may I pose one or two additional questions?

MR. NUTTER: Sure.

RECROSS EXAMINATION

BY MR. PATMAN:

Q Mr. Hosford, let's try to identify the posture in which you approach the Commission.

You say that, as I understand your testimony, it's right and equitable that Pan American be permitted to

drill in this location that is a non-standard location very close to or as close as possible as you put it, to existing production.

Do you believe that's right and equitable?
Do I understand your view?

A I would say it's right and equitable insofar as protection of the correlative rights of the owners under the north half of Section 11 and would be right and equitable only if a penalty were assessed to protect the correlative rights of others.

Q Okay. Now, drawing your attention to Section 2 which immediately adjoins Section 11 to the north, according to the map presented by Pennzoil United, their Exhibit Number One; they state that Humble and Grace are the lease owners or the owners with the operating interests in the south half of that section. Would it be equally right and equitable for them if you were to get this well that you propose and bring in a good one, for them to drill 300 feet from their line to the north of you? Would you have any objection to that?

A I couldn't presume to speak for the Graces or the Humble interest in Section 2, but I would have to say that if an unorthodox location were granted with a

penalty, as we have recommended, at the location we are talking about in Section 11, then I think that we would have very little disagreement and could not oppose the drilling of an unorthodox location in Section 2.

Q Well, then, Mr. Hosford, what is the function of statewide rules? Are they based on the determination that these figures, these distances and these unit sizes protect correlative rights? We all have to agree with that. They are enforced throughout the State of New Mexico and in other oil producing states as well. Is that correct?

A I have testified to that before, that there are three purposes of the statewide rules.

Q All right, sir. Will you generally agree with my statement, then?

A Yes.

Q All right. Now, is it your position that you have testified that your well should be permitted to be drilled here and you said that you wouldn't believe that it would be appropriate to object to similar request by Grace and Humble? Is it your position that as a matter of principle any operator should be permitted to

violate the statewide rules and drill anywhere he wants on his property if he accepts the penalty such as the one you propose?

MR. BUELL: May it please the Examiner. When you come to the Commission and ask for exception and it's granted by the Commission with a penalty you are not violating any Commission rules. You are following actually the procedure the Commission rules set out which we are doing here today.

I hate to object to Mr. Patman's cross examination, but he's repeating and rehashing things that were gone over before.

MR. PATMAN: Well, I don't regard my most recent question as a repeat or a rehash of anything, but if counsel wants to so characterize it- -

MR. BUELL: Counsel did.

MR. PATMAN: I would like the leave of the Examiner to ask this witness if he believes that the only function statewide rules have is to provide for exceptions and that he says -- he says he wants an exception here. He says that he is willing to recommend or he believes it would be equitable for Humble and Grace to get an exception. Now, what I am asking is does

he believe that as a matter of practice anybody who's willing to take a penalty should be granted an exception?

MR. BUELL: He's already told you in his judgment if someone asked for an unorthodox location and sent it in to the Commission and they want to grant it with an appropriate penalty that will prevent uncompensated drainage or any advantage to that well, that he would recommend it. But he can't sit in judgment for this Commission, Mr. Patman. He's already given you what he felt -- what he would recommend.

MR. PATMAN: Well, I think counsel answered my question, so I will just rest on that matter.

Thank you.

MR. BUELL: And I disagree with your contentions that these statewide rules per se are equitable. I think we have got a vivid example right here in Section 12, where they don't work perfectly at all times to protect correlative rights.

MR. NUTTER: Does anyone have any further questions?

MR. DURRETT: I have just one.

RECROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Hosford, you stated in your earlier testimony on either direct, redirect or cross-redirect, or something, that you wouldn't consider drilling any of the standard locations as far as recommending to your company?

A That's correct. I could not recommend any of the standard locations to my company.

Q But you say that you did consider directionally drilling to a standard location; is that what you said?

A No. I said we looked at the risk involved and the cost involved and quickly dismissed it.

Q I see.

MR. BUELL: We anticipated, Mr. Durrett, that that would be brought up.

MR. DURRETT: Thank you. That's all I have.

MR. NUTTER: If there are no further questions, the witness may be excused.

Does anyone have anything they wish to offer in this case?

We will call for statements. Mr. Buell, you

can go ahead. If anyone has any.

MR. DURRETT: I would like to briefly make a statement, Mr. Examiner, and I don't want to rehash and hash everything we have already hashed.

I would like to say just very briefly to reiterate what Pennzoil's position is.

There are three things we feel could be done with this case.

Number One is deny the application, and we strongly recommend that. What we are talking about here is correlative rights and how to protect correlative rights, now. Pan American, by their own testimony and the testimony of Pennzoil and everyone's testimony has three, at least three, standard locations that they can drill in this section.

We say that the Commission ought to require them to go ahead and drill one of those standard locations under the rules and that would adequately protect everybody's correlative rights.

What we are talking about here, what Pennzoil's position is, is that we are going to be drained by this well at approximately 500 feet out of the corner. I don't think there's any question about it, and I don't

think that anyone has really testified contrary to that here today. And we want to be protected against that drainage. So, we state that we feel to adequately protect correlative rights, they should be required to drill one of their three standard locations.

The second alternative would be to permit them to drill at a non-standard location and bottom the well at the standard location. Now, we feel that that alternative would also adequately protect everyone's correlative rights. All the parties would then get their fair share of the gas in this pool. So we recommend that if the Commission does not see fit to deny the application, that they should deny it with the alternative that they could directionally drill and bottom the hole at a standard location.

The third alternative would be the one Mr. Buell has requested which would be to go ahead and drill at the 500 foot location and to place a penalty on them. Now, as far as the penalty, that's where we get into trouble there. What is and what is not fair.

Now, we feel and Mr. Sinclair has testified that thirty-five percent penalty that Pan Am is asking for

is not and would not be fair.

Mr. Sinclair testified that he would feel one way to do it would be to come back on a prorated basis based on how far you were going back from where the well should have been to cut back and put a penalty on it. Another way would be the one that the Examiner suggested. That at least fifty percent based on half of a 320. That would be the last alternative, and we do not feel that would be satisfactory.

So we would recommend that it be denied. If the Commission does not see fit to do that, then they require them to directionally drill, and third, if the Commission does not see fit to do that, they place an appropriate penalty on them.

MR. PATMAN: If the Examiner please, I believe I should state the position of the Superior Oil Company very briefly.

We agree with Pennzoil that the Commission should deny and we recommend that the Commission deny the application submitted here today by Pan American.

We believe that the situation exists and there is evidence before the Commission that there are at least three standard locations available. In fact,

we believe that since the -- all parties I think are agreed on the fact that nobody really understands the Federal Aviation Agency regulations, and there may, in fact, be all four standard locations available to Pan Am. And under these circumstances we feel that the Commission must compel -- must not permit Pan Am to deviate from those standard locations if they propose to have a 320-acre proration unit.

Now, there are two other suggestions that have been made by Pennzoil or by Pan Am. We would not have any objection to their drilling anywhere they want to as long as they bottom on one of their standard locations.

In respect to the third point, the penalty -- this does get us into a very difficult situation. We are strongly of the view stated by Pennzoil that substantial cross-line drainage which would be disadvantageous to the Superior Oil Company and specifically to the Colette well would occur if Pan Am were permitted to drill a well at this proposed location and it were completed in the common source of supply.

Now, with respect to the distance, they have testified that they don't know how much of the 320-acres

is productive. We don't know how much it is. Well, why don't they declare 160-acre proration unit, then they would be required, as the Examiner pointed out, only to be 660 feet away from the corner. Now, if they wanted then to locate 500 feet out of the corner, let the Commission provide for an allowable of five hundred six hundred and sixtieth's of a hundred and sixty-acre allowable, there having only 160-acre proration unit.

They have not testified that the 320-acre unit was productive or even reasonably productive as I recall their testimony.

MR. BUELL: If it please the Examiner, I have almost made my closing statement or argument in my arguments with Mr. Patman.

I would like to make one observation for the record. I have never seen an applicant in any case get so much suggestions about how he ought to spend his money, as we have gotten today from Superior and Pennzoil.

I believe the record is clear, not even Pennzoil tried to repute this; the Atoka, the Morrow and the Strawn are extremely elusive targets in southeast New Mexico. We have been just as honest and forward and

forthright here today as we could be. We must tell you honestly we don't know how much of our proposed unit consisting of the north half of Section 11 is productive.

Mr. Hosford can't even guarantee Pan American that this well in the northeast of the northeast will be productive. We do feel, though, there are hydrocarbon in those three formations under our Section 11 and that we should have an opportunity to recover those for ourselves and the Grace's working interest and the state as royalty interest owners. The drilling of a dry hole at an orthodox location in the west half of our unit is not going to benefit anyone or protect anyone's correlative rights. It would not only be -- no correlative rights would be protected; it's an economic waste.

We are not asking for any advantage over any operator in this pool. We are requesting this Commission to set a penalty such that any advantage we have from a drainage standpoint from this unorthodox location will be compensated for by the penalty.

We feel that, initially at least, that thirty-five percent penalty is reasonable if the Commission agrees. If the Commission in its wisdom thinks that that isn't enough, or hopefully, if they think it's too much,

they can reduce it or increase it as they feel will protect correlative rights because we are not asking for any advantage.

Also I have got to point out that some of our opponents' concern over correlative rights come in degrees. They are tremendously concerned about us even with a penalty draining some of their gas while they -- from a well 500 foot from their line while their well is 660 feet from the neighbor's line. Now it's true, their well is orthodox under statewide rules, and Pan American and I supported the adoption of the rules we have agreed so vehemently here today. I thought it was a progressive step forward then. I think it's a progressive step forward now. But I don't think just because it's a rule we should close our eyes to some of its weaknesses. And we have a glaring example of its weakness right here in Section 12 and Section 1.

Even a layman can look at the Pennzoil well and the Superior well in the Superior tract and look at our well 500 feet from the line and the Pennzoil tract, and know there is going to be as much cross-line migration from Superior to Pennzoil as there is going to be from Pennzoil to Pan American. But we are asking

for a penalty to prove that drainage occurred.

I urge the Commission to approve our request with a reasonable penalty.

MR. NUTTER: Thank you.

Is there anything further in this case?

We will take the case under advisement, and a fifteen minute recess.

MR. BUELL: May we reopen the record for just one minute, Mr. Examiner. I will assure you, I don't believe this will be controversy at all.

I would urge the Commission whether they are going to approve this or deny it, if they would act with as much haste as they possibly could. One of our leases involved in this unit has an expiration date of April, 1970.

MR. NUTTER: Well, Durrett there can tell you that the shortest orders or the easiest ones to write are the ones that stay home. If you want a real quick one.

MR. BUELL: I am asking for a quick one, but not- -

MR. NUTTER: We will give the case due

for a penalty to prove that drainage occurred.

I urge the Commission to approve our request with a reasonable penalty.

MR. NUTTER: Thank you.

Is there anything further in this case?

We will take the case under advisement, and a fifteen minute recess.

MR. BUELL: May we reopen the record for just one minute, Mr. Examiner. I will assure you, I don't believe this will be controversy at all.

I would urge the Commission whether they are going to approve this or deny it, if they would act with as much haste as they possibly could. One of our leases involved in this unit has an expiration date of April, 1970.

MR. NUTTER: Well, Durrett there can tell you that the shortest orders or the easiest ones to write are the ones that stay home. If you want a real quick one.

MR. BUELL: I am asking for a quick one, but not- -

MR. NUTTER: We will give the case due

consideration with the utmost speed possible.

(WHEREUPON, the Hearing was recessed
at 3:30 P.M.)

I N D E X

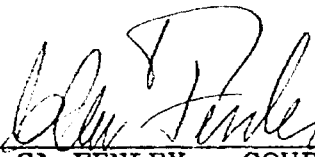
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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, CA FENLEY, 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.



CA FENLEY - COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Bernalillo hearing of Case No. 4316
 heard by the Commission on 2/4 1920



New Mexico Oil Conservation Commission

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
1120 SIMMS BLDG. • P. O. BOX 1692 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 25, 1970

EXAMINER HEARING

IN THE MATTER OF:)

Application of Pan American Petroleum)
Corporation for an unorthodox gas well) Case No. 4316
location, Eddy County, New Mexico.)

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4316.

MR. HATCH: Case 4316. Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.

The Applicant has requested that this case be continued to March 4th, 1970.

MR. UTZ: Case 4316 will be continued to March 4th.

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.

Glenda Burks

Notary Public

My Commission Expires:

March 12, 1973

I do hereby certify that the foregoing is a complete record of the proceedings in the Eddy County Hearing of Case 4316, heard by me on March 2, 1970.

Glenda Burks

Secretary
New Mexico Oil Conservation Commission



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

May 4, 1970

Mr. Guy Buell
Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Re: Case No. 4316
Order No. R-3953
Applicant:
Pan American Petroleum Corp.

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. James Durrett, Mr. Booker Kelly, Mr. Owen Lopez

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. 4316
Order No. R-3953

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR AN 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 March 4, 1970,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of May, 1970, the Commission, a
quorum being present, having considered the record and the recom-
mendations of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be
granted.

IT IS THEREFORE ORDERED:

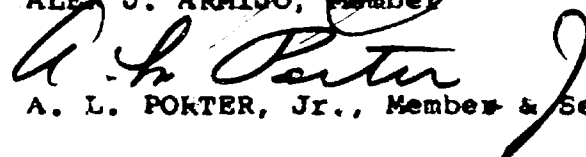
That Case No. 4316 is hereby dismissed.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


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

esr/

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH, TEXAS—76101

April 20, 1970

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico, 87501

Re: Case No. 4316

Dear Sir:

On March 4, 1970, the New Mexico Oil Conservation Commission heard the above referenced case which was the application of Pan American Petroleum Corporation for an unorthodox gas well location in the NE/4 NE/4 of Section 11-23S-26E, South Carlsbad-Strawn, -Atoka and -Morrow Gas Pools, Eddy County, New Mexico. At the hearing Pan American amended the well location from 330 feet from the North line and 330 feet from the East line to approximately 500 feet from the North and East lines. This amendment was based on information given us in good faith by Mr. Owen Lopez, attorney for Mr. Michael Grace. The FAA had informed Mr. Lopez that they would approve a well location at this approximate distance. Naturally, the thrust of all our testimony and that of those who opposed the application concentrated on the amended location.

A survey made on the ground now shows that the FAA would not approve a location any further away than 386 feet from the North and East lines of Section 11.

In view of these developments, Pan American respectfully requests that an order be entered dismissing the above referenced case.

Yours very truly,

Guy T. Buell
GUY T. BUELL,
Attorney

GTB:mc

cc: Mr. Owen Lopez
Mr. James Durrett
Mr. Phillip Patman

CASE 4317: (Continued from the February 25, 1970, Examiner Hearing)
Application of Union Oil Company of California for the creation of a new gas pool and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres gas pool for its Federal "18" Well No. 2 located 660 feet from the South and East lines of Section 18, Township 8 South, Range 38 East, Roosevelt County, New Mexico, and for the promulgation of special rules therefor, including provisions for 160-acre spacing units and a casing program.

CASE 4319: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the North Vacuum-Abo Pool and the Vacuum-Wolfcamp Pool in the wellbores of its New Mexico "Q" State Well No. 4 and its New Mexico "N" State Well No. 6, triple completions located respectively in Unit P of Section 25, Township 17 South, Range 34 East and Unit L of Section 30, Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 4315: (Continued from February 25, 1970, Examiner Hearing)
Application of Pan American Petroleum Corporation for pool consolidation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of the Fowler-Lower Paddock and Fowler-Blinebry Pools, Lea County, New Mexico, into one pool. Applicant further requests that the consolidated pool be governed by rules presently applicable to the Fowler-Blinebry Pool.

CASE 4316: (Continued from February 25, 1970, Examiner Hearing)
Application of Pan American Petroleum Corporation for an un-orthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 104 C 11 to permit the drilling of a well at an un-orthodox gas well location 330 feet from the North and East lines of Section 11, Township 23 South, Range 26 East, South Carlsbad-Strawn, -Atoka, and -Morrow Gas Pools, Eddy County, New Mexico. The N/2 of said Section 11 to be dedicated to the well.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 4, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 4318: Application of Pan American Petroleum Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard gas proration units into one 320-acre non-standard unit comprising the N/2 of Section 7, Township 24 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its Meyers "B" Federal R/A Wells Nos. 1 and 10, located in Units D and G, respectively, of said Section 7. Applicant further seeks authority to produce the allowable assigned to said unit from either of said wells in any proportion.

CASE 4065: (Reopened):

In the matter of Case No. 4065 being reopened pursuant to the provisions of Order No. R-3706, which order established 80-acre spacing units for the South Eunice-San Andres Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre units.

CASE 4314: (Continued and readvertised from February 25, 1970, Examiner Hearing)

Application of Coastal States Gas Producing Company for pool redelineation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the redelineation of certain pool boundaries to include the deletion of the W/2 and SE/4 of Section 21, Township 13 South, Range 33 East, Lea County, New Mexico, from the Lazy J-Pennsylvanian Pool and the extension of the North Baum Upper Pennsylvanian Pool to include said deleted acreage.

CASE 4069: In the matter of Case No. 4069 being reopened pursuant to the provisions of Order No. R-3701, which order established 80-acre spacing units for the Lovington-Devonian Pool, Lea County, New Mexico, for a one-year period. All interested parties may appear and show cause why said pool should not be developed on 40-acre units.
(Reopened)

J. M. DURRETT, JR.
Attorney at Law
1814 San Mateo NE
Albuquerque, New Mexico
Box 3001

268-2466

March 23, 1970

25 MAR 25 AM 8 25

Mr. George M. Hatch
General Counsel
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 4316

Dear George:

I would certainly appreciate it if you could forward me a copy of the FAA Regulations which Pan Am introduced at the hearing. I think this was their exhibit No. 2. If you have an extra copy of the plat which they introduced or can make one for me, I would appreciate it as my client and I, neither one, ended up with one.

Also, there was testimony to the effect that Pan Am had another well at a non-standard location which had been penalized. I think this was in the West Ranger Lake Field in Lea County. I would appreciate it if you could send me a copy of the order concerning that well.

Thank you very much for your assistance.

Very truly yours,



J. M. Durrett, Jr.

JMD:ap



western union

Telegram

(420).

KA126 WSA388

Case 4316

1970 FEB 3 PM 3 40

NS MDA064 NL PD=MIDLAND TEX 3=

MAIN OFFICE 000

A L PORTER JR. SECRETARY DIRECTOR (COPY)=

NEW MEXICO OIL CONSERVATION COMMISSION 70 FEB 4 AM 10 32

PO BOX 2088 SANTA FE NMEX=

Ans

FOLLOWING TELEGRAM SENT TO D L RAY DIVN ENGR PAN
AMERICAN PETROLEUM CORP FORT WORTH TEXAS: PENNZOIL
UNITED, INC. STRONGLY OBJECTS TO YOUR REQUEST FOR AN
UNORTHODOX GAS WELL LOCATION 3307 FNL AND 3307 FEL
SECTION 11. T-233, R-26E EDDY COUNTY NEW MEXICO FOR A
NEW WELL TO BE DRILLED IN THE SOUTH CARLSBAD ATOKA AND
MORROW POOLS=

DOCKET MARKED

F CLINTON EDWARDS PENNZOIL UNITED INC=

Date _____

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH, TEXAS—76101

February 5, 1970

D. L. RAY
DIVISION ENGINEER

File: PEH-56-986.510.1

Subject: Unorthodox Gas Well Location
Undesignated Well No. 1
South Carlsbad Atoka, Morrow and
Strawn Pools, Eddy County, New MexicoNew Mexico Oil Conservation Commission (3)
State Land Office Building
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Reference is made to our letter of February 3, 1970,
File: PEH-48-986.510.1, which requested that a hearing be
docketed to consider our application for an unorthodox gas well
location for a well to be located in the South Carlsbad Morrow
and Atoka Pools. We now wish to request that the South Carlsbad-
Strawn Pool be included in our request for an exception. Our
request will be, therefore, for an unorthodox location in the
South Carlsbad-Strawn, Morrow, and Atoka Pools.

Yours very truly,

D. L. Ray

WCW:jn

FEB 9 1970

file -
Cone 4316

Mobil Oil Corporation

February 26, 1970

RECEIVED
FEB 27 AM 8 15
1970

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

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

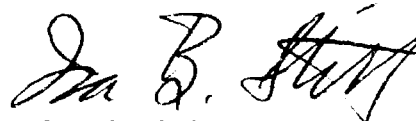
GMV
file - case 4316

CASE 4316
APPLICATION OF PAN AMERICAN
PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION
SOUTH CARLSBAD-STRAWN, ATOKA
AND MORROW GAS POOLS,
EDDY COUNTY, NEW MEXICO

Gentlemen:

Mobil Oil Corporation recommends that Pan American Petroleum Corporation's application for an exception to Rule 104C to permit the drilling of a well at an unorthodox gas well location 330 feet from the north and east lines of Section 11, Township 23 South, Range 26 East, Eddy County, New Mexico be denied.

Very truly yours,



Ira B. Stitt
Division Operations Engineer

CRKreuz/bje

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF PAN AMERICAN PETROLEUM COR-)
PORATION FOR AN UNORTHODOX GAS)
WELL LOCATION, EDDY COUNTY, NEW) Case No. 4316
MEXICO, SOUTH CARLSBAD-STRAWN, -)
ATOKA, AND - MORROW GAS POOLS.)

ENTRY OF APPEARANCE

The undersigned Atwood, Malone, Mann & Cooter of Ros-
well, New Mexico, hereby enter their appearance herein for Pan
American Petroleum Corporation with Guy Buell, Esquire, of Fort
Worth, Texas.

ATWOOD, MALONE, MANN & COOTER

By Charles E. Malone
Attorneys for Pan American
Petroleum Corporation
Post Office Drawer 700
Roswell, New Mexico 88201

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 25, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 4296: (Continued from the January 21, 1970 Examiner Hearing)
Application of S. P. Yates for a pressure maintenance project expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the S. P. Yates West McMillan Anderson Pressure Maintenance Project, authorized by Order No. R-3852, by the injection of water into the Queen formation through one additional well, the Anderson Well No. 3 located 2310 feet from the East line and 990 feet from the South line of Section 11, Township 20 South, Range 26 East, West McMillan-Seven Rivers-Queen Pool, Eddy County, New Mexico.
- CASE 4308: Application of Bill J. Graham for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from 4913 feet to 4961 feet in his U. S. Smelting Federal Well No. 5 located in Unit P of Section 22, Township 24 South, Range 32 East, Double X-Delaware Pool, Lea County, New Mexico.
- CASE 4309: Application of Mobil Oil Corporation for an amendment of Order No. R-3824, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3824 to permit the drilling of its Humphrey Queen Unit Well No. 13, a water injection well in its Langlie Mattix Humphrey Waterflood Project, at a non-standard location 1500 feet from the South line and 1220 feet from the East line of Section 4, Township 25 South, Range 37 East, Lea County, New Mexico, in lieu of the location authorized in said Order No. R-3824.
- CASE 4310: Application of Klabzuba, Munson and Seaman for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a wildcat oil well to the Devonian formation at an unorthodox location 700 feet from the East line and 2500 feet from the South line of Section 13, Township 10 South, Range 27 East, Chaves County, New Mexico.

CASE 4311: Application of C. E. Long for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests from the surface down to the base of the Seven Rivers formation underlying the S/2 of the NE/4 of Section 31, Township 21 South, Range 36 East, Lea County, New Mexico, to form two 40-acre proration units for Jalmat, Eumont, or South Eunice Oil production to be dedicated to a well to be re-entered in Unit H and a well to be re-entered or to be drilled at a standard location in Unit G of said Section 31 and/or to form an 80-acre non-standard gas proration unit in the event gas production is encountered in the Jalmat or Eumont Gas Pools. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4312: Application of U. S. Potash & Chemical Company, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-111-A to include the following-described lands in the Potash-Oil Area defined by said order:

EDDY COUNTY, NEW MEXICO

Township 23 South, Range 31 East,
Sections 19, 20, 27, 28, 29 and 30: All

CASE 4313: Application of Atlantic Richfield Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of 160-acre non-standard gas proration unit comprising the N/2 S/2 of Section 36, Township 21 South, Range 37 East, Blinbry Gas Pool, Lea County, New Mexico, to be dedicated to its State 367 Wells Nos. 2 and 3 located, respectively, in Units L and K of said Section 36. Applicant further seeks authority to produce the allowable assigned to said unit from either of the aforesaid wells in any proportion.

CASE 4314: Application of Coastal States Gas Producing Company for pool redelineation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the redelineation of certain pool boundaries to include the deletion of the W/2 and SE/4 of Section 21, Township 13 South, Range 33 East, Lea County, New Mexico, from the Lazy J-Pennsylvanian Pool and the extension of the North Baum Upper Pennsylvanian Pool to include said deleted acreage.

CASE 4315: Application of Pan American Petroleum Corporation for pool consolidation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of the Fowler-Lower Paddock and Fowler-Blinebry Pools, Lea County, New Mexico, into one pool. Applicant further requests that the consolidated pool be governed by rules presently applicable to the Fowler-Blinebry Pool.

CASE 4316: Application of Pan American Petroleum Corporation for an un-orthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 104 C 11 to permit the drilling of a well at an un-orthodox gas well location 330 feet from the North and East lines of Section 11, Township 23 South, Range 26 East, South Carlsbad-Strawn, Atoka, and-Morrow Gas Pools, Eddy County, New Mexico. The N/2 of said Section 11 to be dedicated to the well.

CASE 4317: Application of Union Oil Company of California for the creation of a new gas pool and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres gas pool for its Federal "18" Well No. 2 located 660 feet from the South and East lines of Section 18, Township 8 South, Range 38 East, Roosevelt County, New Mexico, and for the promulgation of special rules therefor, including provisions for 160-acre spacing units and a casing program.



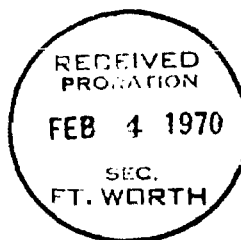
WCD

D. H. STALLARD
AIRSPACE SPECIALIST

FEDERAL AVIATION ADMINISTRATION
AIR TRAFFIC DIVISION
AIRSPACE AND PROCEDURES BRANCH
P.O. BOX 1699
FORT WORTH, TEXAS 76101

TELEPHONES: 627
OFFICE: 624-4911 *58*
HOME: 927-2432

~~ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED~~



Part 77—Objects Affecting Navigable Airspace

Subpart A—General

§ 77.1 Scope.

This Part—

- (a) Establishes standards for determining obstructions in navigable airspace;
- (b) Sets forth the requirements for notice to the Administrator of certain proposed construction or alteration;
- (c) Provides for aeronautical studies of obstructions to air navigation, to determine their effect on the safe and efficient use of airspace;
- (d) Provides for public hearings on the hazardous effect of proposed construction or alteration on air navigation; and
- (e) Provides for establishing antenna farm areas.

§ 77.2 Definition of terms.

[For the purpose of this Part:

["Airport available for public use" means an airport that is open to the general public with or without a prior request to use the airport.

["A seaplane base" is considered to be an airport only if its sea lanes are outlined by visual markers.]

§ 77.3 Standards.

(a) The standards established in this Part for determining obstructions to air navigation are used by the Administrator in—

- (1) Administering the Federal-aid Airport Program and the Surplus Airport Program;
- (2) Transferring property of the United States under Section 16 of the Federal Airport Act;
- (3) Providing technical advice and assistance in the design and development of airports; and
- (4) Imposing requirements for public notice of the construction or alteration of any structure where notice will promote air safety.

(b) The standards used by the Administrator in the establishment of flight procedures and aircraft operational limitations are not set forth in this Part but are contained in other publications of the Administrator.

§ 77.5 Kinds of objects affected.

This Part applies to—

- (a) Any object of natural growth, terrain, or permanent or temporary construction or alteration, including equipment or materials used therein, and apparatus of a permanent or temporary character; and
- (b) Alteration of any permanent or temporary existing structure by a change in its height (including appurtenances), or lateral dimensions, including equipment or materials used therein.

Subpart B—Notice of Construction or Alteration

§ 77.11 Scope.

(a) This subpart requires each person proposing any kind of construction or alteration described in § 77.13(a) of this chapter to give adequate notice to the Administrator. It specifies the locations and dimensions of the construction or alteration for which notice is required and prescribes the form and manner of the notice. It also requires supplemental notices 48 hours before the start and upon the completion of certain construction or alteration that was the subject of a notice under § 77.13(a).

(b) Notices received under this subpart provide a basis for—

- (1) Evaluating the effect of the construction or alteration on operational procedures and proposed operational procedures;
- (2) Determinations of the possible hazardous effect of the proposed construction or alteration on air navigation;

(3) Recommendations for identifying the construction or alteration in accordance with the current [FAA Advisory Circular AC 70.7460 entitled] "Obstruction Marking and Lighting," which is available through any FAA Office and is on sale at the U.S. Government Printing Office, Washington, D.C. 20402;

(4) Determining other appropriate measures to be applied for continued safety of air navigation; and

(5) Charting and other notification to airmen of the construction or alteration.

§ 77.13 Construction or alteration requiring notice.

[(a) Except as provided in § 77.15, each sponsor who proposes any of the following construction or alteration shall notify the Administrator in the form and manner prescribed in § 77.17:

[(1) Any construction or alteration of more than 200 feet in height above the ground level at its site.

[(2) Any construction or alteration of greater height than an imaginary surface extending outward and upward at one of the following slopes:

[(i) 100 to 1 for a horizontal distance of 20,000 feet from the nearest point of the nearest runway of each airport specified in subparagraph (5) of this paragraph with at least one runway more than 3,200 feet in actual length, excluding heliports.

[(ii) 50 to 1 for a horizontal distance of 10,000 feet from the nearest point of the nearest runway of each airport specified in subparagraph (5) of this paragraph with its longest runway no more than 3,200 feet in actual length, excluding heliports.

[(iii) 25 to 1 for a horizontal distance of 5,000 feet from the nearest point of the nearest landing and takeoff area of each heliport specified in subparagraph (5) of this paragraph.

[(3) Any highway, railroad, or other traverse way for mobile objects, of a height which, if adjusted upward 17 feet for an Interstate Highway that is part of the Na-

tional System of Military and Interstate Highways where overcrossings are designed for a minimum of 17 feet vertical distance, 15 feet for other highways, 25 feet for a railroad, and, for any other traverse way, an amount equal to the height of the highest unshielded mobile objects that would normally traverse it, would exceed a standard of subparagraph (1) or (2) of this paragraph.

[(4) When requested by the FAA, any construction or alteration that would be in an instrument approach area (defined in the FAA standards governing instrument approach procedures) and available information indicates it might exceed a standard of Subpart C of this part.

[(5) Any construction or alteration on any of the following airports (including heliports):

[(i) An airport that is available for public use and is listed in the Airport Directory of the current Airman's Information Manual or in either the Alaska or Pacific Airman's Guide and Chart Supplement.

[(ii) An airport under construction, that is the subject of a notice or proposal on file with the Federal Aviation Administration, and except for military airports, it is clearly indicated that that airport will be available for public use.

[(iii) An airport that is operated by an armed force of the United States.

[(b) Each sponsor who proposes construction or alteration that is the subject of a notice under paragraph (a) of this section and is advised by an FAA area office that a supplemental notice is required shall submit that notice on a prescribed form to be received by the FAA area office at least 48 hours before the start of the construction or alteration.

[(c) Each sponsor who undertakes construction or alteration that is the subject of a notice under paragraph (a) of this section shall, within 5 days after that construction or alteration reaches its greatest height, submit a supplemental notice on a prescribed form to the FAA area office having jurisdiction over the area involved, if—

[(1) The construction or alteration is more than 200 feet above the surface level of its site; or

[(2) An FAA area office advises him that submission of the form is required.]

§ 77.15 Construction or alteration not requiring notice.

No person is required to notify the Administrator for any of the following construction or alteration:

(a) Any object that would be shielded by existing structures of a permanent and substantial character or by natural terrain or topographic features of equal or greater height, and would be located in the congested area of a city, town, or settlement where it is evident beyond all reasonable doubt that the structure so shielded will not adversely affect safety in air navigation.

(b) Any antenna structure of 20 feet or less in height except one that would increase the height of another antenna structure.

[(c) Any air navigation facility, airport visual approach or landing aid, aircraft arresting device, or meteorological device, of a type approved by the Administrator, the location and height of which is fixed by its functional purpose.]

(d) Any construction or alteration for which notice is required by any other FAA regulation.

§ 77.17 Form and time of notice.

[(a) Each person who is required to notify the Administrator under § 77.13 (a) shall send two executed copies of FAA Form 117, "Notice of Proposed Construction or Alteration," to the Chief, Air Traffic Branch, FAA Area Office (or, Chief, Air Traffic Division, for the Alaskan and Pacific Region) having jurisdiction over the area within which the construction or alteration will be located. Copies of FAA Form 117 may be obtained from the headquarters of the Federal Aviation Administration, the regional and the area offices.]

(b) The notice required under § 77.13(a) (1) through (4) must be submitted at least 30 days before the earlier of the following dates—

(1) The date the proposed construction or alteration is to begin.

(2) The date an application for a construction permit is to be filed.

However, a notice relating to proposed construction or alteration that is subject to the licensing requirements of the Federal Communications Act may be sent to the FAA at the same time the application for construction is filed with the Federal Communications Commission, or at any time before that filing.

(c) A proposed structure or an alteration to an existing structure that exceeds 2,000 feet in height above the ground will be presumed to be a hazard to air navigation and to result in an inefficient utilization of airspace and the applicant has the burden of overcoming that presumption. Each notice submitted under the pertinent provisions of Part 77 proposing a structure in excess of 2,000 feet aboveground, or an alteration that will make an existing structure exceed that height, must contain a detailed showing, directed to meeting this burden. Only in exceptional cases, where the FAA concludes that a clear and compelling showing has been made that it would not result in an inefficient utilization of the airspace and would not result in a hazard to air navigation, will a determination of no hazard be issued.

(d) In the case of an emergency involving essential public services, public health, or public safety, that requires immediate construction or alteration, the 30-day requirement in paragraph (b) of this section does not apply and the notice may be sent by telephone, telegraph, or other expeditious means, with an executed FAA Form 117 submitted within five days thereafter. Outside normal business hours, emergency notices by telephone or telegraph may be submitted to the nearest FAA Flight Service Station.

[(e) Each person who is required to notify the Administrator by paragraph (b) or (c) of § 77.13, or both, shall send an executed copy of FAA Form 117-1, "Notice of Progress of Construction or Alteration" to the Chief, Air Traffic Branch, FAA Area Office (or, Chief, Air Traffic Division, for the Alaskan or Pacific Region) having jurisdiction over the area involved.]

§ 77.19 Acknowledgment of notice.

(a) The FAA acknowledges in writing the receipt of each notice submitted under § 77.13 (a).

(b) If the construction or alteration proposed in a notice is one for which lighting or marking standards are prescribed in the [FAA Advisory Circular AC 70/7460-1 entitled] "Obstruction Marking and Lighting," the acknowledgment contains a statement to that effect and information on how the structure should be marked and lighted in accordance with the Advisory Circular.

(c) The acknowledgment states that an aeronautical study of the proposed construction or alteration has resulted in a determination that the construction or alteration—

(1) Would not exceed any standard of Subpart C and would not be a hazard to air navigation;

(2) Would exceed a standard of Subpart C but would not be a hazard to air navigation; or

(3) Would exceed a standard of Subpart C and further aeronautical study is necessary to determine whether it would be a hazard to air navigation, that the sponsor may request within 30 days that further study, and that, pending completion of any further study, it is presumed the construction or alteration would be a hazard to air navigation.

Subpart C—Obstruction Standards**§ 77.21 Scope.**

(a) This subpart establishes standards for determining obstructions to air navigation. It applies to existing and proposed man-made objects, objects of natural growth, and terrain. [The standards apply to the use of navigable airspace by aircraft and to existing air navigation facilities, such as an air navigation aid, airport, Federal airway, instrument approach procedure, approved off-airway route, control zone, or transition area. Additionally, they apply to a planned facility or use, or a change in an existing facility or use, if a proposal

therefore is on file with the FAA or the Department of Defense on the date the notice required by § 77.13 (a) is filed.]

(b) Minimum obstruction clearance altitudes are considered in place of minimum en route altitudes in applying the standards of this subpart to objects whenever planning information available at the time of filing of the notice required by § 77.13(a) indicates a need to lower the minimum en route altitude of a segment of a Federal airway, and that need may be filled by an additional VOR, DME, or other air navigation aid.

[(c) The standards in this subpart apply to the effect of construction or alteration proposals upon an airport if, at the time of filing of the notice required by § 77.13(a), that airport is—

[(1) Available for public use and is listed in the Airport Directory of the current Airman's Information Manual or in either the Alaska or Pacific Airman's Guide and Chart Supplement; or,

[(2) A planned or proposed airport or an airport under construction, that is the subject of a notice or proposal on file with the Federal Aviation Administration, and, except for military airports, it is clearly indicated that that airport will be available for public use; or,

[(3) An airport that is operated by an armed force of the United States.

[(d) [Deleted]]

§ 77.23 Standards for determining obstructions.

(a) An existing object, including a mobile object, is, and a future object would be, an obstruction to air navigation if it is of greater height than any of the following heights or surfaces:

(1) A height of 500 feet above ground level at the site of the construction or alteration.

(2) A height that is 200 feet above ground level or above the established airport elevation, whichever is higher, within three statute miles of the established reference point of an airport, excluding heliports, with

its longest runway more than 3,200 feet in length, and that height increases in the proportion of 100 feet for each additional statute mile of distance from the airport up to a maximum of 500 feet.

(3) A height that is 100 feet above ground level or 100 feet above the elevation of the approach end of the runway, whichever is higher, within an instrument approach area and within three statute miles of the runway end, and that height increases in the proportion of 25 feet for each additional statute mile of distance outward from the runway end up to a maximum of 250 feet and continuing at that height to a distance of ten statute miles from the runway end.

(4) A height which would increase an instrument approach minimum flight altitude.

(5) A height in or under a Federal airway, transition area, or control zone, or within five statute miles of the course of an approved off-airway route, that is either 200 feet above ground level or 1,451 feet below the established minimum flight altitude, whichever is higher.

(6) An imaginary surface that begins at an altitude of 500 feet below the minimum en route altitude of each Federal airway or approved off-airway route and extends from the lateral boundaries of that airway and from a distance of five statute miles horizontally on both sides from the course of that route. For a distance of 25 statute miles along the airway or route from the nearest electronic air navigation aid upon which the airway or route is based, the imaginary surface extends outward and upward at a slope of 50 to 1 to five statute miles horizontal distance from the boundaries of each airway and ten statute miles horizontal distance on both sides from the course of each route. At greater distances than 25 statute miles along the airway or route from the nearest such aid, the imaginary surface begins at the same height and distance in relation to each airway and route but extends outward the five statute miles distance on a horizontal plane.

(7) An imaginary surface that begins at an altitude of 500 feet below the minimum

altitude established for any initial approach, transition or procedure turn of any instrument approach procedure, or for any holding procedure, and extends outward and upward from the boundary of the area involved, including any buffer zone, at a slope of 50 to 1 for five statute miles horizontal distance.

[(8) The surface of a takeoff and landing area of an airport or any imaginary surface established under § 77.25, § 77.27, § 77.28, or § 77.29. However, no part of the takeoff and landing area itself will be considered an obstruction. Each airport imaginary surface that is established for a civil airport is based on runway lengths corrected in accordance with the current FAA airport design standards to no gradient and standard conditions of temperature and elevation.]

(b) Except for traverse ways on or near an airport with an operative ground traffic control service furnished by an air traffic control tower or by the airport management and coordinated with the air traffic control service, the standards of paragraph (a) of this section apply to traverse ways used or to be used for the passage of mobile objects only after the heights of those traverse ways are increased 17 feet for an interstate highway, 15 feet for any other highway, 25 feet for a railroad, and, for any other traverse way, an amount equal to the height of the highest unshielded mobile object that would normally traverse it.

[(c) [Deleted]]

§ 77.25 Civil airport imaginary surfaces related to airport reference points.

The following civil airport imaginary surfaces are established with relation to the airport reference point which is fixed at the approximate center of the airport takeoff and landing area and is given the established airport elevation. The size of each such surface is based on the corrected length of the longest runway of the airport. For the purposes of this Part, a runway is the area designated for the landing and takeoff of aircraft.

(a) Horizontal surface—a circular plane, 150 feet above the established airport elevation,

with a radius from the airport reference point of:

(1) 5,000 feet, for an airport with its longest runway no more than 3,200 feet in length and for all airports constructed to "VFR Airports" standards.

(2) 7,000 feet, for an airport with a runway more than 3,200, but not more than 6,000 feet in length.

(3) 11,500 feet, for an airport with a runway more than 6,000, but not more than 7,500 feet in length.

(4) 13,000 feet, for an airport with a runway more than 7,500 feet in length.

(b) Conical surface—a surface extending from the periphery of the horizontal surface outward and upward at a slope of 20 to 1 for the horizontal distances, and to the elevations, above the airport elevation, of:

(1) 3,000 feet, to an elevation of 300 feet, for an airport with its longest runway no more than 3,200 feet in length and for all airports constructed to "VFR Airports" standards.

(2) 5,000 feet, to an elevation of 400 feet, for an airport with a runway more than 3,200, but not more than 6,000 feet in length.

(3) 7,000 feet, to an elevation of 500 feet, for an airport with a runway more than 6,000 feet in length.

§ 77.27 Civil airport imaginary surfaces related to runways.

The following civil airport imaginary surfaces are established for runways based upon their corrected lengths, whether the airport is constructed to "VFR Airports" standards, and whether the runway is an ILS runway, i.e., one equipped with a precision landing aid such as ILS, ground-controlled approach (GCA), or precision approach radar (PAR).

(a) Primary surface—a surface longitudinally centered on a runway and extending in length 100 feet beyond each end of a runway of an airport constructed to "VFR Airports" standards and 200 feet beyond each end of a runway of any other airport. The elevation of any point on the longitudinal profile of a primary surface, including the extensions, coincides with the elevation of the centerline of the runway, or extension, as appropriate. The

width of a primary surface is 200 feet for runways of airports constructed to "VFR Airports" standards. For other airports the width is:

(1) 250 feet, for non-ILS runways 3,200 feet or less in length.

(2) 400 feet, for non-ILS runways more than 3,200, but not more than 4,200 feet in length.

(3) 500 feet, for non-ILS runways more than 4,200 feet in length.

(4) 1,000 feet, for ILS runways.

(b) ILS approach surface—a surface longitudinally centered on the extended centerline of an ILS runway, beginning [at each end of the primary surface] and extending outward and upward at a slope of 50 to 1 for a horizontal distance of 10,000 feet and at a slope of 40 to 1 for an additional 40,000 feet. This surface is the width of the primary surface at the beginning and expands uniformly to a width of 16,000 feet at a distance of 50,000 feet from the end of the primary surface.

(c) Non-ILS approach surface—a surface longitudinally centered on the extended centerline of the runway, beginning [at each end of the primary surface], with slopes and dimensions as follows:

(1) Airports constructed to "VFR Airports" standards—the surface begins 200 feet wide [at each end of the primary surface] and extends outward and upward at a slope of 20 to 1, expanding to a width of 500 feet at a horizontal distance of 3,000 feet.

(2) Airports not constructed to "VFR Airports" standards—

(i) Runways of 3,200 feet or less in length—the surface begins 250 feet wide [at each end of the primary surface] and extends outward and upward at a slope of 20 to 1, expanding to a width of 2,250 feet at a horizontal distance of 10,000 feet.

(ii) Runways more than 3,200, but not more than 4,200 feet in length—the surface begins 400 feet wide [at each end of the primary surface] and extends outward and upward at a slope of 40 to 1, expanding to a width of 2,400 feet at a horizontal distance of 10,000 feet.

(iii) Runways more than 4,200 feet in length—the surface begins 500 feet wide [at each end of the primary surface] and extends outward and upward at a slope of 40 to 1, expanding to a width of 2,500 feet at a horizontal distance of 10,000 feet.

(d) *Transitional surfaces*—these surfaces apply only at airports constructed to other than "VFR Airports" standards. They extend outward and upward at right angles to the runway centerline at a slope of 7 to 1 from the edges of the primary and the approach surfaces until they intersect the horizontal or conical surface, except that transitional surfaces for those portions of ILS approach surfaces that project through and beyond the limits of the conical surface, extend a distance of 5,000 feet measured horizontally from the edges of those portions of the approach surfaces and at right angles to the runway centerline.

(e) *Vertical surfaces*—these apply only at airports constructed to "VFR Airports" standards. They extend upward from the edges of the primary surfaces and the approach surfaces until they intersect with the horizontal surfaces.

§ 77.28 Military airport imaginary surfaces.

(a) *Related to airport reference points.* These surfaces apply to all military airports where the length of the longest runway is over 5,000 feet. At all other military airports, the appropriate provisions of § 77.25 apply.

(1) *Inner horizontal surface*—a plane is oval in shape at a height of 150 feet above the established airfield elevation. The plane is constructed by scribing an arc with a radius of 7,500 feet about the centerline at the end of each runway and interconnecting these arcs with tangents.

(2) *Conical surface*—a surface extending from the periphery of the inner horizontal surface outward and upward at a slope of 20 to 1 for a horizontal distance of 7,000 feet to a height of 500 feet above the established airfield elevation.

(3) *Outer horizontal surface*—a plane, located 500 feet above the established airfield elevation, extending outward from the

outer periphery of the conical surface for a horizontal distance of 30,000 feet.

(b) *Related to runways.* These surfaces apply to all military airports where the length of the longest runway is over 5,000 feet. At all other military airports, the appropriate provisions of § 77.27 apply.

(1) *Primary surface*—a surface located on the ground or water longitudinally centered on each runway with the same length as the runway. The width of the primary surface for runways longer than 5,000 feet is 2,000 feet. However, at established bases where substantial construction has taken place in accordance with a previous lateral clearance criteria, the 2,000-foot width may be reduced to the former criteria.

(2) *Clear zone surface*—a surface located on the ground or water at each end of the primary surface, with a length of 1,000 feet and the same width as the primary surface.

(3) *Approach clearance surface*—an inclined plane, symmetrical about the runway centerline extended, beginning 200 feet beyond each end of the primary surface at the centerline elevation of the runway end and extending for 50,000 feet. The slope of the approach clearance surface is 50 to 1 along the runway centerline extended until it reaches an elevation of 500 feet above the established airport elevation. It then continues horizontally at this elevation to a point 50,000 feet from the point of beginning. The width of this surface at the runway end is the same as the primary surface, it flares uniformly, and the width at 50,000 is 16,000 feet.

(4) *Transitional surfaces*—these surfaces connect the primary surfaces, the first 200 feet of the clear zone surfaces, and the approach clearance surfaces to the inner horizontal surface, conical surface, outer horizontal surface or other transitional surfaces. The slope of the transitional surface is 7 to 1 outward and upward at right angles to the runway centerline.

§ 77.29 Airport imaginary surfaces for heliports.

(a) *Heliport primary surface.* The area of the primary surface coincides in size and shape

with the designated takeoff and landing area of a heliport. This surface is a horizontal plane at the elevation of the established heliport elevation.

(b) *Heliport approach surface.* The approach surface begins at each end of the heliport primary surface, with the same width as the primary surface, and extends outward and upward at a slope of 8 to 1 to the minimum en route elevation where its width is 500 feet.

(c) *Heliport transitional surfaces.* These surfaces extend outward and upward from the lateral boundaries of the heliport primary surface and from the approach surfaces at a slope of 2 to 1 for a distance of 250 feet measured horizontally from the centerline of the primary and approach surfaces.

Subpart D—Aeronautical Studies of Effect of Proposed Construction on Navigable Airspace

§ 77.31 Scope.

(a) This subpart applies to the conduct of aeronautical studies of the effect of proposed construction or alteration on the use of navigable airspace by aircraft. In the aeronautical studies, present and future IFR and VFR aeronautical operations and procedures are reviewed and any possible changes in those operations and procedures and in the construction proposal that would eliminate or alleviate the conflicting demands for the navigable airspace are ascertained.

(b) The conclusion of a study made under this subpart is normally a determination as to whether the specific proposal studied would be a hazard to air navigation.

§ 77.33 Initiation of studies.

An aeronautical study is conducted by the FAA—

(a) Upon the request of the sponsor of any construction or alteration for which a notice is submitted under Subpart B, unless that construction or alteration would be located within an antenna farm area established under Subpart F; or

(b) Whenever the FAA determines it appropriate.

§ 77.35 Aeronautical studies.

(a) The Regional Director of the region in

which the proposed construction or alteration would be located, or his designee, conducts the aeronautical study of the effect of the proposal upon the safe and efficient utilization of the navigable airspace.

(b) To the extent considered necessary, the Regional Director or his designee—

(1) Solicits comments from all interested persons;

(2) Explores objections to the proposal and attempts to develop recommendations for adjustment of aviation requirements that would accommodate the proposed construction or alteration;

(3) Examines possible revisions of the proposal that would eliminate the exceeding of the standards in Subpart C; and

(4) Convenes a meeting with all interested persons for the purpose of gathering all facts relevant to the effect of the proposed construction or alteration on the safe and efficient utilization of the navigable airspace.

(c) The Regional Director or his designee issues a determination as to whether the proposed construction or alteration would be a hazard to air navigation and sends copies to all known interested persons. This determination is final unless a petition for review is granted under § 77.37.

(d) If the sponsor revises his proposal to eliminate exceeding of the standard of Subpart C, or withdraws it, the Regional Director, or his designee, terminates the study and notifies all known interested persons.

§ 77.37 Discretionary review.

(a) The sponsor of any proposed construction or alteration or any person who stated a substantial aeronautical objection to it in an aeronautical study, or any person who has a substantial aeronautical objection to it but was not given an opportunity to state it, may petition the Administrator, within 30 days after issuance of the determination under § 77.19 or § 77.35 or revision or extension of the determination under § 77.39(c), for a review of the determination, revision, or extension. This paragraph does not apply to any acknowledgment issued under § 77.19(c) (1).

J. M. DURRETT, JR.
Attorney at Law
1317 San Mateo NE
Albuquerque, New Mexico
Box 3001

268-2466

Mrs. Ida Rodriguez
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Dear Ida:

I am enclosing Pan Am's Exhibit No. I in
Case No. 4316. Thank you very much for your help.

Best regards,

Very truly yours,



J. M. Durrett, Jr.

JMD:ap
encl.

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING P. O. BOX 1410

FORT WORTH, TEXAS—76101

February 3, 1970

D. L. RAY
DIVISION ENGINEER

File: PEH-48-986.510.1

Subject: Unorthodox Gas Well Location
Undesignated Well No. 1
South Carlsbad Atoka and Morrow Pools
Eddy County, New Mexico

70 FEB 5 PM 1 07

Case 4316

New Mexico Oil Conservation Commission (3)
State Land Office Building
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Pan American Petroleum Corporation respectfully requests that a hearing be docketed on your February 25th hearing schedule to consider our request for an unorthodox gas well location in the subject pools. The proposed location of this well is 330' FNL and 330' FEL, Unit A, Section 11, T23S, R26E, Eddy County, New Mexico.

We are requesting this location exception due to the effect of topographic conditions in the immediate area. The Carlsbad City Airport is located in Section 2 directly to the north of our proposed location. In order to meet Federal Aviation Agency requirements regarding structures in the vicinity of an airfield and to provide for the safety of aircraft using this field, we are requesting approval of this unorthodox location. Attached is a plat showing our proposed location, the operators of units offsetting our proposed unit, and a sketch of the airport runways affecting a regular location.

Yours very truly,

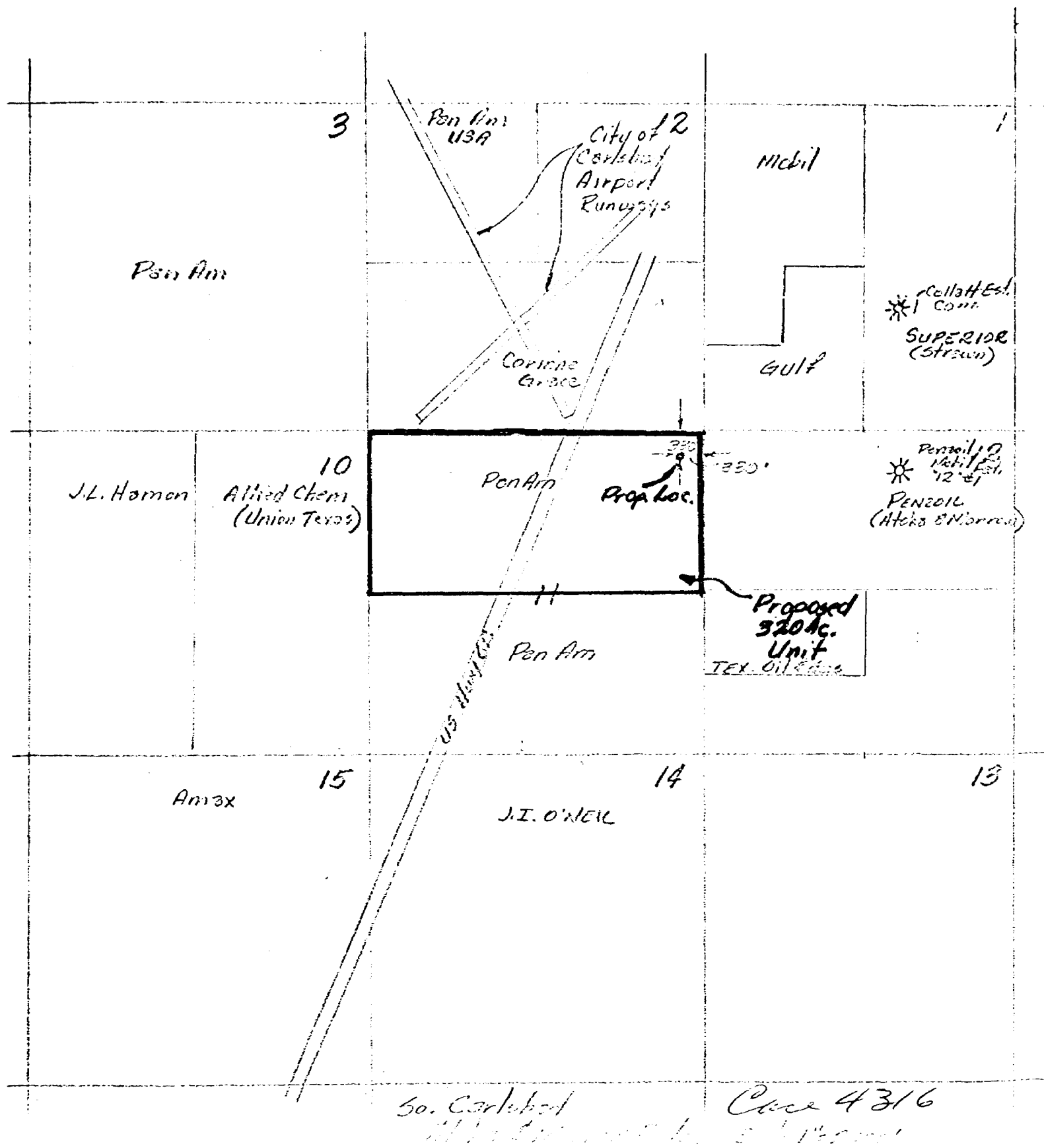
D. L. Ray

WCW:jn
Attachments

DOCKET MAILED

Date 2-13-70

✓ 2-1970



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. 4316

Order No. R- 3953

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
March 4, 19670, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this _____ day of April, 19670, the Commission,
a quorum being present, having considered the record and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

That the applicant's request for dismissal should be
granted.

IT IS THEREFORE ORDERED:

That Case No. 4316 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

Pan American Petroleum Co.

NSL

undesignated well #1

South Carlsbad Atoka + Marrow
Gas Pools -

Atoka - Marrow + Starn
Pools

330 FNL 330 FEL
Sec 11 - T23SR26E
Eddy

320 N/2 of Sec -